

APPENDIX 6

LEASE

by and between

**STATE OF WASHINGTON (“State”), acting by and through the
WASHINGTON STATE PARKS AND RECREATION COMMISSION, a
Washington municipal corporation (“Commission”)**

and

**THE LODGE AT SAINT EDWARD PARK, LLC,
a Washington limited liability company (“Lessee”)**

Effective: _____, 2016

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STATE OF WASHINGTON
PARKS AND RECREATION COMMISSION

(LEASE)

Agreement No.

BY THIS LEASE (this "Lease") dated _____, 2016 (the "Effective Date"), the STATE OF WASHINGTON ("State"), acting by and through the WASHINGTON STATE PARKS AND RECREATION COMMISSION, a Washington municipal corporation ("Commission") leases to THE LODGE AT SAINT EDWARD PARK, LLC, a Washington limited liability company ("Lessee") certain real property, and the improvements located thereon, situated in Saint Edward State Park, King County, Washington.

AUTHORITY AND RECITALS

- A. Commission is acting under those authorities granted to Commission and described under RCW 79A.05 et seq.
- B. Commission manages Saint Edward State Park (the "**Park**"), in which there is located a historic structure formerly used as a seminary ("**Seminary Building**"). The building is in a state of significant disrepair and requires a significant investment to rehabilitate. Commission lacks the funds to achieve the necessary rehabilitation.
- C. Pursuant to RCW 79A.05.025(2)(b), the Washington State Legislature authorized Commission to enter into a Lease for certain portions of the Park, including the Seminary Building, for a term of up to sixty-two (62) years to facilitate finding a lessee that would make the investment needed to achieve the rehabilitation of the Seminary Building.
- D. Lessee is willing to make the necessary investment to effect the rehabilitation of the Seminary Building.
- E. Commission has identified a parcel of land (the "**McDonald Parcel**") adjacent to the Park that Commission has tried to acquire without success. In addition to making the investment to rehabilitate the Seminary Building, Lessee has agreed to acquire the McDonald Parcel or to arrange to have the McDonald Parcel transferred to Commission in exchange for this Lease. The terms of the exchange of the McDonald Parcel to Commission in return for this Lease have been documented in a separate exchange agreement ("**Exchange Agreement**") that provides for the valuation of both parcels.

In consideration of the foregoing Recitals, and the mutual covenants contained herein, State acting through Commission agrees to lease a portion of the Park to Lessee, and Lessee agrees to lease such portion of the Park from State, on the following terms and conditions:

LEASE

1. OCCUPANCY

1.1 Grant of Lease. In consideration of Lessee's investment in the rehabilitation of the Seminary Building, transfer of the McDonald Parcel to Commission and performing such other conditions as described in this Lease, State hereby leases to Lessee and Lessee leases from State, a portion of the real property legally described on Exhibit A attached hereto and hereby incorporated by reference, which portion consists of approximately 5.5 acres of the Park, together with the improvements presently located thereon as of the Effective Date (which improvements are generally described in Section 1.2 below and referred to herein as the "**Improvements**"), all of which together is referred to herein as the "**Leased Premises**." The real property upon which the Leased Premises are located is legally described by its meets and bounds on Exhibit A-1 attached hereto and hereby incorporated by reference. The Leased Premises includes all appurtenances benefitting the Leased Premises, including all rights of air, light and view, and is subject to all easements and encumbrances of record as of the Effective Date.

Not leased herein are any valuable materials, merchantable timber, water rights or any other right to excavate or withdraw minerals, gas, oil or other material, except as specifically granted herein. State further reserves reasonable access to its adjacent property, and the right to grant easements over and across the Leased Premises that do not materially interfere with or obstruct access to the Leased Premises or Improvements and do not unreasonably interfere with Lessee's use of the Leased Premises.

1.2 General Description of Leased Premises. Pursuant to RCW 79A.05.025(2)(b), the Leased Premises consists of only the following buildings and specific areas of the Park, each of which is generally depicted on Exhibit A-2 attached hereto:

- i. The "**Seminary Building**";
- ii. The "**Pool Building**";
- iii. The "**Gymnasium Building**" (which, until December 31, 2021 is subject to an Existing Encumbrance identified as the "Hummel Gym Lease" on attached Schedule 1);*
- iv. The "**Parking Areas**"; and
- v. Associated property and grounds immediately adjacent to the foregoing areas, including the open area south of the pool intended to be a culinary interpretive garden.

*See Section 1.6 regarding Commencement Date as to Gymnasium Building.

- 1.3 Existing Encumbrances. Lessee’s interest in the Leased Premises shall be subject and subordinate to all easements, leases or occupancy agreements permitting any third-party to occupy, possess or use any portion of the Leased Premises as of the Effective Date (the “**Existing Encumbrances**”). State represents and warrants to Lessee that Schedule 1 attached hereto sets forth a true and correct list of the Existing Encumbrances. In connection with execution of the Exchange Agreement, State shall provide to Lessee copies of all Existing Encumbrances certified to be true, correct and complete as of the date of such delivery. After the Effective Date, State shall not modify or amend any of the Existing Encumbrances without Lessee’s prior consent.
- 1.4 Access and Utility Easements. Prior to the Commencement Date, State shall grant to Lessee access to the Leased Premises through one or more written easements or permits for the benefit of, and appurtenant to, the Leased Premises. Such access easement(s) shall permit actual pedestrian and vehicular access across such portions of the Park as is reasonably necessary for the Permitted Use (defined below) and for access to and from the Leased Premises to public rights of way. All such easements shall be in form and substance reasonably acceptable to Lessee, consistent with guidelines under the Land and Water Conservation Fund, and sufficient for Lessee to obtain ALTA title insurance endorsement 17-06 (or its substantial equivalent) insuring that the Leased Premises have actual pedestrian and vehicular access to and from NE 145th Street via Juanita Drive NE at curb cut locations to be identified by Lessee and reasonably approved by State. State shall further grant such utility easements over, across and under such portions of the Park as may be reasonably necessary in order to permit the construction, repair, operation, maintenance, removal and replacement of all utilities necessary for the Permitted Use (defined below). All of the easements described in this Section 1.4 shall run with the land and be appurtenant to the Leased Premises and shall be binding upon, and inure to the benefit of, the parties’ respective successors and assigns (collectively, the “**Easements**”). In the case of any underground utility Easement, the terms of such Easement shall obligate the easement holder to restore the property affected by the construction and installation of utilities pursuant to such Easement within twelve months after such construction.
- 1.5 Condition of Property. Lessee accepts the Leased Premises in “AS-IS” condition. The State has no obligation to make any repairs, additions, or improvements to the Leased Premises after the Effective Date.
- 1.6 Lease Term. The “**Term**” of this Lease is sixty-two (62) years, commencing on the date of closing the transfer of the McDonald Parcel to Commission (the “**Commencement Date**”), which shall be coordinated to coincide with commencement of the Rehabilitation work; provided that, as to the Gymnasium Building only, the Commencement Date shall be January 1, 2022 or the day after any earlier termination of the Hummel Gym Lease described in Schedule 1 and, upon such date (but not prior), the Gymnasium Building shall be deemed to be included within the Leased Premises. The Term shall end at the close of business on the day before the sixty-second anniversary of the Commencement Date,

which date (or such earlier date in the event the Lease term is terminated prior to such date) shall be referred to as the “**Termination Date**”. Nothing in this Lease precludes Lessee from applying for a renewal or extension of this Lease consistent with the laws then in effect.

- 1.7 Park Closure. In the event the Park is closed for any reason, Commission shall arrange to ensure that access through the Park to the Leased Premises is available at all times and shall give Lessee sufficient advance notice of such closure and meet with Lessee to resolve any logistical issues that may impact the continued operation of the Leased Premises for the Permitted Use (defined below) such as, but not limited to, management of gate(s), restrictions on use of surrounding Park areas by Lessee’s guests and maintaining appearance of surrounding Park landscaping. Commission shall not be obligated to keep the Park in operation for the benefit of Lessee.

2. **USE OF LEASED PREMISES; CONDITION OF LEASED PREMISES**

- 2.1 Permitted Use. Lessee may use the Leased Premises for the following uses (the “**Permitted Use**”):

Rehabilitation of the Leased Premises, including performing the Rehabilitation work described in Article 4 below with respect to the Improvements located upon the Leased Premises as of the Effective Date.

Operation of a lodging and conference center, with amenities incidental thereto, including health, spa, fitness and recreational related amenities, incidental surface and structured parking, restaurant, lounge and other food and beverage services. To further consistency with the purpose and requirements of the Land and Water Conservation Fund, which fund encumbers the Leased Premises, Lessee shall make available portions of the rehabilitated building for classes, events, and programs in support of outdoor education and recreation. The Leased Premises may not be used for any use other than the Permitted Use without State’s prior written consent, which shall not be unreasonably withheld, conditioned or delayed so long as such proposed use is not inconsistent with the Permitted Use.

- 2.2 Compliance with Laws, Rules and Regulations and Permits. Lessee shall comply with all government laws, ordinances and rules relating to the use and occupancy of the Leased Premises including Washington Administrative Code (WAC) 352-32, Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act. Lessee will not permit any objectionable action which would constitute a nuisance to occur upon the Leased Premises. Lessee shall at its own cost and expense obtain any and all licenses and permits required to be obtained from applicable governmental agencies for the Permitted Use.
- 2.3 Condition of Leased Premises. The Leased Premises shall be delivered to Lessee on the Commencement Date. Lessee shall accept the Leased Premises, including

the improvements thereon, "AS IS" and in the condition they are in on the Effective Date of this Lease without the obligation of State to make any repairs, additions or improvements thereto, except as may otherwise be provided herein.

- 2.4 Public Access to Leased Premises. Lessee covenants to permit lawful visitors of the Park to maintain and enjoy access to those portions of the Leased Premises that are open and available to the general public including, without limitation, restaurant facilities, lounge facilities, lobby and contiguous common areas, and all outdoor common areas during normal business hours and subject to reasonable rules to be determined by Lessee. Lessee may reasonably control public access within or adjacent to the culinary interpretive garden as needed to protect the garden beds from vandalism. Notwithstanding the foregoing, Lessee reserves the right to close any portion of the Leased Premises to the extent necessary to perform repairs, maintenance, replacement or Rehabilitation of the Leased Premises or as otherwise reasonably necessary to prevent harm to the health or safety of Park or lodge visitors. Lessee will permit public access and use of the lobby and restrooms located within the Gymnasium Building, subject to relocation of such restrooms upon mutual agreement of State and Lessee.

3. RENT AND OTHER PAYMENTS BY LESSEE

3.1 Rent.

3.1.1 Prepaid Contract Rent. Pursuant to the Exchange Agreement, Lessee has conveyed (or will convey) to State, for park purposes only, fee simple interest to the McDonald Parcel described in Exhibit B attached hereto. Lessee's conveyance of the McDonald Parcel to State, and the promise to make the necessary investment to rehabilitate the Seminary Building shall constitute full payment of the entire rent due and owing for the Term and shall satisfy all obligations of Lessee to pay rent during the Term. Such rent has been determined to be fair market rent and is supported by third-party appraisals. The appraisal for the exchange of Leased Premises for the McDonald Parcel has considered future rent increases for the Leased Premises, discounted to present value, in determining a fair exchange value for the McDonald Parcel. For that reason, future rent adjustments have been factored into the value of the exchange and further rent adjustments under RCW 79A.05.030(5)(d) are not required. The value of the McDonald Property, together with all of Lessee's costs incurred in acquiring the McDonald Property and conveying it to State pursuant to this Section 3.1.1 shall be deemed prepaid contract rent for purposes of this Lease.

3.1.2 State Parks Fees. Lessee shall levy and collect for all overnight stays at the Leased Premises a per-room fee of \$10.00 for each night, but not to exceed \$30.00 per room for each stay. Visitors to the lodge who are parking at the Leased Premises but not staying overnight shall be charged a \$3.00 fee for parking. These fees will be increased by 25% every ten

years. The parties may mutually agree to switch from the \$3.00 parking fee to a flat fee per month structure based on data collected by Lessee on non-overnight guests over an eighteen month (18) month period. All such fees collected by Lessee during the Term shall be remitted monthly to State, after deducting an administrative charge equal to 5% of such collections, no later than the twenty-fifth (25th) day of the month following Lessee's collection. State and Lessee acknowledge and agree that Lessee's collection and remittance of the fees described in this paragraph is intended to be a direct pass-through by Lessee to State of monies collected from Lessee's guests and invitees, and is not payment by Lessee for the privilege of using or occupying the Leased Premises and, therefore, is not subject to the leasehold excise tax established under RCW 82.29A.030 and is not "gross income" subject to business and occupation tax.

- 3.2 Leasehold Excise Tax. Lessee shall pay to State, in the manner required by applicable law, the leasehold excise tax as set forth in RCW 82.29A.030. For purposes of calculating the leasehold excise tax due under such statute, the "taxable rent" upon which leasehold excise tax shall be levied for the Initial Term shall be the amount of consideration due as payment for the leasehold interest created hereby, which shall be equal to (i) the gross purchase price paid by Lessee for the McDonald Property, including closing and other incidental costs paid by Lessee in connection with its purchase of the McDonald Property and the subsequent conveyance of the McDonald Property to the State pursuant to Section 3.1.1 above, plus (ii) unless otherwise provided by applicable law, expenditures made by Lessee for improvements to the Leased Premises, to the extent such improvements will become property of State (which, for purposes of clarification, shall not include the Rehabilitation work described herein). The taxable rent described in the foregoing clause (i) shall be considered prepaid contract rent for purposes of RCW 82.29A and, accordingly, the leasehold excise tax thereon shall be prorated over the term of this Lease pursuant to RCW 82.29A.050(1), as may be amended hereafter, and paid by Lessee at such times and intervals as may be required by applicable law. The taxable rent described in the foregoing clause (ii) shall be considered prepaid contract rent for purposes of RCW 82.29A and, accordingly, shall be prorated over the lesser of (a) the useful life of the applicable improvement, as determined under the Internal Revenue Code of the United States of America, as in effect at the time such improvement is constructed or (b) the remaining Term of this Lease. Leasehold excise tax shall not be due on expenditures made by Lessee for any improvements to the Leased Premises that are taxed to any person as personal property, or on repairs or maintenance to the Leased Premises, or any improvements located thereon, that are necessitated by damage caused by fire or other casualty event.
- 3.3 Method of Payment. All payments of rent and other sums due from Lessee hereunder shall be made by checks payable to State and delivered as directed by State from time to time.

- 3.4 No Counterclaim, Setoff, or Abatement of Rent. Rent, fees and all other sums payable by Lessee hereunder will be paid without the requirement of prior notice or demand by State, and will not be subject to any counterclaim, setoff, deduction or defense and without abatement. The obligations and liabilities of Lessee hereunder will in no way be released, discharged or otherwise affected, except as expressly otherwise provided herein.

4. **LESSEE'S REHABILITATION OF STATE-OWNED IMPROVEMENTS**

- 4.1 Rehabilitation. Lessee may make such alterations, additions, and improvements in or to the Leased Premises, including the associated cultural landscape placed on the national register of historic places, as are reasonably necessary to operate the Leased Premises in a manner consistent with the Permitted Use (the "**Rehabilitation**"); provided that all construction activity related to the Rehabilitation shall satisfy the requirements of this Lease and the Development and Operation Plan attached as Exhibit C hereto ("**Development and Operation Plan**"). Lessee shall secure any and all governmental permits, approvals, or authorizations required in connection with any work related to the Rehabilitation, and shall hold State and Commission harmless from any and all liability, costs, damages, expenses (including reasonable attorneys' fees) arising from Lessee's Rehabilitation work. All Rehabilitation work shall be performed in a good and workmanlike manner by qualified general contractors and subcontractors in accordance with all applicable codes, laws and regulations of applicable government agencies, including the requirements of the Americans with Disabilities Act, and the Secretary of Interior's Standards for the Treatment of Historic Properties – Standards for Rehabilitation and associated Guidelines for Rehabilitating Historic Buildings and Guidelines for the Treatment of Cultural Landscapes. All Rehabilitation work will also be consistent with the professional standard of care for contractors, architects, and engineers practicing in the State of Washington. Lessee shall acquire and pay for any approvals, permits, licenses, permissions, consents and/or approvals required to be obtained from any governmental agencies in connection with the Rehabilitation and shall keep the Leased Premises free from liens arising from the Rehabilitation work. State, acting through Commission, agrees to cooperate with Lessee in obtaining any necessary permits or governmental or regulatory approvals. The State Parks Director or designated agency Historic Preservation Officer will be responsible for interpreting and applying rehabilitation standards and guidelines and reviewing and approving repairs, alterations, and maintenance of historic structures and cultural landscapes. If Lessee pursues Federal Historic Tax Credit financing for the Rehabilitation, State will reasonably cooperate with Lessee's efforts in that regard, at no out-of-pocket cost to State.
- 4.2 Gymnasium Building and Pool Building. The Gymnasium Building is currently under lease. State agrees the current lease will not be extended or renewed beyond the current termination date of December 31, 2021, and the State shall not execute any other lease of the Gymnasium Building so long as this Lease is in effect. State and Lessee agree that the Gymnasium Building is a contributing

feature to the cultural landscape, Lessee will modify the interior of the Gymnasium Building and, in connection therewith, will consult with Commission to obtain approval for construction, adaptive reuse, and public access related to its structure. State and Lessee agree that the Pool Building is not a contributing element in the ensemble of historic resources. Lessee may modify or rebuild the Pool Building in connection with the Permitted Use and, in connection therewith, will consult with Commission to obtain approval for construction, adaptive reuse, and public access related to its structure.

- 4.3 General Contractor Liability Insurance. The general contractor retained by Lessee to construct the Rehabilitation (the “**Rehabilitation Contractor**”) shall purchase and maintain in effect at all times during the performance of the Rehabilitation commercial general liability insurance against claims for personal injuries (including death) or property damage occurring in or about the Park, under a policy of commercial general liability insurance, such that the total available limits will not be less than Two Million Dollars (\$2,000,000) per occurrence and Four Million Dollars (\$4,000,000) aggregate (which may be satisfied by any combination of primary, secondary, umbrella and other coverages) naming Lessee, State and Commission as an additional insureds.
- 4.4 General Contractor Requirements. Lessee’s contract with the Rehabilitation Contractor shall provide: (i) that State shall not be liable for any labor, services, materials or equipment furnished or to be furnished to Lessee; (ii) that general contractor agrees to indemnify State, Commission and Lessee for claims for property damage or bodily injury arising out of the negligence or willful misconduct of such contractor and its employees, agents and subcontractors, and the failure of such contractor to perform any of its obligations under the applicable contract; (iii) that the Rehabilitation Contractor and each of its subcontractors shall perform the work described in the contract in compliance with applicable laws and codes, including without limitation any bearing on the safety of persons and property; and (iv) that the Rehabilitation Contractor will verify that any subcontractors retained by it are validly existing and duly licensed and registered under the laws of the state of Washington and have all applicable licenses and required insurance coverages.
- 4.5 Pre-construction. At least thirty (30) days prior to commencing any Rehabilitation of the Leased Premises, Lessee shall submit to State a written plan outlining the construction of the Rehabilitation and a copy or draft of the contract(s) with the Rehabilitation Contractor and primary subcontractors responsible for construction of the Rehabilitation.
- 4.6 Development and Operation Plan for Rehabilitation. Lessee has prepared, and State and Commission have approved the Development and Operation Plan attached hereto as Exhibit C. All Rehabilitation work shall be performed in a manner consistent with the Development and Operation Plan and Lessee shall provide State with written notice prior to making any material modifications

thereto. Future changes to the Development and Operation Plan must address the following information:

- a. Map showing areas to be developed, location of any improvements or utilities to be constructed.
- b. Land clearing, leveling and erosion control plans.
- c. List of proposed improvements, including specific physical characteristics and technical specifications.
- d. Estimated cost of constructing proposed alteration, addition or improvement.
- e. Schedule of estimated completion dates.

4.7 As-Built Drawings. Within ninety (90) days after final completion of the Rehabilitation (as evidenced by issuance of a permanent certificate of occupancy from the City of Kenmore) or after substantial completion of any subsequent material improvements to the Leased Premises or any other portion of the Park, Lessee shall deliver to Commission as-built drawings for all such Rehabilitation and improvements.

4.8 Furniture, Fixtures and Equipment. Lessee and its Sublessees (as below defined) may place or install on the Leased Premises such trade fixtures, appliances, and equipment as Lessee or its Sublessees deem desirable for the conduct of business thereon consistent with the Permitted Use. Such personal property, trade fixtures, appliances, and equipment used in the conduct of business by Lessee and its Sublessees will not become part of the Leased Premises, even if affixed to the Improvements or any other portion of the Leased Premises, but will retain their status as Lessee's separate personal property. Such personal property may be removed by Lessee or its Sublessees at any time so long as any damage to the Leased Premises occasioned by such removal is thereupon repaired. In the event Lessee or its Sublessees do not remove their personal property and trade fixtures which they are permitted by this Section 4.8 to remove from the Leased Premises by the Termination Date, State may at its election (i) require Lessee to remove such property at Lessee's sole expense, and Lessee shall be liable for any damage to the Leased Premises caused by such removal and for the cost of otherwise restoring the Leased Premises to the condition it was in prior to the construction or installation of such personal property and trade fixtures, (ii) treat said personal property and trade fixtures as abandoned to State, or (iii) have the personal property and trade fixtures removed and stored at Lessee's expense. Lessee shall promptly reimburse State for any damage caused to the Leased Premises by the removal of personal property and trade fixtures, whether removal is by Lessee or State, and for the cost of otherwise restoring the Leased Premises to the condition it was in prior to the construction or installation of such personal property and trade fixtures.

- 4.9 Title to the Improvements. Subject to the Existing Encumbrances, State owns all right, title and interest in and to the Improvements located on the Leased Premises as of the Effective Date. This Lease conveys a leasehold interest to Lessee for the act and privilege of occupying and using the Leased Premises for the Permitted Use, including performing the Rehabilitation of such Improvements. Nothing herein shall be construed as conveying to Lessee title to the Leased Premises, or the Improvements. In conducting the Rehabilitation, title to the Improvements shall at all times remain vested in State, subject to the Existing Encumbrances and Lessee's rights under this Lease. At the expiration or earlier termination of this Lease, all of the Improvements, as restored by the Rehabilitation, except the trade fixtures, appliances, and equipment of Lessee or any Sublessee shall vest in State free and clear of Lessee's interest.
- 4.10 Alterations and Additions. After completion of the Rehabilitation, Lessee may, without the consent of State, make such further alterations, additions, and improvements to the Leased Premises as are reasonably appropriate and consistent with the Permitted Use, all of which shall satisfy all requirements and conditions of this Lease and the Development and Operation Plan.
- 4.11 State's Repairs. State will not be required or obligated to make any changes, alterations, additions, improvements, or repairs in, on, or about the Leased Premises, or any part thereof, during the Term; provided, however, that State shall, subject to the availability of funding, maintain, repair, and keep those portions of the Park not consisting of the Leased Premises in the condition required by applicable law, regulation or ordinance.
- 4.12 Lessee's Repairs, Alteration, and Maintenance. Lessee will, at its sole cost and expense, keep and maintain the Leased Premises and all Improvements thereon and all facilities appurtenant thereto (regardless of ownership) in good order and repair and safe, sanitary, and attractive condition consistent with the completed Rehabilitation work. All such repairs, rehabilitations, and replacements will be in quality and workmanship equal to the original work or installations and shall comply with the standards set forth in Section 4.1 above governing the Rehabilitation. Lessee shall have no responsibility or obligation to maintain any portion of the Park other than the Leased Premises.
- 4.13 Archaeology. In the event archaeological resources are found or unearthed during any work or construction authorized by or through this Lease, Lessee shall comply with the provisions of RCW 27.44 and RCW 27.53 and the rules and regulations of the Office of Archaeology and Historic Preservation. If any cultural or suspected cultural resources are discovered, Lessee shall cease work and immediately contact State at the address for Notice prescribed under this Lease.

5. STATE'S ACCESS TO LEASED PREMISES

- 5.1 Office and Conference Space. State or a State-authorized non-profit organization or public institution will have access to two (2) dedicated offices within the

Leased Premises and the use of a conference room totaling approximately 1,000 square feet. The State will provide Lessee at least 90 days' prior written notice of scheduled occupancy of these offices. Lessee reserves the right to re-locate the office and meeting space to a reasonably equivalent alternate location within the Leased Premises under terms and conditions mutually agreed to by State. Lessee additionally agrees to support non-profit organization requests to utilize additional meeting or conference space at reduced rates through future discussions with its lodge operator.

5.2 Park Ranger Station. Notwithstanding the leasehold grant made to Lessee pursuant to this Lease, State shall retain the right to maintain a Park ranger station located in the Gymnasium Building consisting of approximately 500 square feet in a location to be reasonably determined by Lessee. In consideration of the rights reserved to State under this Section 5.2, State shall pay to Lessee, at such time and place as Lessee may direct, (i) an annual usage fee of ten dollars (\$10.00) and (ii) an equitable pro-rata share (or, alternatively, an agreed upon flat fee) of Lessee's operating costs associated with the Gymnasium Building portion of the Leased Premises including, without limitation, the cost of maintaining, repairing and insuring the Gymnasium Building on the terms required under this Lease and the cost of all utilities consumed at the Gymnasium Building. Lessee reserves the right to relocate the Park ranger station to a reasonably equivalent alternate location within the Leased Premises under terms and conditions reasonably acceptable to State. The parties' rights and obligations under this Section 5.2 shall commence upon the commencement of this Lease as to the Gymnasium Building and, prior to such time, State shall be solely responsible for maintenance and repair of the Gymnasium Building and Lessee shall have no obligations with respect to the Gymnasium Building.

5.3 Maintenance Garage. Notwithstanding the leasehold grant made to Lessee pursuant to this Lease, State shall retain the right to maintain a maintenance garage located in the Gymnasium Building consisting of approximately _____ square feet in a location to be reasonably determined by Lessee. State's rights under this Section 5.3 shall expire five (5) years after the Commencement Date and, thereafter, such rights shall continue on a year-to-year basis on the terms and conditions stated in this Section 5.3 unless terminated by Lessee on not less than twelve (12) months' prior notice to State. In consideration of the rights reserved to State under this Section 5.3, State shall pay to Lessee, at such time and place as Lessee may direct, (i) an annual usage fee of ten dollars (\$10.00) and (ii) an equitable pro-rata share (or, alternatively, an agreed upon flat fee) of Lessee's operating costs associated with the Gymnasium Building portion of the Leased Premises including, without limitation, the cost of maintaining, repairing and insuring the Gymnasium Building on the terms required under this Lease and the cost of all utilities consumed at the Gymnasium Building. Upon expiration of State's rights under this Section 5.3, State may elect to have Lessee construct a replacement maintenance garage within the Park (but outside of the Leased Premises) and, in such event, Lessee shall construct the replacement maintenance garage in a location selected by State and shall be entitled to deduct from the fees

described in Section 3.1.2 all actual and reasonable hard and soft construction costs associated therewith including the costs of labor, materials, project management and construction administration. Prior to the commencement of this Lease as to the Gymnasium Building, State shall be solely responsible for maintenance and repair of the Gymnasium Building and Lessee shall have no obligations with respect to the Gymnasium Building.

- 5.4 Inspection. State and its agents and representatives, and the agencies identified in Section 16.1 below, will have the right to enter and inspect the Leased Premises on forty-eight (48) hours advance written notice to Lessee to determine and secure compliance with this Lease; provided that any entry shall be at a reasonable time and any inspection shall be conducted in a way to minimize any interference or disruption with Lessee's or any Sublessee's business on or use of the Leased Premises.
- 5.5 Easements in Favor of State. State reserves the right to grant easements on the Leased Premises, provided that such easements do not unreasonably interfere with the Permitted Use or any use of the Leased Premises. State also reserves the right for utility franchise and permit holders to enter upon the Leased Premises to maintain, repair and enhance existing facilities and install new utilities and, for itself, to grant utility franchises and/or permits across the Leased Premises; provided that, in no event may such franchise/permit holders enter the improvements located on the Leased Premises without the prior written consent of Lessee, which may be withheld in Lessee's sole discretion. The entry upon the Leased Premises, and any activity conducted thereon, by such franchise/permit holders shall be at reasonable times and shall be accomplished in such a manner as to minimize any disruption to Lessee's or any Sublessee's use of the Leased Premises. Lessee will not disturb markers installed by a franchise/permit holder and will contact and provide notice to any franchise/permit holder and all owners of underground facilities prior to excavation. Lessee shall comply with all applicable provisions of RCW 19.122 relating to underground facilities.
- 5.6 Roads and Road Maintenance. State hereby grants and conveys to Lessee, and its agents, employees, invitees, Sublessees, licensees, permittees, contractors, and subcontractors, subject to rights previously granted, a nonexclusive, nondivisible irrevocable permit to use all now existing or hereafter constructed roads on the Leased Premises and throughout the Park in connection with or related to the Permitted Use. State reserves the right to build roads and grant to others easements or other rights or privileges to use new and existing roads throughout those portions of the Park other than the Leased Premises. Except as to road construction or routine road maintenance and repair that Lessee is required or permitted to perform under this Lease or any Easement, Lessee shall not construct new roads or undertake any modification or alteration to existing roads without the prior written consent of State. Lessee shall maintain the roads within the Leased Premises at its sole expense. State shall maintain the roads outside the Leased Premises at State's cost, and Lessee shall reimburse State in the amount of twelve percent (12%) of the cost incurred for such routine maintenance. Any

improvements to the roads outside the Leased Premises shall be at the cost of State, unless Lessee agrees to share in such costs.

6. LESSEE'S COVENANTS

- 6.1 Utilities. Lessee shall separately contract and pay for all water, gas, electricity, light, heat, telephone, power, and other utilities and communications systems serving the Leased Premises, all of which Lessee shall cause to be separately metered to the Leased Premises pursuant to the Development and Operation Plan. Lessee shall defend, indemnify and hold State harmless against and from any liability or expense resulting from any failure of Lessee to pay all utility charges when due. State, upon request of Lessee, and at the sole expense and liability of Lessee, will join with Lessee in any application required for obtaining or continuing any such services.
- 6.2 Taxes and Assessments. Lessee shall be solely responsible for payment of all real and personal property taxes and assessments and other governmental charges of any kind applicable or attributable to the Leased Premises during the Term. Lessee shall pay the total amount of all assessments that are legally required to be paid during the Term or which may be charged to State for the Leased Premises or the improvements thereon during the Term. Lessee shall not cause or suffer the imposition of any assessment upon the Leased Premises without the prior written consent of State, which shall not be unreasonably withheld. In the event any new assessment is proposed which affects the Leased Premises, Lessee shall immediately notify State of such proposal after Lessee has knowledge or receives notice thereof. Any assessment upon the Leased Premises must be made in compliance with all applicable statutes, including, but not limited to, RCW 79.44.
- 6.3 Payment Date and Proof. Lessee shall pay all payments for taxes, and/or assessments when due. Lessee shall, if required by State, furnish to State copies of receipts or other appropriate evidence establishing the payment of such amounts.
- 6.4 No Liens. Lessee shall not suffer or permit any lien to be filed against State's interest in the Leased Premises, or improvements thereon by reason of any work, labor, or services performed thereon or materials supplied to, by or through Lessee. Lessee agrees to pay or cause to be paid all sums legally due and payable by Lessee on account of any labor performed or materials furnished in connection with any work performed on the Leased Premises. With respect to any such liens, Lessee shall indemnify State for any costs, damages or expenses (including reasonable attorneys' fees and court costs) incurred by State in defending any such liens, or in obtaining their discharge, whether such costs, damages or expenses were incurred prior or subsequent to the termination or cancellation of this Lease. Notwithstanding anything to the contrary contained herein, Lessee shall not be in default under this Lease solely by reason of any person having recorded a claim of lien against the Park or any portion thereof so long as Lessee is diligently pursuing the removal of any such claim of lien from the public record.

7. LESSEE'S INDEMNITY AND INSURANCE OBLIGATIONS

- 7.1 Indemnity. From and after the Commencement Date, Lessee shall indemnify, defend and hold harmless State, its employees, officers, and agents from any and all liability, damages (including, but not limited to, personal injury and damages to land and other natural resources), expenses, causes of action, suits, claims, costs, fees (including, but not limited to, reasonable attorneys' fees), penalties or judgments, of any nature whatsoever, arising out of the use, occupation, or control of the Leased Premises by Lessee, Lessee's sublessees, invitees, agents, employees, licensees, or permittees, or caused by the operation or failure to operate any buildings, facilities, equipment, improvements or other property or fixtures on the Leased Premises, except to the extent arising out of or due to the willful or negligent act of State or State's elected officials, employees, or agents.

Lessee's indemnity, defense and hold harmless obligations set forth above are intended to be broad and comprehensive and shall include any claims asserted by or on behalf of any of Lessee's employees or agents. For purposes of giving effect to the foregoing indemnities only, and not for the benefit of any other person, the parties expressly intend the foregoing to constitute a waiver of immunity under the Washington Industrial Insurance Act, RCW Title 51. The parties acknowledge that the foregoing waivers were mutually negotiated and agreed upon by them.

All covenants, promises and agreements in this Lease purporting to indemnify or defend against liability for damages arising out of the services described in RCW 4.24.115 (as now in effect or hereafter amended) or out of bodily injury to persons or damage to property caused by the concurrent negligence of Lessee and State (or their respective agents or employees) is valid and enforceable only to the extent of the indemnitor's negligence. The parties acknowledge that the foregoing provision was mutually negotiated and agreed upon by them.

This indemnities set forth above shall survive the expiration or other termination of this Lease, but only as to claims arising prior to expiration of the Lease.

- 7.2 Insurance Requirements. Lessee shall, at its sole cost and expense, procure and maintain, or cause to be procured and maintained by its Sublessees, during the Term, the following insurance coverages which shall be issued by insurance companies licensed to do business in the state of Washington:

- 7.2.1 Commercial General Liability Insurance. Commercial general liability insurance written under Insurance Services Office (ISO) Form CG0001 or its equivalent including contractual liability covering all claims with respect to injuries or damages to persons or property sustained in, or about the Leased Premises, and the appurtenances thereto, including the sidewalks and alleyways adjacent thereto. Such insurance must have liability limits of not less than Two Million Dollars (\$2,000,000) in respect to injury or death to any one person, not less than One Million Dollars (\$1,000,000) in respect to any one occurrence or accident, and not

less than Five Million Dollars (\$5,000,000) for property damage, with a maximum deductible amount of One Hundred Thousand Dollars (\$100,000). Such limits may be achieved through the use of umbrella liability insurance sufficient to meet the requirements of this Section 7.2.1 for the Leased Premises.

- 7.2.2 Physical Property Damage Insurance. Physical damage insurance covering all real and personal property, other than the personal property of Lessee or any Sublessees, located on or in, or constituting a part of, the Leased Premises in an amount equal to at least ninety percent (90%) of the replacement value of all such property. Such insurance shall afford coverage for damages resulting from (i) fire, (ii) perils covered by extended coverage insurance as embraced in the Standard Bureau form used in the state of Washington, (iii) explosion of steam and pressure boilers and similar apparatus located on the Leased Premises, (iv) earthquake or the shifting of the earth, if available on commercially reasonable terms and (v) flood damage if the Leased Premises is located within a flood plain.
- 7.2.3 Worker's Compensation Insurance. Lessee shall maintain state of Washington worker's compensation insurance, as required by statute, with respect to any work by Lessee's employees on or about the Leased Premises.
- 7.2.4 Builder's Risk Insurance. During the period that any Rehabilitation or other construction activity is occurring upon the Leased Premises, Lessee shall procure and maintain, or cause its general contractor to procure and maintain, builder's risk insurance on the entire work being performed. Such insurance must be written on a completed value form and in an amount equal to the value of the completed work, subject to subsequent modifications to that sum. The insurance must be written on a replacement cost basis and name as additional insureds State, Commission, Lessee and all contractors and subcontractors materially involved in performing the work. Any insurance policy that Lessee is required to maintain under this Lease shall meet the following requirements:
- a. The policy shall cover all risks of physical loss except those specifically excluded in the policy, including loss or damage caused by collapse.
 - b. The policy shall cover the entire work at the site, including reasonable compensation for architect's services and expenses made necessary by an insured loss. Insured property must include portions of the work located away from the site but intended for use at the site, and must also cover portions of the work in transit.

- c. The policy must include as insured property scaffolding, false work, and temporary buildings located at the site. The policy must cover the cost of removing debris, including demolition as made legally necessary by the operation of any law, ordinance, or regulation.
- d. Any deductibles shall be identified in the insurance policy documentation, and Lessee shall be responsible for paying the part of any loss not covered because of application of the deductible(s). If any part of any loss is not covered because of the application of a deductible amount not identified in the insurance policy, such loss will be paid by Lessee.

7.3 Terms of Insurance. All insurance policies required to be maintained by Lessee hereunder shall name State and Commission as additional insureds, shall be issued by carriers having an AM Best rating of A-VII or better and must contain a provision whereby the carrier agrees not to cancel or modify the insurance without thirty (30) days prior written notice to State. Such policies must further expressly provide that State will not be required to give notice of accidents or claims and that State will have no liability for premiums. The policy must further contain an express waiver of any right of subrogation by the insurance company against State and State's elected officials, employees or agents.

7.4 Allocation of Property and Casualty Insurance Proceeds. State acknowledges that Lessee is making a substantial investment in the Rehabilitation and will finance a substantial portion of such investment through Loans to be secured by Leasehold Mortgages as further described in this Lease. State and Lessee anticipate that the Leasehold Mortgages to be entered into by Lessee will contain customary terms and conditions regarding the handling of property and casualty insurance proceeds requiring Lessee and State to appoint a Leasehold Mortgagee as their insurance trustee (or power of attorney) and assign to such Leasehold Mortgagee(s) all insurance proceeds that either State or Lessee might otherwise be entitled to receive under the policies of insurance required to be maintained under this Lease. State and Lessee further acknowledge that such insurance proceeds will likely be encumbered by one or more Leasehold Mortgages during the Term. In the event that any insured casualty event results in the payment of insurance proceeds to Lessee or State that are not encumbered by a Leasehold Mortgage: (i) Lessee shall be entitled to such proceeds to the extent of (a) the unamortized cost of the Rehabilitation (as determined under applicable provisions of the Internal Revenue Code), plus (b) the unamortized cost of such additional permanent improvements, additions or alterations to the Leased Premises as Lessee may have constructed during the Term; and (ii) State shall be entitled to the balance of such proceeds, if any, after such payment to Lessee and any payments required to be made to any Leasehold Mortgagee.

7.5 Insurance Certificates. On or before the Commencement Date, Lessee shall furnish State with certificates evidencing the aforesaid insurance coverage, and

renewal certificates must be furnished to State on or before the expiration date of each policy for which a certificate was previously furnished.

8. HAZARDOUS, TOXIC OR HARMFUL SUBSTANCES

- 8.1 Deleterious Material. Except as necessary to perform the Rehabilitation in a manner that complies with applicable laws, Lessee will not make, or suffer to be made, any filling in of the Leased Premises or any deposit of rock, earth, ballast, refuse, garbage, waste matter, chemical, biological or other wastes, hydrocarbons, any other pollutants, or other matter within or upon the Leased Premises, except as approved in writing by State, which approval shall not be unreasonably withheld, conditioned, or delayed. If Lessee fails to remove all non-approved fill material, refuse, garbage, wastes or any other of the above materials from the Leased Premises, Lessee agrees that State may, but is not obligated to, remove such materials and charge Lessee for the cost of removal and disposal.
- 8.2 Handling and Disposal of Hazardous Material. Lessee will not keep, use, generate, treat, store or dispose of on or about the Leased Premises any Hazardous Material unless such are necessary to carry out Lessee's Permitted Use and unless Lessee fully complies with all applicable federal, state and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended. Lessee shall undertake all preventive, investigatory, or remedial actions (including emergency response, removal, and containment) that are either: (a) required by any applicable Environmental Law or governmental authority; or (b) necessary to prevent or minimize property damage, personal injury, damage to the environment, or the threat of any such damage or injury, arising from the presence of any Hazardous Material on or about the Leased Premises.
- 8.3 Duty to Notify. Lessee shall:
- 8.3.1 Immediately notify State of (i) all spills, releases or disposal of any Hazardous Material, or imminent threat thereof, on the Leased Premises or any properties adjacent to the Leased Premises, (ii) all failures or potential failures to comply with any federal, state, or local law, regulation or ordinance, as now enacted or as subsequently enacted or amended, (iii) all inspections of the Leased Premises by, or any correspondence, orders, citations, or notifications from any regulatory entity concerning Hazardous Materials or Environmental Law and the Leased Premises, (iv) all regulatory orders, complaints, lawsuits or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private party relating to Hazardous Material or Environmental Law and to the Leased Premises or to Lessee's operations; and
- 8.3.2 On reasonable request of State, provide copies to State of any and all correspondence, pleadings, and/or reports received by or required of Lessee.

- 8.4 State Representations and Warranties Regarding Hazardous Materials. STATE MAKES NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE CONDITION OF THE LEASED PREMISES OR WITH RESPECT TO COMPLIANCE WITH ANY ENVIRONMENTAL LAW. LESSEE ACKNOWLEDGES THAT LESSEE HAS FULLY INSPECTED THE LEASED PREMISES AND IS NOT RELYING ON ANY STATEMENT OR REPRESENTATION MADE BY STATE OR STATE'S AGENTS WITH RESPECT TO THE CONDITION OF THE LEASED PREMISES, AND LESSEE ASSUMES THE RESPONSIBILITY AND RISKS OF THE SAME, INCLUDING ANY DEFECTS OR CONDITIONS THAT CANNOT BE OBSERVED BY CASUAL INSPECTION.
- 8.5 Lessee's Indemnity. Lessee shall be solely responsible for and shall indemnify, defend and hold harmless State for, from and against any and all claims, damages, liabilities and losses incurred, including reasonable expenses for experts, consultants, and attorney's fees, in connection with or arising from: (i) the existence, generation, production, release, use, handling, storage, presence, treatment or disposal of any Hazardous Materials in, on or about the Leased Premises by Lessee. This indemnification of State by Lessee includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remediation, removal or rehabilitation work. Lessee shall promptly take all actions as are necessary and required by any Environmental Law to remediate any Hazardous Materials introduced by Lessee onto the Leased Premises and, to the extent possible, return the Leased Premises to the condition existing prior to the introduction of any such Hazardous Materials. Notwithstanding the foregoing, this indemnity expressly excludes and nothing in this Lease shall be interpreted as making Lessee responsible to remediate Hazardous Materials existing within, on or about any portion of the Leased Premises or elsewhere within the Park prior to the Effective Date (if any) so long as the conditions created by such existing Hazardous Materials (if any) are not exacerbated by Lessee or its contractors.
- 8.6 Survival. The foregoing provisions relating to the environmental condition of the Leased Premises and Lessee's representations and warranties relating thereto will survive the expiration or earlier termination of this Lease.
- 8.7 Definition of Hazardous Materials; Environmental Laws. As used herein, the term "**Hazardous Material**" means any substance which is (i) designated, defined, classified or regulated as a hazardous substance, hazardous material, hazardous waste, pollutant or contaminant under any Environmental Law, as currently in effect or as hereafter amended or enacted, (ii) a petroleum hydrocarbon, including crude oil or any fraction thereof and all petroleum products, (iii) PCBs, (iv) lead, (v) asbestos, (vi) flammable explosives, (vii) infectious materials, or (viii) radioactive materials. "**Environmental Law(s)**" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. § 9601 et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901 et seq., the Toxic Substances Control act, 15 U.S.C. § 2601 et seq., the

Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., the Clean Water Act, 33 U.S.C. § 1251 et seq., and the Washington Model Toxics Control Act, RCW 70.105D, as said laws have been supplemented or amended to date, the regulations promulgated pursuant to said laws and any other federal, state or local law, statute, rule, regulation or ordinance which regulates or proscribes the use, storage, disposal, presence, clean-up, transportation or release or threatened release into the environment of any Hazardous Material.

9. SURRENDER OF THE LEASED PREMISES

9.1 Surrender. On the Termination Date, Lessee shall peaceably and quietly surrender to State the Leased Premises and all improvements thereon in the state of repair and cleanliness required to be maintained by Lessee during the Term, reasonable wear and tear and damage due to fire or other casualty excepted, and in compliance with the Secretary of Interior's Standards for the Treatment of Historic Properties – Rehabilitation Standards. Lessee shall give written notice to State at least thirty (30) days prior to vacating the Leased Premises and must arrange to meet with a representative of State for a joint inspection of the Leased Premises prior to vacating.

10. TRANSFER OF LESSEE'S INTEREST

10.1 Transfer. As used herein, "*Transfer*" means (a) any assignment of Lessee's interest in this Lease, (b) the subletting of all or a portion of the Leased Premises to a sublessee (each, a "*Sublessee*"), (c) any mortgaging or encumbering of Lessee's interest in this Lease other than a permitted Leasehold Mortgage (defined below) that is permitted under this Lease, (d) any transaction the immediate or cumulative effect of which is to change the ownership structure or effective control of Lessee, or (e) any transfer of this Lease by operation of law. Lessee shall not Transfer all or part of this Lease without obtaining the prior written consent of State, which shall not be unreasonably withheld, conditioned, or delayed. In the event of any Transfer of this Lease, Lessee shall remain obligated to State for performance of each and every term and condition of this Lease, except as otherwise agreed by State in connection with such Transfer.

10.2 Permitted Transfers. Notwithstanding any other provision of this Lease, Lessee may make or permit the Transfers described below without the prior written consent of State (each, a "*Permitted Transfers*"). The transferee in connection with a Permitted Transfer is referred to herein as a "*Permitted Transferee*." In connection with any Permitted Transfer, Lessee shall remain liable for the performance of all of the obligations of Lessee hereunder, or if Lessee no longer exists because of a merger, consolidation, or acquisition, the surviving or acquiring entity shall expressly assume in writing the obligations of Lessee hereunder as they relate to that portion of the Leased Premises that is subject to the Permitted Transfer. Each Permitted Transferee shall comply with all terms and conditions of this Lease, including the Permitted Use, and the Permitted Transferee shall expressly covenant to not violate any other agreements affecting

the Leased Premises. No later than ten (10) days after the effective date of any Permitted Transfer, Lessee agrees to furnish State with (i) copies of the instrument effecting any of the foregoing Permitted Transfers; (ii) documentation establishing Lessee's satisfaction of the requirements set forth above applicable to any such Permitted Transfer; and (iii) evidence that the Permitted Transferee has in place all insurance coverages required under this Lease. The occurrence of a Permitted Transfer shall not waive Landlord's rights as to any subsequent proposed Transfer. The following are Permitted Transfers:

- i. Any Transfer to an entity made solely for purposes of accommodating a change or conversion of Lessee's entity type, with no resulting change in the beneficial ownership of Lessee;
- ii. Any Transfer (i) to a corporation controlling, controlled by, or under common control with, Lessee or (ii) of less than fifty percent (50%) of the direct or indirect ownership of, or power to vote the majority of, Lessee's outstanding voting stock or membership interests;
- iii. Any Transfer to an entity which merges with Lessee or acquires substantially all of the outstanding stock or assets of Lessee, provided, in connection with any Transfer to such an entity, the net worth and overall financial condition of the successor entity is at least as good as that of Lessee immediately prior to the date of the Transfer or is otherwise acceptable to State;
- iv. Any Leasehold Mortgage granted by Lessee solely for security purposes and any Leasehold Mortgage Transfer arising therefrom; and
- v. Any commercially reasonable sublease, license agreement, operating agreement or agreement of a similar nature between Lessee and the operator of any portion of the Leased Premises permitting such operator to operate or manage a portion of the Leased Premises including, without limitation, the parking areas or the seminary building for hotel and temporary lodging purposes.

10.3 Approval of Transfer. In the event that Lessee desires to make any Transfer other than a Permitted Transfer, Lessee shall provide State with sixty (60) days advance written notice of Lessee's proposed Transfer, together with copies of any proposed transfer documents and such financial and business information concerning the proposed transferee as State may reasonably request. State shall provide approval or disapproval of any Transfer request within thirty (30) days following receipt of written notice of Lessee's proposed Transfer. If State fails to respond within such thirty (30) day period, State shall be deemed to have approved Lessee's request.

11. LEASEHOLD MORTGAGE FINANCING

11.1 Leasehold Mortgages.

11.1.1 Lessee's Right to Leasehold Mortgage. Subject to the terms of this Article 11, Lessee shall have the right to enter into one or more leasehold mortgages (each, a "**Leasehold Mortgage**") and assign its interest in this Lease as security for the obligations described in such Leasehold Mortgages, upon the condition that all rights acquired under such Leasehold Mortgage(s) shall be subject and subordinate to all of the terms, covenants and conditions of this Lease. Each loan secured by a Leasehold Mortgage is referred to herein as a "**Loan**". State hereby acknowledges and approves (i) a construction Loan from any federal or state-chartered savings bank, savings and loan association, commercial bank, trust company, credit union, insurance company, real estate investment trust, pension fund or other financial institution to be selected by Lessee ("**Construction Lender**") in the amount of up to Fifty Million and 00/100 dollars (\$50,000,000.00) to finance the development and construction of the Rehabilitation (the "**Construction Loan**"), and (ii) a permanent Loan for purposes of refinancing the Construction Loan upon Substantial Completion of the Rehabilitation (the "**Permanent Loan**"). All Leasehold Mortgages shall be subject to the following requirements: (a) all Loans secured by Leasehold Mortgages shall have terms maturing on or before the expiration of the then-current Term; (b) all Loan proceeds shall be used solely to pay or reimburse Lessee for (i) costs associated with performing the Rehabilitation or other construction, maintenance, repair, replacement or operation of the Leased Premises, (ii) funding of any reserve accounts required under this Lease or the applicable Leasehold Mortgage, or (iii) to refinance prior Loans or repay equity investors (provided that the total amount of all indebtedness secured by Leasehold Mortgages shall not exceed seventy percent (70%) of the fair market value of Lessee's interest in the Leased Premises as determined by an appraisal conducted by a third party MAI certified appraiser used by the proposed Leasehold Mortgagee of the applicable Loan); (c) no Loan proceeds shall at any time during the Term be used by Lessee for any other property or project; (d) no Loan shall be cross-defaulted with any other loan and Lessee's interest in this Lease and the Leased Premises shall not be cross-collateralized with any other property or project; and (e) each Leasehold Mortgagee shall be (or shall be owned and controlled by) a federal or state-chartered savings bank, savings and loan association, commercial bank, trust company, credit union, insurance company, real estate investment trust, pension fund or other financial institution that is actively engaged in commercial real estate financing that has assets in excess of one hundred million dollars (\$100,000,000) at the time the applicable Loan is made, including the assets of any subsidiaries of any of the foregoing that are regularly engaged in the business of making real estate mortgage loans. Lessee shall not place or create any mortgage or other lien or encumbrance purporting to affect State's fee interest in the Leased Premises or any other portion of the Park or State's interest in this Lease. State shall not be required to encumber or subordinate its fee interest in

the Leased Premises or any other portion of the Park in favor of any Leasehold Mortgage or Leasehold Mortgagee or join in the execution of any Leasehold Mortgage or any promissory note, guaranty or similar debt instruments related to a Leasehold Mortgage (but shall execute such non-disturbance and attornment agreement(s) and/or estoppel certificates as Lessee may request under the provisions of this Lease).

11.1.2 Refinance of Permanent Loan.

- a. Notwithstanding anything to the contrary in this Lease, Lessee may refinance the Permanent Loan for an amount greater than the indebtedness then owing on the Permanent Loan (or any future Permanent Loan) and, in Lessee's discretion, use the net proceeds of the refinancing for any purpose, subject to the following conditions:
 - i. The total amount of all indebtedness secured by Leasehold Mortgages shall not exceed seventy percent (70%) of the fair market value of Lessee's interest in the Leased Premises (considering the Permitted Use) as determined by an appraisal conducted by a third party MAI certified appraiser used by the proposed Leasehold Mortgagee of the Permanent Loan, or otherwise reasonably acceptable to State, not more than ninety (90) days prior to the closing of the proposed new Permanent Loan ("**Appraisal**");
 - ii. Lessee shall provide State with reasonable advance notice in writing that Lessee intends to pursue a refinance of the existing Loan (the "**Refinance Notice**");
 - iii. When the Appraisal is final, Lessee shall deliver a copy of the Appraisal to State;
 - iv. The new Permanent Loan shall provide, by its terms, that it shall not be cross-defaulted with any other loans nor cross-collateralized with any other properties;
 - v. The maturity date of the new Permanent Loan shall be at least one (1) year prior to the then-scheduled expiration of the Term;
 - vi. Lessee shall provide to State copies of all non-confidential, non-proprietary documents reasonably requested by State or Commission in connection with the new Permanent Loan;

- vii. All closing and transaction costs incurred by Lessee in connection with any refinancing shall be paid solely by Lessee; and
- viii. The proposed Leasehold Mortgagee shall satisfy the requirements set forth in Section 11.1.1.

11.2 Leasehold Mortgage Documents; Notice to State. Within thirty (30) days following execution, Lessee shall provide State with true and correct copies of all documents evidencing the Leasehold Mortgages and the promissory note, credit agreement or other obligation secured thereby. State agrees that so long as any Leasehold Mortgage remains unsatisfied of record, or until written notice of satisfaction is given by the applicable Leasehold Mortgagee to State, and so long as the Leasehold Mortgagee is in compliance with the terms of this Lease, there shall be no cancellation, surrender or modification of this Lease without the prior written consent of the Leasehold Mortgagee and any such action done without the consent of the Leasehold Mortgagee shall not bind the Leasehold Mortgagee or adversely affect its rights hereunder and (ii) State shall, upon serving Lessee with any notice of default, simultaneously serve a copy of such notice upon all Leasehold Mortgagees whose addresses Lessee shall provide to State. In the event of any assignment of a Leasehold Mortgage, or in the event of a change of address of a Leasehold Mortgagee, Lessee shall promptly provide notice of the Leasehold Mortgagee's new name and/or address to State. Any notice to be given by State to a Leasehold Mortgagee pursuant to any provision of this Lease shall be sent to the Leasehold Mortgagee at the most recent address provided to State pursuant to this Section 11.2. Notices from the Leasehold Mortgagee to State shall be sent to the address designated pursuant to Section 14.1 below. All notices, demands and requests shall be given in the manner described in Section 14.1 and shall in all respects be governed by the provisions of that Section.

11.3 Notice to Leasehold Mortgagees. When giving Lessee any notice of default or termination under this Lease, State shall at the same time provide a copy of such notice to the Leasehold Mortgagee(s) and such Leasehold Mortgagee(s) shall have forty-five(45) days from service of such notice to remedy or cause to be remedied the default(s) described in State's notice. State shall accept any cure performed by or at the instigation of a Leasehold Mortgagee as if the same had been performed by Lessee; provided, however, that in the event of a nonmonetary default that is not capable of being cured by a Leasehold Mortgagee until the Leasehold Mortgagee can gain possession of the Leased Premises through a Leasehold Mortgage Transfer, the Leasehold Mortgagee's period of time to commence to cure such default shall be extended until such time as the Leasehold Mortgagee gains possession of the Leased Premises, so long as (a) during such extended cure period all payments of rent owed to State are paid and Lessee's other monetary obligations are performed as required under this Lease and (b) the Leasehold Mortgagee is reasonably diligent in its efforts to gain possession of the Leased Premises through a Leasehold Mortgage Transfer.

11.4 Termination Notice; Nullification.

11.4.1 If Lessee fails to cure an Event of Default within the applicable cure period described in this Lease and State thereafter intends to terminate this Lease, or to terminate Lessee's right of possession of the Leased Premises, State shall first notify the Leasehold Mortgagee of State's intent to terminate ("**Termination Notice**"). The Leasehold Mortgagee shall have forty-five (45) days from the date of service of notice of termination to nullify the termination notice by doing the following (the "**Nullification Requirements**"):

- a. The Leasehold Mortgagee shall deliver written notice to State of its desire to nullify the Termination Notice no later than twenty (20) days after receiving the Termination Notice;
- b. The Leasehold Mortgagee shall pay or cause to be paid to State all rent and other payments then due and in arrears as specified in the Termination Notice and those which may thereafter become due during the applicable cure period allowed to such Leasehold Mortgagee (provided that no rent or other payment shall be required to be paid before the same is due and owing under this Lease); and
- c. The Leasehold Mortgagee shall undertake to cause compliance with, or commence the work of complying with, all of Lessee's nonmonetary obligations of this Lease then in default, if any, and shall prosecute the same to completion with reasonable diligence, except: (A) obligations of Lessee to satisfy or otherwise discharge any lien, charge or encumbrance against Lessee's interest in this Lease that is junior in priority to the lien of the Leasehold Mortgage held by such Leasehold Mortgagee; and (B) nonmonetary obligations then in default which cannot reasonably be cured by the Leasehold Mortgagee prior to obtaining possession of the Leased Premises. Notwithstanding any other provision of this Lease, the time allowed the Leasehold Mortgagee to complete such cure shall be not less than sixty (60) days and shall continue thereafter for so long as is reasonably necessary for the Leasehold Mortgagee to cure any nonmonetary default including, in the event that the Leasehold Mortgagee is required to obtain possession of the Leased Premises in order to effect such cure, any period of time reasonably required to obtain such possession, including any time such Leasehold Mortgagee is stayed or enjoined from obtaining possession of the Leased Premises.

11.4.2 If the Nullification Requirements are satisfied and the default giving rise to the Termination Notice is cured, State shall no longer have the right to

terminate the Lease as a result of the default described in the Termination Notice.

- 11.5 Leasehold Mortgage Transfer. Any sale or other Transfer of Lessee's interest in this Lease resulting from any proceedings for the foreclosure of a Leasehold Mortgage or any sale or other Transfer made in lieu of foreclosure of a Leasehold Mortgage (each, a "*Leasehold Mortgage Transfer*"), shall be a Permitted Transfer not requiring the consent of State, provided that the Leasehold Mortgagee satisfies the requirements of Section 11.1.1 or is otherwise approved by State and the purchaser or assignee pursuant to the Leasehold Mortgage Transfer executes a written assumption agreement in form and substance reasonably satisfactory to State whereby it assumes and agrees to perform (or, if no such agreement exists, shall be deemed to have agreed to assume and perform) all of the terms, covenants, conditions and obligations on the part of Lessee to be performed hereunder from and after the date of the Leasehold Mortgage Transfer. So long as the transferee pursuant to a Leasehold Mortgage Transfer has executed an assumption agreement in form and substance reasonably satisfactory to State and has remedied, or agreed in writing to remedy, any events of Lessee default existing hereunder as of the date of the Leasehold Mortgage Transfer, State shall recognize and attorn to such transferee as Lessee under this Lease.
- 11.6 No Merger. Unless this Lease has been terminated in accordance with its terms, fee title to the Leased Premises and the leasehold estate of Lessee created hereunder shall not merge but shall remain separate and distinct, notwithstanding the acquisition of fee title and such leasehold estate by State or a third party, by purchase or otherwise. State and Lessee may not voluntarily agree to terminate this Lease without the consent of each Leasehold Mortgagee that has given State notice of its Leasehold Mortgage.
- 11.7 Limitation of Leasehold Mortgagee's Liability. The liability of any Leasehold Mortgagee or its designee acquiring Lessee's interest in this Lease pursuant to a Leasehold Mortgage Transfer shall be limited to its interest in the Leased Premises, and any judgments rendered against any such Leasehold Mortgagee or its designee following the Leasehold Mortgage Transfer shall be satisfied solely out of its interests in this Lease. No personal judgment shall lie against any such Leasehold Mortgagee or its designee upon extinguishment of its rights in the Leased Premises, and any judgment so rendered shall not give rise to any right of execution or levy against such Leasehold Mortgagee's or its designee's assets. The provisions of this Section 11.7 shall not inure to the successors and assigns of any Leasehold Mortgagee or its designee following a Leasehold Mortgage Transfer.
- 11.8 No Guaranty; Debtor-Creditor Relationship. Nothing contained herein shall be construed as a guaranty, of any kind or nature, by any Leasehold Mortgagee of any of the obligations of Lessee hereunder or as creating a relationship between Lessee and any Leasehold Mortgagee other than a relationship of creditor and debtor.

- 11.9 Intervention in Legal Proceedings. State shall give each Leasehold Mortgagee prompt written notice of any arbitration or legal proceedings between State and Lessee involving obligations under this Lease. Each Leasehold Mortgagee shall have the right to intervene in any such proceedings and be made a party to such proceedings for the limited purpose of asserting its rights under the applicable Leasehold Mortgage, and the parties hereto hereby consent to such intervention. In the event that any Leasehold Mortgagee shall not elect to intervene or become a party to any such proceedings, State shall give the Leasehold Mortgagee written notice of, and a copy of any award or decision made in any such proceedings, which shall be binding on all Leasehold Mortgagees not intervening after receipt of written notice of arbitration.
- 11.10 Non-Disturbance Agreement. State hereby agrees to execute and deliver to any Leasehold Mortgagee, within fifteen (15) business days following written request and delivery of the form therefor a Non-Disturbance Agreement in recordable form with respect to State's capacity as the lessor under this Lease, pursuant to which State shall agree that the interest of Lessee and any Permitted Transferees under this Lease shall not be disturbed notwithstanding any Leasehold Mortgage Transfer so long as Lessee and such Permitted Transferees (as applicable) are performing all of their respective obligations under this Lease and such other agreements as any of them are parties to with respect their use and occupancy of the Leased Premises.
- 11.11 Casualty; Condemnation. All proceeds of policies of insurance maintained hereunder and the award from any condemnation or taking of the Leased Premises (to the extent attributable to the interests of Lessee in the Leased Premises) shall be paid in accordance with the terms of the Leasehold Mortgage, if applicable. Such Leasehold Mortgagee is hereby authorized to participate in any actions, proceedings or negotiations in connection with the collection, settlement or compromise of any such proceeds or awards.
- 11.12 Amendment. State agrees to execute non-material amendments to this Lease that may be required by any Leasehold Mortgagee so long as such amendments do not (i) increase State's monetary obligations hereunder, (ii) materially increase State's non-monetary obligations hereunder, (iii) subordinate, encumber or otherwise impair State's interest in this Lease, the Leased Premises or the Park or (iv) impose an unreasonable administrative burden on State.
- 11.13 Limitation on Leasehold Mortgagee's Indemnity Obligations. No Leasehold Mortgagee shall be liable for any indemnification obligation under this Lease until such time as such Leasehold Mortgagee has become Lessee under this Lease following a Leasehold Mortgage Transfer, and then only as to matters first arising from and after the effective date of the Leasehold Mortgage Transfer.

12. DEFAULT AND REMEDIES

12.1 Events of Default. The occurrence of any one or more of the following events shall constitute an event of default by Lessee under this Lease (each an “*Event of Default*”):

12.1.1 Monetary Default. Lessee fails to make any payment of rent, leasehold excise taxes, required remittance of the fees described in Section 3.1.2, or any other payment required to be made by Lessee under this Lease where such failure shall continue for a period of ten (10) days after written notice thereof from State to Lessee.

12.1.2 Non-Monetary Default. Lessee fails to perform or keep any of the terms, conditions, covenants or obligations set forth in this Lease, or any material failure to perform or keep any of the terms, conditions, covenants or obligations of Lessee under the Development and Operation Plan, where such failure continues for a period of thirty (30) days after written notice thereof from State to Lessee; provided, however, that if the nature of Lessee’s default is such that more than thirty (30) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commences such cure within such thirty (30) days and thereafter diligently prosecutes such cure to completion.

12.1.3 Insolvency. Lessee (i) becomes a debtor in a bankruptcy action, whether voluntary or involuntary or other insolvency action, or becomes the subject of a receivership for all or substantially all of the assets of Lessee, unless any such action is dismissed within ninety (90) days; (ii) makes an assignment for the benefit of creditors; (iii) any proceedings are commenced to foreclose any mortgage or any other lien on Lessee’s interest in the Leased Premises; or (iv) is dissolved and not reinstated as a corporation within ninety (90) days after written notice from State.

12.1.4 Abandonment. Lessee, or a Transferee, ceases to use the Leased Premises for a period of twelve (12) consecutive months unless such cessation of use is due to casualty, or any act or omission of State. Notwithstanding the foregoing, it shall not be deemed an abandonment or Event of Default if Lessee is using reasonable efforts to find a suitable Transferee for the Leased Premises.

12.2 Remedies. Upon the occurrence of an Event of Default beyond any applicable cure period, State may pursue any remedy provided by law, as well as one or more of the following remedies, and such remedies shall be cumulative and non-exclusive:

12.2.1 Terminate this Lease, in which event Lessee shall immediately surrender the Leased Premises to State, and if Lessee fails so to do, State may, without prejudice to any other remedy which it may have for possession or

arrears in rent, enter upon and take possession of the Leased Premises and expel or remove Lessee and any other person who may be occupying the Leased Premises or any part thereof, without being liable for prosecution or any claim of damages therefor, and Lessee agrees to pay State on demand the amount of all loss and damage which State may suffer by reason of such termination, whether through inability to re-let the Leased Premises on reasonable terms or otherwise.

12.2.2 Re-lease the Leased Premises for such rent and upon such terms as State shall reasonably determine.

12.2.3 Enter upon the Leased Premises after providing reasonable advance written notice to Lessee and, without waiving or releasing Lessee from any obligations under this Lease, make such payment or perform such obligation of Lessee in such manner and to such extent as State reasonably deems desirable. All sums paid by State and all reasonable necessary costs and expenses in connection with the performance of any such obligation by State, together with interest at the rate of twelve percent (12%) per annum, shall be payable to State on demand.

12.3 Duty to Mitigate. State shall use its best efforts to mitigate its damages upon an Event of Default.

12.4 Non-Waiver. Waiver by State of strict performance of any provision of this Lease will not be a waiver of or prejudice State's right regarding performance of the same provision in the future or of any other provision. The acceptance of performance, rent, or any other sum owing, by State following a breach by Lessee of any provision of this Lease will not constitute a waiver of any right of State with respect to such breach and State will be deemed to have waived any right hereunder only if State expressly does so in writing.

12.5 State's Default. State shall not be in default unless State fails to perform an obligation required of State hereunder within a reasonable time after written notice thereof by Lessee to State. If the nature of State's obligation is such that more than thirty (30) days are required for performance, then State shall not be in default if State commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

12.6 Lessee's Remedies. In the event of any failure by State to perform any of its obligations under this Lease, Lessee may pursue any remedy at law, including, without limitation, the right to terminate this Lease or pursue injunctive relief.

12.7 Dispute Resolution. In the event of any dispute or difference that shall arise between the parties relating to the construction, meaning, or effect of this Lease, or of the rights or liabilities of the parties hereunder, the parties shall first follow the procedures in this Section 12.7 before filing or initiating a lawsuit. The parties shall make their best efforts to resolve disputes as expeditiously as possible

through negotiations at the lowest possible decision-making level, and in the event such negotiations are unsuccessful, the matter shall be referred to the Director for Commission and Lessee's managing partner or highest level officer. If those officials are unable to resolve the dispute within a period of fifteen (15) days after the matter has been formally referred to them for resolution, they shall meet during the immediately succeeding seven (7) days to select a mediator to assist in the resolution of such dispute. Lessee and Commission agree to participate in non-binding mediation with the agreed upon mediator for a reasonable amount of time and in good faith. The cost of the mediation shall be shared equally between Lessee and Commission.

13. DAMAGE OR DESTRUCTION

13.1 Damage to the Leased Premises. If at any time during the Lease any portion of the Leased Premises is damaged by a fire, earthquake or other casualty (the "**Damage**"), the following shall apply:

13.1.1 Insured Loss. If the proceeds available under Lessee's property insurance policy (together with a sum equal to the deductible thereunder (the "**Deductible Amount**")) are sufficient to fully pay the cost of restoring the Leased Premises, as reasonably determined by Lessee, this Lease shall remain in effect, State shall assign to Lessee any insurance proceeds otherwise payable to State under Lessee's or State's property insurance policies, and Lessee shall repair and restore the Leased Premises as nearly as reasonably possible to its condition immediately prior to the Damage.

13.1.2 Uninsured or Underinsured Loss. If the proceeds available under Lessee's property insurance policy (together with the Deductible Amount) are not sufficient to fully pay the cost of restoring the Leased Premises as reasonably determined by Lessee, Lessee may elect to either (i) repair the damage as soon as reasonably possible, in which case this Lease shall remain in full force and effect, State shall assign to Lessee any insurance proceeds otherwise payable to State under Lessee's or State's property insurance policies and Lessee shall repair and restore the Leased Premises as nearly as reasonably possible to its condition immediately prior to the Damage, or (ii) terminate this Lease as of the date the Damage occurred and assign to State all insurance proceeds otherwise payable to Lessee under its property insurance policy, less the unamortized cost of the Rehabilitation and the unamortized cost of any other permanent improvements constructed upon the Leased Premises at Lessee's cost.

13.2 Rent Abatement. Any Base Rent otherwise payable during any period of repair and/or rehabilitation under this Article 13 shall abate from the date of the Damage until completion of the repair/rehabilitation in the same ratio to the portion of the Leased Premises so damages shall bear to the entire Leased Premises; provided that in the event Lessee's operations are so impaired by reason of the Damage to a degree materially greater than the degree of percentage of Damage to the square

footage of the Leased Premises, as determined in Lessee's sole but reasonable discretion, then Lessee shall be entitled to an equitable adjustment in any Base Rent commensurate with the impairment of its operations.

- 13.3 Damage Near End of Term; Lessee's Termination Right. If any material Damage to the Leased Premises occurs during the final five (5) years of the Term and such damage will require more than one (1) year to repair (as reasonably determined by Lessee) then Lessee may elect to terminate this Lease as of the date the Damage occurred, regardless of the availability or sufficiency of any insurance proceeds; provided that if Lessee elects to terminate this Lease pursuant to this Section 13.3, Lessee shall give State notice of such termination within thirty (30) days after the occurrence of the Damage. If Lessee terminates the Lease pursuant to this Section 13.3, Lessee shall assign to State all insurance proceeds otherwise payable to Lessee under its property insurance policy, less the unamortized cost of the Rehabilitation and the unamortized cost of any other permanent improvements constructed upon the Leased Premises at Lessee's cost.

14. GENERAL PROVISIONS

- 14.1 Notices and Submittals. All notices, demands, requests and other communications given pursuant to this Lease shall be in writing and: (i) mailed by first class, United States Mail, postage prepaid, certified, with return receipt requested; (ii) hand-delivered to the intended addressee; (iii) sent by a nationally recognized overnight courier service; or (iv) sent by facsimile transmission or e-mail during normal business hours followed by a confirmatory letter sent in another manner permitted hereunder. All such notices shall be addressed to the intended recipient at the following addresses:

To State at: Washington State Parks and Recreation Commission
Attn: Lands Program
P.O. Box 42650
Olympia, Washington 98504-2650
E-mail: LandProg@parks.wa.gov

With a copy to: James R. Schwartz
Assistant Attorney General
Fish, Wildlife & Parks Division
1125 Washington Street SE
P.O. Box 40100
Olympia, Washington 98504-0100
Phone: (360) 586-4034
Fax: (360) 586-3454
Email: jims@atg.wa.gov

To Lessee at: The Lodge at Saint Edward Park, LLC
c/o Daniels Real Estate, LLC
2401 Utah Avenue South, Suite 305
Seattle WA 98134
Attn: Kevin Daniels
E-mail: Kevin.Daniels@danielsre.com

With a copy to: Ryan, Swanson & Cleveland, PLLC
1201 Third Avenue, Suite 3400
Seattle, WA 98101-3034
Attn: Brian L. Lewis
Telephone: 206.654.2206
E-mail: Lewis@ryanlaw.com

Notice, demands, requests and communications served upon State or Lessee as provided in this Section 14.1 in the manner aforesaid will be deemed sufficiently served or given for all purposes hereunder at the time such notice, demand, or request is so mailed in any post office in the state of Washington. Either party may specify a different address for notice purposes by written notice to the other in the manner specified in this Section 14.1.

- 14.2 Survival. All obligations, which by their terms expressly survive the expiration or earlier termination of this Lease, shall survive and continue as obligations until fully performed.
- 14.3 No Partnership. State and Lessee are not partners or joint venturers in connection with the activities conducted and business carried on under this Lease, and neither party has any obligations with respect to the debts or other liabilities of the other.
- 14.4 State's Access to the Leased Premises. State may inspect the Leased Premises on forty-eight (48) hours advance written notice to Lessee, provided that such inspection shall not unreasonably interfere with Lessee's business conducted on the Leased Premises. State may enter the Leased Premises on forty-eight (48) hours advance written notice to Lessee in order to perform any of the obligations or duties imposed upon State under this Lease.
- 14.5 Quiet Enjoyment. So long as Lessee is not in default under this Lease beyond any applicable cure period, Lessee shall, subject to the terms of this Lease, at all times during the Term have peaceful and quiet enjoyment of the Leased Premises, subject to the Existing Encumbrances and the terms and conditions of this Lease.
- 14.6 Condemnation. If any public authority under the power of eminent domain takes the entirety of the Leased Premises, this Lease shall terminate as of the date Lessee is required to vacate the Leased Premises pursuant to the condemnation. If any portion, but not entirety, of the Leased Premises is so taken (a "**Partial Condemnation**") and, in the opinion of Lessee, it is not economically feasible or otherwise reasonable to continue this Lease, Lessee may terminate this Lease on

written notice to State. Such termination shall be effective as of the date on which Lessee is required to vacate that portion of the Leased Premises subject to the Partial Condemnation. The entirety of any damage award arising from an eminent domain proceeding that is compensation for taking of all or any portion of the Rehabilitated Seminary Building or other permanent improvements constructed upon the Leased Premises at Lessee's cost shall belong solely to Lessee.

- 14.7 Time of Essence. Time is expressly declared to be of the essence of this Lease and each and every covenant of Lessee hereunder.
- 14.8 Force Majeure. Lessee or State's failure to comply with any of the obligations under this Lease will be excused if due to causes beyond such party's control and without the fault or negligence of the such party, including acts of God, acts of the public enemy, acts of any government, fires, floods, epidemics and strikes.
- 14.9 Amendments. Any amendments, revisions, supplements, or additions to this Lease or the attached exhibits must be made in writing, executed by the parties hereto, and neither State nor Lessee will be bound by verbal or implied agreements. Such changes may be made by re-execution of the signature page and the deletion and addition of the appropriate new effective pages or exhibits governing the change, if any.
- 14.10 Entire Agreement. This written Lease contains the entire agreement of the parties hereto with respect to the matters covered hereby, and no other agreement, statement or promise made by any part hereto, or to any employee, officer or agent of any party hereto, whether oral or written, which is not contained herein, will be binding or valid.
- 14.11 Discrimination. Lessee will not conduct or suffer any business upon the Leased Premises, which unlawfully discriminates against any person on the basis of race, color, creed, religion, sex, age, or physical or mental handicap or which otherwise violates applicable civil rights and anti-discrimination requirements, including but not limited to RCW Chapter 49.60.
- 14.12 Schedules and Exhibits.

Schedule 1: Schedule of Existing Encumbrances

Exhibit A: Legal Description of Park
Exhibit A-1: Legal Description of Leased Premises
Exhibit A-2: Depiction of Leased Premises
Exhibit B: Legal Description of McDonald Property
Exhibit C: Development and Operation Plan
Exhibit D: Memorandum of Lease
Exhibit E: Schedule of Existing FF&E

- 14.13 Holdover. If Lessee lawfully holds over after the expiration of the Term, Lessee will remain bound by all the terms and conditions hereof, except that such tenancy will be a month to month tenancy. During such tenancy Lessee agrees to pay State the same rate of rental as provided herein (or if no rent is then due, then the fair market rental of the Leased Premises), and to be bound by all of the terms, covenants and conditions herein specified.
- 14.14 Emergency Action. The State may take such emergency action as is necessary to protect the public health and welfare, including, but not limited to, temporary closing or otherwise restricting Lessee's use of those portions of the Park other than the Leased Premises.

15. MISCELLANEOUS

- 15.1 Governing Law. This Lease is governed by the law of the state of Washington.
- 15.2 Interpretation. This Lease has been submitted to the scrutiny of all parties hereto and their counsel if desired, and will be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight being given to its having been drafted by any party hereto or its counsel.
- 15.3 Severability. If any term or provision of this Lease or the applications thereof to any person or circumstance to any extent is illegal, invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, will not be affected thereby, and all other terms and provisions of this Lease will be valid and be enforced as written to the fullest extent permitted by law.
- 15.4 Estoppel Certificates. State and Lessee agree from time to time to notify, acknowledge and deliver to the other party a statement in writing, in commercially reasonable form, certifying that this Lease is unmodified and in full force and effect (or if there have been modifications that the same is in full force and effect as modified and stating the modifications) and such other truthful matters as may be requested to be certified therein.
- 15.5 Memorandum of Lease. State and Lessee agree to execute and place on record an instrument, in recordable form, substantially in the form attached hereto as Exhibit D, evidencing the commencement date and expiration date of this Lease (the "*Memorandum of Lease*"). At the expiration or sooner termination of this Lease, Lessee will execute in recordable form and deliver to State a quit claim deed covering the Leased Premises and all improvements then located thereon and a written termination of the Memorandum of Lease in recordable form.
- 15.6 State's Consent. State will not unreasonably withhold its consent where such consent is expressly required in this Lease.

- 15.7 Binding Effect. Subject to the provisions of this Lease governing Transfers, this Lease will be binding upon the parties hereto and upon their respective executors, administrators, legal representatives, successors and assigns.
- 15.8 Signs. Any signs, literature and advertising that promote the lodge and conference center shall acknowledge that the buildings are publicly owned and were funded by the Land and Water Conservation Fund for outdoor recreation. Lessee's signage plan ("*Signage Plan*"), which shall include Lessee's right to place directional signage throughout the Park and monument signage at the Park entrance on Juanita Drive, is further set forth in the Development and Operation Plan attached hereto. Lessee will not cause or permit the display of any sign, notice or advertising matter in or about the Leased Premises or the Park except in accordance with the agreed Signage Plan, which may be amended from time to time upon mutual agreement of Lessee and Commission. The Signage Plan shall provide that all signs, notices or advertising will be subject to any applicable governmental laws, ordinances, regulations and other legal requirements. Lessee shall remove all such signs, notices and advertising by the Termination Date.
- 15.9 State's Existing FF&E. On the Commencement Date the furniture, fixtures and equipment described in Exhibit E attached hereto, which will be incorporated into the Rehabilitation, shall be left in place at the Leased Premises. All other furniture, fixtures and equipment owned by State and located at the Leased Premises as of the Effective Date shall be removed from the Leased Premises unless otherwise agreed by Lessee.
- 15.10 Light, Air, and View. State does not guarantee the continued present status of light, air and view over any portion of the Leased Premises adjoining or in the vicinity of the Leased Premises.
- 15.11 State's Liability. Lessee agrees that no trustee, officer, employee, or agent of State or any of its agencies will be personally liable for any obligation of State hereunder, and that Lessee shall look solely to the interests of State, or its constituent entities in the subject real estate, for the enforcement of any claims against State arising hereunder.
- 15.12 Non-applicability of Relocation Assistance. Lessee acknowledges that this Lease does not at any time entitle Lessee to assistance under the Uniform Relocation and Real Property Acquisition Policy (RCW 8.26).
- 15.13 Personal Property. The State will not be liable in any manner for or on account of any loss of damage sustained to any personal property in or about the Leased Premises, except to the extent such claim or loss is due to or caused by the negligence or willful misconduct of State or its authorized agents or employees.

16. PERFORMANCE STANDARDS

- 16.1 Adequate Source of Funding and Insurance. Lessee and Lessor acknowledge and agree that Lessee's anticipated leasehold mortgage financing described in Section

11 shall be in amounts which, when combined with other sources of funding available to Lessee, are reasonably anticipated to be sufficient to permit Lessee perform its financial obligations under this Lease. Lessee and Lessor further acknowledge and agree that the insurance required to be maintained by Lessee under Sections 7.2.2 and 7.2.4 shall be in amounts sufficient to provide reasonably adequate security against risks customarily insured against in connection with construction and operation of facilities similar to the Leased Premises.

- 16.2 Financial Performance. To the extent required to confirm Lessee's proper remittance of all sums required to be remitted by Lessee under Section 3.1.2, Lessee shall make available for State's review and inspection (at times and locations designated by Lessee) Lessee's records related to such collection and remittance, but Lessee shall not be required to deliver or make available to State any confidential or proprietary financial information otherwise related to its operation of the Leased Premises. If State receives any public disclosure request under any applicable law and State's response to such request may include any documents, information and/or records of the type described in this Section 16.2, or if State is otherwise required or compelled to disclose any of the foregoing under applicable law, rule or regulation, legal process, subpoena, court order, civil investigative demand, or request of other legal or regulatory authority, then State shall promptly provide Lessee with written notice of such disclosure request or requirement, as applicable, and State shall not make such disclosure for fifteen (15) days in order to permit Lessee time to seek a protective order or injunction preventing the release and disclosure. Lessee acknowledges that State will not assert an exemption or seek a protective order on Lessee's behalf, but State shall not oppose Lessee's effort to seek any protective order or other restriction or limitation on the release or disclosure of such information.
- 16.3 Management Performance. Compliance with the terms of the Lease shall evidence that Lessee is performing its management responsibilities adequately. In addition, any operator engaged by Lessee under Section 10.2.v shall be reasonably qualified to perform such obligations as it may assume under this Lease, and shall have reasonably sufficient expertise in the performance of such obligations.
- 16.4 Addressing Public Concerns. Lessee shall establish a process by which Lessee and State will address reasonable public concerns regarding material impacts on the Park from Lessee's operations at the Leased Premises. For example, Lessee may maintain at the Leased Premises a "comment box" or alternative means for members of the public to communicate concerns through Lessee's website. Notwithstanding the foregoing, Lessee shall not be obligated to conduct public meetings to address public concerns, and nothing contained in this Section 16.4 shall be interpreted or applied to require Lessee to agree to any modification or amendment of this Lease. These processes may be incorporated or otherwise addressed through the Development and Operation Plan.

17. LAND AND WATER CONSERVATION FUND

17.1 Condition Precedent. This Lease must be approved by the following organizations as a condition precedent to its effectiveness:

1. The Recreation Conservation Office (RCO) for Washington State.

Lessee agrees to submit to RCO for their review any material modification to this Lease that is proposed after its approval.

[Signature page follows]

IN WITNESS WHEREOF, State, by and through Commission, and Lessee have executed this Lease as of the Effective Date.

**THE LODGE AT SAINT EDWARD
PARK, LLC**

**WASHINGTON STATE PARKS AND
RECREATION COMMISSION**

By: Daniels Real Estate, LLC, its Manager

By: _____

Name: Kevin D. Daniels

Title: Manager

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:

_____,
Assistant Attorney General

By: _____

Lessee's Acknowledgment

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that KEVIN D. DANIELS is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Manager of DANIELS REAL ESTATE, LLC, a Washington limited liability company, in its capacity as Manager of THE LODGE AT SAINT EDWARD PARK, LLC, a Washington limited liability company to be the free and voluntary act of such limited liability company for the uses and purposes mentioned in the instrument.

WITNESS my hand and official seal hereto affixed this ____ day of _____, _____.

(Signature of Notary)

(Print or stamp name of Notary)
NOTARY PUBLIC in and for the State
of Washington
My Appointment Expires: _____.

Commission's Acknowledgment

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the _____ of WASHINGTON STATE PARKS AND RECREATION COMMISSION, Washington municipal corporation to be the free and voluntary act of such corporation for the uses and purposes mentioned in the instrument.

WITNESS my hand and official seal hereto affixed this ____ day of _____, _____.

(Signature of Notary)

(Print or stamp name of Notary)
NOTARY PUBLIC in and for the State
of Washington
My Appointment Expires: _____.

SCHEDULE 1

Schedule of Existing Encumbrances

1. Concession Lease No. C887000HUM1 executed February 1, 2011 between Washington State Parks and Recreation Commission and Saint Edward State Park having an initial term expiring December 31, 2021 (the “Hummel Gym Lease”).
2. Easement Agreement dated January 23, 1973 between Associated Sulpicians of the United States and Northeast Lake Washington Sewer District
3. Interlocal Agreement for Water Service dated March 3, 1986 between Washington State Parks and Recreation Commission and Saint Edward State Park.
4. Access Easement and Agreement dated April 29, 2009 between Washington State Parks and Recreation Commission and Puget Sound Energy.

EXHIBIT A

Legal Description of Park

PARCEL A:

THE SOUTH 1/3 OF THE SOUTHEAST QUARTER OF SECTION 14, TOWNSHIP 26 NORTH, RANGE 4 EAST, W.M., IN KING COUNTY, WASHINGTON;

AND THAT PORTION OF GOVERNMENT LOT 4 OF SAID SECTION 14, LYING SOUTH OF A LINE DRAWN EAST AND WEST EQUIDISTANT BETWEEN THE NORTH AND SOUTH LINES OF THE SOUTH TWO-THIRDS OF THE SOUTH 24.75 ACRES OF SAID GOVERNMENT LOT 4;

TOGETHER WITH ALL SECOND-CLASS SHORELANDS ADJACENT THERETO.

PARCEL B:

THE EAST HALF OF THE NORTHEAST QUARTER OF SECTION 23, TOWNSHIP 26 NORTH, RANGE 4 EAST, W.M., IN KING COUNTY, WASHINGTON;

EXCEPT THAT PORTION THEREOF WITHIN THE PLAT OF JUANITA POINT DIVISION NO. 3, ACCORDING TO THE PLAT RECORDED IN VOLUME 31 OF PLATS AT PAGE 38, IN KING COUNTY, WASHINGTON;

(ALSO KNOWN AS LOTS 1 AND 2 OF WIGHT'S LAKE FRONT ACRE TRACTS, UNRECORDED);

TOGETHER WITH ALL OF GOVERNMENT LOTS 1 AND 2 IN SAID SECTION 23; TOGETHER WITH ALL SECOND-CLASS SHORELANDS ADJACENT THERETO;

EXCEPT FROM SAID GOVERNMENT LOT 2 AND ADJACENT SECOND-CLASS SHORELANDS THAT PORTION OF THE SOUTH 14.88 FEET THEREOF LYING SOUTH OF A PROPERTY LINE AS DEFINED IN DOCUMENT NO. 7510010621, RECORDS OF KING COUNTY, WASHINGTON;

AND EXCEPT ANY PORTION OF SAID SECTION 23 LYING WITHIN N.E. 141ST STREET;

TOGETHER WITH THAT PORTION OF THE NORTHWEST QUARTER OF SECTION 24, TOWNSHIP 26 NORTH, RANGE 4 EAST, W.M., IN KING COUNTY, WASHINGTON, WHICH LIES WEST OF JULIA BLINN ROAD;

AND EXCEPT ANY PORTION OF SAID SECTION 23 LYING WITHIN N.E. 141ST STREET;

AND EXCEPT THAT PORTION OF THE NORTHEAST QUARTER OF SECTION 23 AND THE NORTHWEST QUARTER OF SECTION 24, TOWNSHIP 26 NORTH, RANGE 4 EAST, W.M., IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID SECTION 24, THENCE SOUTH 89°24'05" EAST ALONG THE NORTH LINE THEREOF A DISTANCE OF 933.83 FEET TO THE SOUTHWESTERLY MARGIN OF JUANITA DRIVE N.E. (KENMORE-JUANITA ROAD NO. 2602);

THENCE SOUTH 29°19'28" EAST ALONG SAID SOUTHWESTERLY MARGIN A DISTANCE OF 76.37 FEET TO A POINT DESIGNATED AS POINT "A" FOR THE PURPOSES OF THIS DESCRIPTION;

THENCE CONTINUING SOUTH 29°19'28" EAST ALONG SAID SOUTHWESTERLY MARGIN A DISTANCE OF 100.38 FEET TO THE TRUE POINT OF BEGINNING OF THE HEREIN DESCRIBED TRACT;

THENCE CONTINUING SOUTH 29°19'28" EAST ALONG SAID SOUTHWESTERLY MARGIN A DISTANCE OF 285.35 FEET TO A POINT OF A CURVE;

THENCE SOUTHEASTERLY CONTINUING ALONG SAID SOUTHWESTERLY MARGIN ALONG THE ARC OF A CURVE TO THE RIGHT, SAID CURVE HAVING A RADIUS OF 925.37 FEET THROUGH A CENTRAL ANGLE OF 18°00'00" A DISTANCE OF 290.71 FEET;

THENCE SOUTH 11°19'28" EAST CONTINUING ALONG SAID SOUTHWESTERLY MARGIN A DISTANCE OF 55.60 FEET;

THENCE SOUTH 78°40'32" WEST A DISTANCE OF 524.10 FEET;

THENCE SOUTH 21°28'40" EAST A DISTANCE OF 98.71 FEET;

THENCE SOUTH 19°27'10" WEST A DISTANCE OF 898.00 FEET;

THENCE SOUTH 56°20'10" WEST A DISTANCE OF 61.00 FEET;

THENCE NORTH 31°16'50" WEST A DISTANCE OF 101.00 FEET;

THENCE NORTH 53°36'40" WEST A DISTANCE OF 350.00 FEET;

THENCE SOUTH 85°22'30" WEST A DISTANCE OF 62.00 FEET;

THENCE SOUTH 16°50'30" WEST A DISTANCE OF 139.00 FEET;

THENCE SOUTH 79°47'00" WEST A DISTANCE OF 208.00 FEET;

THENCE SOUTH 23°20'20" WEST A DISTANCE OF 234.00 FEET;

THENCE WEST A DISTANCE OF 130.00 FEET;

THENCE NORTH 46°52'20" WEST A DISTANCE OF 103.00 FEET;

THENCE NORTH 22°36'00" WEST A DISTANCE OF 265.00 FEET;

THENCE NORTH 05°14'40" WEST A DISTANCE OF 382.00 FEET;

THENCE NORTH 06°23'40" EAST A DISTANCE OF 470.00 FEET;

THENCE NORTH 34°18'40" EAST A DISTANCE 467.32 FEET;

THENCE SOUTH 55°41'20" EAST A DISTANCE OF 130.00 FEET;

THENCE NORTH 34°18'40" EAST A DISTANCE OF 360.00 FEET TO A POINT OF CURVE;

THENCE NORTHERLY AND EASTERLY ALONG THE ARC OF A CURVE TO THE RIGHT, SAID CURVE HAVING A RADIUS OF 90.00 FEET THROUGH A CENTRAL ANGLE OF 69°41'20" A DISTANCE OF 109.47 FEET;

THENCE SOUTH 76°00'00" EAST A DISTANCE OF 492.15 FEET TO A POINT OF CURVE;

THENCE EASTERLY ALONG THE ARC OF A CURVE TO THE LEFT, SAID CURVE
HAVING A RADIUS OF 580.00 FEET THROUGH A CENTRAL ANGLE OF $38^{\circ}21'30''$ A
DISTANCE OF 388.30 FEET;
THENCE NORTH $65^{\circ}38'30''$ EAST A DISTANCE OF 149.32 FEET TO THE TRUE POINT
OF BEGINNING.

EXHIBIT A-1

Legal Description of Leased Premises

COMMENCING AT THE NORTHEAST CORNER OF SECTION 23, TOWNSHIP 26 NORTH, RANGE 4 EAST, W.M.;

THENCE NORTH 87°52'25" WEST, ALONG THE NORTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 23, A DISTANCE OF 1403.73 FEET TO THE POINT OF BEGINNING;

THENCE NORTH 38°12'49" EAST, A DISTANCE OF 31.45 FEET;

THENCE NORTH 00°19'03" WEST, A DISTANCE OF 481.61 FEET;

THENCE NORTH 87°52'25" WEST, A DISTANCE OF 408.47 FEET;

THENCE NORTH 02°07'35" EAST, A DISTANCE OF 517.36 FEET;

THENCE NORTH 50°56'50" EAST, A DISTANCE OF 276.48 FEET;

THENCE NORTH 38°12'49" EAST, A DISTANCE OF 254.60 FEET TO THE POINT OF BEGINNING.

EXHIBIT A-2

Depiction of Leased Premises

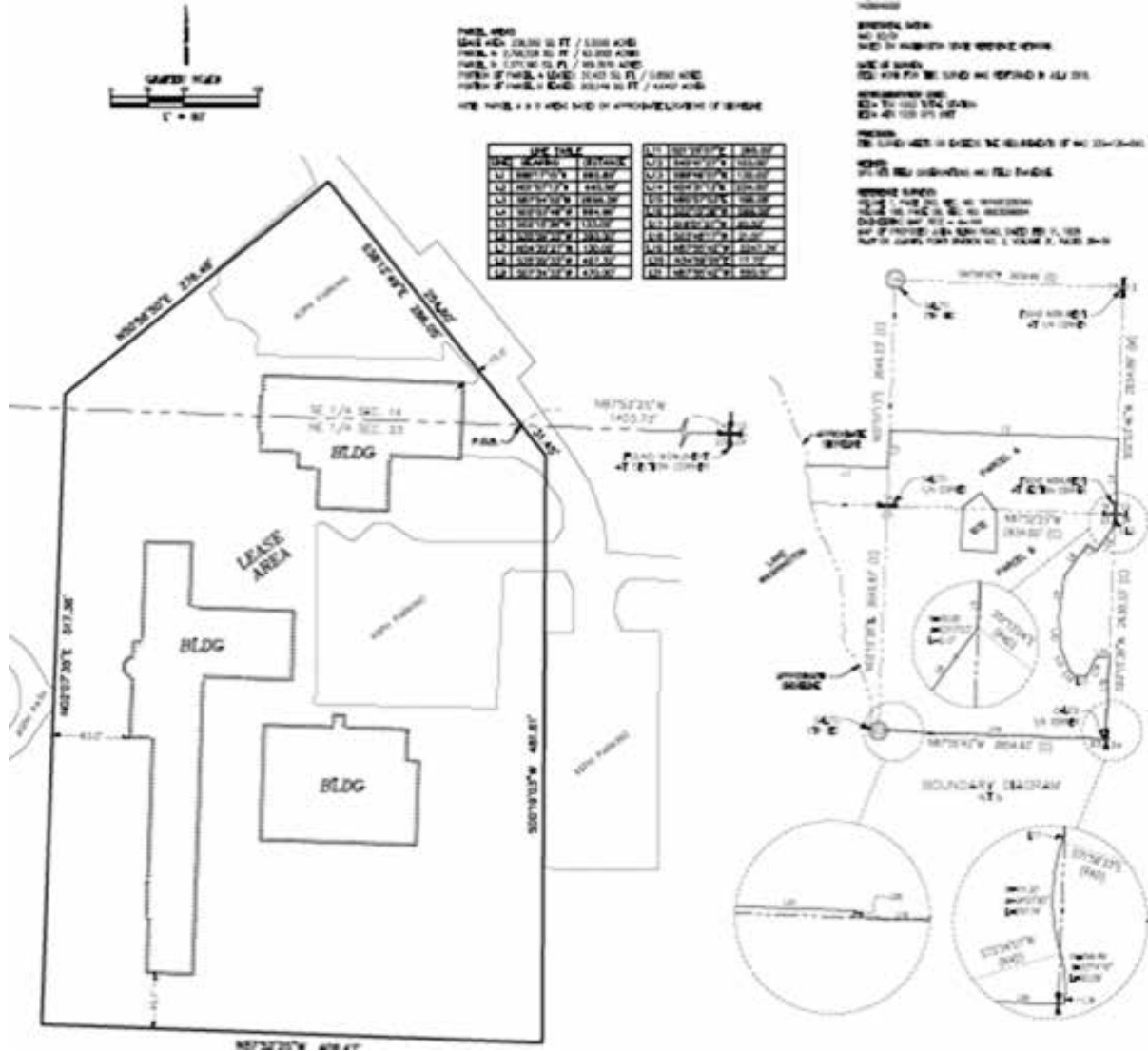


EXHIBIT B

Legal Description of McDonald Property

That portion of Government Lot 4 in Section 14, Township 26 North, Range 4 East, Willamette Meridian, lying North of a line drawn East and West, equidistant between the North and South lines of the South two-thirds of the South 24.75 acres of said Lot 4;

Except any portion thereof lying Northerly of the North line of said South two-thirds of the South 24.75 acres of said Lot 4; and Except any portion thereof lying within that certain tract of land conveyed to Nancy J. Norton by deed recorded under recording no. 3688877;

Together with all the second class shorelands in front of, abutting upon or adjoining the above-described tract of land, said property being situate in King County, Washington;

Also, an easement for ingress, egress drainage and utilities over, under and across the following-described tracts: The West 60.00 feet of the North one-third of the Southwest quarter of the Southeast quarter of Section 14, Township 26 North, Range 4 East, Willamette Meridian, King County, Washington; together with the West 60.00 feet of the South 60.00 feet of the South one-third of the Northwest quarter of said Southeast quarter of Section 14;

Also, a right of way 20 feet wide, directly connecting the Southwest corner of the tract in the Southeast quarter of said Section 14, above-mentioned, with the Northeast corner of the above-mentioned tract in said Government Lot 4.

Situate in the City of Kenmore, County of King, State of Washington.

EXHIBIT C

Washington State Parks and Recreation Commission The Lodge at Saint Edward Park, LLC 2016 Lease

Development and Operation Plan

This Development and Operation Plan is part of the attached as Exhibit E to the Lease (“Lease”) between the State of Washington (“*State*”) acting by and through the Washington State Parks and Recreation Commission (“*State Parks*” or “*Commission*”) and The Lodge at Saint Edward Park, LLC, (“*Lessee*”) relative to St. Edward State Park (the “*Park*”) located in King County, Washington. Unless otherwise defined herein, capitalized terms used in this Development and Operation Plan shall have the meanings given to them in the Lease.

1. Lessee and State have executed a Lease with a term of sixty-two years whereby Lessee will lease certain premises (as defined in the Lease) within the Park (the “*Leased Premises*”). The Leased Premises will be operated by Lessee concurrently with Commission’s operation of the balance of the Park.

2. Lessee has committed to make a significant investment to rehabilitate the Seminary Building located on the Leased Premises in accordance with the Lease and this Development and Operation Plan.

3. Operation and management of the lease area grounds and the adjacent developed portions of Saint Edward State park shall be monitored and reviewed by an authorized member of each party to this Agreement. Each party to this Agreement will strive for solutions and recommendations that clearly support the spirit and intent of this Lease and the long-term success of Lessee’s developments and the integration of Lessee’s developments with the adjacent State Park.

Operation & Management Plans or Coordination efforts may:

- Recommend changes to the existing property and facility plans, or policies previously adopted by Commission
- Review and recommend an annual operation and maintenance plan.
- Recommend capital projects to Commission and Tenant;
- Address and seek resolution of disputes, grievances or other issues
- Develop and recommend an annual Grounds Maintenance, Traffic Control, Road Maintenance and Parking Plan for facilities and grounds maintenance and repair
- Establish the parameters by which State and Tenant will provide for parking enforcement for each parties designated parking areas.
- Manage the public access to those areas within the Leased Premises as detailed in Section 2 of the Lease.
- Prepare an annual Maintenance Report that describes the tasks, responsibilities priorities, uncompleted tasks, and any issues encountered in carrying out annual maintenance.

- Coordinate large special events conducted or sponsored by either the State or Tenant.

1. INITIAL REHABILITATION

A. Proposed Improvements and Locations. Lessee has agreed to rehabilitate the Seminary Building in a manner consistent with the Secretary of the Interior's Standards for Rehabilitation (36 CFR 67). The Rehabilitation shall be performed in accordance with plans, drawings and/or specifications to be commissioned by Lessee, at Lessee's sole cost and expense and submitted to State for its review and approval, which shall not be unreasonably withheld, conditioned or delayed.

B. Clearing, Leveling and Erosion Plans. Lessee will follow the clearing, leveling, and erosion plans as submitted to and approved by State and in accordance with such plans, drawings and/or specifications as the State has approved, which approval shall not be unreasonably withheld, conditioned or delayed.

C. Proposed Costs. The proposed costs of the Rehabilitation are outlined in Schedule A attached hereto and made a part hereof.

D. Schedule of Completion Dates. The anticipated completion dates of the Rehabilitation are outlined in Schedule A attached hereto and made a part hereof. State and Lessee acknowledge that the anticipated completion dates are subject to delays for matters outside Lessee's control including, without limitation, permitting and financing conditions.

2. OPERATIONS AND MANAGEMENT

A. Lodge Rules. Lessee may establish rules applicable to its guests and visitors ("**Lodge Rules**"). Lodge Rules and their enforcement shall be non-discriminatory and consistent with state and federal law. Lessee shall advise its guests that they are subject to Park Rules while in the Park and outside the Leased Premises. Lessee shall provide the Park Manager a copy of Lodge Rules and any amendments.

B. Law Enforcement. In the event of civil or criminal disobedience occurs within the Leased Premises, Lessee shall contact local law enforcement for assistance. The Park Ranger is primarily assigned to enforce Parks' rules relating to activities occurring within the Park. They are not assigned to handle civil or criminal matters occurring within the Leased Premises. The park will have limited Ranger law enforcement presence within the park and Ranger assistance may not be available and/or may be responding from nearby parks which will not provide immediate response.

3. **MAINTENANCE.** In addition to the responsibilities outlined in the Lease, the following terms shall apply.

A. General Obligation. Lessee shall be responsible for all trash, recycling and any compost collection on the Leased Premises, and the Commission shall be responsible for all trash, recycling and any compost collection on the Park and outside of the Leased Premises (including within the Gymnasium Building until such time as Lessee's lease of the Gymnasium

Building commences). State Parks acknowledges that Lessee is obligated to comply with requirements and inspections imposed upon Lessee by various governmental agencies concerned with public health and welfare, including State Departments of Health, Labor & Industries and Ecology. The obligations imposed herein shall be in addition to those imposed by those agencies.

B. Structures. At a minimum, structures shall be maintained so as to comply with WAC 246-360 "Transient Accommodations" and other applicable state regulations. All renovated or replacement structures shall be maintained, repaired, or improved as needed consistent with existing industry standards and all local and state regulations.

C. Grounds. Lessee shall maintain the grounds within the Leased Premises to maintain a neat appearance and be in compliance with noxious weed regulations. Trees and shrubs shall be trimmed, pruned, fertilized and replaced as needed to maintain plant health and a neat appearance. Tree removal shall be subject to the Commission's tree removal rules and policies. Landscaped areas shall be weeded and ground cover replaced as needed to maintain a neat appearance. The Leased Premises areas shall be kept free of litter with reasonable promptness.

D. Exterior Signs. Exterior signs on the Leased Premises shall be maintained in good condition and repair by Lessee. New exterior signs and their locations outside of the Leased Premises and on the Park must be approved by the Park Manager as required by State Parks and Recreation Commission Policy. State Parks shall grant to Lessee a license to install, maintain, repair and replace exterior monument signage at the entrance of the Park (off Juanita Drive) and directional signage throughout the Park, in locations and dimensions to be determined by Lessee and reasonably approved by State Parks, all of which shall be subject to State's prior consent, not to be unreasonably withheld or delayed, and all of Lessee's signage shall comply with applicable law.

E. Infrastructure and Utilities.

i. Infrastructure. Lessee shall be responsible for maintenance, repair, and improvement to water, sewer, and power lines (main lines), lift stations within the Leased Premises and lines and pumps outside the Leased Premises that exclusively serve the Leased Premises. Lessee shall be responsible for cost of relocating infrastructure due to the Rehabilitation of the Seminary Building. Lessee shall be responsible for maintenance, repair, and improvement to water, sewer, and power lines that serve the Leased Premises together with all pumping and irrigation systems on Leased Premises.

ii. Utilities. Pursuant to the Lease, Lessee will separately contract and pay for all utilities on the Leased Premises, except that (i) the Commission shall be responsible for its pro-rata share of the park ranger station and the maintenance garage, each in the Gymnasium Building and in accordance with the Lease; and (ii) Lessee shall not be obligated to pay for utilities consumed by tenants under Existing Leases or otherwise pay or perform any obligation of any tenant under an Existing Lease.

EXHIBIT D

Memorandum of Lease

RETURN ADDRESS:

Brian L. Lewis, Esq.
Ryan, Swanson & Cleveland, PLLC
1201 Third Avenue, Suite 3400
Seattle, WA 98101-3034

MEMORANDUM OF LEASE

GRANTOR: STATE OF WASHINGTON; WASHINGTON STATE
PARKS AND RECREATION COMMISSION

GRANTEE: THE LODGE AT SAINT EDWARD PARK, LLC

ABBREV. LEGAL DESCRIPTION:
(SEE PAGE 6 FOR FULL LEGAL DESCRIPTION)

ASSESSOR'S TAX PARCEL NO.:

THIS MEMORANDUM OF LEASE ("*Memorandum of Lease*") is made and entered into in consideration of that certain Commercial Lease dated _____, 2016 (the "*Lease*"), by and between the STATE OF WASHINGTON ("*Lessor*"), acting by and through the WASHINGTON STATE PARKS AND RECREATION COMMISSION, and THE LODGE AT SAINT EDWARD PARK, LLC, a Washington limited liability company ("*Lessee*").

Pursuant to the Lease, Lessor has leased to Lessee, and Lessee has leased from Lessor, a portion of the real property described in Exhibit A attached hereto (the "*Leased Premises*").

The term of the Lease is for sixty-two (62) years, commencing on the Commencement Date defined in the Lease, unless terminated or extended in accordance with the provisions of the Lease.

Lessor and Lessee have entered into this Memorandum of Lease in order that third parties may have notice of the Lease and some of its provisions. This Memorandum of Lease is not a complete summary of the Lease. This Memorandum of Lease is not intended to amend, modify, or otherwise change the terms and conditions of the Lease. This Memorandum of Lease shall not

be used in interpreting the provisions of the Lease. In the event of a conflict between this Memorandum of Lease and the Lease, the Lease shall control.

“LESSOR”

STATE OF WASHINGTON ACTING BY AND
THROUGH THE WASHINGTON STATE PARKS AND
RECREATION COMMISSION

By _____
Name: _____
Title: _____

APPROVED AS TO FORM:

ATTORNEY GENERAL

By _____
Name: _____
Title: _____

“LESSEE”

THE LODGE AT SAINT EDWARD PARK, LLC,
a Washington limited liability company

By: Daniels Real Estate, LLC, a Washington limited
liability company, its Manager

By _____
Kevin D. Daniels, Manager

LESSOR’S NOTARY PAGE

STATE OF WASHINGTON)
) ss.
 COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the _____ of the WASHINGTON STATE PARKS AND RECREATION COMMISSION, to be the free and voluntary act and deed of such entity, for the uses and purposes mentioned in the instrument.

WITNESS my hand and official seal hereto affixed on _____, 2016.

 (Signature of Notary)

 (Print or stamp name of Notary)
 NOTARY PUBLIC in and for the State of
 Washington
 My Appointment Expires: _____.

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the _____ of the STATE OF WASHINGTON ATTORNEY GENERAL, to be the free and voluntary act and deed of such entity, for the uses and purposes mentioned in the instrument.

WITNESS my hand and official seal hereto affixed on _____, 2016.

(Signature of Notary)

(Print or stamp name of Notary)
NOTARY PUBLIC in and for the State of
Washington
My Appointment Expires: _____.

LESSEE'S NOTARY PAGE

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that KEVIN D. DANIELS is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Manager of DANIELS REAL ESTATE, LLC, as the Manager of THE LODGE AT SAINT EDWARD PARK, LLC, to be the free and voluntary act and deed of such limited liability company, for the uses and purposes mentioned in the instrument.

WITNESS my hand and official seal hereto affixed on _____, 2016.

(Signature of Notary)

(Print or stamp name of Notary)
NOTARY PUBLIC in and for the State of
Washington
My Appointment Expires: _____.

**EXHIBIT A
TO MEMORANDUM OF LEASE**

LEGAL DESCRIPTION

COMMENCING AT THE NORTHEAST CORNER OF SECTION 23, TOWNSHIP 26
NORTH, RANGE 4 EAST, W.M.;

THENCE NORTH 87°52'25" WEST, ALONG THE NORTH LINE OF THE NORTHEAST
QUARTER OF SAID SECTION 23, A DISTANCE OF 1403.73 FEET TO THE POINT OF
BEGINNING;

THENCE NORTH 38°12'49" EAST, A DISTANCE OF 31.45 FEET;

THENCE NORTH 00°19'03" WEST, A DISTANCE OF 481.61 FEET;

THENCE NORTH 87°52'25" WEST, A DISTANCE OF 408.47 FEET;

THENCE NORTH 02°07'35" EAST, A DISTANCE OF 517.36 FEET;

THENCE NORTH 50°56'50" EAST, A DISTANCE OF 276.48 FEET;

THENCE NORTH 38°12'49" EAST, A DISTANCE OF 254.60 FEET TO THE POINT OF
BEGINNING

EXHIBIT E

Schedule of Existing FF&E

(to remain at Leased Premises)

All fixtures currently attached to the walls and ceilings, including, but not limited to:

- Central Clock System and all auxiliary clocks
- All attached light fixtures
- All kitchen locker & cold storage doors and frames
- All mahogany doors, frames and trim
- All built-in wood shelving and drawers
- All Chalk boards
- All Exit signs
- Bell/alarm

In addition, the following furniture and equipment will remain-

- All stored mahogany doors
- All wood storm window frames
- All marble partitions in bathrooms
- The barber chair
- All library shelving & cabinets
- All identified tables, benches and chairs
- Tagged coat stand and 7'x6' wood paneled divider
- Frosted glass globes for light fixtures
- Wood storage unit with keys
- All hardware for doors
- All tagged wood shelving

State will coordinate removal date with Lessee so Lessee can be onsite to monitor the salvage process of selected items. State will also coordinate the removal of tagged items for their archives.