

MORTGAGE OF LEASEHOLD INTEREST

THIS MORTGAGE made on the 18th day of SEPTEMBER, 1991, between DAVID L. OTOS and KARI L. OTOS, husband and wife, and MIKE D. DROVDAHL and NANCY L. DROVDAHL, husband and wife, herein referred to as "mortgagor", and herein referred to as CORBETT J. TURNER and HELEN M. TURNER, husband and wife, "mortgagee".

WITNESSETH

WHEREAS, mortgagor is the assignee under a certain assignment of lease, dated the 18th day of SEPTEMBER, 1991, under which there was assigned to mortgagor, all of the right, title and interest of mortgagee in the premises hereinafter mentioned and described, together with the appurtenances and improvements existing thereon; to have and to hold the same unto mortgagor, as lessee, and to their executors, administrators, and assigns, said assignment being attached hereto as Exhibit "A" and incorporated herein by reference.

WHEREAS, mortgagor is justly indebted to mortgagee in the sum of TEN-THOUSAND-SEVEN-HUNDRED-FIFTY DOLLARS (\$10,750) lawful money of the United States, evidenced by an Agreement for Purchase and Sale of Leasehold and Improvement dated the 18th day of SEPTEMBER, 1991, a copy of which is attached as Exhibit "B" and conditioned on the payment of said

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Registered	
Indexed, or	
Recorded	
Filed	12/6/91
Mailed	

NA
SANDRA WILLING JLO
CLAY COUNTY

sum as provided for in said contract, with interest, if any, as provided for therein.

It is expressly agreed that the whole of such principal sum shall become due at the option of mortgagee after default of the payment of any installment of interest or principal, or any taxes, assessments, or rents, as hereinafter provided.

It is further agreed that mortgagor, as additional security for the payment of such sum of money mentioned in the contract, a copy of which is attached hereto as Exhibit "B", interest thereon, does grant and release, assign, transfer and set over unto mortgagee, his heirs and assigns forever, all of mortgagor's right, title and interest to the following described leasehold and improvements for collateral purposes only.

Cabin Site Number 99 of the NORTH WOODS, being part of Government Lots 4 and 8, Section 26, Township 7 North, Range 6 East of Willamette Meridian, Skamania County, Washington,

SUBJECT, however, to an easement for right of way for access road acquired by the United States of America, United States Forest Service.

together with appurtenances existing thereon at the time of the execution of this mortgage and all future improvements and appurtenances constructed thereon during the life of this mortgage, and all the estate and right of mortgagor in and to the premises under the above-mentioned lease.

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To have and to hold the lease and renewals, and the estate of lessee thereunder, unto mortgagee, their heirs and assigns, for and during the remainder of the unexpired term thereunder, and in any renewals thereof; subject, however, to the rents, covenants, conditions and provisions of the lease.

Provided that if mortgagor shall pay to mortgagee the sum of money mentioned in the contract, a copy of which is attached hereto as Exhibit "B", and interest thereon, at the time or times and in the manner mentioned in this contract, then this mortgage shall be satisfied.

Mortgagor hereby covenants with mortgagee as follows:

1. Mortgagor will pay the indebtedness as provided in such contract; and if default shall be made in the payment of any part thereof mortgagee shall have the power to sell the leasehold interest hereinabove described according to law.

2. Mortgagor will keep the buildings on the leased premises insured against loss by fire for the benefit of mortgagee in a sum sufficient to cover the outstanding balance on the contract and shall provide mortgagee with a certificate of insurance showing mortgagee as an additional insured therein and that mortgagee is entitled to notice of cancellation.

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3. Mortgagor will pay the rents and other charges provided for and made payable in the lease within ten (10) days after such rent or charges are payable.

4. Mortgagor will at all times fully perform and comply with all agreements, covenants, terms and conditions imposed on or assumed by him as lessee under the Waterfront Recreation and State of Washington master lease, and if mortgagor shall fail to do so, mortgagee may, at its option, take any action mortgagee deems necessary or desirable to prevent or to cure any default by mortgagor in the performance of or compliance of any of mortgagor's covenants or obligations under the leases. Upon receipt by mortgagee from the lessor under the leases of any written notice of default by the lessee thereunder, mortgagee may rely thereon and take any action needed to cure such default even though the existence of such default or the nature thereof is questioned or denied by mortgagor or by any party on behalf of mortgagor. Mortgagor hereby expressly grants to mortgagee, and agrees that mortgagee shall have the absolute and immediate right to enter in and on the encumbered premises or any part thereof to such extent and as often as mortgagee, in its sole discretion, deems necessary or desirable in order to prevent or to cure any such default by mortgagor. Mortgagee may pay and expend such sums of money as mortgagee in its sole discretion deems necessary for any such purpose, and mortgagor hereby agrees to

pay to mortgagee, immediately and without demand, all such sums so paid on behalf of mortgagor and expended by mortgagee, together with interest thereon from the date of each such payment at the rate of twelve (12%) percent per annum. All sums so paid and expended by mortgagee and the interest thereon shall be added to and be secured by the lien of this mortgage.

5. Mortgagor will not surrender his leasehold interest nor terminate or cancel the lease, and will not without the express written consent of mortgagee sell, transfer, encumber, modify, change, supplement, alter or amend the lease either orally or in writing, and any such termination, cancellation, modification, change, supplement, alteration, or amendment of the lease without the prior written consent thereto by mortgagee shall be void and of no force and effect. As further security to mortgagee, mortgagor does hereby deposit with mortgagee his lessee's original of the lease and all amendments thereto or certified copy thereof, to be retained by mortgagee until all indebtedness secured hereby is fully paid.

6. No release or forbearance of any of mortgagor's obligations under the lease, pursuant to the lease or otherwise, shall release mortgagor from any of his obligations hereunder, including his obligations with respect to payment

of rent as provided for in the lease and the performance of all of the terms, provisions, covenants, conditions, and agreements contained in the lease, to be kept, performed and complied with the lessee therein.

7. Unless mortgagee shall otherwise expressly consent in writing the fee title to the property demised by the lease and the leasehold estate shall not merge, but shall always remain separate and distinct, notwithstanding the union of such estates either in the lessor or in the lessee, or in a third party by purchase or otherwise.

It is hereby expressly agreed that the whole of the principal sum and all accrued interest thereon shall become due at the option of the mortgagee after default in the payment of any installment or principal or interest, for ten (10) days, or after default of the payment of any rent or other charge made payable by the lease for ten (10) days, or after default in the payment of any tax or assessment for ten (10) days after notice and demand by the holder hereof.

The word "mortgagor" shall be construed as if it is read "mortgagors", the word "mortgagee" shall be construed as if it read "mortgagees", and the masculine gender shall include the feminine or neuter, whenever the sense of this mortgage so requires.

Any decree of foreclosure of this mortgage shall include all costs, expenses, and fees, including reasonable attorney fees and costs of title search. In case such foreclosure should be settled before judgment is recorded therein, such costs, expenses and fees shall nevertheless be paid by mortgagor.

IN WITNESS WHEREOF, mortgagor has executed this mortgage at LEE, MITCHELSON, YOSEPH, GRAY & LANGSDORF LAW OFFICES, 9102 NE Highway 99, Vancouver, Washington 98665, the day and year first above written.

David L. Otos
DAVID L. OTOS

Kari L. Otos
KARI L. OTOS

STATE OF WASHINGTON)

: ss.

County of Clark)

On this day personally appeared before me DAVID L. OTOS and KARI L. OTOS, husband and wife, to me known to be the individuals described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 18th day of July, 1991.

348

Michael A. Curren
NOTARY PUBLIC in and for the State
of Washington residing at Vancouver.
My commission expires: 7-23-94
Identity of Affiants Verified by

Mike D. Drovdahl
MIKE D. DROVDAHL

Nancy L. Drovdahl
NANCY L. DROVDAHL

STATE OF WASHINGTON).

: ss.

County of Clark)

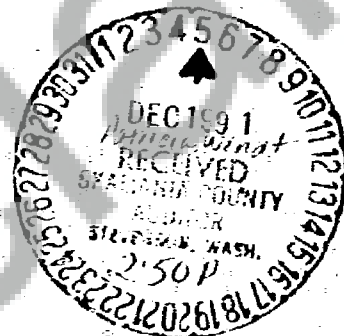
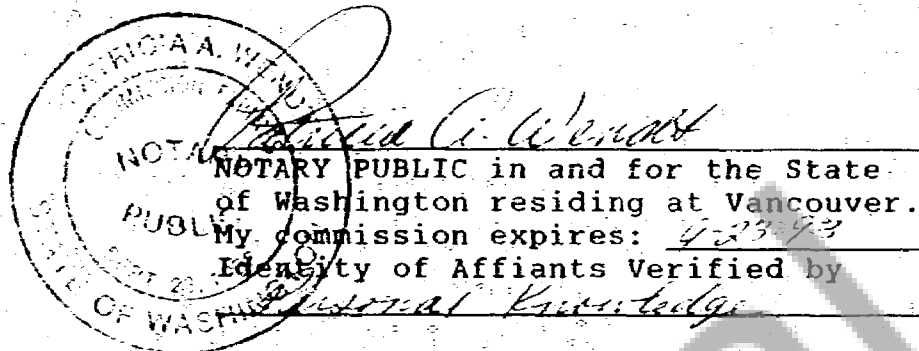
On this day personally appeared before me MIKE D. DROVDAHL and NANCY L. DROVDAHL, husband and wife, to me known

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to be the individuals described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 18th day of July, 1991.

Sept



ASSIGNMENT OF LEASE

THIS ASSIGNMENT OF LEASE made and entered into this 15th day of SEPTEMBER, 1991, between CORBETT J. TURNER and HELEN M. TURNER, husband and wife, hereinafter called "assignors" and DAVID L. OTOS and KARI L. OTOS, husband and wife and MIKE D. DROVDAHL and NANCY L. DROVDAHL, husband and wife, hereinafter called "assignee".

WITNESSETH

Section 1: Assignment of Lease:

(a) For value received and other consideration set forth, Assignors grant, transfer and assign to Assignee, Assignors' entire interest as Lessees, in the leasehold commonly known as cabin site #99 and Northwoods cabin sites and more particularly described as follows:

Cabin Site Number 99 of the NORTH WOODS being part of Government Lots 4 and 8, Section 26, Township 7 North, Range 6 East, Willamette Meridian, Skamania County, Washington, SUBJECT, however, to an easement for right of way for access road acquired by the United States of America, United States Forest Service.

(b) The lease being assigned was entered into between CORBETT J. TURNER and HELEN M. TURNER, as Lessees and Waterfront Recreation, Inc. as assignors and is dated May 1, 1989, and by its terms is to continue in full force until June 1, 2069. A copy is attached as Exhibit 1.

Section 2: Assignors' Covenants: Assignors hereby covenant and warrant that they are the legal owner and holder of the lessees' right, title and interest in and to that certain Lease Agreement described above, and the said Lease Agreement is now unencumbered, valid and in full force and effect in

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RECORDER'S NOTE:
NOT AN ORIGINAL DOCUMENT

ASSIGNMENT OF LEASE - 1

EXHIBIT	<u>A</u>
	<u>7</u> PAGES

accordance with its terms. Assignors further warrant that they are not in default under any of the terms, conditions or covenants of the lease.

400 E. Garfield Ave
Gettysburg, SD 57442

7014 NE 133rd St
Vancouver, WA 98686

Corbett J. Turner
CORBETT J. TURNER

David L. Otos
DAVID L. OTOS

Helen M. Turner
HELEN M. TURNER

Kari L. Otos
KARI L. OTOS

"Assignors"

15518 NE 96th St
Vancouver, WA 98682

Mike D. Drovda
MIKE D. DROVDAHL

Nancy L. Drovda
NANCY L. DROVDAHL

"Assignees"

STATE OF SOUTH DAKOTA)

County of Potter)

On this day personally appeared before me CORBETT J. TURNER and HELEN M. TURNER, husband and wife, to me known to be the individuals described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 19th day of August, 1991.

Julio Ford
NOTARY PUBLIC in and for the State of South Dakota residing at Potter Co Gettysburg
My commission expires: 3-1-96
Identity of Affiant Verified by Norman Koskuth

Julio Ford, Notary Public, Potter County
My Commission Expires 3-1-1996

ASSIGNMENT OF LEASE - 2

CABIN SITE LEASE

BOOK 126 PAGE 399
4-22-89

WATER FRONT REAL ESTATE, INC., a Washington corporation, hereinafter called Lessor, in

consideration of the rents to be paid and covenants to be performed by Conzett J. & Helen Turner

hereinafter called Lessee, leases to Lessee the following described cabin site on the terms and conditions stated herein:

Cabin site number 99 of the North Woods as shown in red on Exhibit "A" attached hereto (all distances being approximations), being part of Government Lots 4 and 8 Section 26 Township 7 North Range 6 East W.M., Skamania County, Washington, SUBJECT, however to an easement for right of way for access road acquired by the United States of America, United States Forest Service.

SECTION 1. OCCUPANCY

1.01 Term: This Lease is granted for the period beginning 5-1 1989 and ~~terminating on June 1, 2025, the term being terminated at the matter provided~~ (See Addendum G)

1.02 Master Lease: Lessor holds the above described premises under a lease hereinafter referred to as the master lease, dated August 11, 1970, from the State of Washington, acting by and through the Department of Natural Resources. (See Addendum A)

1.03 Master Lease Incorporated: The master lease is on file with Lessor and is available for inspection. Lessee's rights hereunder are subject to all the terms, provisions, exceptions and reservations set forth in said master lease (as to which Lessee is a sub-lessee) and incorporated herein by reference, including, without limiting the foregoing, an easement for right of way for an access road acquired by the United States of America, United States Forest Service and the right of the State of Washington to inspect the premises at reasonable times.

SECTION 2. RENTAL

2.01 Basic Rental: As rental for each lease year, the Lessee shall pay the sum of Eight Hundred Twenty

Dollars (\$ 820.04). Rent shall be paid in advance, on the first day of September in each year hereinafter referred to as the anniversary date. All payments shall be made to Lessor at 6555 1/2 Canyon Road, (See Addendum B), or at such other place at which the Lessor may notify the Lessee in writing. Rent for the fraction of any lease year shall be prorated. The lease year shall be from September 1 through the succeeding August.

2.02 Rent Adjustments: Lessor may, as of any anniversary date, increase the annual rental as follows: (a) Under the master lease, Lessor's rental to the State of Washington may be increased on June 1, 1980, and at intervals of not less than ten (10) years thereafter, Lessor may increase Lessee's rental hereunder at such times as Lessor's rental under the master lease is increased. The amount of such increase shall be the Lessee shall be responsible for and required to pay shall equal the total rental increase under the master lease to Lessor multiplied by the Lessee's annual rental to the Lessor divided by the total annual rental of the Lessees of the sites in the North Woods. Annual rental as used herein shall mean the total rent the Lessee is required to pay to Lessor for the year immediately preceding the year of the increase. The aforesaid formula is illustrated as follows:

Lessee's share of increase	=	Increase under master lease to Lessor	X	Lessee's annual rental	÷	Total annual rentals of sites
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(b) In addition to the increase permitted under subparagraph (a) above, Lessor may, as of any anniversary date, increase the annual rental hereunder on account of taxes and assessments against said real property in an amount which, together with prior increases on account of taxes and assessments, shall not exceed the total of the amount by which taxes and assessments on the land covered by the master lease exceeds such taxes for 1970, divided by the number of improved cabin sites on said anniversary date.

(c) Finally, every ten years beginning September 1, 1985, the annual rental shall, at the option of the Lessor, be adjusted to reflect the percent of increase from September 1, 1975, in the Consumer Price Index as published by the Bureau of Labor Statistics, U.S. Department of Labor, that is, the annual rental each year for the succeeding ten years shall be increased as compared with the annual rental as set forth herein by the same percentage as the increase in said Consumer Price Index differs from said index for September 1, 1975. (See Addendum C)

SECTION 3. LESSOR'S CONVENANTS

3.01 Declaration: In order to preserve the natural beauty of the North Woods, to provide for the control of structures erected thereon, improvements to be made thereon, and for the purpose of extending to the residents therein the greatest possible peace, enjoyment, privacy, health, comfort, safety, and preservation of property values, Lessor does hereby certify and declare that with the sole exception of lot 19, which is the North Woods Sales Office, the following reservations, conditions, covenants, agreements and restrictions shall become and are hereby made a part of all leases of property within the plat of the North Woods as the same appears on the map survey recorded in the office of the County Auditor of Skamania County, Washington. (See Addendum D)

3.02 Boat Dock: Lessor shall construct a boat dock for the common use of residents of the North Woods. In the event construction of said boat dock is not completed by September 1, 1972, it is hereby agreed that in lieu of such construction, Lessor shall contribute \$5,000.00 to the North Woods Association, hereinafter described in paragraph 5.09 for construction of such dock. (See Addendum E)

SECTION 4. USE OF SITE

4.01 Permitted Use: The cabin site shall be used only for residential purposes. No building shall be erected, altered, placed, or permitted to remain on the cabin site other than one detached single family dwelling and buildings incidental to residential use, and the cabin site shall not be further subdivided into building lots.

4.02 Condition of Site: The premises hereby leased have been inspected by Lessee and are accepted in their present condition.

4.03 Vehicles: No vehicles shall be parked in roadways. Vehicles shall not be operated carelessly or in excess of posted speeds. No vehicle shall be operated at any time without a muffler in good working order. Excessive motor noise or annoying smoke are forbidden.

4.04 Maintenance: All lots shall at all times be kept in a clean, sightly, and wholesome condition and no trash, garbage, litter, junk, boxes, containers, bottles, cans, machinery, implements, lumber, or other building materials shall be permitted to be or remain exposed on any lot and visible from any street or adjoining or nearby premise.

4.05 Signs: No signs of any kind shall be displayed to the public view on any lot in the tract except one professional sign, of not more than 18 inches by 24 inches in size, advertising the property for sale or rent, and except signs used by a builder or developer to advertise the property during the construction and sales period.

4.06 Nuisance: No noxious or offensive trade or activity shall be carried on or upon any lot in the tract nor shall anything be done thereon which may be or become an annoyance or nuisance in the area.

SECTION 5. IMPROVEMENTS

- 4.07 Animals. No animals, livestock, or poultry of any kind shall be raised, bred, or sold on any lot, except that cats, dogs, or other household pets may be kept, but not for any commercial purpose. No lot shall be allowed to become an annoyance or nuisance to the neighborhood.
- 4.08 Incineration. Because of unpleasant odors and unsightliness, no individual incinerator will be permitted on any lot.
- 4.09 Fires and Fireplaces. Interior fireplaces, stoves, or other type burner must be fireproofed by use of sparkproof screens. All fires must be extinguished before leaving cabin. No fires shall be lit or maintained outside of any cabin.
- 4.10 Firearms and Fireworks. Discharging firearms, firecrackers, rockets or any other fireworks within the North Woods area shall be prohibited.
- 4.11 Commercial Use. No platted lot shall be used for any commercial purpose, except that a Lessee may rent his cabin from time to time, and in such case shall be responsible that his tenants abide by these covenants.
- 4.12 Motorbikes. No motorbike or motorcyclic riding of any nature shall be allowed except for ingress and egress.
- 4.13 Fire Extinguisher. One fire extinguisher (minimum two quart capacity) must be kept in every cabin.
- 4.14 Trailers and Tents. No tent, house trailer, or mobile home, whether the same be on wheels or not, shall be permitted on any lot except during the period of cabin construction and for guests over a weekend period.
- 4.15 Solicitation. There shall be no solicitation or distribution of handbills or circulation of any kind, without the written consent of Lessor.
- 4.16 Hose Bibs. One hose bib shall be installed on outside wall of each cabin for fire protection on or before completion of the cabin.

SECTION 5. IMPROVEMENTS

- 5.01 Plans Approved. No building shall be erected, placed, or altered on the cabin site until the construction plans showing the location of the structure have been approved by the Lessor as to conformity with plan of development, quality of workmanship and materials, harmony of external design and color with existing structures, and as to location with respect to topography and finish grade elevation. Such approval shall be in writing.
- 5.02 Building Materials. All building construction shall be of log or wood frame. Wood frame stucco or simulated brick veneer construction is expressly prohibited. All roofs shall be of wood shingle or shake, or of an acceptable composition - color to be approved prior to application by the Lessor or such person or persons designated by Lessor.
- 5.03 Completion. Cabins must be completed from all outward appearance within one (1) year from the time such construction is started. Cabin construction must be started within three years from the date of the signing of the Cabin Site Lease.
- 5.04 Tree Removal. The Lessee of each cabin site may remove from said site all trees, shrubs, and foliage necessary to prepare the property for building subject to the following conditions: As required by the State of Washington in the master lease, any tree whose diameter is over 8" at chest height must be marked by Lessee for Lessor's inspection. Lessor will then notify the Washington State Department of Natural Resources and request their standard appraisal of value. Lessee will then pay Lessor for the value of the tree before removal. Any additional clearing beyond that necessary for the construction of improvements shall be prohibited. The intent is to remove as few trees as possible to the end that the community remain natural and rustic.
- 5.05 Lot Markers. Lessee will use all reasonable care to make certain that the lot markers, as established by Lessor, are not moved or destroyed.
- 5.06 Improvements Other Than On Cabin Site. No improvements of any kind shall be constructed or placed upon any area covered by the master lease without Lessor's prior written consent.
- 5.07 Ownership of Improvements. The master lease provides as follows:
- "8.04 Ownership of Sub-lease Improvements. All buildings and improvements, excluding removable personal property and trade fixtures on the leased site (North Woods) erected by Sub-lessee (Lessee herein) will remain on said site after expiration of this lease (master lease) or termination prior to the term of this lease (master lease) of any sub-lease (this lease) held by the State under the provisions of paragraph 5.05, provided, however, upon the expiration of the lease (master lease), if the State is unsuccessful in re-leasing the leased site (North Woods) as a unit, then each sub-lessee (Lessee herein) shall have a preferential right as allowed by law to re-lease from the State its sub-leased area; provided, further, upon the termination or expiration of this lease (master lease) or a sub-lease (this lease) assigned under paragraph 5.05 that as a condition of any re-lease of the leased site or sub-leased site to any other party made during the three year period following the State shall require the subsequent Lessee to purchase the Sub-lessee's (Lessee herein) interest in the improvements as allowed by law. Expiration, as used in this paragraph, shall mean the expiration of the lease as of May 31, 2025."
- The parties hereto agree that the terms and conditions of the above quoted paragraph shall be applicable provided:
- (a) That Lessee is not in default under any of the terms and conditions of this lease, and
- (b) That Lessee's lease expires May 31, 2025. In the event of earlier expiration of this lease, all buildings and improvements located upon the premises shall be the property of Lessor.
- The parties hereto further agree that the benefits of paragraph 8.04 of the master lease shall be enforceable solely against the State of Washington.
- 5.08 Taxes and Assessments. The Lessee shall pay in annual payments all taxes and assessments that are now charged or may become chargeable against the improvements placed upon the cabin site, now or in the future, commencing with the taxes first becoming due and payable after the date hereof, all before such taxes and assessments become past due.
- 5.09 North Woods Association. The roads in the plat and certain other common areas shall be held in the name of The North Woods Association, a non-profit association, of which the Lessees of lots in the plat shall be members. Said Association shall be responsible for the maintenance and repair of roads, the entire water system including but not limited to water systems serving the cabins on the premises, docks and common areas and improvements thereon (if any), as well as other community functions which may be given it by its members. The owners (Lessees) of lots in the tract shall be required to pay dues of not less than one and one-half dollars (1½) per month and assessments to said Association for their reasonable share of the costs of the functions and duties of the Association. Said dues shall commence at the time 50 lots are leased. It is understood and agreed that Lessor shall and it is hereby delegated to fulfill all duties, responsibilities and functions of the North Woods Association until fifty (50) lots in the North Woods are leased. At that time Lessor shall call a meeting of all Lessees for the purpose of forming said Association. (See Addendum F)

SECTION 6 UTILITIES

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6.01 Sewage. Individual sewage disposal systems installed by Lessee must be designed, installed and constructed in accordance with the regulations, laws and ordinances of Skamania County and the State of Washington.

6.02 Reservation. Lessee reserves to itself and to its successors and assigns easements in, under, and along all roads and other common areas in the plat for any utilities whether presently installed or not. In addition, an easement is reserved in an area five (5) feet by ten (10) feet in one corner of each lot (to be selected by Lessor) adjoining the road for electric transformer vault and/or telephone and power service pedestals if any. And the assignment of the lease as to each individual lot shall be subject to the right to cross over or under the same along the lot lines, with utility lines if such may be necessary in the development of this subdivision or adjoining subdivisions.

6.03 Water. Each cabin site has or will be furnished water at or near the lot line. Each lessee agrees to receive water from the water system supplying the North Woods and further agrees to pay Lessor \$225.00 for the right to connect to said system.

6.04 Maintenance. The lessee shall bear the responsibility and expense of furnishing, installing, backfilling, and maintaining each underground trench or other digging upon such cabin site which is necessary for any utility connections or facilities to serve such cabin site.

SECTION 7. MISCELLANEOUS

7.01 Lessee's Duties. Lessee agrees to comply strictly with the Lessor's rules and regulations and all applicable Federal, State, County, and Municipal laws, rules and regulations relating to all activities contemplated under this lease, including but not limited to, use of public or private roads, parking, fire and prevention of fire, public health, and pollution of streams or lakes, and to assume all obligations thereby imposed upon the Lessor. Lessor may inspect the cabin site and cabin at any time to determine compliance with the terms of this lease.

7.02 Indemnification. Lessee hereby agrees to assume all risk of, and indemnify and hold harmless, and at the Lessee's expense, defend the Lessor from and against, any claims, loss, cost, legal actions, liability or expense on account of personal injury to or death of any persons whatsoever, including but not limited to employees of the Lessor, or damage to or destruction of property to whomsoever belonging, including but not limited to property of the Lessor which might result from Lessee's activities on the leased premises. The Lessee further agrees to indemnify and save harmless the Lessor from any loss, cost, suit or expense resulting from Lessee's failure to comply with any of the provisions of any applicable laws, rules or regulations.

7.03 Insurance. Lessee shall obtain fire, casualty and liability insurance as follows:

(a) Fire and casualty insurance in a sufficient amount to cover the replacement cost of any or all improvements upon the leased premises. Such insurance shall be carried by a responsible company or companies satisfactory to Lessor and the policy or policies shall be endorsed and delivered to Lessor with provision for thirty (30) days' notice of cancellation to Lessor.

(b) Liability and property insurance insuring Lessor and Lessee against all liability for damages to persons or property caused by the maintenance, use or occupancy of the leased premises or by reason of the conduct of any activity carried on therein. Such insurance shall be carried by a responsible company or companies satisfactory to Lessor in amounts not less than the following limits, namely:

- (1) Bodily injury to or death of any one person, \$5,000.00.
- (2) Bodily injury or death resulting from any one accident to two or more persons, \$10,000.00, and
- (3) property damage, \$1,000.00.

Lessee shall deliver to Lessor certificates and receipts evidencing said policies of insurance and further provide with the company or companies for thirty (30) days' notice of cancellation to Lessor.

7.04 Assignment. Without the prior written consent of Lessor, Lessee shall not assign this lease or any interest therein, or sublet, and no heir, executor, administrator, receiver, trustee in bankruptcy or other assignee by operation of law shall assign or sublease without such written consent.

7.05 Waiver. Any waiver by the Lessor of any provisions hereof must be in writing, and any of the covenants, conditions, restrictions in this lease may be annulled, waived, changed, or modified with respect to all or any portion of said property by Lessor at any time.

7.06 Attorneys' Fees. In the event any action, suit, proceeding or appeal therefrom is brought to collect the rent due or to become due hereunder, or any portion thereof, or to get possession of said premises, or to enforce compliance with this lease, or for failure to observe any of the covenants of this lease, the prevailing party shall be entitled to recover such sum as the Court may adjudge reasonable as attorneys' fees to be allowed in said suit, action, proceeding or appeal therefrom in addition to such other relief granted by the Court.

7.07 Condemnation. The parties hereto shall receive any sums or damages paid or awarded by reason of any taking, condemnation or acquisition during the existence of this lease as their interests therein shall then appear, whether or not by litigation, by any authority, person or corporation, whether public or private, of any title to or interest in all or any part of the premises.

7.08 Reservoir Level. The Lessee acknowledges by signing this lease that Pacific Power and Light Company has the right to fluctuate the waters of Swift Reservoir at any time within the provisions of Federal Power Commission License No. 2111 or as amended. The Lessee shall waive all claims or damage and shall indemnify Pacific Power and Light Company, the State of Washington, Lessor or their successors, if any, against any claim of damage arising from fluctuation in reservoir level or impairment of recreational use of the reservoir or shoreline or floating facilities.

7.09 Validity of Provisions. The determination of any Court that any provisions of this lease are unlawful or void shall not affect the validity of any other provision hereof.

7.10 Enforcement of Restrictions. Without in any way limiting the rights of Lessor, if the parties upon whom the provisions hereof are binding, or any of them, shall violate or attempt to violate any of the reservations, restrictions or covenants hereof, the Lessor or any lessee of land in the tract, shall have the right to compel performance of or compliance with the provisions hereof, to abate and remove, at the expense of the offending lessee or lessees of the property, any structures or erections in violation of the provisions hereof, to recover damages for any such violation or attempted violation of the provisions hereof and to prosecute any proceedings at law or in equity in furtherance of the aforesaid remedies in any Court having jurisdiction of such cases.

7.11 Reservations on Land. All of the reservations, conditions, covenants, agreements and restrictions shall run with the land and shall be binding on the lessees of all property covered hereby and all parties and persons claiming under them and on all property within the tract.

7.12 Assignment. Without limiting Lessor's right to sell or assign this lease or land, Lessor may assign this lease to a corporation, and if said corporation assumes the obligations of Lessor hereunder, Lessor shall thereby be released of and relieved from any and all obligations under this lease.

SECTION 8 TERMINATION

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8.01 Default and Notice: If any default shall be made on the part of the Lessee in the performance of any of the terms, conditions, agreements or provisions of this lease by him to be observed, such default continues for sixty (60) days after written notice the lessor may, at its option, immediately terminate this lease, forfeit Lessee's interest therein, and forthwith exclude the Lessee from the premises and from all rights hereunder, but the Lessee shall nevertheless be liable to the Lessor for all liabilities incurred hereunder prior to such termination. Waiver of any default hereunder shall not constitute a waiver of any subsequent default. Service of any notice provided for herein by the Lessor may be made by depositing such notice in the United States mails addressed to the Lessee at:

8.02 Master Lease Termination: It is expressly understood that Lessor has leased the premises from the State of Washington for a period ending June 1, 2025. The master lease provides that in the event it is terminated for any reason whatsoever, prior to the lease termination date, such termination shall operate as an assignment to the State of Washington of this lease together with the unrestricted right of the State to receive payment of the rents herein provided from the date of said assignment.

8.03 Failure to Receive Property Report: Lessee shall have the option to void this lease if he does not receive a property report prepared pursuant to the rules and regulations of the U.S. Department of Housing and Urban Development, in advance of, or at the time of signing the lease, and Lessee shall have the right to revoke this lease within 48 hours after signing the lease if he did not receive the property report at least 48 hours before signing the lease. However, this option to void the lease shall not apply where Lessee has received the property report and inspected the lot or lots to be leased in advance of signing the lease and acknowledges by his signature that he has made such inspection and has read and understands such report.

Lessee shall have the option to void this lease if he does not receive a property report prepared and our agent to rules and regulations of the Oregon Subdivision Control Law ORS 92.210 - 92.990 in advance of his signing this lease.

Each and every provision of this lease shall bind and shall inure to the benefit of the respective heirs, representatives, successors and assigns of the parties. In the event Lessee is more than one person, the liability of such persons hereunder shall be joint and several.

8.04 Easements: As shown on the plat of "The North Woods", 20 feet easements are reserved to the Lessor and its assigns on the water front portions of Lots 16, 17, 18, 19, 20, 21, 22, and 23 for purposes of community boat docks. Said easements shall not prevent lessees of the above lots from developing their own shoreline docks providing such facilities do not interfere with the boat traffic pattern of the community dock system.

Five foot easements are reserved to the Lessor and its assigns on the southerly lot line of Lot 16, and the northerly lot line of Lot 13 for access to the water front. Said access to serve as pathway to boat docks if it is determined by Lessor that additional boat docks are needed to serve "The North Woods" community.

IN WITNESS WHEREOF, the parties have executed this lease, to duplicate this 20 day of

April, 1989

WATER FRONT RECREATION, INC.

By: [Signature]
President

By: [Signature]
Secretary

LESSOR

By: [Signature]

By: [Signature]
LESSEE

YOU HAVE THE OPTION TO VOID YOUR CONTRACT OR AGREEMENT BY NOTICE TO THE SELLER IF YOU DID NOT RECEIVE A PROPERTY REPORT PREPARED PURSUANT TO THE RULES AND REGULATIONS OF THE OFFICE OF INTERSTATE LAND SALES REGISTRATION, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, IN ADVANCE OF, OR AT THE TIME OF YOUR SIGNING THE CONTRACT OR AGREEMENT. IF YOU RECEIVED THE PROPERTY REPORT LESS THAN 48 HOURS PRIOR TO SIGNING THE CONTRACT OR AGREEMENT, YOU HAVE THE RIGHT TO REVOKE THE CONTRACT OR AGREEMENT BY NOTICE TO THE SELLER UNTIL MIDNIGHT OF THE THIRD BUSINESS DAY FOLLOWING THE CONSUMMATION OF THE TRANSACTION. A BUSINESS DAY IS ANY CALENDAR DAY EXCEPT SUNDAY AND THE FOLLOWING BUSINESS HOLIDAYS: NEW YEAR'S DAY, WASHINGTON'S BIRTHDAY, MEMORIAL DAY, INDEPENDENCE DAY, LABOR DAY, COLUMBUS DAY, VETERANS' DAY, THANKSGIVING AND CHRISTMAS.

I (we) hereby acknowledge that prior to the signing of this lease, I (we) have received, read, and understand the PROPERTY REPORT prepared pursuant to the rules and regulations of the U.S. Department of Housing and Urban Development (office of Interstate Land Sales Registration) and the PROPERTY REPORT prepared pursuant to rules and regulations of the Oregon Subdivision Control Law ORS 92.210 - 92.990. I (we) also acknowledge that I (we) have inspected the lot to be leased.

LESSEE

ADDENDUM A

As used herein, "Master Lease" means the Restated Lease of February 1985 between the State of Washington, Department of Natural Resources, and Water Front Recreation, Inc.

ADDENDUM B

Waterfront Recreation Development
~~2291 16th Street~~
~~San Diego, California 92114~~
525 NE Lindenwood Ave Judy F. Zisko
ADDENDUM C *Beav, Ore 97701 Pl. 503-339-9058*

As used in paragraph 2.02(c) 1975 means 1985, 1985 means 1995, and Consumer Price Index means the National Consumer Price Index for all Urban Consumers.

ADDENDUM D

Lot 19 is no longer the North Woods Sales Office.

ADDENDUM E

The \$5,000 has been contributed.

ADDENDUM F

The Association has taken over responsibility for maintenance and repair of roads, the water system, docks, and common areas.

ADDENDUM G

This lease terminates June 1, 2069, unless sooner terminated as provided in this Lease.

AGREEMENT FOR PURCHASE OF LEASEHOLD AND IMPROVEMENTS

Execution Date:

SEPTEMBER 18, 1991

Parties:

CORBETT J. TURNER and HELEN M. TURNER, hereinafter referred to as Seller.

DAVID L. OTOS and KARI L. OTOS, husband and wife; and MIKE D. DROVDAHL and NANCY L. DROVDAHL, husband and wife, hereinafter referred to as Purchaser.

RECITALS

I. Seller wishes to sell and assign their interest in cabin site #99 of the North Woods Cabin Sites which is a development of recreational homes at Swift Reservoir near Cougar, Washington and to sell the recreational cabin constructed on the leasehold. Buyers desire to acquire Seller's leasehold interest and purchase Seller's cabin.

II. The legal description of the leasehold is described as being:

Cabin site 99 of the NORTH WOODS in Government Lot 4 and 8, Section 26, Township 7 North, Range 6 East, W.M., Skamania County, Washington.

SUBJECT, however, to an easement for right of way for access road acquired by the United States of America, United States Forest Service.

AGREEMENT

In consideration of the mutual covenants contained hereafter, the purchase price set forth and the conveyance by Sellers, the parties agree as follows:

1. PURCHASE PRICE

1.1 The total purchase price for the leasehold and cabin is \$21,500 cash.

1.2 The purchase price shall be paid as follows:

AGREEMENT FOR PURCHASE OF LEASEHOLD AND IMPROVEMENTS 1

RECORDER'S NOTE:
NOT AN ORIGINAL DOCUMENT

BOOK	<u>B</u>
PAGE	<u>14</u>

- a. The sum of \$9,750 has been paid as of May 27, 1991.
- b. The Sellers further acknowledge receipt of \$1000 earnest money which has been applied to the purchase price leaving a balance of \$10,750.00.
- c. The balance of \$10,750 shall be paid not later than 12:00 midnight on the 29th day of May, 1992.
- d. Any unpaid balance remaining after May 29, 1992, shall bear interest at twelve (12%) percent per annum until paid in full. In the event of any partial payment, such payment shall first be credited to interest accrued to the date of payment with the balance, if any, applied to principal.
- e. Purchasers are granted the right to make part payment or pay any deferred balance in full without penalty.

2. CONDITION OF TITLE

2.1 Title to the recreational cabin shall be conveyed upon satisfaction of this agreement by Fulfillment Bill of Sale free of all warranties except condition of title meaning that Seller warrants that they have free and clear title to the recreational cabin and have removed all liens of every type whatsoever against the cabin which existed at date of closing.

2.2 There are certain exceptions to be assumed by Purchasers which are all rights, if any, reserved by the United States federal government and those of the State of Washington, master lease of the property and all other easements and restrictions of record.

3. SELLER'S RETENTION OF SECURITY

3.1 Title to the property described above is retained by Sellers as security and will pass to the Purchasers when the sums due sellers have been fully paid. The Seller's security interest extends to the leasehold interest to be conveyed to Purchasers and all improvements to the leasehold, including but not limited to a recreational cabin and out buildings, if any.

4. ACCEPTANCE OF LEASEHOLD AND IMPROVEMENTS

4.1 The Purchasers have examined all improvements to the leasehold and are familiar with the same and accept said improvements "AS IS" without warranties or guarantees except as to title unless otherwise set forth hereafter.

5. USE OF PROPERTY

5.1 Purchasers agree:

- a. To comply with all terms and conditions of every type whatsoever required under that certain cabin site lease entered into on the first day of May, 1989, by Corbett J. Turner and Helen M. Turner and assigned to the Purchasers by way of assignment dated the day of August, 1991. The original cabin site lease is attached as Exhibit A and the Assignment of Leasehold as Exhibit B.
- b. To comply with all laws and requirements of the State of Washington pertaining to the sold property.
- c. To maintain the sold property in a state of repair equal to that which exists as of the effective date of this agreement, and up to the standards set by the Master Lease with the State of Washington and the Cabin Site lease in favor of Water Front Recreation, Inc;
- d. To not lease, assign, sublet or transfer the leasehold and/or improvements prior to payment of all sums due to the Sellers, except with Sellers consent. Transfer without consent shall be grounds to call any remaining balance due in full.
- e. To comply with all governmental regulations, ordinances and laws affecting the use of the property;
- f. To permit no waste, or injury to or destruction to the leasehold and/or improvements, or to permit the use of the property, or use the same, in any unlawful manner; and
- g. To keep the premises and the leasehold and/or improvements free from mechanic's liens and all other liens, and pay when due all public,

municipal and statutory liens which may be hereafter lawfully imposed upon the property, and save the Sellers harmless therefrom.

6. TAXES

6.1 The Purchasers shall pay before delinquency all taxes or other governmental charges levied against the leasehold and improvements including but not limited to the cabin site annual lease payment, Northwoods dues and assessments, Skamania County taxes, if any, and all other taxes.

7. CASUALTY INSURANCE

7.1 Purchasers will keep the property continuously insured by an insurer approved by the Sellers against fire, or other casualty with extended coverage in favor of Seller and Water Front Recreation, Inc. if necessary, with a loss payable clause in favor of Seller and Water Front Recreation, Inc. if necessary.

8. EXPENSES INCURRED BY SELLERS

8.1 Sellers are not required to, but may at Sellers option, pay any taxes, assessments, insurance premiums, expense or repair, or any other charge payable by Purchasers when the same shall become due, and any filing or recording fees, and any amount so paid shall bear interest at twelve (12%) percent per annum from the date of payment until paid and shall be repayable on demand. The rights granted by this paragraph are not a waiver of any other right of Sellers arising from breach of any other covenant.

9. WAIVER

9.1 This security agreement shall not be qualified or supplemented by course of dealing. No waiver or modification by Sellers of any of the terms or conditions hereof shall be effective unless in writing signed by the Sellers. No waiver nor indulgence by Sellers as to any required performance by Purchasers shall constitute a waiver as to any subsequent required performance or other obligations of Purchasers hereunder.

10. DEFAULT

10.1 Time is of the essence of this agreement. The following events are hereinafter referred to as "events of default", to-wit:

- a. Any failure to pay within ten (10) days of the due date thereof the full amount of any principal or interest, and any failure to pay when due the full amount of any taxes, insurance premiums, or other charges which are or may be secured hereby; or
- b. Any failure to perform as required by any covenant or agreement herein; or
- c. If the property should be seized or levied upon under any legal or governmental process against Purchasers or against the property; or
- d. If the Purchasers, or any one of Purchasers guarantors, should become insolvent, or be subject of a petition in bankruptcy, either voluntary or involuntary, or should be subject to any other proceeding under the Federal Bankruptcy Laws, or should either of said parties make an assignment for the benefit of creditors; or if the Purchasers are named in or the property subjected to a suit for the appointment of a receiver.
- e. If the Purchasers fail to comply with all terms of the Master Lease with the State of Washington and/or Waterfront, Inc.

10.2 If an event of default should occur and after any required notice, the entire amount of indebtedness secured hereby shall then or at any time thereafter, at the option of the Sellers, become immediately due and payable without notice or demand, and Seller shall have an immediate right to pursue the remedies set forth in this security agreement and all other remedies provided for under the laws of the State of Washington pertaining to personal property or leasehold interests and/or improvements to leasehold interests. Provided, however, the Sellers shall have first provided to the Purchasers a written notice of intention to declare default unless the Purchasers shall correct or remedy said event of default, and the Purchasers shall fail to do so for ten (10) days after receipt of said notice. Provided further, however, that no notice shall be required in the event that the property should be seized as provided in subparagraph (c) or the Purchasers shall be adjudicated as bankrupt (either

voluntary or involuntary). or should make an assignment for the benefit of creditors.

11. REMEDIES

11.1 In the event Sellers shall have the right under the provisions of Paragraph 10 to accelerate the amount of the indebtedness secured hereby, the Seller shall have all remedies provided by law, including but not limited to the following:

- a. Purchasers agree to put Sellers in possession of the property on demand; and
- b. Sellers are authorized to enter the property and take possession of said property without notice or demand and without legal proceedings; and
- c. Purchasers agree to pay on demand all expenses reasonably incurred by Sellers in protecting or realizing on the leasehold and/or improvements. In the event this security agreement or any obligation secured by it is referred to an attorney for protecting or collection or realization procedures, Purchasers agree to pay a reasonable attorney's fee, including fees incurred in both trial and appellate court, or fees incurred without suit, and expenses of title search and all court costs and costs of public officials. The sum to be paid in this paragraph shall be secured hereby; and

Nothing herein shall be construed as enlarging the Sellers remedies beyond those remedies allowed by Washington law.

12. PROVISIONS RE: PROCEEDS IN THE EVENT OF LOSS BY FIRE OR CASUALTY

12.1 In the event that the property sold hereunder should be wholly, or partially, destroyed by fire or other casualty, and there should be proceeds received by the Sellers or the Purchasers from insurance policies insuring against such loss, the proceeds may be used by the Purchasers to replace or repurchase the sold property, provided that such election is made in writing to the Sellers within thirty (30) days of the occurrence of such loss; otherwise, the Sellers shall be entitled to retain the proceeds of the policies to the extent of the indebtedness owing to the Sellers. In the

event the Purchasers should elect to acquire replacement property, the security interest of the Sellers shall attach to such replacement property. Provided, however, that the obligations of the Purchasers to pay for the sold property shall not abate in the event of such casualty, and the Purchasers shall continue all payments to be paid under this agreement on the dates which the same shall become due and payable. Provided further that the Sellers shall be entitled to retain all of said proceeds if the Purchasers be in default in Purchasers obligations at the time of such loss to the extent of any indebtedness due the Sellers hereunder.

13. FULFILLMENT BILL OF SALE

13.1 Upon completion of all payments due hereunder, the Sellers shall deliver to the Purchasers a Bill of Sale conveying title to the Purchasers free and clear of any claims of the Sellers therein, and warranting title to said property as of the effective date of this agreement.

14. WHOLE AGREEMENT

14.1 This agreement is the whole agreement between the parties and supersedes all oral understandings and previous written agreements to buy and sell. There are no representations or warranties or other agreements which in any way modify or change the terms of this agreement.

15. SUCCESSORS

15.1 The covenants, conditions and terms of this agreement shall extend to and be binding upon and inure to the benefit of the heirs, personal representative, and assigns of the parties hereto, provided, however that nothing contained in this paragraph shall alter the restrictions hereinabove contained relating to assignments.

16. PURCHASERS RIGHT TO ADVICE OF COUNSEL

16.1 It is understood that document preparation for this sale has been done by Seller's attorney. Purchasers have been provided with copies of all documents they have been asked to execute prior to closing. Purchasers have been advised that Seller's attorney is not representing them in any manner and Seller is paying its own attorney fees for document preparation and advice of counsel regarding this sale. Purchasers agree that they have been advised to have the documents reviewed by their own counsel and to seek counsel's

advice concerning rights and liabilities which will occur upon execution of this agreement.

17. PROVISIONS FOR ATTORNEY'S FEES

17.1 In the event that suit or action is instituted by either party hereto to enforce any of the terms or conditions of this agreement or to enforce any provision hereof, the prevailing party in such suit or action, including any appeal thereon, shall be allowed reasonable attorney's fees and actual costs and disbursements.

Signed this 19th day of August, 1991.

SELLERS:

Corbett J. Turner
CORBETT J. TURNER

Helen M. Turner
HELEN M. TURNER

SELLER'S ADDRESS:

400 E. Garfield Ave
Gettysburg, SD 57442

STATE OF SOUTH DAKOTA)

County of Potter)

:ss

On this 19th day of August, 1991, before me personally appeared CORBETT J. TURNER and HELEN M. TURNER, husband and wife, to me known to be the individuals who executed the within and foregoing instrument to be their free and voluntary act and deed for the uses and purposes therein mentioned.

SUBSCRIBED AND SWORN to before me this 19th day of August, 1991.

Julio Ford
NOTARY PUBLIC in and for the State of Gettysburg,
of South Dakota residing at Potter County
My commission expires: 3-1-96

Julio Ford, Notary Public, Potter County
My Commission Expires 3-1-1996

PURCHASERS:

David L. Otos
DAVID L. OTOS

Kari L. Otos
KARI L. OTOS

STATE OF WASHINGTON)

:ss

County of Clark)

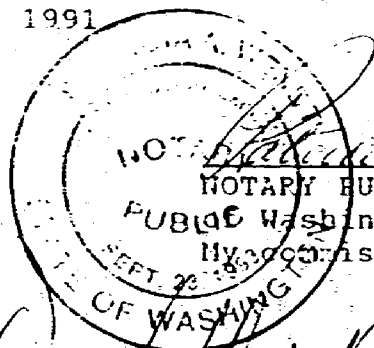
On this 18th day of September, 1991, before me personally appeared DAVID L. OTOS and KARI L. OTOS, husband

AGREEMENT FOR PURCHASE OF LEASEHOLD AND IMPROVEMENTS - 8

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and wife, to be known to be the individuals who executed the within and foregoing instrument to be their free and voluntary act and deed for the uses and purposes therein mentioned.

SUBSCRIBED AND SWORN to before me this 18th day of Sept 1991



NOTARY PUBLIC in and for the State
of Washington residing at Vancouver
My commission expires: 9-22-93

Mike D. Drovdahl
MIKE D. DROVDAHL

Nancy L. Drovdahl
NANCY L. DROVDAHL

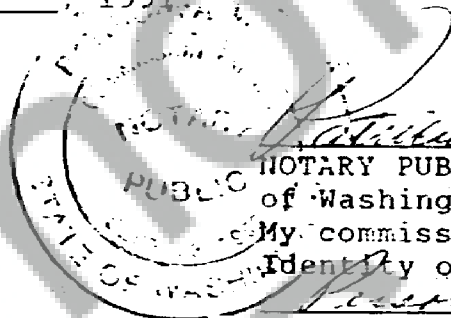
STATE OF WASHINGTON)

: SS.

County of Clark)

On this day personally appeared before me MIKE D. DROVDAHL and NANCY L. DROVDAHL, husband and wife, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 18th day of Sept 1991



NOTARY PUBLIC in and for the State
of Washington residing at Vancouver.
My commission expires: 9-22-93

Identity of Affiant Verified by

Personal Knowledge

CABIN SITE LEASE

4-12-89

WATER FRONT RECREATION, INC., a Washington corporation hereinafter called Lessor

consideration of the rents to be paid and covenants to be performed by

Conzett & Helen Turner

hereinafter called Lessee, leases to Lessee the following described cabin site on the terms and conditions stated herein

Cabin site number 99 of the North Woods as shown in red on Exhibit "A" attached hereto (all distances being approximations), being part of Government Lots 4 and 8, Section 26 Township 7 North Range 6 East W.M., Skamania County, Washington.

SUBJECT, however to an easement for right of way for access road acquired by the United States of America, United States Forest Service

SECTION 1. OCCUPANCY

1.01 Term. This Lease is granted for the period beginning 5-1-1989 and terminating on June 1, 2025, unless sooner terminated as hereinafter provided (See Addendum G)

1.02 Master Lease. Lessor holds the above described premises under a lease hereinafter referred to as the "master lease," dated August 11, 1970, from the State of Washington, acting by and through the Department of Natural Resources (See Addendum A)

1.03 Master Lease Incorporated. The master lease is on file with Lessor and is available for inspection. Lessee's rights hereunder are subject to all the terms, provisions, exceptions and reservations set forth in said master lease (as to which Lessee is a sub-lessee) and incorporated herein by reference, including, without limiting the foregoing, an easement for right of way for an access road acquired by the United States of America, United States Forest Service and the right of the State of Washington to inspect the premises at reasonable times

SECTION 2. RENTAL

2.01 Basic Rental. As rental for each lease year, the Lessee shall pay the sum of Eight Hundred Twenty Dollars (\$800.00). Rent shall be paid in advance, on the first day of September in each year hereinafter referred to as the anniversary date. All payments shall be made to Lessor at 6555 5th Avenue, P.O. Box 10000, Seattle, WA 98108, or at such other place at which the Lessor may notify the Lessee in writing. Rent for the fraction of any lease year shall be prorated. The lease year shall be from September 1 through the succeeding August. (See Addendum B)

2.02 Rent Adjustments. Lessor may, as of any anniversary date, increase the annual rental as follows: (a) Under the master lease, Lessor's rental to the State of Washington may be increased on June 1, 1980, and at intervals of not less than ten (10) years thereafter, Lessor may increase Lessee's rental hereunder at such times as Lessor's rental under the master lease is increased. The amount of such increase in Lessee's rental shall be responsible for and required to pay shall equal the total rental increase under the master lease to Lessor multiplied by the Lessee's annual rental to the Lessor divided by the total annual rental of the Lessees of the sites in the North Woods. Annual rental as used herein shall mean the total rent the Lessee is required to pay to Lessor for the year immediately preceding the year of the increase. The aforesaid formula is illustrated as follows:

Lessee's share of increase	=	Increase under master lease to Lessor	x	Lessee's annual rental	÷	Total annual rentals of sites
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(b) In addition to the increase permitted under subparagraph (a) above, Lessor may, as of any anniversary date, increase the annual rental hereunder on account of taxes and assessments against said real property in an amount which, together with prior increases on account of taxes and assessments, shall not exceed the total of the amount by which taxes and assessments on the land covered by the master lease exceeds such taxes for 1970, divided by the number of improved cabin sites on said anniversary date.

(c) Finally, every ten years beginning September 1, 1985, the annual rental shall, at the option of the Lessor, be adjusted to reflect the percent of increase from September 1, 1975, in the Consumer Price Index as published by the Bureau of Labor Statistics, U.S. Department of Labor; that is, the annual rental each year for the succeeding ten years shall be increased as compared with the annual rental as set forth herein by the same percentage as the increase in said Consumer Price Index differs from said index for September 1, 1975. (See Addendum C)

SECTION 3. LESSOR'S COVENANTS

3.01 Declaration. In order to preserve the natural beauty of the North Woods, to provide for the control of structures erected thereon, improvements to be made thereon, and for the purpose of extending to the residents therein the greatest possible peace, enjoyment, privacy, health, comfort, safety, and preservation of property values, Lessor does hereby certify and declare that with the sole exception of lot 19, which is the North Woods Sales Office, the following reservations, conditions, covenants, agreements and restrictions shall become and are hereby made a part of all leases of property within the plat of the North Woods as the same appears on the map survey recorded in the office of the County Auditor of Skamania County, Washington. (See Addendum D)

3.02 Boat Dock. Lessor shall construct a boat dock for the common use of residents of the North Woods. In the event construction of said boat dock is not completed by September 1, 1972, it is hereby agreed that in lieu of such construction, Lessor shall contribute \$5,000.00 to the North Woods Association, hereinafter described in paragraph 5.09, for construction of such dock. (See Addendum E)

SECTION 4. USE OF SITE

4.01 Permitted Use. The cabin site shall be used only for residential purposes. No building shall be erected, altered, placed, or permitted to remain on the cabin site other than one detached single family dwelling and buildings incidental to residential use, and the cabin site shall not be further subdivided into building lots.

4.02 Condition of Site. The premises hereby leased have been inspected by Lessee and are accepted in their present condition.

4.03 Vehicles. No vehicles shall be parked in roadways. Vehicles shall not be operated carelessly or in excess of posted speeds. No vehicle shall be operated at any time without a muffler in good working order. Excessive motor noise or annoying smoke are forbidden.

4.04 Maintenance. All lots shall at all times be kept in a clean, sightly, and wholesome condition and no trash, garbage, litter, junk, boxes, containers, bottles, cans, machinery, implements, lumber, or other building materials shall be permitted to be or remain exposed on any lot and visible from any street or adjoining or nearby premise.

4.05 Signs. No signs of any kind shall be displayed to the public view on any lot in the tract except one professional sign, of not more than 18 inches by 24 inches in size, advertising the property for sale or rent, and except signs used by a builder or developer to advertise the property during the construction and sales period.

PROPERTY NOTE:
NOT A CONTRACT

EXHIBIT

PAGES

SECTION 5. IMPROVEMENTS

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4.07 A. No animals, livestock, or poultry of any kind shall be kept on any lot except that cats, dogs, or household pets may be kept, but not for any commercial purpose. Household pets shall not be allowed to become an annoyance or nuisance to the neighborhood.

4.08 Incineration. Because of unpleasant odors and unsightliness, no individual incinerator will be permitted on any lot.

4.09 Fires and Fireplaces. Interior fireplaces, stoves, or other type burner must be fireproofed by use of sparkproof screens. All fires must be extinguished before leaving cabin. No fires shall be lit or maintained outside of any cabin.

4.10 Firearms and Fireworks. Discharging firearms, firecrackers, rockets or any other fireworks within the North Woods area shall be prohibited.

4.11 Commercial Use. No platted lot shall be used for any commercial purpose, except that a Lessee may rent his cabin from time to time, and in such case shall be responsible that his tenants abide by these covenants.

4.12 Motorbikes. No motorbike or motorcycle riding of any nature shall be allowed except for ingress and egress.

4.13 Fire Extinguisher. One fire extinguisher (minimum two quart capacity) must be kept in every cabin.

4.14 Trailers and Tents. No tent, house trailer, or mobile home, whether the same be on wheels or not, shall be permitted on any lot except during the period of cabin construction and for guests over a weekend period.

4.15 Solicitation. There shall be no solicitation or distribution of handbills or circulation of any kind without the written consent of Lessor.

4.16 Hose Bibs. One hose bib shall be installed on outside wall of each cabin for fire protection on or before completion of the cabin.

SECTION 5. IMPROVEMENTS

5.01 Plans Approved. No building shall be erected, placed, or altered on the cabin site until the construction plans showing the location of the structure have been approved by the Lessor as to conformity with plan of development, quality of workmanship and materials, harmony of external design and color with existing structures, and as to location with respect to topography and finish grade elevation. Such approval shall be in writing.

5.02 Building Materials. All building construction shall be of log or wood frame. Wood frame stucco or simulated brick veneer construction is expressly prohibited. All roofs shall be of wood shingle or shake, or of an acceptable composition - color to be approved prior to application by the Lessor or such person or persons designated by Lessor.

5.03 Completion. Cabins must be completed from all outward appearance within one (1) year from the time such construction is started. Cabin construction must be started within three years from the date of the signing of Cabin Site Lease.

5.04 Tree Removal. The Lessee of each cabin site may remove from said site all trees, shrubs, and foliage necessary to prepare the property for building subject to the following conditions:

As required by the State of Washington in the master lease, any tree whose diameter is over 8" at chest height must be marked by Lessee for Lessor's inspection. Lessor will then notify the Washington State Department of Natural Resources and request their standard appraisal of value. Lessee will then pay Lessor for the value of the tree before removal. Any additional clearing beyond that necessary for the construction of improvements shall be prohibited. The intent is to remove as few trees as possible to the end that the community remain natural and rustic.

5.05 Lot Markers. Lessee will use all reasonable care to make certain that the lot markers, as established by Lessor, are not moved or destroyed.

5.06 Improvements Other Than On Cabin Site. No improvements of any kind shall be constructed or placed upon any area covered by the master lease without Lessor's prior written consent.

5.07 Ownership of Improvements. The master lease provides as follows:

"8.04 Ownership of Sub-lessee Improvements. All buildings and improvements, excluding removable personal property and trade fixtures on the leased site [North Woods] erected by Sub-lessee [Lessee herein] will remain on said site after expiration of this lease [master lease] or termination prior to the term of this lease [master lease] of any sub-lease [this lease] held by the State under the provisions of paragraph 5.09, provided, however, upon the expiration of the lease [master lease], if the State is unsuccessful in re-leasing the leased site [North Woods], as a unit, then each sub-lessee [Lessee herein] shall have a preferential right as allowed by law to re-lease from the State its sub-leased area; provided, further, upon the termination or expiration of this lease [master lease] or a sub-lease [this lease] assigned under paragraph 5.09 that as a condition of any re-lease of the leased site or sub-leased site to any other party made during the three year period following the State shall require the subsequent Lessee to purchase the Sub-lessee's [Lessee herein] interest in the improvements as allowed by law. Expiration, as used in this paragraph, shall mean the expiration of the lease as of May 31, 2025."

The parties hereto agree that the terms and conditions of the above quoted paragraph shall be applicable provided:

(a) That Lessee is not in default under any of the terms and conditions of this lease, and

(b) That Lessee's lease expires May 31, 2025. In the event of earlier expiration of this lease, all buildings and improvements located upon the premises shall be the property of Lessor.

The parties hereto further agree that the benefits of paragraph 8.04 of the master lease shall be enforceable solely against the State of Washington.

5.08 Taxes and Assessments. The Lessee shall pay in annual payments all taxes and assessments that are now charged or may become chargeable against the improvements placed upon the cabin site, now or in the future, commencing with the taxes first becoming due and payable after the date hereof, all before such taxes and assessments become past due.

5.09 North Woods Association. The roads in the plat and certain other common areas shall be held in the name of The North Woods Association, a non-profit association, of which the Lessees of lots in the plat shall be members. Said Association shall be responsible for the maintenance and repair of roads, the entire water system including but not limited to water systems serving the cabins on the premises, docks and common areas and improvements thereon (if any), as well as other community functions which may be given it by its members. The owners (Lessees) of lots in the tract shall be required to pay dues of not less than one and one-half dollars (1½) per month and assessments to said Association for their reasonable share of the costs of the functions and duties of the Association. Said dues shall commence at the time 50 lots are leased. It is understood and agreed that Lessor shall and it is hereby delegated to fulfill all duties, responsibilities and functions of the North Woods Association until fifty (50) lots in the North Woods are leased. At that time Lessor shall call a meeting of all Lessees for the purpose of forming said Association. (See Addendum F)

SECTION 6. UTILITIES

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6.01 Sewage. Individual sewage disposal systems installed by Lessee must be designed, located, and constructed in accordance with the regulations, laws and ordinances of Skamania County and the State of Washington.

6.02 Reservation. Lessor reserves to itself and to its successors and assigns easements in, under, and along all roads and other common areas in the plat for any utilities whether presently installed or not. In addition, an easement is reserved in an area five (5) feet by ten (10) feet in one corner of each lot (to be selected by Lessor) adjoining the road, for electric transformer vault and/or telephone and power service pedestals if any. And the assignment of the lease as to each individual lot shall be subject to the right to cross over or under the same along the lot lines, with utility lines if such may be necessary in the development of this subdivision or adjoining subdivisions.

6.03 Water. Each cabin site has or will be furnished water at or near the lot line. Each lessee agrees to receive water from the water system supplying the North Woods and further agrees to pay Lessor \$225.00 for the right to connect to said system.

6.04 Maintenance. The lessee shall bear the responsibility and expense of furnishing, installing, back-filling, and maintaining each underground trench or other digging upon such cabin site which is necessary for any utility connections or facilities to serve such cabin site.

SECTION 7. MISCELLANEOUS

7.01 Lessee's Duties. Lessee agrees to comply strictly with the Lessor's rules and regulations and all applicable Federal, State, County, and Municipal laws, rules and regulations relating to all activities contemplated under this lease, including but not limited to, use of public or private roads, parking, fire and prevention of fire, public health, and pollution of streams or lakes, and to assume all obligations thereby imposed upon the Lessor. Lessor may inspect the cabin site and cabin at any time to determine compliance with the terms of this lease.

7.02 Indemnification. Lessee hereby agrees to assume all risk of, and indemnify and hold harmless, and at the Lessee's expense, defend the Lessor from and against, any claims, loss, cost, legal actions, liability or expense on account of personal injury to or death of any persons whatsoever, including but not limited to employees of the Lessor, or damage to or destruction of property to whomsoever belonging, including but not limited to property of the Lessor which might result from Lessee's activities on the leased premises. The Lessee further agrees to indemnify and save harmless the Lessor from any loss, cost, suit or expense resulting from Lessee's failure to comply with any of the provisions of any applicable laws, rules or regulations.

7.03 Insurance. Lessee shall obtain fire, casualty and liability insurance as follows:

(a) Fire and casualty insurance in a sufficient amount to cover the replacement cost of any or all improvements upon the leased premises. Such insurance shall be carried by a responsible company or companies satisfactory to Lessor and the policy or policies shall be endorsed and delivered to Lessor with provision for thirty (30) days' notice of cancellation to Lessor.

(b) Liability and property insurance insuring Lessor and Lessee against all liability for damages to persons or property caused by the maintenance, use or occupancy of the leased premises or by reason of the conduct of any activity carried on thereon. Such insurance shall be carried by a responsible company or companies satisfactory to Lessor in amounts not less than the following limits, namely:

- (1) Bodily injury to or death of any one person, \$5,000.00.
- (2) Bodily injury or death resulting from any one accident to two or more persons, \$10,000.00, and
- (3) Property damage, \$1,000.00.

Lessee shall deliver to Lessor certificates and receipts evidencing said policies of insurance and further provide with the company or companies for thirty (30) days' notice of cancellation to Lessor.

7.04 Assignment. Without the prior written consent of Lessor, Lessee shall not assign this lease or any interest therein, or sublet, and no heir, executor, administrator, receiver, trustee in bankruptcy or other assignee by operation of law shall assign or sublease without such written consent.

7.05 Waiver. Any waiver by the Lessor of any provisions hereof must be in writing, and any of the covenants, conditions, restrictions, in this lease may be annulled, waived, changed, or modified with respect to all or any portion of said property by Lessor at any time.

7.06 Attorneys' Fees. In the event any action, suit, proceeding or appeal therefrom is brought to collect the rent due or to become due hereunder, or any portion thereof, or to get possession of said premises, or to enforce compliance with this lease, or for failure to observe any of the covenants of this lease, the prevailing party shall be entitled to recover such sum as the Court may adjudge reasonable as attorneys' fees to be allowed in said suit, action, proceeding or appeal therefrom in addition to such other relief granted by the Court.

7.07 Condemnation. The parties hereto shall receive any sums or damages paid or awarded by reason of any taking, condemnation or acquisition during the existence of this lease as their interests therein shall then appear, whether or not by litigation, by any authority, person or corporation, whether public or private, of any title to or interest in all or any part of the premises.

7.08 Reservoir Level. The Lessee acknowledges by signing this lease that Pacific Power and Light Company has the right to fluctuate the waters of Swift Reservoir at any time within the provisions of Federal Power Commission License No. 2111 or as amended. The Lessee shall waive all claims or damage and shall indemnify Pacific Power and Light Company, the State of Washington, Lessor or their successors, if any, against any claim of damage arising from fluctuation in reservoir level or impairment of recreational use of the reservoir or shoreline or floating facilities.

7.09 Validity of Provisions. The determination of any Court that any provisions of this lease are unlawful or void shall not affect the validity of any other provision hereof.

7.10 Enforcement of Restrictions. Without in any way limiting the rights of Lessor, if the parties upon whom the provisions hereof are binding, or any of them, shall violate or attempt to violate any of the reservations, restrictions or covenants hereof, the Lessor or any lessee of land in the tract, shall have the right to compel performance of or compliance with the provisions hereof, to abate and remove, at the expense of the offending lessee or lessees of the property, any structures or erections in violation of the provisions hereof, to recover damages for any such violation or attempted violation of the provisions hereof and to prosecute any proceedings at law or in equity in furtherance of the aforesaid remedies in any Court having jurisdiction of such cases.

7.11 Reservations on Land. All of the reservations, conditions, covenants, agreements and restrictions shall run with the land and shall be binding on the lessees of all property covered hereby and all parties and persons claiming under them and on all property within the tract.

7.12 Assignment. Without limiting Lessor's right to sell or assign this lease or land, Lessor may assign this lease to a corporation, and if said corporation assumes the obligations of Lessor hereunder, Lessor shall thereby be released of and relieved from any and all obligations under this lease.

SECTION 8 TERMINATION

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8.01 Default Notice. If any default shall be made on the part of the Lessee in the observance or performance of any of the covenants, agreements or provisions of this lease by him to be observed or performed and such default continues for sixty (60) days after written notice the Lessor may at its option immediately terminate this lease for the Lessee's interest therein and forthwith exclude the Lessee from the premises and from all rights hereunder but the Lessee shall nevertheless be liable to the Lessor for all liabilities incurred hereunder prior to such termination. Waiver of any default hereunder shall not constitute a waiver of any subsequent default. Service of any notice provided for herein by the Lessor may be made by depositing such notice in the United States mails addressed to the Lessee at

8.02 Master Lease Termination. It is expressly understood that Lessor has leased the premises from the State of Washington for a period ending June 1, 2025. The master lease provides that in the event it is terminated for any reason whatsoever prior to the lease termination date such termination shall operate as an assignment to the State of Washington of this lease together with the unrestricted right of the State to receive payment of the rents herein provided from the date of said assignment.

~~**8.03 Failure to Provide Property Report.** Lessee shall have the option to void this lease if he does not receive a property report prepared pursuant to the rules and regulations of the U.S. Department of Housing and Urban Development in advance of or at the time of his signing the lease and Lessee shall have the right to revoke this lease within 48 hours after signing the lease if he did not receive the property report at least 48 hours before signing the lease. However, this option to void the lease shall not apply where Lessee has received the property report and inspected the lot or lots to be leased in advance of signing the lease and acknowledges by his signature that he has made such inspection and has read and understands such report.~~

~~Lessee shall have the option to void this lease if he does not receive a property report prepared and pursuant to rules and regulations of the Oregon Subdivision Control Law ORS 92-210 - 92-990 in advance of his signing this lease.~~

Each and every provision of this lease shall bind and shall inure to the benefit of the respective heirs, representatives, successors and assigns of the parties. In the event Lessee is more than one person, the liability of such persons hereunder shall be joint and several.

8.04 Easements. As shown on the plat of "The North Woods", 20 feet easements are reserved to the Lessor and its assigns on the water front portions of Lots 16, 17, 18, 19, 20, 21, 22, and 23 for purposes of community boat docks. Said easements shall not prevent Lessees of the above lots from developing their own shoreside docks providing such facilities do not interfere with the boat traffic pattern of the community dock system.

Five foot easements are reserved to the Lessor and its assigns on the southerly lot line of Lot 10, and the northerly lot line of Lot 11 for access to the water front. Said access to serve as pathway to boat docks if it is determined by Lessor that additional boat docks are needed to serve "The North Woods" community.

IN WITNESS WHEREOF, the parties have executed this lease in duplicate this 20 day of

April 1989

WATER FRONT RECREATION, INC.

By Robert J. Turner
President

By Donna Thompson
Secretary

LESSOR

Helen M. Turner

Garrett A. Turner
LESSEE

YOU HAVE THE OPTION TO VOID YOUR CONTRACT OR AGREEMENT BY NOTICE TO THE SELLER IF YOU DO NOT RECEIVE A PROPERTY REPORT PREPARED PURSUANT TO THE RULES AND REGULATIONS OF THE OFFICE OF INTERSTATE LAND SALES REGISTRATION, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, IN ADVANCE OF, OR AT THE TIME OF YOUR SIGNING THE CONTRACT OR AGREEMENT. IF YOU RECEIVED THE PROPERTY REPORT LESS THAN 48 HOURS PRIOR TO SIGNING THE CONTRACT OR AGREEMENT, YOU HAVE THE RIGHT TO REVOKE THE CONTRACT OR AGREEMENT BY NOTICE TO THE SELLER UNTIL MIDNIGHT OF THE THIRD BUSINESS DAY FOLLOWING THE CONSUMMATION OF THE TRANSACTION. A BUSINESS DAY IS ANY CALENDAR DAY EXCEPT SUNDAY AND THE FOLLOWING BUSINESS HOLIDAYS: NEW YEAR'S DAY, WASHINGTON'S BIRTHDAY, MEMORIAL DAY, INDEPENDENCE DAY, LABOR DAY, COLUMBUS DAY, VETERANS' DAY, THANKSGIVING AND CHRISTMAS.

I (we) hereby acknowledge that prior to the signing of this lease, I (we) have received, read, and understand the PROPERTY REPORT prepared pursuant to the rules and regulations of the U.S. Department of Housing and Urban Development (Office of Interstate Land Sales Registrations) and the PROPERTY REPORT prepared pursuant to rules and regulations of the Oregon Subdivision Control Law ORS 92-210 - 92-990. I (we) also acknowledge that I (we) have inspected the lot to be leased.

LESSEE

ADDENDUM A

As used herein, "Master Lease" means the Restated Lease of February 1986 between the State of Washington, Department of Natural Resources, and Water Front Recreation, Inc.

ADDENDUM B

W. F. Kuntz Recreation
~~2293 VOYUE STREET~~

~~SAN DIEGO, CALIFORNIA 92154~~

ADDENDUM C

525 N.E. Greenwood Ave
Bend, Ore. 97701

Judy F. Zifko
Ph. 503-338-9058

As used in paragraph 2.02(c) 1975 means 1985, 1985 means 1995, and Consumer Price Index means the National Consumer Price Index for all Urban Consumers.

ADDENDUM D

Lot 19 is no longer the North Woods Sales Office.

ADDENDUM E

The \$5,000 has been contributed.

ADDENDUM F

The Association has taken over responsibility for maintenance and repair of roads, the water system, docks, and common areas.

ADDENDUM G

This lease terminates June 1, 2069, unless sooner terminated as provided in this Lease.