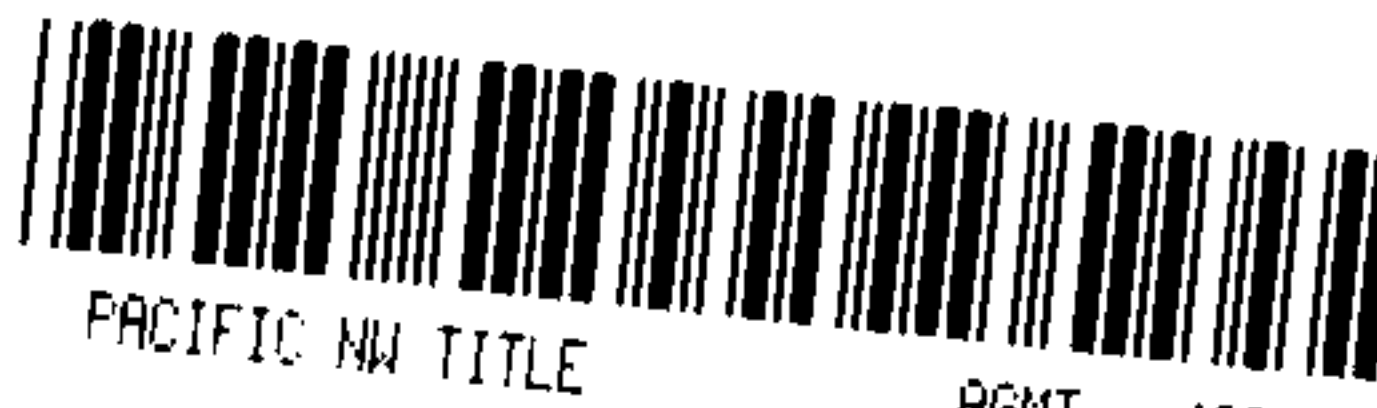


AFTER RECORDING RETURN TO:  
Madrona Way Investments, LLC  
149 Finch Place SW, Suite #4  
Bainbridge Island, Washington 98110



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32092813 **MOBILE HOME PARK COOPERATION AGREEMENT**

Grantor/Grantee: Islander Residents Association, a Washington non-profit corporation

Grantee/Grantor: Madrona Way Investments, LLC, a Washington limited liability company

Short Legal Description: Resultant Parcels A and B of BLA, File No.

200410290001, PN NW/4N Sec 26, Twp 25N, R 2E.  
[Complete legal description on p. ]

Assessor's Property Tax  
Parcel/Account Number(s):

262502-3-052-2006

Reference Number(s) of  
Documents Assigned  
or Released:

None.

THIS MOBILE HOME PARK COOPERATION AGREEMENT (this "Agreement") is made this 29 day of October, 2004 by between Islander Residents Association, a Washington non-profit corporation ("Islander"), and Madrona Way Investments, LLC, a Washington limited liability company ("Madrona"), with respect to the following facts, which are incorporated into this Agreement by this reference.

**Recitals**

A. Islander is the owner of certain real property located in Bainbridge Island, Kitsap County, Washington, legally described on **Exhibit A**, attached hereto and incorporated herein by this reference (the "Islander Property"), on which Islander owns and operates a mobile home park containing between 50 and 60 mobile home lots (the "Islander Park").

B. Madrona is the owner of certain real property located in Bainbridge Island, Kitsap County, Washington, legally described on **Exhibit B**, attached hereto and incorporated

herein by this reference (the "Madrona Property"), which is immediately north of and adjacent to the Islander Property. Madrona owns and operates a mobile home park (the "Madrona Park") on the Madrona Property, containing eleven (11) currently-occupied mobile homes (the "Madrona Residents").

C. Prior to the date hereof, the Madrona Property and the Island Property were operated as a single historic mobile home neighborhood. Under current economic conditions, the Islander Property, if it had been sold to a private party other than Islander, would most likely have been redeveloped for uses other than a mobile home park. In order to preserve the use of the Islander Property as a mobile home park, Islander, Madrona and the City of Bainbridge Island collaborated in a plan that resulted in Islander being able to purchase the Islander Property to preserve its use as a mobile home park for the indefinite future. Without the financial and logistical support of Madrona, Islander would not have been able to successfully prevent the closure of the mobile home park located on the Islander Property.

D. In consideration of Madrona's cooperation, support and assistance with Islander's purchase of the Islander Property, Islander agrees to the financial and legal commitments set forth in this Agreement. Further, in consideration of the mutual covenants set forth herein, Islander and Madrona (each an "Owner") agree to cooperate with each other concerning various matters relating to operation of the Islander Park and the Madrona Park (collectively the "Parks"), on the following terms and conditions.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Contemplated Closure of the Madrona Park. Islander acknowledges and agrees that, three years from the date of this Agreement, Madrona contemplates that it may entirely close the Madrona Park as a mobile home park, with the intent that the Madrona Property will be improved, subdivided, or developed thereafter as a residential, commercial or mixed use development.

2. No-Protest Covenant. Islander, on behalf of itself, and its owners, members, officers and directors, hereby irrevocably agrees and acknowledges that Madrona is entitled to further develop, improve and/or subdivide all or any portion of the Madrona Property, for any permitted, conditional or other uses allowed or contemplated under applicable laws. The nature, timing, extent and configuration of all such development and subdivision shall be under the exclusive control of, and at the sole discretion of, Madrona, subject only to the terms of the applicable rules, ordinances, regulations and laws, and any other binding agreements. Neither Islander, nor any of its owners, members, officers or directors, shall protest and/or object to any actions or efforts by Madrona, or its successors and assigns, to develop, improve or subdivide any portion of the Madrona Property, so long as said development and subdivision activity is being conducted in a manner substantially consistent with the terms of the applicable rules, ordinances, regulations





and/or laws, and any other binding agreements, and all rights to so protest or object are irrevocably waived by this Agreement.

3. Closure Costs. Islander agrees that it shall be entirely responsible and liable for all costs, expenses, liabilities or obligations, of any nature, including without limitation attorney's fees and other costs of any legal proceedings, incurred by Madrona in connection with or related to: (i) the removal or eviction of the Madrona Residents from the Madrona Property; (ii) the legal termination or enforcement of any lease or rental agreement between Madrona and any of the Madrona Residents (each a "Madrona Lease"); (iii) the removal, sale, disposal or other disposition of any mobile home, or other improvements or personal property, that any Madrona Resident fails to remove from the Madrona Property upon eviction or termination of his or her Madrona Lease; (iv) the removal, sale, disposal or other disposition of the Clubhouse (as defined below), and all other improvements or personal property related or connected to the Clubhouse, by no later than the date of termination of the Clubhouse Lease (defined below); and (v) all fines, penalties, remediation or clean-up costs, or other expenses arising from any toxic, hazardous, or dangerous substances, materials or wastes that were released or deposited on the Madrona Property by any Madrona Resident, of Islander, if such wastes or materials are currently subject to regulation by any federal, state or local governmental authority with jurisdiction over the Madrona Property (collectively, the "Closure Costs").

4. Agreement to Reimburse and Indemnify. Islander hereby agrees to reimburse Madrona for all Closure Costs (as defined above), as, when and in such amounts incurred by Madrona, and to indemnify, defend and hold harmless Madrona (and each of Madrona's members, agents, employees, contractors and affiliates) from and against all claims, suits, demands, obligations and liabilities, of any nature (including without limitation attorneys' fees) resulting from or arising out of (i) any Closure Costs, (ii) any breach of or default under this Agreement by Islander, or (iii) any claims or demand resulting from the use or existence of the Clubhouse (as defined below). The foregoing reimbursement and indemnity obligations shall survive any termination or expiration of this Agreement and all Madrona Leases, and shall be a personal and binding obligation of Islander, enforceable independently of any other agreements or covenants between the parties.

5. Closure Rebate. Madrona acknowledges that it will realize significant cost savings if all Madrona Residents vacate the Madrona Park before the expiration of three years from the date of this Agreement. Accordingly, in consideration of Islander's assistance in facilitating the early closure of the Madrona Park, the parties agree to the following.

a. Definition of "Park Closure". For purposes of this Section 5, the Madrona Park shall be deemed divided into four sections, as defined by the three driveways running in a north/south direction through the Madrona Park as of the date of this Agreement (each such section referred to herein as a "Park Section"), with the Park Sections to be labeled, for



purposes of this Agreement, as Park Section 1 through Park Section 4, with Park Section 1 located in the west-most end of the Madrona Property. For purposes of this Section 5, the term "Park Closure" shall mean, collectively: (i) all Madrona Leases pertaining to a particular Park Section have expired or terminated by their terms, or if any such Madrona Leases have been terminated by order of any court, then the entire time period for any appeal of such court order has expired; AND (ii) all Madrona Residents previously residing in such Park Section have permanently vacated the Madrona Property; AND (iii) each and every mobile home previously located on such Park Section, and all related improvements, fixtures and personal property, have been removed from the Madrona Property; AND (iv) Islander is not then in default under or in breach of this Agreement, and all sums due by Islander to Madrona under this Agreement as of such date, of any nature whatsoever, have been paid in full.

b. Rebate Payments. If Park Closure has occurred, in full with respect to any one or more Park Sections, on or before one (1) year after the date of this Agreement, then Madrona shall pay the following rebates to Islander:

(i) the sum of Twenty-Six Thousand. Six Hundred Sixty-Seven Dollars (\$26,667) each for Park Closure of Park Section 2 or Park Section 3, provided such Park Closure has occurred before such one-year deadline; and

(ii) the sum of Thirteen Thousand. Three Hundred Thirty-Four Dollars (\$13,334) each for Park Closure of Park Section 1 or Park Section 4, provided such Park Closure has occurred before such one-year deadline.

If Park Closure has occurred, in full with respect to any one or more Park Sections, on or before two (2) years after the date of this Agreement, then Madrona shall pay the following rebates to Islander:

(i) the sum of Thirteen Thousand. Three Hundred Thirty-Four Dollars (\$13,334) each for Park Closure of Park Section 2 or Park Section 3, provided such Park Closure has occurred before such two-year deadline; and

(ii) the sum of Six Thousand. Six Hundred Sixty-Seven Dollars (\$6,667) each for Park Closure of Park Section 1 or Park Section 4, provided such Park Closure has occurred before such two-year deadline.

If, for any one or more Park Sections, Park Closure has not occurred, in full with respect to such Section, on or before two (2) years after the date of this Agreement, then no closure rebate shall be due hereunder for the subsequent vacation of such Park Section, at any time and under any circumstances. All such rebates shall be deemed to be a post-closing readjustment of the respective amounts paid by Islander and Madrona for the Islander Property and the Madrona Property, respectively.



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c. Time is of the Essence. Time is of the essence in connection with this Section 5, and said rebate payments will not be due or paid hereunder if Park Closure occurs even one day after the foregoing payment deadlines. Further, rebate payments will only be due hereunder if Park Closure occurs, in full with respect to each Park Section. No prorated or partial payment will be due hereunder for mere substantial compliance with the Park Closure requirements, or partial Park Closure, with respect to any Park Section. The requirements for Park Closure, and the deadlines for achieving Park Closure hereunder, are absolute and shall be strictly construed.

6. Club House Agreement. The parties acknowledge that one of the mobile home building currently located on the Madrona Property serves as the club house and common meeting/recreation building for the residents of both Parks. For purposes of this Agreement, such buildings, and all improvements and fixtures related thereto, are referred to as the "Clubhouse."

a. Temporary Rental Agreement/License. Madrona and Islander hereby agree that Islander shall rent from Madrona that certain mobile home lot commonly known as \_\_\_\_\_ Madrona Way NE, Bainbridge Island, Washington (the "Clubhouse Lot"), on which the Clubhouse is currently located, for a rental rate of \$1.00 per year (the "Clubhouse Lease"). Islander is exclusively responsible for all maintenance, operation, preservation, monitoring of the Clubhouse, and otherwise ensuring that the Clubhouse is in compliance with all applicable laws. Madrona has no responsibility or liability (i) to maintain, repair, improve, replace, restore, preserve or monitor the Clubhouse, (ii) to ensure the safety, health or well-being of any persons using the Clubhouse, (iii) to protect or preserve any personal property now or at any time located in the Clubhouse, or (iv) for any property damage or personal injury caused by fire, water, theft, the elements, or the actions of any third parties. Islander hereby waives and disclaims all rights to assert any and all such claims against Madrona (or its members, managers, agents, employees or contractors) for any of the foregoing matters. Islander agrees that it is exclusively responsible to ensure that the Clubhouse is used only for the purposes of a clubhouse, meeting room and/or recreational facility, solely for the benefit of residents of either Park, and their guests (the "Clubhouse Permitted Uses"). Madrona and Islander agree that residents of the Islander Park and the Madrona Park, and their respective guests, are hereby granted a revocable temporary license to access and use the Clubhouse, but only for Clubhouse Permitted Uses, and only in accordance with the terms of this Agreement and any rules and regulations imposed by Islander or Madrona on their respective Park tenants (the "Clubhouse License").

c. Termination of the Clubhouse Lease and License. Notwithstanding any terms herein to the contrary, the foregoing Clubhouse Lease and Clubhouse License shall automatically terminate and expire upon the earlier of (i) expiration of three (3) years from the



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date of this Agreement, (ii) the expiration or termination of the last of the Madrona Leases, or (iii) any breach of or default under this Agreement by Islander.

d. Insurance. During the term of the Clubhouse Lease, at no cost to Madrona, Islander shall maintain general liability insurance coverage, with reasonable limits of not less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate, covering personal injuries, death and property damage arising from or related to any use or occupation of the Clubhouse by any person, and any allegedly unsafe or unlawful conditions of or around the Clubhouse. Madrona shall be designated as an "Additional Insured" under such insurance policies. Madrona shall be entitled to receive at least thirty (30) days' prior written notice from the insurance company before any such policy is cancelled or terminated. Islander shall provide Madrona with a copy of each such policy, and all "additional insured" binders, upon request.

e. Additional Terms. Islander shall not assign or sublet the Clubhouse Lot to any person or entity, except as otherwise expressly permitted under this Agreement. Islander shall keep the Clubhouse in a clean and sanitary condition. Islander shall ensure that the Clubhouse, and its use by tenants, is in compliance with all applicable federal, state and local laws, regulations and ordinances. Islander shall not cause or permit any of its tenants using the Clubhouse, or otherwise using the driveways through the Madrona Property, to damage, destroy, deface or remove any facilities, equipment, fixtures or property of Madrona, or of any of the residents of the Madrona Park. Islander shall not cause or permit any waste to or nuisance on or in the Clubhouse Lot. No parking shall be permitted on or at the Clubhouse Lot, except by persons engaged in authorized use of the Clubhouse, or as otherwise permitted by Madrona; provided that Islander shall have sixty (60) days from the date hereof to remove from the Clubhouse Lot all non-operational or unlicensed vehicles currently located on the Clubhouse Lot. Islander shall not display any signs on the Clubhouse Lot, or make any exterior structure improvements to the Clubhouse Lot or to any fixtures or improvements thereon, without prior written consent of Madrona.

7. Utility-Sharing Agreement. Madrona and Islander agree that, during such time as both Parks are in operation as mobile home parks, the parties will cooperate on all relevant issues, and shall appropriately allocate and reimburse each other for any costs that are charged through a combined invoice. Without limiting the generality of the foregoing, to the extent that Madrona and Islander receive any utility services under a combined account or invoice, including water/sewer service and/or garbage collection, each Owner is responsible for its appropriate share of such combined costs, based on the number of occupied mobile homes located on each of the Parks during the billing period for such combined charges. The Owners further agree that (i) Islander will be the designated customer for all such combined services, (ii) Islander will promptly pay all invoices for such combined services, and (iii) Madrona will promptly reimburse Islander for its share of charges for such combined services.



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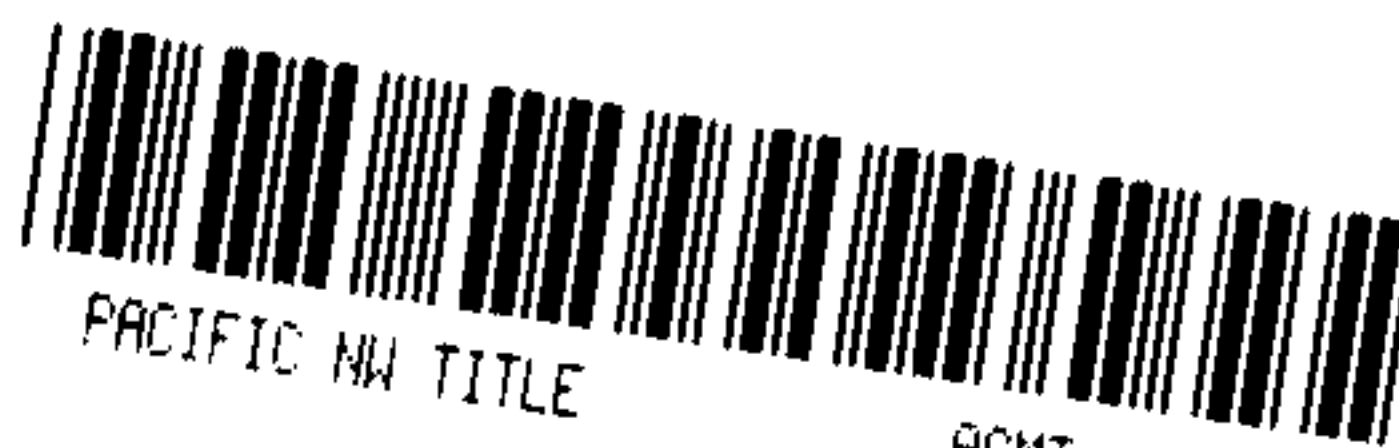
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8. Enforcement. In the event that any Owner (the "Defaulting Owner") does not promptly pay all sums due under this Agreement when due, then this Agreement shall be an automatic lien against the real property comprising the Park owned by the Defaulting Owner, in favor of the Non-Defaulting Owner, until all such unpaid sums are reimbursed in full to the Non-Defaulting Owner, with interest at the maximum statutory rate then applicable. Any such lien existing pursuant to this Section 8 may be foreclosed judicially, at the discretion of the Non-Defaulting Owner, as a mortgage under applicable Washington law. The foregoing remedy is cumulative, and may be pursued simultaneously with all other rights and remedies under this Agreement, or under law, including without limitation, an action for personal liability against the Defaulting Owner, which personal liability shall survive even after such Defaulting Owner conveys all interests in its Park. Notwithstanding any terms herein to the contrary, any lien created by this Section 8 is automatically (without execution and/or recording of further instrument) subordinated to all mortgages or deeds of trust encumbering the Parks, and any Owner may, at any time, require the other Owner to execute a written acknowledgment of such subordination of the lien for payment, in any commercially reasonable form; provided that such subordination shall not prevent the Owners from enjoying the benefits of this Agreement at all times and under all circumstances.

9. General Terms. This Agreement shall be recorded in Kitsap County, Washington, and shall serve as notice to all interested parties. This Agreement may not be modified or amended except by a written Agreement, executed and acknowledged by Madrona and Islander, and recorded in Kitsap County, Washington. This Agreement contains the entire Agreement between the parties relative to the subject matter hereof. Every person who now or hereafter owns, occupies, leases or acquires any right, title or interest in or to any portion of Islander Property or Madrona Property shall be conclusively deemed to have consented and agreed to this Agreement. All covenants, conditions, restrictions and Agreements herein contained, shall operate as covenants running with the land, and shall apply to, be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns. In the event of any dispute hereunder, the prevailing party in any litigation or other proceedings shall be reimbursed by the non-prevailing party for all costs and expenses, including without limitation, attorneys' fees, whether incurred in connection with trial, administrative, appellate, bankruptcy or any other form of proceedings. Each party to this Agreement shall have the right to enforce, by proceeding at law or in equity, all restrictions, covenants, conditions, liens and charges imposed by the provisions of this Agreement. Any failure to enforce any requirement, restriction or standard herein contained shall in no event be deemed to be a waiver of the right to do so thereafter or in other cases, nor of the right to enforce any other restriction. This Agreement may be executed in duplicate counterparts, each of which shall constitute an original and all of which taken together shall constitute a single original Agreement.



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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**ISLANDER:**

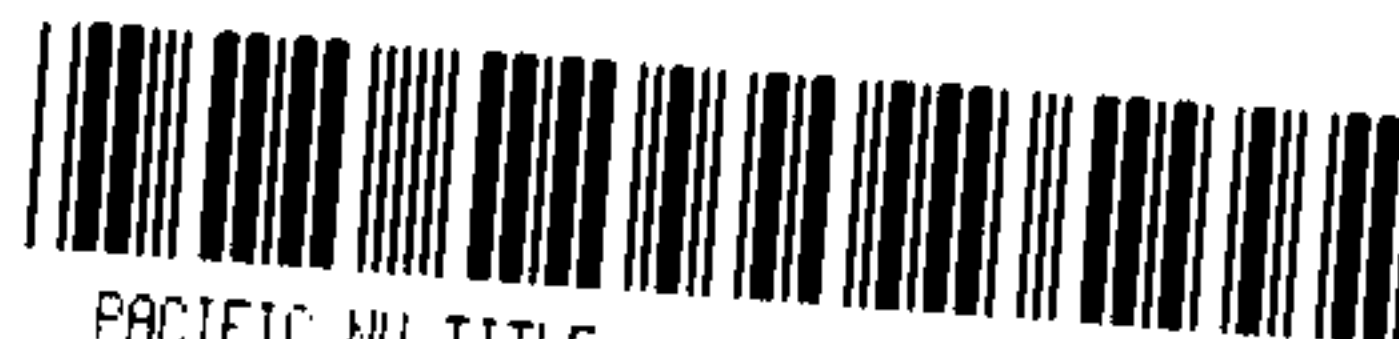
ISLANDER RESIDENTS  
ASSOCIATION, a  
Washington non-profit corporation

By: [Signature]  
Name: WILLIAM A. ISLEY  
Its: President

**MADRONA:**

MADRONA WAY INVESTMENTS,  
LLC, a Washington limited liability  
company

By: [Signature]  
Name: Kelly Samson  
Its: Mgt.



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I certify that I know or have satisfactory evidence that William Isley is the person who appeared before me, and said person acknowledged that he signed this instrument, and acknowledged it as the President of Islander Residents Association to be the free and voluntary act of such entity for the uses and purposes mentioned in the instrument.

Notary Public in and for the State of Washington.  
Commission Expires: 11-11-67

I certify that I know or have satisfactory evidence that Kelly Samson 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 as the Manager on behalf of Madrona Way Investments, LLC, a Washington limited liability company, pursuant to the provisions of the Limited Liability Company Agreement of said company, and acknowledged it to be the free and voluntary act of said company for the uses and purposes mentioned in the instrument.

Notary Public in and for the State of Washington.  
Commission Expires: 11-11-07



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## EXHIBIT "A"

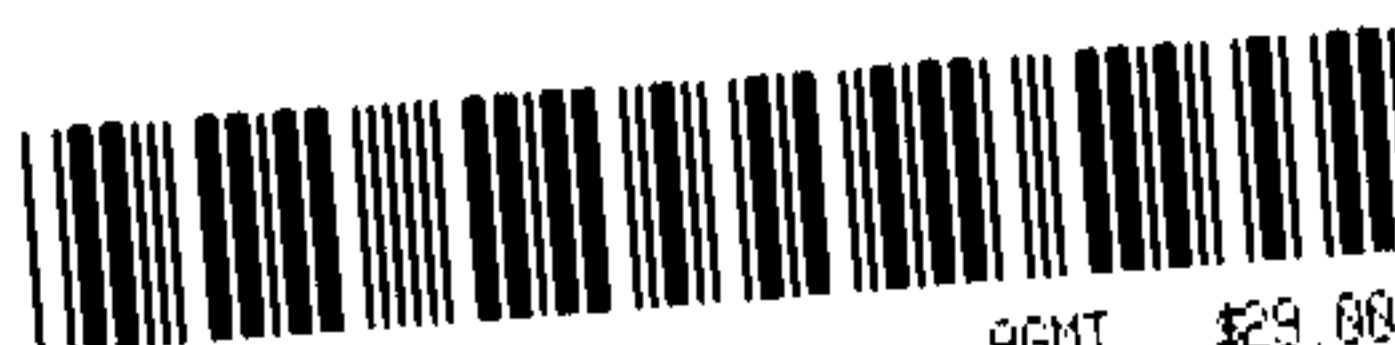
### (Modified) PARCEL B (Islander Property)

That portion of the Northwest quarter of the Southwest quarter of Section 26, Township 25 North, Range 2 East, W.M., City of Bainbridge Island, Kitsap County, Washington, described as follows:

Beginning at the West quarter corner of said Section 26;  
Thence along the West line of said Section 26, South  $01^{\circ}20'33''$  West 269.50 feet to the Southwest corner of the plat of Lars Lone's Park Addition to Winslow as recorded in volume 7, page 74 of plats, records of Kitsap County, Washington;  
Thence along the South line of said plat, South  $88^{\circ}37'28''$  East 220.00 feet to the Northeast corner of the plat of Winslow Business Addition as recorded in volume 7, page 38 of plats, records of Kitsap County, Washington;  
Thence along the East line of said plat of Winslow Business Addition South  $01^{\circ}20'33''$  West 122.50 feet to the true Point of Beginning;  
Thence continuing along said East line, South  $01^{\circ}20'33''$  West 393.29 feet to the Northwest corner of a parcel of land conveyed to the City of Bainbridge Island under Kitsap County Auditor's File No. 200210140121;  
Thence along the North line of said parcel, South  $88^{\circ}40'48''$  East 45.00 feet to the Northeast corner thereof;  
Thence along the East line of said parcel, South  $01^{\circ}20'33''$  West 10.00 feet to the North line of Lot B of the City of Winslow Short Plat recorded under Kitsap County Auditor's File No. 8405030132;  
Thence along said North line, South  $88^{\circ}40'48''$  East 494.00 feet to the Northeast corner of said Lot B;  
Thence along the East line of Lot A of said City of Winslow Short Plat, North  $01^{\circ}20'33''$  East 402.76 feet;  
Thence leaving said East line North  $88^{\circ}37'28''$  West 539.00 feet to the True Point of Beginning.

Subject to and Together with an easement for ingress, egress and utilities as recorded under Kitsap County Auditor's File No. 200410290023.

Subject to and Together with easements, restrictions, and reservations of record.



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## EXHIBIT "B"

### RESULTANT PARCEL A (Madrona Property.)

That portion of the Northwest quarter of the Southwest quarter of Section 26, Township 25 North, Range 2 East, W.M., City of Bainbridge Island, Kitsap County, Washington, described as follows:

Beginning at the West quarter corner of said Section 26;  
Thence along the West line of said Section 26, South  $01^{\circ}20'33''$  West 269.50 feet to the Southwest corner of the plat of Lars Lone's Park Addition to Winslow as recorded in volume 7, page 74 of plats, records of Kitsap County, Washington;  
Thence along the South line of said plat, South  $88^{\circ}37'28''$  East 220.00 feet to the Northeast corner of the plat of Winslow Business Addition as recorded in volume 7, page 38 of plats, records of Kitsap County, Washington and the True Point of Beginning;  
Thence continuing along the South line of said plat of Lars Lone's Park Addition to Winslow, South  $88^{\circ}37'28''$  East 539.00 feet;  
Thence leaving said South line, South  $01^{\circ}20'33''$  West 122.50 feet;  
Thence North  $88^{\circ}37'28''$  West 539.00 feet to the East line of said plat of Winslow Business Addition;  
Thence along said East line North  $01^{\circ}20'33''$  East 122.50 feet to the True Point of Beginning.

SUBJECT to and Together with an easement for ingress, egress and utilities as recorded under Kitsap County Auditor's File No. 200410290022.

Subject to and Together with easements, restrictions, and reservations of record.



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