

127219

BOOK 162 PAGE 219

FILED
SKAMANIA COUNTY
BY *Skamania County*

JAN 30 9 37 AM '97

P. Lowry
AUDITOR
GARY M. OLSON

RETURN ADDRESS:

SKAMANIA COUNTY
Clerk of Board of CC
P.O. Box 790
Stevenson, WA 98648

Please Print or Type Information.

Document Title(s) or transactions contained therein:

1. GROUND LEASE BETWEEN SKAMANIA COUNTY, LANDLORD, and
2. COLUMBIA CASCADE HOUSING CORP., TENANT
- 3.
- 4.

GRANTOR(S) (Last name, first, then first name and initials)

1. SKAMANIA COUNTY, a municipal corporation of the State of Washington
 - 2.
 - 3.
 - 4.
- ☐ Additional Names on page _____ of document.

GRANTEE(S) (Last name, first, then first name and initials)

1. COLUMBIA CASCADE HOUSING CORP.
 - 2.
 - 3.
 - 4.
- ☐ Additional Names on page _____ of document.

LEGAL DESCRIPTION (Abbreviated: I.E., Lot, Block, Plat or Section, Township, Range, Quarter/Quarter)

Lot 1 of Short Subdivision in Book T on Page 100

- Complete Legal*
☒ Additional Names on page 3 of document.

REFERENCE NUMBER(S) Of Documents assigned or released:

- ☐ Additional Names on page _____ of document.

ASSESSOR'S PROPERTY TAX PARCEL/ACCOUNT NUMBER *2-7-1-1300*

- ☐ Property Tax Parcel ID is not yet assigned.
☐ Additional parcel #'s on page _____ of document.

The Auditor/Recorder will rely on the information provided on the form. The Staff will not read the document to verify the accuracy or completeness of the indexing information.

Gary H. Martin, Skamania County Assessor
Date *1-29-97* Parcel # *2-7-1-1300*
Chen

SA. 127219 ✓
SKAMANIA COUNTY ✓
FILED ✓
JAN 30 1997 ✓
GARY M. OLSON ✓

BOOK 162 PAGE 220

GROUND LEASE

BETWEEN

SKAMANIA COUNTY

LANDLORD

AND

COLUMBIA CASCADE HOUSING CORP.

TENANT

GROUND LEASE

THIS LEASE, made and entered into at Stevenson, Washington, this 17th day of January, 1997, by and between SKAMANIA COUNTY, a municipal corporation of the State of Washington ("Landlord"), and Columbia Cascade Housing Corp. ("Tenant"), WITNESSETH:

RECITALS

WHEREAS, the Board of County Commissioners has determined that many people ("People in Need of Living Assistance") require, by reason of infirmity or a financial situation, a package of services consisting of (a) meal services, (b) affordable housing in private apartment-like units, (c) assistance with activities of daily living, (d) assumption of general responsibility for their safety and well-being, and (e) limited nursing services, and yet unable, by reason of age, sickness, or disability, to live alone without endangering their health or safety because they have special needs for regular assistance in performing one or more activities essential to safe and sanitary daily living such as bathing, dressing, fixing meals, eating, taking medicine, and protecting themselves against accident or abuse; and

WHEREAS, the Board of County Commissioners has further determined that a large proportion of People in Need of Living Assistance are 60 years of age or older ("Senior Citizens") and that such individuals ("Senior Citizens in Need of Living Assistance") comprise a "special needs population" within the meaning of RCW 36.34.135; and/or are from "very low income, low income or moderate income households" as defined by RCW 43.63A.510 (1996).

AND, WHEREAS, RCW 36.34.135 (1996) permits Skamania County to lease property for affordable housing to any non-profit organization for the purpose of providing housing for very low income, low income or moderate income households as defined in RCW 43.63A.510 and special needs populations; and

WHEREAS, the Board of County Commissioners has determined that public, social, and health benefits will be derived by providing an adequate supply of safe, affordable and sanitary housing for Senior Citizens in Need of Living Assistance; and

WHEREAS, Skamania County owns certain lands within the city limits of the City of Stevenson which the Board of County

Commissioners has determined to be suitable for the construction and operation of a residential facility to provide care and affordable housing for Senior Citizens in Need of Living Assistance (an "Assisted Living Facility for Senior Citizens"); and

WHEREAS, the Tenant wishes to use this property to construct and operate an Assisted Living Facility for Senior Citizens in Need of Living Assistance and is a nonprofit organization that has demonstrated its ability to construct and operate such a facility.

NOW, THEREFORE, Landlord and Tenant hereby agree as follows:

Section 1

PREMISES AND TERM

1.1 Description. For and in consideration of Tenant's covenant to pay the rental and other sums provided for herein and to provide an Assisted Living Facility for Senior Citizens by constructing and operating upon the leased property those improvements with architectural designs similar to those described on Exhibit A (the "Improvements"), in accordance with this Lease, Landlord leases to Tenant, and Tenant leases from Landlord, that certain property (the "Property") situated in the City of Stevenson, County of Skamania, State of Washington, located approximately as shown on the Short Plat map attached as Exhibit B, and more specifically described as follows:

Lot 1 of the SHORT SUBDIVISION recorded in Book T of Town Plats, at page 100, Records of Skamania County, Washington, on November 22, 1996.

The "Property" along with any of the "Improvements" shall constitute the "Premises."

1.2 Duration of Lease. The duration of this Lease ("Term") shall commence (the "Commencement Date") on either the date upon which the Tenant secures financing for the construction of the Assisted Living Facility or twelve (12) months from the date upon which this Lease is executed, whichever date is sooner. If, in the sole opinion of the Board of County Commissioners, the Tenant has taken substantial steps towards securing financing for the construction of the Assisted Living Facility, the Board of County Commissioners may, in writing, extend the commencement of the Lease an additional ninety (90) days after the twelve-month deadline. In no event shall the commencement of this Lease extend beyond fifteen (15) months from the date this Lease is executed.

Unless otherwise canceled or terminated in accordance with this agreement, the Term shall end on the date that is seventy-five (75) years after the date on which the Term commences.

If RCW 36.34.135 is amended to allow the County to lease its property for a term that exceeds seventy-five (75) years, then the Board of County Commissioners may, in its sole discretion, lease this property for an additional period of time, consistent with RCW 36.34.135.

1.2.1 Termination of Lease. If the Improvements that are required to be constructed under this Lease are not completed within three (3) years from the Commencement Date, this Lease shall automatically be canceled and all improvements constructed and all amounts required to be paid under Section 3 shall be automatically forfeited to the County.

1.2.2 Tenant Option to Cancel. At all times following execution of this Lease and prior to the end of the three (3) year deadline provided in paragraph 1.2.1 above, the Tenant shall diligently pursue development of the Improvements in good faith, unless the Tenant determines that development of the Improvements is not legally or economically feasible or practicable, in which event Tenant may elect to terminate this Lease. To enable to Landlord to monitor the Tenant's progress in developing the Improvements, the Tenant shall promptly deliver to the Landlord all permit applications related to the Improvements that are filed. Tenant shall meet with the Board of County Commissioners at least four (4) times a year until the Improvements are completed to update the Board on the progress and to discuss any issues that may interfere with the development of the Improvements. In any event, all Improvements must be completely constructed within three (3) years of the Commencement Date.

In the event Tenant elects to terminate this Lease pursuant to this Section 1.2.2, Tenant shall give Landlord thirty (30) days' written notice of its intent to cancel. Notwithstanding this right to cancel, the obligations of the Tenant to pay the rentals and the other amounts due, and to perform and observe all other obligations required by the terms and conditions of this Lease, shall be absolute and unconditional through the effective date of termination, and shall not be subject to diminution by setoff, counterclaim, abatement or otherwise. In the event that the Tenant elects to cancel under the provisions of this Section 1.2.2, or in the event that this Lease is canceled under the provisions of Section 1.2.1, the Tenant shall immediately give and deliver to the Landlord any interest Tenant has in any plans, studies, permits, drawings or similar documents related to the property or Improvements. Section 12 of this Lease does not apply to this Section 1.2.

1.3 Tenant's Warranties. In addition to the other provisions of this Lease, the Tenant represents and warrants that:

- (a) Tenant has the authority to enter into this Lease;

(b) The execution and delivery by Tenant of this Lease has been duly authorized;

(c) Tenant will operate the Property in accordance with this Lease as set forth in Section 2.2 and elsewhere herein; and

(d) Tenant shall, at its own expense, make all necessary repairs and replacements to the Property, including but not limited to, the Improvements, pipes, heating system, plumbing system, window glass, fixtures and all other appliances and their appurtenances, all equipment used in connection with the Property, the sidewalks, curbs, and driveways, and shall be responsible to keep the Improvements and grounds in good working condition and in good appearance.

1.4 Tenant's Use of the Property. Tenant shall use the Property to construct the Improvements in accordance with the Plans and Specifications (as defined in Section 4.4) and to operate the Improvements exclusively as an Assisted Living Facility for Senior Citizens in Need of Living Assistance (as defined in the recitals preceding this Lease Agreement) and for no other purpose. Tenant agrees that any other use of the property will automatically terminate this Lease requiring Tenant to immediately deliver the Property and all Improvements to Landlord as further set forth in Section 4.10. Tenant further agrees to allow as residents only Senior Citizens in Need of Living Assistance as defined herein. The parties do agree, however, that employees of the facility may reside in the facility when their residence on site is necessary to the safe and efficient operating of the Assisted Living Facility.

1.5 Lease-Hold Mortgages.

1.5.1 Tenant's Right to Mortgage the Lease-Hold. Tenant shall have the unrestricted right to mortgage its lease-hold estate (ALF Mortgage) hereunder and for the term of the Lease any or all Improvements constituting the Assisted Living Facility, in any sub-leases thereof (the "Collateral"), but not fee title to the Real Property.

1.5.2 Provisions Pertaining to Assisted Living Facility Mortgages.

1.5.2.1 Subject to Lease. Any resort mortgage shall be, and shall expressly recite, that it is, subject and subordinate to the Landlord's fee title and to the rights of the Landlord under this Lease. The Landlord agrees to cooperate if required by a lender with the reasonable request of the lender as it relates to documentation and terms of lease-hold mortgages, as generally encountered in the industry for such types of loans.

1.5.2.2 Notice to County. Tenant or any holder of any ALF Mortgage shall deliver to the County the name and

address of the holder of that ALF Mortgage, together with a copy of the mortgage.

1.5.2.3 No Union of the Interest of the Landlord and the Tenant Herein shall Result in a Merger of this Lease in the Fee Interest.

1.5.2.4 Release. If any ALF mortgagee shall acquire title to Tenant's interest in this Lease by foreclosure or by assignment in lieu of foreclosure, such ALF mortgagee may assign this Lease or such new Lease and shall thereupon be released from all liability for the performance or observance of the covenants and conditions in such Lease contained on the Tenant's part to be performed and observed from and after the date of such assignment, provided that the assignee of such lease-hold mortgagee shall have assumed such Lease in accordance with Section 11.2 hereof.

1.5.2.5 Purchase by Landlord. Landlord shall have the right and option (but not the obligation), during the period described in the last sentence of this section 1.5.2.5, by notice in writing to such lease-hold mortgagee, to purchase the lease-hold mortgage, the note or notes secured thereby, and any other instruments securing or guaranteeing such note or otherwise evidencing any obligations secured by the lease-hold mortgage. The purchase price therefore shall be the full amount due and owing to the lease-hold mortgagee thereunder, including without limitation, all principal, interest, default interest, late charges, prepayment premiums, security protection advances, costs and attorney's and other fees. The sale and assignment by such lease-hold mortgagee shall be without recourse or warranty by such lease-hold mortgagee except that such lease-hold mortgagee has good title to the note or notes or is authorized to obtain payment or acceptance on behalf of one who has good title to the note or notes or is authorized to obtain payment or acceptance on behalf of one who has good title and that the transfer to Landlord vests in Landlord good title to such note or notes and in all security interests securing the same, free and clear of all claims and interest of third parties. Such right may be exercised by Landlord at any time after the lease-hold mortgagee has declared the entire sum secured by the lease-hold mortgagee to be due and payable or has commenced proceedings to foreclosure such lease-hold mortgage and such right shall terminate upon the earliest to occur of (i) the sale or other disposition of the lease-hold mortgagee's interest in and to the Tenant's interest under this Lease following at least 45 day's written notice to Landlord by such lease-hold mortgagee, or (ii) 45 days following receipt by Landlord of a request that Landlord exercise such right given in writing from the lease-hold mortgagee after the date such right shall first arise as above provided.

Section 2

RENTAL

2.1 Rent. Tenant covenants and agrees to pay Landlord the following rent:

2.1.1 Construction Period. The construction period shall begin on the Commencement Date and end on the date that the construction of the Improvements, as provided in Sections 4.2 and 4.3, are substantially completed, or when the Improvements are used for residential purposes, whichever date is earlier. In no event shall the construction period be longer than three (3) years from the Commencement Date; moreover, in any event, any and all Improvements required to be constructed under this Lease must be completed within three (3) years of the Commencement Date. Other than the payments required under Section 3, no rent shall accrue or be payable during the construction period.

2.1.2 Rent. Except during the construction period, as defined in Section 2.1.1, Rent shall be as provided in this Section 2.1.2. Rent shall be in addition to the payments required under Sections 3.1, 3.2 and/or 3.4. During the term of this Lease, the Tenant shall pay as rent hereunder ("Rent") the amount equal to one percent (1%) of the Assessed Value of the leased Real Property per year, as that value is determined by the Skamania County Assessor, not including the Improvements, payable in semi-annual payments (January 1 and July 1 of every year), commencing on the Commencement Date. Late payments will incur interest at the rate provided in Section 15.12. To ensure that a fair Rent is paid for the use of this Property, the Rent due under this Lease will be adjusted every fifth year following the Commencement Date. Thus, every 5th year after the Commencement Date, the adjusted Rent will be set at one percent (1%) of the Assessed Value of the Real Property without the Improvements, as that value is determined by the Skamania County Assessor. In no event shall the Rent due under this section be less than \$1,500.00 per year. If the first date on which the obligation to pay Rent does not begin on a date that a semi-annual payment is due, the amount of Rent shall be pro-rated accordingly. Any Rent adjustment shall not increase the amount of Rent required to be paid by more than twenty percent (20%) over the amount of rent required to be paid during the preceding 5-year period.

2.1.3 Notice of Adjusted Rent. In accordance with the previous section and every fifth year from the date this Lease was executed, the Landlord will give Tenant written notice of the adjusted Rent. Within thirty (30) days following receipt of notice from the Landlord, the Tenant will give the Landlord written notice of its acceptance or rejection of the adjusted Rent. If the Tenant does not notify the Landlord within the 30-day period, the Rent as adjusted by the Landlord will become the Rent due.

2.1.4 Disagreement of Adjusted Rent. If the Tenant cannot agree upon the Rent adjustment, then the matter will be submitted to arbitration in accordance with Section 13. The

Arbitrators shall then, having conducted an informal hearing, establish the adjusted Rent for purposes of this Lease.

2.2 Operations. As a material inducement and covenant of Tenant hereunder, Tenant shall at all times during the Term of this Lease, develop, operate and maintain the Property as a first-class Assisted Living Facility for Senior Citizens in Need of Living Assistance. To the extent consistent with the requirements of the first sentence of this Section 2.2, Tenant shall use its best efforts throughout the Term of this Lease to operate the Property in a manner reasonably designed to maximize income consistent with the Tenant's other obligations and to maintain the Property in a clean and professional manner, and to comply with the other terms of this Lease, and to protect and enhance the value of the Property, its Improvements, grounds, and the neighboring properties. In addition to these covenants, the Tenant further agrees to operate the Assisted Living Facility in compliance with a Management Plan which shall be approved, adopted and amended, if necessary, by the Stevenson Senior Advisory Committee, a member of which shall be a representative of the Board of County Commissioners.

Section 3

ASSESSMENTS AND UTILITIES; AND OTHER COSTS

3.1 Utilities. After the Commencement Date Tenant shall pay or cause to be paid when due, and shall indemnify, protect and hold harmless the Landlord and the Property from all charges for public or private utility services to or for the Property during the term of this Lease, including without limiting the generality of the foregoing, all charges for heat, light, electricity, water, gas, telephone service, cable service, garbage collection and sewage and drainage service.

3.2 Taxes. During the term of this Lease, the parties intend for the Tenant to pay all expenses and taxes associated with this Property and will further compensate the City of Stevenson and the other affected governmental entities, including Skamania County, for all costs associated with the Tenant's use of these Premises. Tenant shall pay when due each and every one of the following ("Impositions"):

(a) All real and personal property taxes or payments in lieu thereof due with respect to the Premises or any portion thereof;

(b) Taxes due or which may be due upon or with respect to the leasehold estate created by this Lease, or the rents payable or paid by Tenant to Landlord, including any business and occupation taxes, but excluding any tax measured by net income;

(c) All taxes imposed on or with respect to personal property and intangibles located in or used in connection with the Property;

(d) All assessments for public improvements or benefits which are assessed during the term of this Lease, and similar assessments and charges with respect to the Property; and

(e) All other assessments, taxes, rents, rates and charges, excises, levies, management fees, license fees, permit fees, inspection fees and other authorization fees and other charges, in each case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character (including interest and penalties thereon), which at any time during or in respect of the Term may be assessed, levied, confirmed or imposed on or in respect of or be a lien upon the Property or any part thereof, or any estate, right or interest therein, or any occupancy, use or possession of or activity conducted on the Property or any part thereof.

3.2.1 Installments. If by law any Imposition may at the option of the taxpayer be paid in installments, Tenant may exercise such option, and shall pay all such installments (and interest, if any) becoming due during the Term as the same become due (including any installment with respect to any assessment which may be payable following the commencement date) and shall at the end of the Term deposit with Landlord an amount sufficient to pay Tenant's pro rata share of all Impositions for the calendar year in which the Lease terminates.

3.2.2 Proof of Payment. Tenant shall furnish to Landlord, upon request, for inspection, within thirty (30) days after the date any Imposition would become delinquent (unless being contested in conformity with Section 3.3), official receipts of the appropriate taxing authority or other proof satisfactory to Landlord evidencing the payment of such Imposition.

3.3 Permitted Contests. Tenant, at its sole cost and expense, may by any appropriate means conducted in good faith and with due diligence, contest the amount or validity or application, in whole or in part, of any Imposition or lien therefor, or any other lien, encumbrance or charge against the Property arising from work done or materials provided to or for Tenant, if:

(a) Such proceedings suspend the collection thereof from Landlord, Tenant and the Property, unless Tenant has furnished security as provided in subparagraph (b) of this Section 3.3;

(b) Tenant shall have furnished such security, if any, as may be required in the proceedings or is reasonably satisfactory to Landlord; and

(c) Tenant shall give Landlord reasonable notice of, and information pertaining to, such contest and regular progress reports with respect thereto.

Tenant shall indemnify, protect and hold harmless Landlord and the Property from any lien or liability with respect to any such imposition or contest thereof, including all costs and expenses related thereto.

3.4 Payment in Lieu of Taxes. If at any time it is determined that the Tenant is exempt from any of the taxes required or referred to in Section 3.2 because of the Tenant's legal status, or costs required or referred to in this Section 3, the Tenant shall agree to compensate by making "payments in lieu of taxes" equal to ten percent (10%) of the net project revenue, distribution of which shall be paid in accordance with the distribution those agencies would have received if the Tenant was not tax exempt. For purposes of this Section 3.4, "Net Project Revenue" shall mean gross income less operating expenses, service charge and depreciation of the Improvements; "Operating Expenses" are defined as Personnel, Tenant Care, Maintenance, Dietary, Utilities, Contracted Cost, Administrative Building and Management Fee Expenses and other expenses directly related to the operation of the facility; and "Service Charge" is defined as interest and principal amortization. In no event shall the Tenant pay, by way of payment in lieu of taxes provided under this Section 3.4, less than either the ten percent (10%) of the Net Project Revenue or an amount equal to the Rent as calculated in Section 2.1.2.

Section 4

CONSTRUCTION OF IMPROVEMENTS

4.1 Acceptance of Property. Except as provided in Section 4.1.1, Tenant has fully inspected the Property and will accept the same in its present condition upon the execution of this Lease Agreement. The Tenant agrees that the Landlord has made no representations about the condition of the Property, the laws regulating its use, or the effect of the defects and encumbrances set forth in attached Exhibit C (Title Report).

4.1.1 Access. The Landlord shall ensure that the Tenant has access to the Premises.

4.2 Commencement of Construction. On or before the first anniversary of the Commencement Date of this Lease, Tenant shall, at the Tenant's sole cost and expense, take all steps necessary to commence construction of the Improvements in accordance with the terms of this Lease. As used herein, "to commence construction" shall mean the date Tenant commences excavation for the building foundation. Normal preconstruction activities such as relocation of utilities, or soils testing shall not be considered as the date

on which construction commenced. Following the commencement of the construction, Tenant shall diligently proceed with construction and completion of the Improvements, substantially in accordance with the Plans and Specifications approved by the Landlord under Section 4.4 hereof and otherwise in accordance with and subject to the terms of this Lease and subject to delays beyond the reasonable control of Tenant after the exercise of due diligence. In any event, and regardless of the reason or excuse, the Tenant must complete the construction of all improvements provided for by the Plans and Specifications, within three (3) years after the Commencement Date. Failure to complete the Improvements shall automatically cancel this Lease and the Landlord shall be entitled to recover the Improvements and Rentals as provided in Section 1.2.1.

4.3 The Improvements. Tenant shall construct the Improvements as an Assisted Living Facility as provided in the Plans and Specifications under Section 4.4 hereof. All construction shall meet all applicable federal, state and local codes and regulations, and shall be performed in a good and workmanlike manner using only first class materials. The construction contract for the Improvements shall provide for a guaranteed maximum price and for a payment and performance bond in the amount of the contract naming Landlord as a dual obligee. Such contract shall be assignable by Tenant to Landlord.

4.4 Approval of Plans. The Landlord shall have the right to approve the Tenant's plans for the Property as follows:

(a) Prior to construction of the Improvements or landscaping described in Section 4.3 hereof, or any modification, replacement, alteration, or addition thereto which materially affects the interior or exterior of the Improvements, or the first class quality of the Property, Landlord shall have the right to review and approve Tenant's plans and specifications for the Improvements (the "Plans and Specifications"). No improvement for which Landlord's approval is required shall be constructed on the Property unless the Landlord has had an opportunity to review and approve the Plans and Specifications therefor. If Landlord elects to review the Plans and Specifications under this Lease, Landlord's approval shall not be unreasonably withheld. Landlord shall be invited to attend design meetings as an observer to allow sufficient familiarity with the drawings. Unless the Landlord notifies the Tenant in writing that it is waiving its right to review design development drawings for the Improvements, such drawings shall be delivered to Landlord and Landlord's consultant for review, which review shall be completed within twenty (20) working days after submittal. Design development and schematic drawings shall conform with the scope of work for such drawings as established by the standards of the American Institute of Architects.

(b) Approvals by Landlord under this Section 4.4 shall not be unreasonably withheld or delayed. Approvals shall be deemed given unless Landlord shall notify Tenant in writing within twenty (20) days, stating the reasons for withholding such approval. Tenant shall, upon receipt of Landlord's reasonable disapproval, modify the Plans and Specifications taking into account Landlord's objections, and resubmit to Landlord and Landlord's consultant such revised Plans and Specifications for approval in accordance with the time schedule of this Section 4.4. Such process of submittal, review and comment by Landlord, and resubmittal by Tenant, shall continue until such time as the Plans and Specifications have been approved by Landlord.

4.5 Approval of Development Budget. Tenant shall furnish to Landlord for its approval, which shall not be unreasonably withheld or delayed, initial development cost estimates and material changes (i.e., those which either alone or in combination with other changes result in a change greater than or equal to ten percent (10%) of the estimated Development Budget), in the cost estimates for the development of the Improvements. A copy of the Estimated Development Budget is attached hereto and incorporated herein as Exhibit "D." Landlord shall have fifteen (15) days after receipt to approve the initial Development Cost Estimate or any material changes thereto, which approval shall not be unreasonably withheld.

4.6 Hold Harmless. Tenant shall indemnify, protect, defend and hold harmless Landlord and the Property from and against all claims and liabilities arising by virtue of or relating to construction of the Improvements or repairs made at any time to the Property including repairs, restoration and rebuilding and all other activities of Tenant on or with respect to the Property. If Tenant is required to defend any action or proceeding pursuant to this Section to which action or proceeding Landlord is made a party, Landlord shall also be entitled to appear, defend, or otherwise take part in the matter involved, at its election, by counsel of its own choosing, and to the extent Landlord is indemnified under this Section, Tenant shall bear the cost of Landlord's defense, including attorneys fees; provided, however, Tenant shall be liable for attorney's fees only if single legal counsel (or a single firm of legal counsel) cannot represent both Landlord and Tenant without there arising an actual or potential conflict of interest.

4.7 Permits; Compliance With Codes. All building permits and other permits, licenses, permissions, consents and approvals required to be obtained from governmental agencies or third parties in connection with construction of the Improvements and any subsequent improvements, repairs, replacements or renewals to the Property shall be acquired as required by applicable laws, ordinances or regulations by and at the sole cost and expense of Tenant. Landlord agrees to cooperate reasonably with Tenant;

however, the parties understand that the Landlord has no control over any of the agencies, including its own Planning Department and Engineer's Office, responsible for issuing the necessary permits.

4.8 Ownership of Improvements. During the Term of this Lease, the Improvements constructed by Tenant, including without limitation, all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall be the personal property of Tenant. At the expiration, cancellation, or termination of this Lease, the Improvements and all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall become the property of Landlord, subject to the security interest of any lender. The Improvements, and any alterations, additions, appurtenant fixtures, machinery and equipment shall be constructed in a first-class condition and shall be of first-class quality and shall be at all times maintained in good operating condition.

4.9 Control and Indemnification. Notwithstanding anything to the contrary in this Lease, during the Term of this Lease, Tenant shall have exclusive control and possession of the Property, and Landlord shall have no liabilities, obligations or responsibilities whatsoever with respect thereto or with respect to any Plans and Specifications referred to in Section 4.4. Landlord's approval of any such Plans and Specifications shall not render Landlord liable therefor, and Tenant covenants and indemnifies, defends and holds harmless, Landlord from and against any and all claims arising out of or from the use of such Plans and Specifications or out of Tenant's control, possession, and use of the Property, or out of Tenant's activities with respect to the Property.

4.10 Surrender Upon Termination. Upon expiration, cancellation or termination of this Lease, Tenant's unattached personal property and equipment shall become the property of the Landlord. Tenant shall immediately surrender the Property to Landlord and any Plans and Specifications which Tenant then possesses; Tenant shall not remove any appurtenant fixtures, machinery or equipment, or any additions to or replacements thereof made during the Term of this Lease, it being the intent of the parties that upon expiration or earlier termination of this Lease, Landlord shall receive an operating building as described in Section 2.2, or all of the Improvements made up to the point of cancellation if the Lease is canceled. This section shall not apply if the Lease is canceled pursuant to Section 1.2.1 or 1.2.2.

4.11 As-Built Drawings. Upon completion of the Improvements, Tenant shall deliver to Landlord one copy of an updated record set of drawings of the Improvements and an as-built survey.

4.12 Progress Reports. From and after the Commencement Date

of this Lease and until the Improvements are completed, Tenant shall provide to Landlord monthly progress reports consisting of (i) the then current construction schedule prepared by Tenant and/or its general contractor; and (ii) notice of any laborer's or materialmen's liens filed against the Property.

Section 5

DAMAGE OR DESTRUCTION

5.1 Tenant's Obligation to Maintain the Improvements and Property. The Tenant shall, at all times during this Lease Term, and at its own expense, put and maintain in thorough repair and in good and safe condition, all of the Improvements, sidewalks, roads, parking areas, and their equipment and appurtenances. The Tenant shall also, at its own expense, put and maintain in thorough repair and in good and safe condition, and free from dirt, snow, ice, rubbish, and other obstructions or encumbrances, the roadways, parking areas, sidewalks, common areas, and the surrounding grounds.

5.2 Repairs, Alterations and Further Improvements - Tenant's Obligation to Repair. In the event of damage to or destruction of the building or any improvements on or to the Property to be covered by the insurance described in Section 6.2:

(a) Damage of Less Than Fifty Percent (50%) of Replacement Cost. Subject to Section 5.2(b), if the cost of repairing or reconstructing the Improvements to the condition and form prior to such damage or destruction is not in excess of fifty percent (50%) of the then new replacement cost of the Improvements and adequate funds (including the Maximum Tenant Required Contribution as defined below) are available from the insurance acquired pursuant to Section 6 to effect such repair or restoration, all as is determined by the insurance surveyor provided for in Section 6, and such repairs or reconstruction of any such damage or destruction can be made under then existing laws, ordinances, statutes or regulations of any governmental authorities applicable thereto (or can be so made with minor and nonmaterial changes to the former condition and form of Property damaged or destroyed), Tenant shall effect, and Landlord and Tenant agree that the funds derived from insurance acquired pursuant to Section 6 shall be made available to effect, such repair and reconstruction of the Improvement so damaged or destroyed to return it substantially to its condition prior to said damage or destruction with such alterations thereto as Tenant shall reasonably determine prudent or valuable under the circumstances, including any changes required to comply with applicable law, with the then prevailing construction practices or financial or rental market conditions applicable to the Premises. The available insurance proceeds must be sufficient to cover the cost of all labor, materials and other construction costs, direct and indirect

(including but not limited to overhead charges, contractors' fees, architects' fees, payroll and social security charges and taxes) so as to fully complete the repairing, restoring and/or rebuilding of said Improvement as aforesaid. Tenant is required to maintain full replacement cost and building law and ordinance coverage pursuant to Section 6 of this Lease. However, if for any reason, said insurance proceeds are not adequate, Tenant shall provide the Landlord assurances that a sufficient sum will be made available when needed up to an amount not to exceed One Hundred Thousand Dollars (\$100,000), increased every fifth anniversary date from the Commencement Date by ten percent (10%) ("Maximum Tenant Required Contribution"). All such work shall be carried on in accordance with plans and specifications prepared by a licensed architect or architects approved by Landlord (acting reasonably) if such an architect is reasonably required, given the scope and nature of the work. No extras or changes in plans and specifications shall be made by Tenant without first (A) giving written notice of such changes to Landlord and obtaining Landlord's approval thereof (which approval shall not be unreasonably withheld or delayed) or otherwise obtaining Landlord's consent to proceed with the extras or changes. In the event of such repair, restoration and/or rebuilding, the funds derived from the insurance with respect to the damage shall be used by the Tenant only for the repair, restoration and/or rebuilding of the Improvements and the Property, pursuant to Section 6.

(b) Damage in Excess of Fifty Percent (50%). If the cost of repairing or reconstructing said damage or destruction to its former condition and form is in excess of fifty percent (50%) provided in subparagraph (a) of this Section 5.1, or if such cost is less than fifty percent (50%) but available insurance proceeds plus the Maximum Required Tenant Contribution are not sufficient to effect the repairs or reconstruction described in subparagraph (a) of this Section 5.1, or if such reconstruction or rebuilding cannot be made under then existing laws, ordinances, statutes or regulations of any governmental authority applicable thereto (and cannot be so made with minor and nonmaterial changes to the former condition and form of the property damaged or destroyed; or with such other changes as may be proposed by Tenant which do not detract from the value of the Improvements and which are approved by Landlord, acting reasonably), and, in any such event, the parties hereto are unable during a period of ninety (90) days after the determination of the insurance surveyor with respect to such damage or destruction to agree in writing on a construction program, then the Term shall end as of the date of such damage or destruction; provided, however, if such reconstruction or rebuilding can be made under such existing laws, ordinances, statutes and regulations or can be so made with minor and nonmaterial changes to the former condition and form of the property damaged or destroyed; or with such other changes as may be proposed by Tenant which do not detract from the value of the Improvements and which are approved by Landlord, acting reasonably,

but the cost of so repairing or reconstructing such damage or destruction is in excess of the fifty percent (50%) provided for in subparagraph (a) of this Section 5.1, or if such cost is less than fifty percent (50%), but available insurance proceeds plus the Maximum Required Tenant Contribution are not sufficient to effect the repairs or reconstruction described in subparagraph (a) of this Section 5.1, Tenant shall have the absolute right to treat such damage under subparagraph (a) of this Section 5.1 as if the damage or destruction met the description thereof set forth in the first sentence of that Section if Tenant (i) gives notice to the effect to Landlord within ninety (90) days after the determination of the insurance surveyor with respect to said damage or destruction; and (ii) promptly demonstrates to the reasonable satisfaction of Landlord that it has or can obtain the funds required or that will be required under the provisions of subparagraph (a) of this Section 5.1 to effect such repair or restoration, whereupon the provisions of said subparagraph (a) of this Section 5.1 shall be fully applicable to such damage or destruction.

5.3 Prompt Repair. If Tenant, pursuant to the terms hereof, is obligated or elects to repair, replace, reconstruct or rebuild any of the Improvements or other property as hereinabove provided, the same shall be effected at Tenant's cost and expense (which may be paid from insurance proceeds available as above provided and subject to the provisions of subparagraph (b) of Section 5.1), and Tenant shall commence within 90 days and continuously carry out such repair, replacement, reconstruction or rebuilding, to full completion as soon as possible, except to the extent of delays due to governmental restrictions, fire, casualty, riot, acts of God, acts of the public enemy, or other causes beyond the reasonable control of Tenant and after the exercise of due diligence, including diligence in contracting, and the exercise of rights under contracts with contractors and suppliers but not including strikes, lockouts, shortages of labor or materials after due diligence in obtaining the same. If the terms of any ALF Mortgages require the application of any material portion of any physical property damage insurance proceeds to be applied to reduce obligations secured by such ALF Mortgage, then Tenant shall have a reasonable period of time (not longer than three years following the determination of the insurance surveyor with respect to such damage or destruction) to obtain financing reasonably required to satisfy the requirements of this paragraph.

Section 6

INSURANCE

6.1 Acquisition of Insurance Policies. Tenant shall, at its sole cost and expense, procure and maintain, or cause to be procured and maintained, and shall have proof of for Landlord's review during the entire Term the insurance described in this Section (or its then available equivalent), which insurance shall

be subject to Landlord's review and approval, which approval shall not be unreasonably withheld, and shall name Landlord as an additional insured. Policy limits, coverages and deductibles shall be reviewed annually and may be adjusted if prudent, considering levels of inflation, risk of loss, premium expenses, ordinances and laws and other relevant factors. Any dispute regarding policy limits shall be resolved by arbitration as provided in Section 14.1 hereof; provided, however, that the amount of property damage insurance which Tenant shall maintain with respect to the Premises shall never be less than the full replacement cost of the building under then existing ordinances and laws, as required in accordance with Section 6.2 hereof. Tenant shall require all organizations or entities providing services at or to the Property to name the Landlord as an additional insured, and if requested to provide certificates of insurance.

6.2 Types of Required Insurance. Tenant shall procure and maintain the following:

(a) Commercial General Liability Insurance. Commercial general liability insurance insuring against injuries or damages to persons or property sustained in, on or about the Property and the appurtenances thereto, including the sidewalks and alleyways adjacent thereto, with limits of liability (which limits shall be adjusted as provided in Section 6.1 above) no less than the following:

Bodily Injury and Property Damage
Liability Premises/Operations,
Products/Completed operations,
Personal and Advertising Injury,
Contractual, Owners and Contractors
Protective Liability Coverages, and
fire legal liability and
Professional Liability Coverage
(including, but not limited to,
health or other professional
services provided on the Property
and services of the Tenant's
Managing Agent with limits of
liability of no less than One
Million Dollars (\$1,000,000) each
occurrence and Two Million Dollars
(\$2,000,000) annual aggregate.

(b) Automobile Liability Insurance. Automobile bodily injury and property damage liability covering all owned, non-owned, and hired vehicles with limits of liability no less than the following:

One Million Dollars (\$1,000,000)
each occurrence (no aggregate)

applicable).

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(c) Umbrella Liability Insurance. Umbrella liability insurance in the amount of Five Million Dollars (\$5,000,000).

(d) Physical Property Damage Insurance. Physical damage insurance covering all real and personal property, including business personal property, business interruption/extra expense, and building and law coverages but excluding property paid for by any residents or other subtenants or paid for by Tenant for which residents or other subtenants have reimbursed Tenant, located on or in, or constituting a part of, the Property, in an amount equal to at least one hundred percent (100%) of the new replacement cost of all such property (or such lesser amount as Landlord may approve in writing). Such insurance shall contain coverage against loss or damage by perils no less broad than the current edition of the ISO Special Form, 1985 Edition, including loss of rents coverage for a period of not less than two (2) years, subject in each case to deductibles no greater than for similar properties. Tenant shall not be required to maintain insurance for war risks, earthquake, or flood risks; provided, however, if Tenant shall obtain any such coverage, then, for as long as such insurance is maintained by Tenant, Landlord shall be entitled to the benefits of (i) the first sentence of Section 6.3 hereof, and (ii) subparagraph (c) of such Section 6.3.

(e) Builder's Risk Insurance. During construction of the Improvements and during any subsequent restorations, alterations or changes in the Property that may be made by Tenant at a cost in excess of Fifty Thousand Dollars (\$50,000) per job, builder's risk insurance upon the entire work on the Property to the current one hundred percent (100%) replacement value thereof against "all risks" of physical loss or damage to the Property insured including earthquake and/or other earth movements and flood.

(f) Worker's Compensation Insurance. Worker's compensation and employer's liability insurance for any injury to or disease of any employee of Tenant.

6.3 Terms of Insurance. The policies required under Section 6.2 shall name Landlord as additional insured and Tenant shall provide to Landlord certificates of insurance and copies of policies obtained by Tenant hereunder promptly upon the request of Landlord. Further, all policies of insurance described in Section 6.2 shall:

(a) Be written as primary policies not contributing with and not in excess of coverage that Landlord may carry.

(b) Contain an endorsement providing that the amount of coverage shall not be reduced, modified, or canceled except after

thirty (30) days' prior written notice from insurance company to Landlord. All references to the carrier's "endeavoring" to mail such notice and any wording purporting to release a carrier from liability for any "failure to mail" such notice shall be deleted from all certificates, policies, and endorsements.

(c) Expressly provide that Landlord shall not be required to give notice of accidents or claims and that Landlord shall have no liability for premiums.

(d) Be written by insurance companies having a Bests rating of "A" or better, and such insurance companies shall be reasonably acceptable to Landlord.

6.4 Landlord's Acquisition of Insurance. If Tenant at any time during the Term fails to procure or maintain insurance required hereunder or to pay the premiums therefor, Landlord shall, in addition to its other remedies, have the right to procure the same and to pay any and all premiums thereon, and any amounts paid by Landlord in connection with the acquisition of insurance shall be immediately due and payable as additional rent, and Tenant shall pay to Landlord upon demand the full amount so paid and expended by Landlord, together with interest thereon at the rate provided in Section 15.12 hereof from the date of such expenditure by Landlord until repayment thereof by Tenant. Any policies of insurance obtained by Landlord covering physical damage to the Property shall contain a waiver of subrogation against Tenant if and to the extent such waiver is obtainable and if Tenant pays to Landlord on demand the additional costs, if any, incurred in obtaining such waiver.

6.5 Application of Insurance Money. All insurance money or condemnation proceeds as provided in this Section 6 shall be applied as follows: First, to any unpaid rents to the Landlord; second, for the purpose of defraying the cost of repairing, restoring, replacing and/or rebuilding any structure or improvement on or in the Property as provided in Section 5 hereof; and third, if the damaged or destroyed structure or improvement is not repaired, restored, replaced or rebuilt as hereinafter provided, said funds shall be disposed of as provided in Section 6.6. Any of said funds remaining at the end of the Term hereof shall be disposed of as set forth in Section 6.6.

6.6 Application of Proceeds of Physical Damage Insurance. In case of any insurance policies as described in Section 6.2(d) (Physical Property Damage Insurance) the application of insurance proceeds from damage or loss to Property shall be determined in accordance with Sections 5.2(a) and 5.2(b) hereof and, in the event of any such repair, replacement, restoration or rebuilding, the proceeds of the insurance collected shall be applied to the cost of such work. Any amounts payable to Tenant or any agent of Tenant for work or services performed or materials provided as part of any such repair, replacement, restoration or rebuilding shall

not exceed competitive rates for such services or materials and Tenant shall, upon request of Landlord, make available to Landlord and its representatives in Skamania County, Washington all books and records of Tenant relating to such work, services and materials. Upon completion of such repair, replacement, restoration or rebuilding in accordance with the provisions of this Lease, and the full payment therefor (so no liens, encumbrances or claims with respect thereto can be asserted against the Property, this Lease, Landlord or Tenant), any insurance proceeds with respect to the damage or destruction involved, and not used, shall be divided between Landlord and Tenant according to their respective interests in the Leasehold Estate.

6.7 Insurance Surveyor. The determinations required under Section 5 and this Section 6 shall be made by an independent qualified insurance appraiser selected by the parties, whose decision shall not be subject to arbitration. If the parties cannot agree on the insurance appraiser within thirty (30) days after the date of such damage or destruction, then the same shall be appointed by the Presiding Judge of the Superior Court of Skamania County, Washington upon the application of either party.

6.8 Waiver of Subrogation. Landlord and Tenant hereby release each other from any and all liability or responsibility (to the other or anyone claiming through or under them by way of subrogation or otherwise) for any loss or damage to real or personal property on the Property caused by fire or any other insured peril, even if such fire or other casualty shall have been caused by the fault or negligence of the other party or anyone for whom such party may be responsible, to the extent insurance proceeds are available from such fire or insured peril. Landlord and Tenant shall each procure insurance policies with such a waiver of subrogation and with a clause or endorsement to the effect that any such release shall not adversely affect or impair said policies or prejudice the right of the releasor to recover thereunder; provided, however, if policies with such a clause or endorsement shall not be obtainable or shall be obtainable only at a premium over that chargeable without such waiver (any dispute regarding which shall be subject to arbitration pursuant to Section 13 of this Lease), the party seeking such policy shall notify the other thereof, and the latter shall have ten (10) days thereafter either (a) to procure such insurance from companies reasonably satisfactory to the other party or (b) to agree to pay such additional premium. If neither (a) nor (b) are done, this section shall have no effect during such time as such policies shall not be obtainable or the party in whose favor a waiver of subrogation is desired shall refuse to pay the additional premium. If such policies shall at any time be unobtainable, but shall be subsequently obtainable, neither party shall be subsequently liable for a failure to obtain such insurance until a reasonable time after notification thereof by the other party.

Section 7

CONDEMNATION

7.1 Total Taking. In the event of the taking or condemnation by any competent authority for any public or quasi-public use or purpose of the whole of the Premises or materially all of the Premises (which, as used herein, is defined in Section 7.2.1 below) at any time during the Term, the Landlord shall take all the proceeds, costs or other damages given or awarded as a result of the taking or condemnation, not including that portion allocable to Tenant's interest in the Premises under this Lease.

7.2 Substantial Taking. In the event of the taking or condemnation of less than the whole of the Premises but materially all of the Premises (which, as used herein is defined in Section 7.2.1 below), and the part of the Premises that remains includes a part of the Improvements, then as to the untaken portion of the Improvements only, but not any of the remaining Premises, the fair market value of such portion of the Improvements, if any, shall be paid by Landlord to Tenant and until paid shall be a charge on the share of the award to which Landlord shall be entitled in the condemnation proceeding but shall be payable only out of the proceeds of such award for land value and Landlord shall have no further liability therefor.

7.2.1 Determination of Substantial Taking. For the purposes of this Section, a taking or condemnation of materially all of the Property, as distinguished from a taking or condemnation of the whole of said Property, means a taking described in paragraph (c) of Section 7.3 hereof.

7.3 Partial Taking. In the event of a partial taking or condemnation e.g., a taking or condemnation of less than materially all of the Property:

(a) The Term of this Lease (except as hereinafter provided) shall, nevertheless continue.

(b) The award shall be divided and shared by Landlord and Tenant as provided in Section 7.1 hereof.

(c) If the remaining part of the Property not so taken cannot be adequately restored, repaired or reconstructed so as to constitute a complete functional unit of property of substantially the same usefulness, design and construction, having regard to the taking, as immediately before such taking, then the Tenant shall have the right, to be exercised by written notice to the Landlord within sixty (60) days after the date of taking, to terminate this Lease as to such remaining part of the Property not so taken on a date to be specified in said notice not earlier than the date of such taking. In such case the Tenant shall pay and satisfy all

rent due and accrued hereunder up to such date of such termination including all other charges and shall perform all of the obligations of the Tenant hereunder to such date and thereupon this Lease shall terminate. Should the parties be unable to agree as to whether the part not taken is susceptible of adequate restoration, repair or reconstruction as aforesaid, such controversy shall be determined by Arbitration in the manner provided in Section 13 of this Lease.

(d) If the Lease is not terminated as hereinabove provided, and if such taking occurs prior to the last ten (10) years of the Lease Term, then, as to the Property not taken in such condemnation proceeding, the Tenant shall proceed diligently, to the extent the portion of the condemnation award paid to Tenant is sufficient for such purpose, to make an adequate restoration, repair or reconstruction of the part of the Improvements not taken so as to restore, repair or reconstruct the Property, to the extent practicable, to a functional unit of substantially the same usefulness, design, construction and quality.

7.4 Successive Takings. In case of a second or any other additional partial taking or takings from time to time, the provisions hereinabove contained shall apply to each partial taking.

7.5 Temporary Taking. If the whole or any part of the Property or of the Tenant's interest under this Lease be taken or condemned by any competent authority for its temporary use or occupancy, and Tenant shall continue to pay, in the manner and at the times herein specified, all Impositions and other charges payable by Tenant hereunder, then this Lease shall continue and, except only to the extent that Tenant may be prevented from so doing pursuant to the terms of the order of the condemning authority, Tenant shall perform and observe all of the other terms, covenants, conditions and obligations hereof upon the part of Tenant to be performed and observed, as though such taking or condemnation had not occurred. In the event of any such temporary taking, or condemnation Tenant shall be entitled to receive the entire amount of any award made for such taking, whether paid by way of damages, rent or otherwise, unless such period of temporary use or occupancy shall extend to or beyond the expiration date of the Term of this Lease, in which case such award shall be apportioned between the landlord and the Tenant as of such date of expiration of the Term.

Section 8

TENANT TO COMPLY WITH LAWS; MANAGEMENT

8.1 Compliance by Tenant. Tenant shall at all times during the Term of this Lease, at Tenant's sole cost and expense, perform and comply with laws, rules, orders, ordinances, regulations and

requirements ("laws") now or hereafter enacted or promulgated which are applicable to the Property and the business of Tenant conducted with respect thereto.

8.2 Tenant's Authority to Operate Business in State of Washington. Tenant shall, at all times, be duly licensed to do business in and to operate an Assisted Living Facility in the State of Washington. Tenant further warrants that it, at the time of the execution of this agreement, is duly authorized by the State of Washington to enter into this Agreement.

Section 9

INSPECTION BY LANDLORD

9.1 Inspection of Property. Landlord and Landlord's agents and representatives shall be entitled, from time to time, upon reasonable notice to Tenant, to go upon and into the Property for the purpose of:

- (a) Inspecting the same; or
- (b) Inspecting the performance by Tenant of the agreements and conditions of this Lease.

Neither Landlord nor Landlord's agents or representatives shall assume any duty or liability with respect to the Property or their maintenance as a result of such inspection.

During the last thirty-six (36) months of the Term of this Lease, Tenant shall permit inspection of the Property at reasonable times and for reasonable periods by or on behalf of prospective tenants and prospective purchasers.

Section 10

INDEMNIFICATION

10.1 Tenant to Indemnify Landlord. Notwithstanding that joint or concurrent liability may be imposed upon Landlord by statute, ordinance, rule, regulation or order, Tenant shall upon demand indemnify, defend, hold harmless and reimburse Landlord, its shareholders, officers and agents from and against and for any and all liabilities, obligations, penalties, fines, suits, claims, demands, actions, costs and expenses of any kind or nature including without limitation reasonable architects', engineers', and attorneys' fees which may be imposed upon or asserted against Landlord by reason of Tenant's occupancy and/or use of the Property, including but not limited to the occurrence of any one or more of the following, or of facts or events which result in any one or more of the following:

(a) Tenant's Breach. Any breach, violation or non-performance of any covenant or agreement in this Lease (except to the extent arising from the non-performance or negligent performance of any covenant or obligation undertaken by Landlord under this Lease), including any failure of Tenant to maintain or renew any insurance policy required by the terms of this Lease, set forth and contained on the part of the Tenant to be fulfilled, kept, observed or performed;

(b) Use or Occupancy. Any accident, injury or damage to person and/or property (except to the extent arising from the non-performance or negligent performance of any covenant or obligation undertaken by Landlord under this Lease), arising from any use or occupancy of the Property which Tenant may make, permit or suffer to be made or exist, or occasioned by any use, occupancy of, or activity on the Property and/or on any sidewalk, street, alley, curb, passageway or space adjacent thereto, or any part thereof, by or for Tenant (or any resident or other subtenant, invitee, contractor, employee or agent of Tenant or any resident or other subtenant);

(c) Tenant Negligence. Any negligence or wrongful act or omission on the part of Tenant or its residents or other subtenants or any of their agents, contractors, servants, employees, licensees, sublessees or invitees, or anyone claiming through the foregoing; or

(d) Tenant Work. Any work or thing done by or for Tenant in, on or about the Property and/or on any sidewalk, plaza, street, alley, curb, passageway or space adjacent thereto, or any part thereof unless performed by Landlord or its agents.

(e) Limitation. The foregoing indemnity shall run to the parties specified in the capacities specified and shall not affect the rights or obligations of Landlord or its agents or officers in their individual capacities, as residents or occupants of the Improvements, or otherwise, except as specified herein.

10.2 Legal Proceedings. If Tenant is required to defend any action or proceeding pursuant to this Section to which action or proceeding Landlord is made a party, Landlord shall also be entitled to appear, defend, or otherwise take part in the matter involved, at its election, by counsel of its own choosing, and to the extent Landlord is indemnified under this Section 10, Tenant shall bear the cost of Landlord's defense, including attorneys' fees; provided, however, Tenant shall be liable for attorney's fees only if single legal counsel (or a single firm of legal counsel) cannot represent both Landlord and Tenant without there arising an actual or potential conflict of interests.

10.3 Subleases. Nothing herein shall affect the liabilities and obligations of Landlord in its capacity as an occupant of any

portion of the Improvements, if Landlord leases or occupies space in the Improvements.

Section 11

SUBLETTING AND ASSIGNMENT

11.1 Subletting. Except as otherwise provided in this Lease and as long as Tenant is not in default under any of the terms of this Lease, it is agreed that Tenant shall have the right to, directly or indirectly, sublease or sublet all or any part of the Improvements for any time or times during the Term not to exceed the Term of this Lease, provided that Tenant shall not enter into subleases with any persons or entities, other than residents of the facility, without the prior written consent of the Landlord, including consent to the terms of any such proposed sublease to any such persons or entities. All subleases to residents shall be by a written form document preapproved in writing by the Landlord. Tenant shall take reasonable steps to assure the credit worthiness of all residents and will process their applications in a reasonable and professional manner, and in a manner that is nondiscriminatory and that complies with all federal and state laws and regulations. All subleases, including resident leases shall contain a waiver of any claim of liability against the Landlord in form and substance reasonably satisfactory to Landlord. Any sublease to a residential tenant that exceeds three (3) years must be preapproved in writing by the Landlord. The subletting of all or substantially all of the Improvements to an entity that in turn sublets all or substantially all of its sublet space to other uses shall be considered an assignment of this Lease. Landlord shall not unreasonably withhold its consent or approval.

11.2 Covenant Against Assignments. The Landlord has carefully selected the Tenant most suitable and qualified to build and operate an Assisted Living Facility. Moreover, state law prohibits the assignment of County leases without a resolution from the County's Board of Commissioners approving such assignment. Thus, except as otherwise provided in Section 1.5, the Tenant shall not, without the prior written consent of Landlord by way of a Board of County Commissioners resolution, which consent cannot be unreasonably withheld, sell, assign or transfer this Lease, the leasehold estate it creates, or any of Tenant's rights hereunder, in whole or in part, nor shall Tenant's rights or interests under or in this Lease pass or be transferred or assigned by operation of law or otherwise.

11.3 Covenants Binding on Successors and Assigns. All of the terms, conditions and covenants of this Lease shall inure to the benefit of and be binding upon the successors and assigns of the respective parties hereto, but the provisions of this Section 11.3 shall in no way affect or derogate from the other provisions

of this Section 11. If there occurs any assignment permitted hereunder, or made with the consent of Landlord, Tenant shall cause to be delivered to landlord concurrently with or prior to such assignment, an instrument in writing signed and duly acknowledged by the assignee or successor which such assignee or successor agrees to perform all of the terms and provisions of this Lease applicable to Tenant.

Section 12

DEFAULT

12.1 Event of Default. The occurrence of any of the following shall constitute an Event of Default:

(a) Payments to Landlord. Failure of Tenant to duly and punctually make any payment owing to Landlord hereunder, or to pay any Imposition or any other payment which if not paid may result in a lien on the Property (except as and to the extent permitted under Section 3.3 of this Lease), as and when the same becomes due and payable, or the failure to maintain any of the insurance coverage required hereunder or pay any of the premiums required to be paid with respect thereto, and such occurrence or failure continues for a period of thirty (30) days after written notice thereof given to Tenant by Landlord;

(b) Failure to Complete Construction of the Improvements Within 3-Years. Failure of the Tenant to complete construction of the Improvements within three (3) years of the execution of this Lease shall constitute a default and this Lease will be canceled by failure of the Lessee to construct such Improvements in a timely fashion. The Landlord need not give any notice of this violation which will result in the automatic cancellation of this agreement. Cancellation under this Section shall be in accordance with Section 1.2.1.

(c) Other Covenants. Tenant being in breach of, or Tenant failing to perform, comply with, or observe any other term, covenant, warranty, condition, agreement or undertaking contained in or arising under this Lease other than those referred to hereinabove in this Section 12 and such failure continues for a period of sixty (60) days after written notice thereof is given to Tenant by the Landlord.

(d) Insolvency. Tenant making an assignment for the benefit of creditors, filing a petition in bankruptcy, petitioning or applying to any tribunal for the appointment of a custodian, receiver or any trustee for it or a substantial part of its assets, or commencing any proceedings under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or if there shall have been filed any such petition or application,

or any such proceeding shall have been commenced against it, in which an order for relief is entered or which remains undismissed for a period of thirty (30) days or more; or Tenant by any act or omission indicating its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or any trustee for it or any substantial part of any of its properties, or suffering any such custodianship, receivership or trusteeship to continue undischarged for a period of thirty (30) days or more; Tenant being generally unable to pay its debts as such debts become due; or Tenant having concealed, removed, or permitted to be concealed or removed, any part of its property, with intent to hinder, delay or defraud its creditors or any of them, or making or suffering a transfer of any of its property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law; or suffering or permitting, while insolvent, any creditor to obtain a lien upon any of its property through legal proceedings or distraint which is not vacated within thirty (30) days from the date thereof.

12.2 Termination of Lease. Except with respect to Section 12.1(b), in addition to all other rights and remedies available to Landlord by law or equity, Landlord may, at any time after the occurrence of any Event of Default on the part of Tenant, and while the same remains unremedied, give notice to Tenant of its intention to terminate this Lease, in which case, unless within thirty (30) days after the giving of such notice, the condition creating or upon which is based such Event of Default is cured, this Lease shall terminate as of the expiration of such thirty (30) days and Landlord may reenter upon the Property and have possession thereof; provided, however, if the Event of Default is one described in Section 12.1(c) and is one which can be cured, but cannot with due diligence (without regard to the availability of funds or the financial condition of Tenant) be cured prior to the expiration of the period provided herein, and Tenant proceeds promptly and thereafter prosecutes with all due diligence the curing of such default, then the time for curing of such Event of Default shall be extended for such period as may be necessary to complete the same with all due diligence. Notwithstanding the foregoing provisions of this Section 12.2 or the provisions of Section 12.1(c) hereof, if the asserted default is subject to arbitration pursuant hereto, and the existence of such default is being contested by the party assertedly in default, if and so long as such party is cooperating and acting in good faith to complete the arbitration proceeding with respect thereto as expeditiously as possible, the time for curing such default shall commence upon the rendering of the arbitration decision with respect thereto, or other resolution thereof, whichever occurs first; provided, however, if the matter being arbitrated is capable of performance to the extent not in dispute (e.g., the undisputed portion of money owing), performance to the extent not in dispute shall be a condition precedent to the effectiveness of this sentence.

12.3 Effect of Termination. Subject to the provisions of Section 11.1 (relating to residents), upon termination of the Term under this Section 12, all rights and privileges of Tenant and all duties and obligations of Landlord hereunder shall terminate subject to Section 4.8. Immediately upon such termination of the Term, and without further notice to any other party, Landlord shall have the right to assert, perfect, establish and confirm all rights reverting to Landlord by reason of such termination by any means permitted by law, including the right to take possession of the Property together with all improvements thereto, fixtures therein (including trade fixtures) and any and all capital alterations and improvements which may be constructed upon or to the Property, with or without process of law, and to remove all personal property from the Property and all persons occupying the same and to use all necessary lawful force therefor and in all respects to take the actual, full and exclusive possession of the Property and every part thereof as Landlord's original estate, thereby wholly terminating any right, title, interest or claim of or through Tenant as to the Property or the improvements or fixtures and alterations to the improvements, and all personal property located on the Property, all without incurring any liability to Tenant or to any person occupying or using the Property for any damage caused or sustained by reason of such entry or such removal, except for damage resulting from Landlord's negligence in effecting such removal, and Tenant agrees to indemnify, protect and save harmless Landlord, and all employees, agents and representatives of Landlord, from all costs, loss or damage arising or occasioned thereby to Tenant, or its agents, employees, officers, guests, invitees or tenants, except as limited hereinabove.

12.4 Damages and Remedies. The exercise by either party of any remedy arising by virtue of an Event of Default shall not be considered exclusive, but either party may exercise any and all other rights or remedies provided by this Lease or by law or equity. Landlord may elect to sue Tenant hereunder without terminating this Lease. The termination of the Term pursuant to this Section 12 shall not extinguish the right of either party to collect damages arising from the breach of this Lease by the other party. Tenant shall be liable for Rent accruing up to the end of the Term specified in this Lease notwithstanding the early termination of such Term due to an Event of Default and the reentry of Landlord before the normal expiration of the Term as established herein or pursuant hereto, except that Landlord shall make reasonable and diligent efforts to re-rent the Property upon such terms as it sees fit in its reasonable discretion and for a term which may expire either before or after the specified termination date of the Term herein, and Tenant shall pay to Landlord all rent and other sums which would be payable hereunder by Tenant if no such termination and reentry had occurred. This Section 12.4 shall not apply when Tenant cancels or terminates under Sections 1.2.1 or 1.2.2.

12.5 No Waivers. No failure by any party hereto to insist upon the strict performance of any provision of this Lease or to exercise any right, power or remedy consequent to any breach thereof, and no waiver of any such breach, or the acceptance of full or partial rent during the continuance thereof, shall constitute a waiver of any such breach or of any such provision. No waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect, or the rights of any party hereto with respect to any other then existing or subsequent breach.

12.6 No Offsets. Tenant shall not assert any breach of an obligation, warranty or duty of Landlord as, and no such breach shall constitute, a defense, offset, excuse or counterclaim to any obligation of Tenant hereunder, but Tenant may, subject to the other provisions of this Lease, pursue independent remedies for any such breach by Landlord.

12.7 Payment by Landlord of Tenant's Defaulted Payments. In case of default on the part of Tenant to pay any money, or do any act to satisfy any of the obligations or covenants which it is required to pay, do, or satisfy under the provisions of this Lease, Landlord may, at its option, after notice to Tenant, pay any or all such sums, or do any or all such acts which require the payment of money, or incur any expense whatsoever to remedy the failure of Tenant to perform any one or more of the covenants herein contained. Tenant shall repay the same to Landlord on demand together with interest at the rate provided in Section 15.12 hereof, such interest to be calculated from the date payment is made by Landlord.

Section 13

ARBITRATION

13.1 Applicability. When so specified in this Lease, any dispute, controversy or claim arising out of this Lease shall be settled by expedited mandatory arbitration as set forth in this Section 13.

13.2 Notice of Demand. Either party may demand arbitration by notifying the other party in writing in accordance with the notice provisions of Section 15.10. The notice shall describe the reasons for such demand, the amount involved, if any, and the particular remedy sought. The notice shall also list the name of one arbitrator qualified in accordance with Section 13.4.

13.3 Response. The party that has not demanded arbitration shall respond to the notice of demand within ten (10) calendar days of receipt of such notice by delivering a written response in accordance with the notice provisions of Section 15.10. The response shall list the name of a second arbitrator qualified in

accordance with Section 13.4. The response shall also describe counterclaims, if any, the amount involved, and the particular remedy sought. If a party fails to respond timely to the notice of demand, the arbitrator selected by the party making such demand under Section 13.2 shall resolve the dispute, controversy or claim within thirty (30) calendar days of the deadline for response.

13.4 Qualified Arbitrator. Any arbitrator selected in accordance with Sections 13.2 and 13.3 shall be a natural person not employed by either of the parties or any parent or affiliated partnership, corporation or other enterprise thereof.

13.5 Appointment of Third Arbitrator. If a party responds timely to a notice of demand for expedited arbitration under Section 13.3, the two arbitrators shall appoint a third arbitrator who shall be qualified in accordance with Section 13.4. Such third arbitrator shall be appointed within ten (10) calendar days of receipt by the party demanding arbitration of the notice of response provided for under Section 13.3. If the two arbitrators fail to timely appoint a third arbitrator, the third arbitrator shall be appointed by the parties if they can agree within a period of ten (10) calendar days. If the parties cannot timely agree, then either party may request the appointment of such third arbitrator by the Presiding Judge of the Superior Court of Skamania County, Washington; provided that the other party shall not raise any question as to the Court's full power and jurisdiction to entertain such application and to make such appointment.

13.6 Arbitration Hearing; Discovery; Venue. The arbitration hearing shall commence within thirty (30) calendar days of appointment of the third arbitrator as described in Section 13.5. The hearing shall in no event last longer than two (2) calendar days. There shall be no discovery or dispositive motion practice (such as motions for summary judgment or to dismiss or the like) except as may be permitted by the arbitrators; and any such discovery or dispositive motion practice permitted by the arbitrators shall not in any way conflict with the time limits contained herein. The arbitrators shall not be bound by any rules of civil procedure or evidence, but rather shall consider such writings and oral presentations as reasonable business persons would use in the conduct of their day to day affairs, and may require the parties to submit some or all of their case by written declaration or such other manner of presentation as the arbitrators may determine to be appropriate. It is the intention of the parties to limit live testimony and cross examination to the extent absolutely necessary to ensure a fair hearing to the parties on significant and material issues. Venue of any arbitration hearing pursuant to this Section 13 shall be in Skamania County, Washington.

13.7 Decision. The arbitrators' decision shall be made in no event later than ten (10) calendar days after the commencement

of the arbitration hearing described in Section 13.6. The award shall be final and judgment may be entered in any court having jurisdiction thereof. The arbitrators may award specific performance of this Agreement. The arbitrators may also require remedial measures as part of any award. The arbitrators in their discretion may award attorneys' fees and costs to the more prevailing party.

Section 14

HAZARDOUS SUBSTANCE

14.1 Definition. "Hazardous Substance" means any substance which now or in the future becomes regulated or defined under any federal, state, or local statute, ordinance, rule, regulation, or other law relating to human health, environmental protection, contamination or cleanup, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), 42 U.S.C. 9601 et seq., and Washington's Model Toxics Control Act ("MCA"), RCW 70.105D.010 et seq.

14.2 Use of Hazardous Substance. Tenant covenants and agrees that Hazardous Substances will not be used, stored, generated, processed, transported, handled, released, or disposed of in, on, under, or above the Property, except in accordance with all applicable laws.

14.3 Current Conditions and Duty of Utmost Care. The Landlord makes no representation about the condition of the Property. Hazardous Substances may exist in, on, under, or above the Property. Tenant should conduct an environmental assessment or investigation of the Property prior to or during this Lease to determine the existence, scope, and location of any Hazardous Substances. If there are any Hazardous Substances in, on, under, or above the Property as of the Commencement Date, Tenant shall exercise the utmost care with respect to the Hazardous Substances, the foreseeable acts or omissions of third parties affecting the Hazardous Substances, and the foreseeable consequences of those acts or omissions. The standard of care required of Tenant by this Subsection 14.3 shall be that required of a reasonable person.

14.4 Notification and Reporting.

(a) Tenant shall immediately notify the Landlord if the Tenant becomes aware of any of the following:

(1) A release or threatened release of Hazardous Substances in, on, under or above the Property, any adjoining property or any other property subject to use by Tenant in conjunction with its use of the Property;

(2) Any problem or liability related to or derived

from the presence of any Hazardous Substance in, on, under, or above the Property, any adjoining property or any other property subject to use by Tenant in conjunction with its use of the Property;

(3) Any actual or alleged violation of any federal, state, or local statute, ordinance, rule, regulation, or other law pertaining to Hazardous Substances with respect to the Property, any adjoining property or any other property subject to use by Tenant in conjunction with its use of the Property; or,

(4) Any lien or action with respect to any of the foregoing.

(b) Tenant shall, at Landlord's request, provide the Landlord with copies of any and all reports, studies or audits which pertain to environmental issues or concerns and to the Property, and which are or were prepared by or for Tenant and submitted to any federal, state or local authorities pursuant to any federal, state or local permit, license or law. These permits include, but are not limited to, any National Pollution Discharge and Elimination System Permit, any Army Corps of Engineers permit, any State Hydraulics permit, any State Water Quality certification, or any Substantial Development permit.

14.5 Indemnification and Burden of Proof.

(a) Tenant shall fully indemnify, defend, and hold the Landlord harmless from and against any and all claims, demands, damages, natural resource damages, response costs, remedial costs, cleanup costs, losses, liens, liability, penalties, fines, lawsuits, other proceedings, costs, and expenses (including attorneys' fees and disbursements), that arise out of or are in any way related to:

(1) The use, storage, generation, processing, transportation, handling, or disposal of any Hazardous Substance by Tenant, its subtenants, contractors, agents, employees, guests, invitees, or affiliates in, on, under, or above the Property, any adjoining property, or any other property subject to use by Tenant in conjunction with its use of the Property, during the term of this lease or during any time when Tenant occupies or occupied the Property or any such other property;

(2) The release or threatened release of any Hazardous Substance in, on, under, or above the Property, any adjoining property, or any other property subject to use by Tenant in conjunction with its use of the Property, which release or threatened release occurs or occurred during the term of this Lease or during any time when Tenant occupies or occupied the Property or such other property and as a result of:

(i) Any act or omission of Tenant, its subtenants, contractors, agents, employees, guests, invitees, or affiliates; or,

(ii) Any act or omission of a third party unless Tenant exercised the utmost care with respect to the foreseeable acts or omissions of the third party and the foreseeable consequences of those acts or omissions.

(3) A breach of the obligations of Subsection 14.3 above, by Tenant, its subtenants, contractors, agents, employees, guests, invitees, or affiliates.

(b) Tenant will have occupancy and control of the Property. Accordingly, if the Landlord seeks to impose liability under Subsection 14.5(a), Landlord will have the initial burden of proving by a preponderance of the evidence the existence, release, or threatened release of Hazardous Substances in, on, under, or above the Property, any adjoining property, or any other property subject to use by Tenant in conjunction with its use of the Property. Tenant shall then have the burden of providing by a preponderance of the evidence that none of the indemnification provisions apply.

14.6 Cleanup. If a release of Hazardous Substances occurs in, on, under, or above the Property or other Landlord-owned property arising out of any action or inaction described or referred to in Subsection 14.5(a)(1), 14.5(a)(2) or 14.5(a)(3) above, Tenant shall, at its sole expense, promptly take all actions necessary or advisable to clean up the Hazardous Substances. Cleanup actions shall include, without limitation, removal, containment and remedial actions and shall be performed in accordance with all applicable laws, rules, ordinances, and permits. Tenant shall also be solely responsible for all cleanup, administrative, and enforcement costs of governmental agencies, including natural resource damage claims. Any cleanup shall be performed in a manner approved in advance in writing by the Landlord, which approval shall not be unreasonably withheld, except that in emergency situations Tenant may take reasonable and appropriate actions without advance approval.

14.7 Sampling. The Landlord may conduct sampling, tests, audits, surveys or investigation ("Tests") of the Property at any time to determine the existence, scope, or effects of Hazardous Substances on the Property, any adjoining property, any other property subject to use by Tenant in conjunction with its use of the Property, or any natural resources. If such Tests establish the existence, release or threatened release of Hazardous Substances which subjects Tenant to actual or potential liability under Subsection 14.5(a) above, Tenant shall promptly reimburse the Landlord for all costs associated with such Tests.

14.8 Reservation of Rights. No right, claim, or defense either party may have against third parties is affected by this Lease and the parties expressly reserve all such rights, claims, and defenses. The allocations of risks, liabilities, and responsibilities set forth above do not release Tenant from or affect Tenant's liability for claims or actions by federal, state, or local regulatory agencies concerning Hazardous Substances.

Section 15

MISCELLANEOUS

15.1 No Partnership. Nothing contained herein or in any instrument relating hereto shall be construed as creating a partnership or joint venture between Landlord and Tenant or between Landlord and any other party, or cause Landlord to be responsible in any way for debts or obligations of Tenant or any other party.

15.2 Time of the Essence. Time is hereby expressly declared to be of the essence of this Lease and of each and every term, covenant, agreement, condition and provision hereof.

15.3 Captions. The captions of this Lease and the table of contents preceding this Lease are for convenience and reference only, and are not a part of this Lease, and in no way amplify, define, limit or describe the scope or intent of this Lease, nor in any way affect this Lease.

15.4 Meaning of Terms. Words of any gender in this Lease shall be held to include any other gender and words in the singular number shall be held to include the plural when the sense requires.

15.5 Lease Construed as a Whole. The language in all parts of this Lease shall in all cases be construed as a whole according to its fair meaning and neither strictly for nor against Landlord or Tenant.

15.6 Severability. If any provision of this Lease (other than those relating to payment of rent) or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

15.7 Survival. Each provision of this Lease which may require the payment of money by, to or on behalf of Landlord or Tenant or third parties after the expiration of the Term hereof or its earlier termination shall survive such expiration or earlier termination.

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15.8 Amendment. This Lease may be amended only in writing, signed by both Landlord and Tenant.

15.9 Commissions. Tenant shall save and hold Landlord harmless from any and all claims or demands, requests by real estate brokers, agents or finders with whom Tenant may have dealt in connection with this Lease.

15.10 Notices. All notices, demands, requests, or other writings in this Lease provided to be given or made or sent, or which may be given or made or sent by either party hereto to the other may be given personally or may be delivered by depositing the same in the United States mails, postage prepaid, properly addressed, and sent to the following addresses:

Landlord: Skamania County
%Board of County Commissioners
P. O. Box 790
Stevenson, WA 98648

Tenant: Columbia Cascade Housing Corp.
506 East 2nd
The Dalles, OR 97058

or to such other address as either party may from time to time designate by written notice to the other. Notices given by mail as aforesaid shall be deemed received and effective on the second business day following such dispatch.

15.11 Attorneys' Fees. In any proceeding or controversy associated with or arising out of this Lease or a claimed or actual breach thereof, or in any proceeding to recover the possession of the Premises, the more prevailing party shall be entitled to recover from the other party as a part of prevailing party's costs, reasonable attorney's fees, the amount of which shall be fixed by the court and shall be made a part of any judgment rendered.

15.12 Interest. Except as otherwise specifically provided herein, any amounts due one party to the other pursuant to the terms of this Lease, including amounts to be reimbursed one to the other, shall bear interest from the due date or the date the right to reimbursement accrues at 12% per annum; provided, however, that such rate shall not exceed, in any event, the highest rate of interest which may be charged under applicable law without the creation of liability for penalties or rights of offset or creation of defenses. For purposes of interest calculations, the due date of amounts or the date the right to reimbursement accrues shall be deemed the date that it originally was owing but may have been disputed, as distinguished from the date of final settlement or the making of a judicial or arbitration award.

15.13 Liens. It is understood and agreed that this Lease is

executed and delivered upon the express condition and promise that the Tenant will not and cannot contract any debt or debts for labor, materials, services, or otherwise which will or may become a lien against the interest of the Landlord Skamania County in the Property, and the Landlord hereby denies to Tenant any right, power, or authority to do any act, or contract any obligation or liability which would in any way subject the interest of the Landlord in the Property to any lien, claim, or demand whatsoever.

15.14 Governing Law. This Lease shall be construed according to and governed by the laws of the state of Washington.

15.15 Exhibits. The Exhibits to this Lease are:

<u>Exhibit</u>	<u>Description</u>	<u>Section Reference</u>
A	Improvements	1.1
B	Short Plat Map/Description	1.1
C	Title Insurance Policy	4.1
D	Estimated Development Budget	4.5

15.16 Heirs and Assigns. All of the covenants, agreements, terms and conditions contained in this Lease shall inure to and be binding upon the Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns.

15.17 Entire Agreement. This Lease contains the final and complete expression of the parties relating in any manner to the leasing, use and occupancy of the Premises and other matters set forth in this Lease. No prior agreements or understanding pertaining to the same shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or added to except in writing signed by Landlord and Tenant.

15.18 No Waiver Implied. No waiver of any default hereunder shall be implied from any omission by either party to take any action on account of such default if such default persists or is repeated and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. The acceptance by Landlord of rent with knowledge of the breach of any of the covenants of this Lease by Tenant shall not be deemed a waiver of any such breach. One or more waivers of any breach of any covenant, term or condition of this Lease shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by Landlord or Tenant, as the case may be, to or of any act by the other party requiring consent or approval, shall not be deemed to waive or render unnecessary Landlord's or Tenant's consent or approval, as the case may be, to or of any

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subsequent similar acts by the other party.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

LANDLORD:

SKAMANIA COUNTY, a Washington municipal corporation

By Albert E. McKee
Title: Chairman, Board of Commissioners

By Dean Evans
Title: Commissioner

By Melissa Carlson-Price
Title: Commissioner



ATTEST:

Sarah E. Olson
County Auditor and Ex-Officio
Clerk of the Board

APPROVED AS TO FORM ONLY:

Bradley W. Andersen
BRADLEY W. ANDERSEN
Skamania County Prosecuting Attorney

TENANT:

COLUMBIA CASCADE HOUSING CORP.

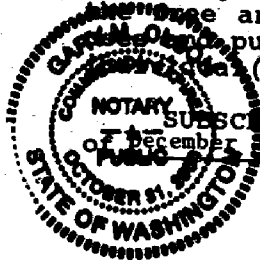
By: Linda Moore
Title: Authorized Representative

STATE OF WASHINGTON)
COUNTY OF SKAMANIA) ss.

THIS IS TO CERTIFY that on this 20th day of December, 1996, before me, the undersigned, a notary public in and for the state of Washington, duly commissioned and sworn, personally appeared Albert E. McKee, Dean Evans, and Melissa Carlson-Price, to me known to be the BOARD OF COUNTY COMMISSIONERS OF SKAMANIA

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COUNTY, the municipal corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the purposes therein mentioned, and on oath stated that said (s) were authorized to execute said instrument.



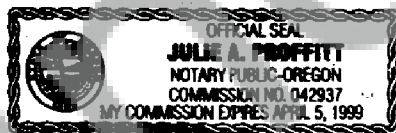
SUBSCRIBED AND SWORN to before me on this 20th day of December, 1996.

Gary H. Olson
GARY H. OLSON
NOTARY PUBLIC, in and for the State of Washington, residing at North Bonneville
My commission expires: October 31, 2000

STATE OF Oregon)
COUNTY OF Wasco) ss.

THIS IS TO CERTIFY that on this 17th day of January, 1997, before me, the undersigned, a notary public in and for the state of Oregon, duly commissioned and sworn, personally appeared Ruby Mason, to me known to be the Authorized Representative of COLUMBIA CASCADE HOUSING CORP. the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that said individual was authorized to execute said instrument.

SUBSCRIBED AND SWORN to before me on this 17th day of January, 1997.



Julie A. Proffitt
NOTARY PUBLIC, in and for the State of Oregon, Residing at The Dalles
My commission expires: 4-5-99

EXHIBIT A

Improvements to this property will be completed in two stages. The first phase of the project is a 30-34 unit congregate care/assisted living facility to be constructed on a waterfront site in Stevenson, Washington. Current plans for the facility include a one-two story, wood frame construction, containing 30-34 units of studio and 1 bedroom units, as well as a central dining facility, full service commercial kitchen, living and recreational spaces, including nurse/medical spaces. The project would be situated in a pleasantly landscaped environment with surface parking for residents and staff.

Each residential unit would have a small kitchen (no open burners), microwave oven, small refrigerator, sink, counter and cabinets. Central heat and air conditioning would be provided throughout the common areas with each unit having its own self-contained heating and cooling unit.

The facility would be located on a 2.31 acre site currently owned by Skamania County, Washington, located on what is known as the Mill Pond, a protected inlet of the Columbia River, situated in the City of Stevenson. The site contains approximately 57,567 sq. ft. of useable property due to setback requirements from adjacent properties.

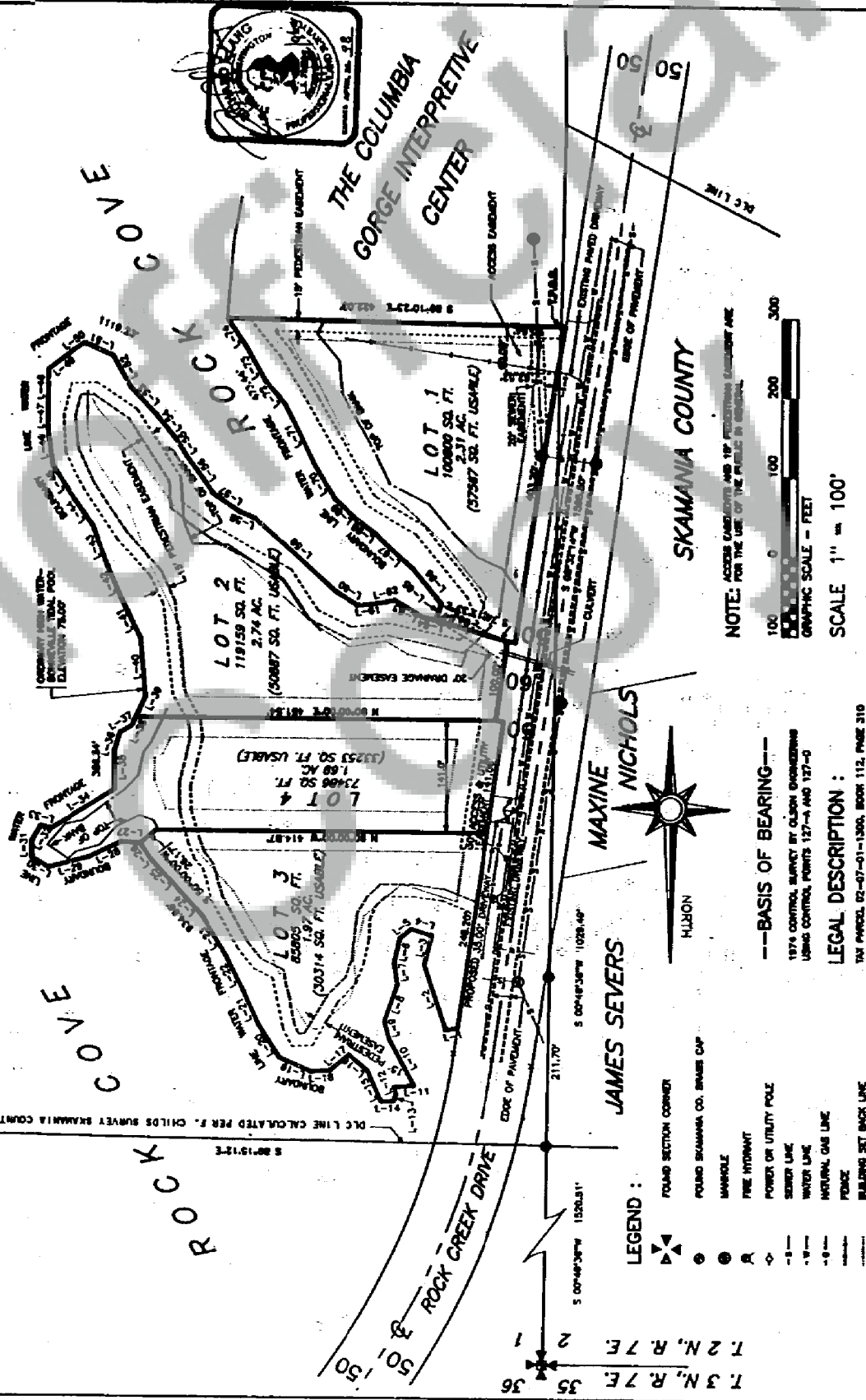
The facility would be fully furnished with residents decorating their individual units in their own taste and style. The building would be totally handicapped accessible and meet all requirements of the State of Washington and applicable federal regulatory agencies.

Construction is expected to take 6 - 6 1/2 months after commencement of building activities based on previous experience of projects of this size. All utilities needed to serve the facility are available at the project site.

Phase II of this project would be to build an additional 16-20 units for a total of 50 units.

SKAMANIA COUNTY

EXHIBIT B: SHORT PLAT MAP

[illegible]

FIRST AMERICAN TITLE INSURANCE COMPANY

SUBDIVISION GUARANTEE

ORDER NO. 20244

LIABILITY \$ 10,000.00

FEE \$185.00

TAX \$12.95

FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called the Company, SUBJECT TO THE LIABILITY EXCLUSIONS AND LIMITATIONS SET FORTH BELOW AND IN SCHEDULE A

GUARANTEES

SKAMANIA COUNTY

herein called the Assured, against actual loss not exceeding the liability amount stated above which the Assured shall sustain by reason of any incorrectness in the assurances set forth in Schedule A.

LIABILITY EXCLUSIONS AND LIMITATIONS

1. No guarantee is given nor liability assumed with respect to the validity, legal effect or priority of any matter shown herein.
2. The Company's liability hereunder shall be limited to the amount of actual loss sustained by the Assured because of reliance upon the assurance herein set forth, but in no event shall the Company's liability exceed the liability amount set forth above.
3. This guarantee is restricted to the use of the Assured for the purpose of providing title evidence as may be required when subdividing land pursuant to the provisions of Chapter 58.17, R.C.W., and the local regulations and ordinances adopted pursuant to said statute. It is not to be used as a basis for closing any transaction affecting title to said property.

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ORDER NO. 20244

Record Matter:

1. Taxes exempt
Parcel No. 02-07-01-0-0-1300-00
2. Easement for utilities including the terms and provisions thereof, recorded in Book N, Page 603.
3. Flowage Easement in favor of United States including the terms and provisions thereafter, recorded in Book Z, Page 135.
4. Easement for Rail Road including the terms and provisions thereafter, recorded in Book 44, Page 12.
5. Easement in favor of United States of America including the terms and provisions thereafter, recorded in Book 75, Page 214.
6. Easement in favor of United States of America, including the terms and provisions thereafter, recorded in Book 67, Page 496.
7. The rights of fishing, navigation and commerce in the State of Washington, the Federal Government, and the Public in and to that portion thereof lying below the ordinary high water mark of the Bonneville Tide Pool.
8. Rights of others thereto entitled in and to the continued uninterrupted flow of Bonneville Tide Pool and Rock Creek, and rights of upper and lower riparian owners in and to the use of the waters and the natural flow thereof.
9. Any adverse claims based upon the assertion that Bonneville Tide Pool and Rock Creek has moved.
10. Rights of the Public in and to that portion lying within Road.
11. Easement for ingress and egress by boat, including the terms and provisions thereafter, recorded in Book 29, Page 482.

FIRST AMERICAN TITLE INSURANCE COMPANY

By: 

, Authorized Signature

SUBDIVISION GUARANTEE

ORDER NO. 20244

SCHEDULE A

The assurances referred to on the face page are:

- A. Title is vested in: SKAMANIA COUNTY, A WASHINGTON MUNICIPAL CORPORATION
- B. That according to the Company's title plant records relative to the following described real property (including those records maintained and indexed by name), there are no other documents affecting title to said real property or any portion thereof, other than those shown below under record matters.

The following matters are excluded from the coverage of this guarantee:

1. Unpatented mining claims, reservations or exceptions in patents or in acts authorizing the issuance thereof.
2. Water rights, claims or title to water.
3. Tax Deeds to the State of Washington.
4. Documents pertaining to mineral estates.

Description:

That portion of section 1, Township 2 North, Range 7 East of the Willamette Meridian, Skamania County, Washington, Bounded as follows: on the North by the South line of Government Lots 7 and 8; on the East by the West Bank of the westerly outlet of Rock Creek; on the Southeasterly and Southerly side by the Northerly line of State Highway 14; on the West by the West line of Section 1 and the Easterly line of second street extension.

EXCEPTING THEREFROM that parcel deeded to J.J. Houser by deed recorded July 8, 1943 in Book 29 of deeds, Page 482.

EXCEPT that portion Deeded to the COLUMBIA GORGE INTERPRETIVE CENTER recorded in Book 144, Page 35.



**SKAMANIA COUNTY
TITLE COMPANY**

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(509) 427-5681
FAX (509) 427-5610

P.O. BOX 277 • 43 RUSSELL ST.
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