

PARTNERSHIP AGREEMENT

THIS AGREEMENT is made on this _____ day of January 1987, between the Center for Environmental Structure, 2701 Shasta Road, Berkeley, California (hereinafter referred to as CES), and Dow Construction, 18011 Main Street, Bothell, Washington 98011 (hereinafter referred to as Dow), to form a partnership (hereinafter referred to as CES-Dow) to build a house for Ann Medlock and John Graham on Whidbey Island, Washington (hereinafter referred to as "the house" or "the project") upon the terms and conditions set forth below.

ARTICLE 1. LIMITATION.

The partnership exists solely for the limited purpose of building the Medlock/Graham house. CES/Dow is not party to any other projects, contracts, assets or liabilities of either CES or Dow. The partners' only relationship with each other is in connection with the construction of the Medlock/Graham house.

ARTICLE 2. ACCEPTANCE OF THE CONSTRUCTION CONTRACT.

Both CES and Dow hereby accept and approve the provisions of the main construction contract between CES/Dow and Medlock/Graham. A true and correct copy of that contract is attached hereto, and is incorporated herein by this reference.

ARTICLE 3. DOW RESPONSIBILITY.

Dow assumes responsibility for construction management during all stages of the building of the house, including but not limited to actual construction work, the organisation of subcontractors, and assuring the quality, durability and safety of what is built. This responsibility specifically includes structural safety and weatherproofing.

Dow also assumes responsibility for completing the *eleven operations of the construction work, at the prices stated in the main construction contract.

Any liabilities arising out of Dow's actions or the actions of CES/Dow in the course of discharging the foregoing responsibilities shall be assumed by Dow, and not by CES.

ARTICLE 4. CES RESPONSIBILITY.

CES assumes responsibility for financial management of the project, and for satisfying the client in all matters pertaining to such financial management.

This responsibility includes, but is not limited to, (1) the distribution of funds to and among the various parts of the construction budget, and (2) making decisions about embellishments and cuts, taken within the construction price.

Any liabilities arising out of CES' actions, or the actions of CES/Dow, in the course of discharging the foregoing responsibilities shall be assumed by CES, and not by Dow.

ARTICLE 5. INTERACTION OF RESPONSIBILITIES.

In order that the parties can properly discharge their respective responsibilities, CES and Dow agree to provide reasonable, clear, and timely notice to each other whenever their respective responsibilities impinge, or tend to impinge, on one another. In so far as this paragraph is concerned, time is of the essence.

(For example, Dow must clearly inform CES if a budgetary decision made by CES, appears to endanger the structural safety or weather security of the building, so that CES can modify its allocations. Similarly, CES must clearly inform Dow if a constructional approach advocated by Dow appears to endanger the cost control or financial security of the project).

In general, Dow accepts responsibility for building any given operation within the agreed-on price. CES accepts responsibility for moving money between operations, and among the items within any operation, and accepts responsibility for making these changes in a feasible manner. In the case of an irresolvable dispute between Dow and CES on such a matter, Dow will build what is agreed to in the main contract.

ARTICLE 6. SHARING OF MANAGEMENT FEES.

Dow will receive 10.18% of all net construction prices, for its work on the project.

CES will receive 8.49% of all net construction prices, for its work on the project. (CES travel and accomodation expenses are to be paid separately, as specified in the main contract).

ARTICLE 7. CONTRACTORS LICENSE AND INSURANCE

Dow hereby represents to CES that it holds a valid contractors license granted by the State of Washington which authorises Dow to do construction work in that State. CES/Dow will complete the project and fulfil its obligations to Ann Medlock and John Graham under Dow's contractor's licence. Dow will arrange for CES/Dow and CES to be named as additional insureds under Dow's liability and insurance policies and any appropriate construction bonds which Dow currently uses. Dow shall provide CES/Dow and CES with appropriate certificates evidencing the fact that the partnership and CES have been so named.

ARTICLE 8. CES VISITS TO WHIDBEY ISLAND

CES staff will visit the construction site, and work with Dow, on various specific occasions, as budget and time allow, in order to help make key decisions in the layout and construction of the building as the work progresses.

ARTICLE 9. ENDORSEMENT OF THIS PARTNERSHIP AGREEMENT BY THE CLIENTS.

Ann Medlock and John Graham hereby accept and approve the provisions of this partnership agreement. A true and correct copy of this agreement shall be appended to and incorporated into the agreement between CES/Dow and Medlock/Graham.

ARTICLE 10. ARBITRATION.

Any controversy or claim arising out of or relating to this Agreement, or the actual or alleged breach hereof, or the rights, duties or obligations of the parties hereto, shall be settled by arbitration conducted in the City of San Francisco in accordance with, and by an arbitrator appointed pursuant to, the rules of the American Arbitration Association in effect at the time, and judgement upon the award rendered pursuant thereto may be entered in any court having jurisdiction thereof.

ARTICLE 11. ATTORNEYS FEES.

In the event of arbitration, or in the event that either party files suit to enforce the provisions of this contract, the prevailing party shall be entitled to a reasonable attorney's fee as cost of suit, to be fixed by the Court.

ARTICLE 12. GOVERNING LAW.

California law shall govern in any and all disputes arising out of this contract.

Signed:

for Center for Environmental Structure



for Doy Construction Corporation

Endorsed by:



Ann Medlock



John Graham