ADDENDUM TO
MONTH-TO-MONTH LEASE AGREEMENT

This Addendum to Lease Agreement ("Addendum") is entered into this date, between the Port of Chelan County, a Washington municipal corporation ("Landlord"), and Public Utility District No. 1 of Chelan County, a Washington municipal corporation ("Tenant"), sometimes collectively referred to as the "Parties."

Recitals

A. The Parties entered into a Month-to-Month Lease Agreement (the "Lease") for Tenant’s lease of the basement and other access and common area ("the Leased Premises") in the Landlord’s main office located at 125 Easy Street, Wenatchee, Washington on May 1, 2001.

B. The Tenant desires to create and utilize additional office of approximately 900 square feet of the basement of Landlord’s main office, which will require among other improvements, new walls and a new window.

C. Landlord and Tenant have a mutual interest in security of the Landlord’s main office and the Leased Premises.

D. Landlord currently has entered into a contract with Sadler Construction for improvements to the Landlord’s main office, the scope of which contract is broad enough to include construction of security improvements described in the letter dated March 21, 2002 attached hereto and incorporated herein as Exhibit 1.

E. Tenant currently has entered into a contract with Avtec Corporation pursuant to Bid No. 02-02 for security system upgrade of Tenant’s facilities, the scope of which contract is broad enough to include construction of security improvements described in the letter dated March 27, 2002 attached hereto and incorporated herein as Exhibit 2.

F. Landlord and Tenant desire to have a seamless security system for the entire main office facility of the Landlord including the Leased Premises and recognize the economy of utilizing the Landlord’s existing contract with Sadler Construction and the District’s existing security contract with Avtec Corporation for security improvements.

G. It is estimated the cost of the Sadler Construction work will be less than $10,000 and the cost of the Avtec Corporation work will be $15,938 as set forth in Option 2 in the letter from Avtec attached hereto and incorporated herein as Exhibit 2, for the entire facility, including the Leased Premises.
NOW, THEREFORE, in light of the foregoing recitals, which are incorporated herein by the reference as part of the Addendum, Landlord and Tenant agree to amend the Lease Agreement as follows:

1. **Premises.** Exhibit A to the Lease is hereby amended to reflect the addition of approximately 900 square feet of office space for Tenant use, as generally depicted in Exhibit 3, attached hereto and incorporated herein by this reference.

2. **Alterations and Improvements.** The following alterations and improvements are hereby approved by the Parties as required by paragraph 8 of the Lease:

   A. **Subject to review and approval of the plans and specifications by the Tenant, the Landlord shall enter into a Change Order to the Contract with Sadler Construction for security construction improvements to the Leased Premises in an amount not to exceed $9,830, plus Washington State sales tax, as set forth in Exhibit 1.**

   B. **Subject to review and approval of the plans and specifications by the Landlord, the Tenant shall enter into a Change Order to the Contract with Avtec Corporation, Bid No. 02-02, for security system upgrade of the Leased Premises and the Landlord main office in an amount not to exceed $15,938 plus performance bond costs and Washington State sales tax.**

3. **Reimbursement.**

   A. **The Landlord shall reimburse the Tenant for one-half of the cost of the security system installed by Avtec Corporation for the entire main office, including the Leased Premises, upon invoice from the Tenant, not to exceed $7,969, plus the Landlord’s share of the performance bond costs and Washington State sales tax.**

   B. **Tenant shall reimburse the Landlord for all costs of the security construction improvements made by Sadler Construction, upon invoice from the Landlord, not to exceed $9,380, plus Washington State sales tax.**
4. Modification. Except as modified by this Addendum, the Lease shall remain in full force and effect and is hereby ratified by the Parties.

LANDLORD:
PORT OF CHELAN COUNTY

By: Mark Urdahl
Director

TENANT:
PUBLIC UTILITY DISTRICT
NO. 1 OF CHELAN COUNTY

By: Charles J. Hosken
General Manager

State of Washington
County of Chelan

I certify that I know or have satisfactory evidence that Mark Urdahl 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 Director of the Port of Chelan County to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 6 day of June, 2002.

DAYLE S. RUSHING
NOTARY PUBLIC, State of Washington
My appointment expires 3-3-2005

State of Washington
County of Chelan

I certify that I know or have satisfactory evidence that Charles J. Hosken 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 General Manager of Public Utility District No. 1 of Chelan County to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 16 day of April, 2002.

Darlene E. Pinkston
NOTARY PUBLIC, State of Washington
My appointment expires 1/13/05
March 21, 2002

Dear John,

As requested we have developed a change order with Sadler Construction to accomplish the referenced improvements. Sadler is currently under contract to do some other improvement work at the Port office. With the development of the fiber pilot facility and the recent break-ins at other Port owned buildings, it has become necessary to increase the security of the Port office building. Following is a summary of the planned improvements with their associated costs.

NEW PUD OFFICE SPACE

1. Construct new walls to enclose a new PUD office space including a new window on the west wall, a 3'-0" hollow metal door, new fluorescent lights, north and east walls sheet rocked taped and textured and painted. The project will include framing in the water valve assembly in the northwest corner.
   Cost: $4,980.00

2. Additional security measures will include installing steel bars on top of window wells on the west side of the building. Window wells will be equipped with fire exit hatches and ladders. Install a new metal door and jam at the bottom of stairs from the upstairs equipped with a dead bolt lock. Replace window next to the outside entrance to the PUD space with bullet proof glass. Install a lockable metal door into the crawl space at the east end of the lower level.
   Cost: $4,650.00

The work on the above improvements should commence next week. It is my understanding that the PUD will reimburse the Port for the above costs.

As an additional security measure, Dave Elliot of AVTEC Systems has been to the Port office and will be making some recommendations on some additional measures for security of the Port's lower level including access control doors, glass break and motion detectors. The Port to install some security devices upstairs. I will let you know when I receive AVTEC's recommendations.

Yours truly,

Robert N. Dahmen
Project Manager
March 27, 2002

Tim Detering
Chelan County Public Utility
327 North Wenatchee Avenue
Wenatchee, Washington 98801

RE: Port Authority Security System

Dear Tim,

On a recent site survey of the Port of Chelan County facility on 125 Easy Street in Wenatchee Washington, we have come up with two possible configurations for a Security System. Both of these scenarios will require a decision on how to monitor the system and react to an alarm.

OPTION ONE

1. A basic alarm system consisting of two hardwired LCD Keypads for entry and exit. Panels would be located at the employee entrance door on the main floor and a second panel downstairs by the door entrance from outside.

2. System would have eight hardwired door position switches located on all exterior doors and one access panel into the crawl space.

3. Five dual technology ceiling mounted motion detectors placed in centralized areas upstairs and downstairs.

4. Includes power supplies and battery backup with dialer. Dialer can be programmed to call a local alarm monitoring company, officers home or pager as well as possibly another Port Chelan 24 hour operation.

TOTAL INSTALLED COST FOR ALARM SYSTEM: $9,489.00

OPTION TWO

1. This option would be more inline with the Access Control System currently being used throughout the Chelan County PUD sites.
2. System would consist of the Hirsch Electronics Velocity Model 2 controller with two ScrambleProx readers. ScrambleProx readers would be located at the same doors mentioned on option one (main level employee entrance and basement level entrance).

3. With a valid read from the card reader the internal alarm devices would be shut off, an electric door lock would open the door, and an event of the user with the associated time would be recorded into the main data base. The information in the data base can be retrieved at a later date and generate a report.

4. Same door position switch locations and motion detectors as noted on option one are included in the Access Control proposal.

5. Chelan County PUD currently has a WAN Connection in this building which would enable the Hirsch System to be connected to their network. With this connection this location is seen real-time at a location to be determined by the Chelan County PUD. When an alarm occurs at one of the many sites, a map of the site comes up on a computer screen and indicates the actual device in alarm.

**TOTAL INSTALLED COST FOR PORT ACCESS CONTROL:** $15,938.00

**NOT INCLUDED**

1. Bid does not include cost for performance bond. If a bond is required add 2.5% to system cost.

2. Bid does not include monitoring of systems.

3. Bid does not include Washington State Sales Tax.

Sincerely,

David C. Elliott
President
Avtec Corporation

cc: Richard F. Roberts
    Robert N. Dahmer
MONTH TO MONTH LEASE AGREEMENT
CHELAN COUNTY PUBLIC UTILITY DISTRICT NO. 1
2001

THIS LEASE ("Lease") is entered into this date, between PORT OF CHELAN COUNTY, a Washington municipal corporation, hereafter referred to as "Landlord," and CHELAN COUNTY PUBLIC UTILITY DISTRICT NO. 1, a Washington municipal corporation, hereafter referred to as "Tenant," sometimes collectively referred to as the "Parties." The Parties agree as follows:

1. **PREMISES.**

   1.1 Landlord hereby leases to Tenant, and Tenant leases from Landlord, upon the terms and conditions set out in this Lease, approximately 481 square feet of the basement of the Landlord’s main office located at 125 Easy Street, Wenatchee, Washington, together with the common areas and an outside basement access, all as defined herein and as generally depicted as Rooms A, B and C on Exhibit "A", attached hereto and incorporated herein by this reference (the "Leased Premises"). The legal description of the real property (of which the Leased Premises is a part) is as follows:

   Lot 2 as delineated on Chelan County Short Plat No. 2179, Chelan County, Washington, recorded December 12, 1990, in Book SP-8 of Short Plats, Page 24.

2. **TERM OF LEASE.** This Lease shall be on a month to month basis, commencing on May 1, 2001. Either Party may terminate this Lease by providing thirty (30) days advance written notice of termination. The Lease shall terminate on the 30th day following receipt of the notice of termination.

3. **RENT.**

   3.1 The Landlord plans to construct a Community Technology Center ("CTC") on approximately 4.5 acres of land within Olds Station Industrial Park. The Parties entered into a letter of intent regarding the Tenant’s possible purchase of a condominium unit in the CTC comprising one-half (1/2) of the basement of the CTC. As part of the letter of intent and in consideration of the mutual promises and commitments of the Parties set forth herein and in the documents referenced in the letter of intent, Landlord agreed to temporarily allow Tenant to use the Leased Premises for the purpose of temporarily installing and locating the Tenant’s fiber optic system until the completion of the CTC and Tenant’s purchase of and relocation of the fiber optic system to the basement condominium unit in the CTC. Subject to completion of its telecommunications facilities and necessary adoption of procedures by the Tenant for its use, Tenant agrees that a connection to its fiber optic telecommunications facilities located at the Leased Premises will be made available to authorized telecommunications service providers or internet service providers, which entities may provide service to the Landlord for its computer system located at Landlord’s main office.
3.1.1 In the event Tenant decides not to purchase the basement condominium unit of the CTC, Tenant agrees to pay Landlord $250 per month, in advance, commencing on the date the Tenant notifies the Landlord it has decided not to purchase the basement condominium unit of the CTC as set forth in the building construction agreement contemplated by the letter of intent signed by the Parties. Rent shall be payable in lawful money of the United States.

3.1.2 In the event Tenant decides not to purchase a portion of the basement of the CTC on a date that is not the first or last day of the month, respectively, Tenant shall pay prorated monthly installments in advance, based on the number of days of actual occupancy during the first or last month of the lease term.

3.1.3 Tenant shall pay, before the same become delinquent, all taxes assessed against Tenant's personal property, furniture, fixtures, equipment, inventory and other property on the Leased Premises and will pay all taxes relative to the operation of any business on or in the Leased Premises.

3.2 In the event any rental amount called for herein is not paid within ten (10) calendar days from the date it is due Tenant shall pay to Landlord a late charge of five percent (5%) of the rental amount per month for each unpaid Lease payment until such payment is paid. The late charge is due immediately and is in addition to all of Landlord's other rights in this Lease. In the event Landlord gives written notice of Tenant's default, delinquency or other Lease violations, Tenant agrees to pay Landlord's actual costs and attorneys' fees reasonably incurred in providing such notice, in addition to the late charge and all other payments and obligations called for herein.

4. Common Areas. The term "common areas" as used herein shall mean the exterior of the Leased Premises, the grounds, the parking lot, interior hallways, stairways, bathrooms, and lobbies. The "common utilities" as used herein shall mean the outside lighting, trash collection, water, wastewater, and any other utilities associated with common areas. The cost of the common utilities is a common expense. Landlord shall have responsibility for maintenance and repair of the area outside of the Leased Premises used for parking, landscaping, and the like which is available for use in common with the Landlord and for removal of snow.

4.1 Landlord hereby grants to Tenant and to its employees and agents the nonexclusive right for and during the term of this Lease to use the parking area and other common areas as from time to time constituted, such use to be in common with Landlord and its employees, agents, customers and invitees and such use to be in conformity with this Lease. Landlord reserves the right to assign the number and location of parking spaces for the Tenant.

4.2 In the event Tenant decides not to purchase the basement condominium unit of the CTC, Tenant shall pay to Landlord on the first day of each and every month during the term of this Lease twenty-five percent (25%) of the common expenses commencing on the date the Tenant provides the notice set forth in Section 3.1.1, above. The Parties agree that the Tenant's share of the common expense shall not exceed one hundred dollars ($100.00) per month. The

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exterior of the Leased Premises and the grounds will be maintained, repaired, replaced, repainted and cared for by Landlord, including snow removal, fire protection costs, taxes, assessments, common utilities, inspections (e.g., fire alarm and sprinkler systems) as a common expense, which matters shall be conducted by Landlord in such manner as Landlord reasonably determines is appropriate. Landlord shall be entitled to a fee for management and maintenance of the common area, consistent with similar fees being charged by third parties for similar work at other properties, or Landlord may hire an independent contractor to manage the common areas and the independent contractor’s fee shall be a common expense.

4.3 Parking areas and other common areas shall at all times be subject to the exclusive control and management of Landlord. The common areas shall not be used for any purpose other than incidental use, unless otherwise designated by Landlord.

5. **ACCEPTANCE OF FACILITIES.** The Landlord does not and shall not make any representation, statement or warranty, expressed or implied, as to the condition of the Leased Premises, or as to the use that may be made of the Leased Premises, unless specifically set forth in writing. Tenant releases Landlord from any responsibility for any representation that may have been made to the Tenant about the property that is not specifically set out in this Lease Agreement. Tenant acknowledges that the Landlord’s main office is open to the public, including meetings that occur after normal business hours. Tenant shall be responsible for ensuring that the interior entry to the Leased Premises is secure. The shared outside access to the basement, as described in Paragraph 8.6, below, shall be locked at all times.

6. **USE OF LEASED PREMISES.** The Leased Premises shall be used by Tenant for the temporary installation and operation of Tenant’s fiber optic system, and for no other purpose unless agreed to in advance by Landlord. Further, the Tenant agrees that:

6.1 Tenant shall not allow the use of the Leased Premises in a manner that would increase Landlord's insurance premiums unless Tenant agrees to reimburse Landlord for such increase, or for any illegal purpose.

6.2 Tenant agrees to keep the Leased Premises in a good, clean condition; to commit no waste thereon; to obey all laws, ordinances, and Protective Covenants affecting the Leased Premises.

6.3 Tenant shall comply with all laws and shall observe all applicable ordinances, including the Protective Covenants for Olds Station Industrial Park, and any amendments thereto ("Protective Covenants") a copy of which has been received and reviewed by Tenant and which Protective Covenants are incorporated herein by this reference, related to the use of the Leased Premises. Landlord shall not be responsible to Tenant for the non-performance or violation by any other Tenant or occupant of the Olds Station Industrial Park of the Protective Covenants. Tenant understands and agrees that Landlord may amend the Protective Covenants, and that such amendments shall be binding upon Tenant, as provided in the Protective Covenants, from the time Tenant receives notice of such amendment.
7. SERVICES AND UTILITIES.

7.1 Tenant shall make all arrangements for and pay all utilities, including, but not limited to: electricity and telephone and all other utilities furnished to the Leased Premises, including hook-up fees and system development charges. Electricity provided to the Leased Premises shall be separately metered and the Tenant shall be responsible for all costs associated with the separate meter.

7.2 Landlord does not warrant that any utilities and services will be free from interruption. The Landlord shall not be liable to Tenant for any loss or damage caused by or resulting from any variation, interruption, or failure of heat or any utility services due to any cause. No temporary interruption or failure of services due to the making of repairs, alterations, or improvements, or due to accident, strike or conditions or events beyond Landlord's control shall be deemed an eviction of Tenant or relieve Tenant from any of Tenant's obligations under this Lease.

8. ALTERATIONS AND IMPROVEMENTS.

8.1 Landlord is leasing unfinished space to Tenant and acknowledges that Tenant will be making alterations and improvements to the Leased Premises. Tenant may make improvements and alterations within the Leased Premises to the extent such improvements or alterations do not affect other floors or the structure or aesthetics of the Leased Premises. Any improvements or alterations of the Leased Premises shall occur in such a way as to minimize the disturbance of Landlord. Tenant shall further provide written notice to Landlord at least three business days in advance of the commencement of Tenant's improvements.

8.2 All alterations and improvements must be approved in advance by Landlord's engineer. Tenant shall bear Landlord's reasonable costs of investigation for requested changes, including engineer's and other expert's fees.

8.3 All such approved changes and any other improvements or alterations desired by Tenant shall be at the Tenant's sole cost and expense; and Tenant shall use a licensed and bonded contractor or contractors for such improvements or alterations. Tenant agrees that any alterations or improvements made shall not abate the rent. In the performance of such work, Tenant agrees to comply with all laws and ordinances and to hold Landlord harmless from any damage, loss or expense caused by work performed by Tenant. Payment by Tenant for such improvements or alterations shall not operate, expressly or impliedly, to create in Tenant any interest in the Leased Premises beyond the leasehold interest granted by this Lease.

8.4 Tenant shall restore the Leased Premises to a clean and tenantable condition upon the termination of this lease. Any alterations or improvements not removed by the termination of this Lease shall, at the option of the Landlord, become the property of the Landlord.
8.5 Tenant shall keep the Leased Premises free from any liens, and shall indemnify and hold Landlord harmless and defend it from any liens or encumbrances, damage, loss or expense arising out of any work performed or materials furnished by or at the direction of Tenant, or otherwise, to the Leased Premises.

8.6 Landlord agrees to construct an outside access to the basement of Landlord’s main office which will be a shared access by the Landlord and the Tenant. The Landlord shall be responsible for removal of trees and landscaping and constructing the basement access at its sole cost and expense (which is estimated to be $25,000).

9. **TRADE FIXTURES.** Tenant may install on the Leased Premises such equipment as is customarily used in the type of business conducted by Tenant. Upon the expiration or earlier termination of this Lease, Tenant shall remove from the Leased Premises all such equipment and all other property of Tenant provided that Tenant repairs the damage caused by the removal and restores, at the Tenant’s sole cost and expense, the Leased Premises.

10. **REPAIR AND MAINTENANCE.**

10.1 Unless otherwise agreed, Tenant shall, at its own expense, make all necessary repairs and replacements to the Leased Premises. Tenant shall be responsible for all interior maintenance and repair, including, but not limited to: waste disposal, light bulbs, paper products, paint, carpet, air conditioning, and the separate electrical service used in connection with the Leased Premises. Landlord agrees to make all reasonably necessary maintenance and repairs to plumbing, heating system, window glass, mechanical systems, and electrical systems (except for the separate electrical service to the Leased Premises) owned by the Landlord, except when such maintenance or repair are necessary due to the negligence or conduct of the Tenant, its officials, employees, contractors, agents, licensees, or subtenants. Such repairs and replacements shall be made promptly as and when necessary. All repairs and replacements shall be approved in advance by Landlord and must be of quality and class at least equal to the original work as reasonably determined by Landlord.

10.2 On default of the Tenant in making such repairs or replacements, the Landlord may, but shall not be required to, make such repairs and replacements for the Tenant’s account, and the expense thereof shall constitute and be collectible as additional rent. Notwithstanding the foregoing, Landlord shall be responsible for the repair and maintenance of the roof and structural damage to the Leased Premises, to the extent not necessitated or caused by the negligence or conduct of the Tenant, its officials, employees, contractors, agents, licensees, or subtenants.

10.3 Landlord shall have no obligation for expenses associated with the Leased Premises, except as otherwise provided herein. Landlord shall not be obligated to repair or replace any fixtures or equipment installed by Tenant and Landlord shall not be obligated to make any repair or replacement occasioned by any act or omission of Tenant, its officials, employees, contractors, agents, licensees, or subtenants.
11. **RIGHT OF ENTRY.** Landlord may enter the Leased Premises at all times for emergencies, and at reasonable times, after reasonable notice, during business hours, for the purpose of inspecting the Leased Premises, but nothing in this Lease shall be construed as imposing any obligation on the Landlord to do so.

12. **DAMAGE OR DESTRUCTION.**

12.1 Except for damage or injury caused by Landlord, its employees, agents, representatives, or contractors, all damage or injury to the Leased Premises or the Landlord’s main office, of which the Leased Premises is a part, caused by Tenant, its employees, agents, representatives, contractors, licensees, or subtenants, shall be paid for by Tenant.

12.2 If the Leased Premises or the Landlord’s main office are partially or totally destroyed or damaged by fire or any other casualty to the extent that a significant part of the Leased Premises or Landlord’s main office is rendered unusable, or if the uninsured portion of the cost of repairing the damage or destruction exceeds Fifty Thousand Dollars ($50,000), either Landlord or Tenant may immediately terminate this Lease by notice in writing to the other within five (5) calendar days after the destruction or damage, unless Landlord agrees in writing within five (5) calendar days after the destruction to pay the uninsured portion of the cost of repair, in which case the Lease shall not terminate. The notice shall be effective ten (10) calendar days after receipt.

12.3 Landlord's liability shall be limited to its contractual obligation in this Lease, and/or its negligent or otherwise wrongful conduct. Tenant, as a material part of the consideration to Landlord for this Lease, waives all claims against Landlord for consequential damages (including loss of business) incurred by Tenant, its employees, agents, representatives, contractors, licensees, or subtenants, as a result of any damage or injury to the Leased Premises.

13. **INDEMNITY.**

13.1 Tenant shall indemnify, defend, and hold the Landlord and their elected officials, employees, contractors, and agents harmless from and against any and all costs, expenses, claims, demands, cause of actions, suits or judgments (including fees, costs and expenses [including attorney fees] incurred in connection therewith and in enforcing the indemnity) as follows: (i) for deaths or injuries to persons or for loss of or damage to property arising out of or in connection with (a) the negligent or wrongful conduct of the Tenant, its employees, agents, representatives, contractors, licensees, or subtenants, (b) the condition of the Leased Premises or any improvements thereon, and (c) the use and occupancy of the Leased Premises by Tenant, its employees, agents, representatives, contractors, licensees, or subtenants; or (ii) for Tenant's non-observance or non-performance of any law, ordinance or regulation applicable to the Leased Premises; or (iii) incurred in obtaining possession of the Leased Premises after a default by the Tenant, or after the Tenant's default in surrendering possession upon expiration or earlier termination of the term of the Lease; or (iv) enforcing any of the Tenant's covenants in this Lease. This includes, without limitation, any liability or injury to the person or property of Tenant, its agents, officers, employees, invitees, licensees and subtenants.
13.2 Except as provided in and limited by Section 12.3, above, Landlord shall indemnify, defend, and hold the Tenant and their elected officials, employees, contractors, and agents harmless from and against any and all costs, expenses, claims, demands, cause of actions, suits or judgments (including fees, costs and expenses [including attorney fees] incurred in connection therewith and in enforcing the indemnity) for deaths or injuries to persons or for loss of or damage to property arising out of or in connection with the negligent or wrongful conduct of the Landlord, its employees, agents, representatives, contractors, licensees, or subtenants.

13.3 The Landlord and Tenant specifically waive any immunity provided by Washington’s Industrial Insurance Act. This indemnification covers claims by either Party’s own employees. THE PARTIES HAVE MUTUALLY NEGOTIATED THIS WAIVER.

13.4 In the event of any claims made or suits filed, the indemnifying Party shall give the indemnified Party prompt written notice thereof and the indemnifying Party shall have the right to defend or settle the same to the extent of its interests thereunder.

14. INSURANCE.

14.1 Tenant shall provide its own property insurance for Tenant’s improvements to the Leased Premises, and for Tenant’s contents and equipment located upon the Leased Premises.

14.2 From and after the commencement date of the term of this Lease, Tenant shall, at its sole cost and expense, obtain insurance against claims for personal injury and property damage under a policy of general liability insurance, with minimum limits of $2,000,000 single limit or its equivalent for bodily injury, and $1,000,000 for property damage. Such policy shall name Landlord as additional insured. Before taking possession of the Leased Premises, the Tenant shall furnish the Landlord with a certificate evidencing the aforesaid insurance coverage.

14.3 Tenant shall insure the Leased Premises and the Landlord’s main office, of which the Leased Premises is a part, with fire legal liability insurance for the actual cash value of said property (for fires cause by the negligence of Tenant, its agents, officers, employees, invitees, licensees and subtenants).

14.4 The aforementioned minimum limits of policies shall in no event limit the liability of Tenant hereunder. No policy of Tenant’s insurance shall be cancelable or subject to reduction of coverage or other modification except after thirty (30) business days prior written notice to Landlord by the insurer. Tenant shall as soon as possible prior to the expiration of the policies, furnish Landlord with renewals or binders.

14.5 Landlord shall insure the Leased Premises and the Landlord’s main office with an “all risk” or equivalent policy of hazard insurance, naming the Tenant as additional insured. In the event the Tenant’s use of the Leased Premises causes an increase in Landlord’s insurance premiums, then upon demand by Landlord, Tenant shall have the option of reimbursing the Landlord for the amount of said increase or for acquiring the same or equivalent policy of insurance, at Tenant’s sole cost and expense.
15. **MUTUAL RELEASE.**

15.1 In addition to, and not by way of limitation of, the Parties' obligation to indemnify each other, Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage, and other property insurance policies existing for the benefit of the respective parties. Each party shall obtain any special endorsements, if required, by their insurer to evidence compliance with the waiver.

15.2 Each insurance policy obtained by the Landlord and Tenant shall provide that the insurance company waives all rights of recovery by way of subrogation against either party in connection with any damage covered by the policy. Neither party shall be liable to the other for any damage caused by fire or any other risk insured against under any property insurance policy carried under the terms of this Lease to the extent of such insurance.

15.3 If an additional premium is required to be paid to obtain a waiver of subrogation, the applicant shall, within ten (10) business days after notice to it of the required premium, give written notice of the additional premium to the one to whom the waiver would apply, and the one to whom the waiver would apply shall either pay the additional premium or this mutual release shall not be applicable to damages covered by that insurance policy. (e.g. If Landlord's insurance carrier requires an additional premium, Tenant would be required to pay the additional premium or this paragraph would not release Tenant. Tenant would then be subject to suit and liable for damages caused by Tenant, whether or not Landlord's loss was covered by insurance.)

16. **ASSIGNMENT AND SUBLETTING.** The Tenant may not assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interest therein, without receiving the Landlord's prior written consent. Any attempt to assign or sublet without such consent shall be null and void and shall constitute a breach of this Lease. If the Landlord does give written consent to an assignment or sublet, Tenant shall still be liable for full performance of all the Tenant's obligations in this Lease. Nothing herein shall prevent Tenant from entering into agreements for the utilization of its telecommunications facilities located within the Leased Premises. The Tenant shall be responsible, at its sole cost and expense, for ensuring that access to the Leased Premises by third parties utilizing Tenant's telecommunications facilities is secure and that such access shall not allow said third parties access to other portions of the Landlord's main office, of which the Leased Premises is a part. The references in this Lease to subtenants shall include parties that have an agreement with the Tenant for the purposes set forth in this Section 16.

17. **QUIET ENJOYMENT.** Landlord covenants that Tenant, upon performance of all Tenant's obligations under this Lease, shall lawfully and quietly hold, occupy and enjoy the Leased Premises during the term of this Lease without disturbance by the Landlord or from any person claiming through the Landlord.

18. **SIGNS.**

18.1 All signs must comply with sign ordinances and be placed in accordance with the required permits and be consistent with the Olds Station Protective Covenants.

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18.2 The Landlord may demand the removal of any signs which do not receive its prior written approval. Tenant's failure to comply with Landlord's demand to remove within forty-eight (48) hours of such demand shall constitute a breach of this paragraph and shall entitle the Landlord to cause the sign to be removed and the building repaired at the Tenant's sole expense.

18.3 At the termination of this Lease, Tenant shall remove all signs placed by it upon the Leased Premises, and shall repair any damage caused by such removal.

19. **VACATING UPON TERMINATION.** Tenant covenants and agrees that upon the expiration of the Lease, or upon the termination of the Lease for any cause, Tenant shall at once peacefully surrender and deliver the whole of the above-described Leased Premises to the Landlord.

20. **PRESENCE AND USE OF HAZARDOUS SUBSTANCES.** Tenant shall not, without Landlord's prior written consent, keep on or around the Leased Premises, for use, disposal, treatment, generation, storage or sale, any substances designated as, or containing designated as hazardous, dangerous, toxic or harmful (collectively referred to as "Hazardous Substances"), and/or which are subject to regulation by any federal, state or local law, regulation, statute or ordinance.

20.1 With respect to any Hazardous Substance, Tenant shall:

20.1.1 Comply promptly, timely, and completely with all governmental requirements for reporting, keeping and submitting manifests, and obtaining and keeping current identification numbers;

20.1.2 Submit to Landlord true and correct copies of all reports, manifests and identification numbers at the same time as they are required to be submitted to the appropriate governmental authorities;

20.1.3 Within five (5) calendar days of Landlord's request, submit written reports to Landlord regarding Tenant's use, storage, treatment, transportation, generation, disposal or sale of Hazardous Substances and provide evidence satisfactory to Landlord of Tenant's compliance with the applicable governmental regulation;

20.1.4 Allow Landlord or Landlord's agents or representatives to come on the Leased Premises at all times, after reasonable notice, to check Tenant's compliance with all applicable governmental regulations regarding Hazardous Substances;

20.1.5 Comply with minimum levels, standards or other performance standards or requirements which may be set forth or established for certain Hazardous Substances (if minimum standards or levels are applicable to Hazardous Substances present on the Leased Premises, these levels or standards shall be established by an on-site inspection by the appropriate governmental authorities and shall be set forth in an addendum to this Lease);
20.1.6 Comply with all governmental rules, regulations and requirements regarding the proper and lawful use, sale, transportation, generation, treatment and disposal of Hazardous Substances; and

20.1.7 Landlord shall have the right, at reasonable times and upon reasonable notice to Tenant, to inspect the Leased Premises to monitor Tenant's compliance with this section. Landlord shall pay and be responsible for the costs of its own inspection. Notwithstanding the foregoing, if an inspection reveals the use or presence of Hazardous Substances requiring clean-up or other action, then Tenant shall pay, as part of the clean-up cost incorporated in Paragraph 20.2 below, Landlord's actual costs, including reasonable attorney's fees and costs, incurred in making or providing for such inspection and any follow-up inspections.

20.2

20.2.1 Tenant shall be fully and completely liable to Landlord for any and all clean-up costs and any and all charges, fees, penalties (civil and criminal) imposed by any governmental authority with respect to Tenant's use, disposal, transportation, generation and/or sale of Hazardous Substances, in or about the Leased Premises.

20.2.2 Tenant shall indemnify, defend and hold Landlord harmless from any and all costs, fees, penalties and charges assessed against or imposed upon Landlord including reasonable Landlord's attorneys' fees and costs as a result of Tenant's use, disposal, transportation, generation and/or sale of Hazardous Substances.

20.2.3 Upon Tenant's default under this article, in addition to the rights and remedies set forth elsewhere in this Lease, Landlord shall be entitled to the following rights and remedies.

20.2.3.1 At Landlord's option, to terminate this Lease immediately; and

20.2.3.2 To recover any and all damage associated with the default, including, but not limited to clean-up costs and charges, civil and criminal penalties and fees, loss of business and sales by Landlord and any and all damages and claims asserted by third parties together with reasonable attorneys' fees and costs.

21. **LICENSES AND PERMITS.** Tenant, at its sole expense, shall obtain all licenses or permits which may be required for conducting its business within the terms of this Lease, or for the making of repairs, alterations, improvements or additions, and the Landlord, when necessary, will join with the Tenant in applying for all such permits and licenses.

22. **DEFAULT AND RE-ENTRY.**

22.1 If Tenant defaults in any rent payment due under the terms of this Lease, and such default is not cured within five (5) calendar days after written notice from Landlord or within ten
(10) calendar days after written notice from Landlord if the default is other than the payment of rent, Landlord may terminate this Lease and re-enter the Leased Premises.

22.2 Each of the following events is a default by Tenant and a breach of this Lease:

22.2.1 Any failure by Tenant to make any payment required to be made by Tenant on or before the time the payment is due.

22.2.2 The abandonment or vacation of the Leased Premises by the Tenant.

22.2.3 A failure by Tenant to observe and perform any provision of this Lease or any other lease or agreement between Tenant and Landlord which is to be observed or performed by the Tenant.

23. **LANDLORD'S EXPENSES ON TENANT'S DEFAULT.** Except as otherwise provided, if the Tenant fails to make any payment or perform any obligations under this Lease, the Landlord, with reasonable notice to the Tenant and without waiving or releasing the Tenant from any obligations under this Lease, may make any payment or perform any other obligation of the Tenant, in such manner and to such extent as the Landlord deems desirable. All costs and expenses paid by the Landlord in connection with the performance of any such obligations, together with interest at the rate of 12% per annum, compounded annually, from the date of making such expenditure by the Landlord, shall be payable to the Landlord upon demand.

24. **REMOVAL OF PROPERTY.**

24.1 If the Landlord, after Tenant's default, lawfully re-enters the Leased Premises, Landlord shall have the right, but not the obligation, upon thirty (30) days advance written notice to the Tenant, to remove all property located therein and to place such property in storage at the Tenant's expense and risk. If the Tenant does not pay the storage cost, after it has been stored for a period of thirty (30) calendar days or more and after giving Tenant ten (10) calendar days written notice of sale, Landlord may, at its sole discretion, sell, or permit to be sold, any or all of the property at public or private sale.

24.2 Landlord, at its sole discretion, may, upon thirty (30) days advance written notice to the Tenant, retain any trade fixtures and other items of Tenant's property, which are not removed by the Tenant at the expiration of the lease term or at such earlier time as Tenant's rights under this Lease may be terminated for default. At Landlord's option, title to the fixtures and other property shall be vested in the Landlord without any duty to account or pay to Tenant for the value of the property or for any other matter in connection for the Landlord's acquisition of the fixtures and attached property.

25. **NON-WAIVER OF COVENANTS.** Either Party’s failure to insist upon the strict performance of any provision of this Lease shall not be construed as depriving the Party of the right to insist on strict performance of such provision in the future. The subsequent acceptance of rent, whether full or partial payment, by the Landlord shall not be deemed a waiver of any preceding breach by the Tenant of any term, covenant, or condition of this Lease, regardless of
the Landlord's knowledge of the proceeding breach at the time of the acceptance of that part of
the rent.

26. **ARBITRATION.**

26.1 In the event that the parties cannot agree on any matter of this agreement, they
shall consult together with a view of resolving the dispute. In the event they cannot agree upon a
resolution to the dispute, the same shall be settled pursuant to RCW Chapter 7.04 et. seq. except
as herein modified.

26.2 Such arbitration shall be before one disinterested arbitrator, if one can be agreed
upon, otherwise before three disinterested arbitrators, one named by the Landlord, one by the
Tenant, and one by the two thus chosen. If all arbitrators have not been appointed within fifteen
(15) business days after demand for arbitration, then either side may apply to the Chelan County
Superior Court, upon ten (10) business days notice to the other, for appointment of the necessary
arbitrators remaining to be appointed, and the judicial appointment shall be binding and final.
The arbitrator or arbitrators shall determine the controversy in accordance with the laws of the
State of Washington as applied to the facts found by him or them. The arbitrator or arbitrators
may grant injunctions or other relief in such controversy or claims.

26.3 The decision of the arbitrator or arbitrators shall be final, conclusive and binding
on the parties and a judgment may be obtained thereon in any Court having jurisdiction.
Landlord and Tenant shall each pay one-half of the cost and expenses of such arbitration, and
each party shall separately pay for its own attorneys' fees and expenses.

27. **COSTS AND ATTORNEY’S FEES.** In the event it is necessary for either party to
utilize the services of an attorney to enforce any of the terms of this agreement, such enforcing
party shall be entitled to compensation for its reasonable attorney's fees and costs. In the event
of litigation or arbitration regarding any of the terms of this agreement, the substantially
prevailing party shall be entitled, in addition to other relief, to such reasonable attorney's fees and
costs as determined by the court.

28. **FORCE MAJEURE.** Landlord's or Tenant's failure to perform any of its obligations
under this Lease shall be excused if due to causes beyond the control of Landlord or Tenant,
including but not restricted to acts of God, acts of the public enemy, acts of any government,
fires, floods, earthquakes, epidemics and strikes.

29. **LIGHT, AIR AND VIEW.** Landlord does not guarantee the continued present status of
light, air, or view over any premises adjoining or in the vicinity of the Leased Premises.

30. **CAPTIONS AND CONSTRUCTION.** The titles to sections of the Lease are not a part
of this Lease and shall have no effect upon the construction and interpretation of any part of the
Lease.

31. **TIME.** TIME IS OF THE ESSENCE IN THIS LEASE.
32. **BINDING ON HEIRS, SUCCESSORS AND ASSIGNS.** All the covenants, agreement terms and conditions contained in this Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns, except as may be provided to the contrary in other sections of this Lease.

33. **SAVINGS CLAUSE.** Nothing in this Lease shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provisions of this Lease and any statute, law, public regulation or ordinance, the latter shall prevail, but in such event, the provisions of this Lease affected shall be curtailed and limited only to the extent necessary to bring it within legal requirements.

34. **INCORPORATION.** This agreement represents the entire agreement of the parties. Unless set forth herein in writing, neither party shall be bound by any statements or representations made, and each agrees that there are no such statements or representations being relied upon in making this Lease. No alterations, changes, or amendments to this Lease will be binding upon either party unless such party has executed a written statement acknowledging such alteration, change or amendment.

35. **GOVERNING LAW.** The law of the State of Washington shall govern this Lease and venue for any action arising from this Lease shall be in Chelan County, Washington.

36. **REMEDIES CUMULATIVE.**

   36.1 The specified remedies to which the Landlord may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which the Landlord may be lawfully entitled in case of any breach or threatened breach by Tenant of any provision of this Lease. In addition to the other remedies provided in this Lease, Landlord shall be entitled to the restraint by injunction of the violation, or attempted or threatened violation, of any of the covenants, conditions, or provisions of this Lease.

   36.2 The Landlord's selection of one or more remedies shall not constitute an election of remedies to the exclusion of any other remedies.

37. **CONFLICT OF PROVISIONS.** In case of conflict, the more specific provisions of this Lease shall control.

38. **NOTICES.**
38.1 Any notices shall be effective if personally served upon the other party or if mailed by registered or certified mail, return receipt requested, to the following addresses:

Landlord:
Port of Chelan County
Post Office Box 849
Wenatchee, Washington 98807-0849

Tenant:
Chelan County Public Utility District No. 1
Post Office Box 1231
Wenatchee, WA 98807-1231

38.2 Notices mailed shall be deemed given on the date of mailing.

38.3 Landlord and Tenant shall notify each other of any change of address.

39. INTERPRETATION.

39.1 This Lease has been submitted to the scrutiny of all parties and their counsel, if desired, and it shall be given a fair and reasonable interpretation in accordance with its words, without consideration to or weight given to its being drafted by any party or its counsel.

39.2 All words used in the singular shall include the plural; the present tense shall include the future tense; and the masculine gender shall include the feminine and neuter genders.

39.3 Where the context permits, references to the singular shall include the plural and vice versa, and to the neuter gender shall include the feminine and masculine. Use of the word "may" denotes an option or privilege and shall impose no obligation upon the party to exercise such option or privilege; use of the word "shall" denotes a duty or an obligation.
40. **FACSIMILE COPIES.** The Parties agree that this agreement may be transmitted between them by facsimile machine. The Parties intend that faxed signatures constitute original signatures and that a faxed agreement containing the signatures (original or faxed) of all the parties is binding on the parties.

IN WITNESS WHEREOF, the parties have set their hands effective the ______ day of __________________, 2001, and state that they are authorized to execute this agreement.

**LANDLORD**
Port of Chelan County

By: ____________________________
Name: MARK UARDAHL
Its: Director

**TENANT**
Chelan County Public Utility District
No. 1

By: ____________________________
Name: Roger A. Braden
Its: CEO - GENERAL MANAGER

Lease Agreement
[GSW0016872.DOC:3/00080.005036/042601]
STATE OF WASHINGTON

County of Chelan

I certify that I know or have satisfactory evidence that Mark Urdahl 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 Director of Port of Chelan County to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

May 2, 2001

Dayle S. Rushing
(Printed name)

NOTARY PUBLIC, State of Washington
My appointment expires Mar. 3, 2006

STATE OF WASHINGTON

County of Chelan

I certify that I know or have satisfactory evidence that _____ Roger A. Broden 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 CEO - General Manager of Chelan County Public Utility District No. 1 to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 5/8/01

Darlene E. Pinkston
(Printed name)

NOTARY PUBLIC, State of Washington
My appointment expires 1/13/05

Lease Agreement

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