

INTERLOCAL COOPERATIVE LEASE AGREEMENT

This is an INTERLOCAL COOPERATIVE LEASE AGREEMENT (“Lease”) between PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, a Washington Municipal Corporation, referred to herein as “Chelan,” and PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, a Washington Municipal Corporation, referred to herein as “Grant.” Chelan and Grant are hereinafter referred to collectively as the “Parties.”

BACKGROUND:

Grant desires to lease certain portions of real property owned by Chelan located in Okanogan County, Washington and to access and share use of certain Chelan owned personal property and facilities located on said real property for the purpose of rearing and acclimating summer Chinook or other species as agreed to in writing by both Parties. Chelan desires to lease said portions of the real property and to provide access to and use of the certain Chelan owned personal property and facilities located on said real property to Grant pursuant to the terms and conditions of this Lease.

RECITALS:

- A. Public Utility Districts are authorized pursuant to RCW 39.34 to enter into cooperative agreements.
- B. Chelan owns the real property described in Exhibit A hereto (“Chelan Property”) and the personal property and fish acclimating facilities located thereon, and comprised of the acclimation pond, the surface water intake system, outbuildings, and site infrastructure. (hereinafter “Carlton Acclimating Facilities” or “CAF”).
- C. Grant has an obligation to rear and acclimate summer Chinook salmon (“summer Chinook”) pursuant to the authority, terms and conditions of the Priest Rapids Salmon and Steelhead Settlement Agreement (Salmon Agreement) which is a component of Grant’s Priest Rapids Hydroelectric Project License (FERC Project No. 2114).
- D. The expiration date of Grant’s Priest Rapids License is 2052.
- E. Grant desires to lease a portion of the Chelan Property and to access and share use of portions of the CAF as described herein for the purpose of rearing and acclimating summer Chinook or other species as agreed to in writing by both Parties.
- F. Chelan desires to lease a portion of the Chelan Property to Grant and to provide Grant access and shared use of portions of the CAF as described herein for the purpose of rearing and acclimating summer Chinook or other species as agreed to in writing by both Parties on the terms and conditions of this Lease.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein provided, the Parties agree as follows:

SECTION 1. PROPERTY

1.1 Property Defined.

- a. Chelan leases to Grant and Grant leases from Chelan the real property described in Exhibit B (“Property” or “Lease Area”) which comprises a portion of the Chelan Property subject to all valid interests of third parties in the Chelan Property and/or Lease Area which predate the effective date of this Lease.
- b. Chelan reserves the right to grant easements and other land uses on the Chelan Property to others when the easement or other land uses will not interfere unreasonably with the Permitted Use.

1.2 Property Description.

- a. Grant prepared Exhibit B, which describes the Lease Area. Grant warrants that Exhibit B is a true and accurate description of the Lease Area boundaries and the improvements to be constructed on the Lease Area.
- b. Chelan’s acceptance of Exhibit B does not constitute agreement that the property description accurately reflects the actual amount of land used by Grant.

1.3 No Representation of Suitability, Inspection and Acceptance of the Property.

- a. Chelan makes no representation regarding the condition of the Lease Area, improvements or facilities located on the Lease Area, the suitability of the Lease Area for Grant’s intended or Permitted Use, compliance with governmental laws and regulations, availability of utility rights, access to the Lease Area, or the existence of hazardous substances on the Lease Area.
- b. Grant has inspected the Lease Area and accepts it “AS IS.”

SECTION 2. USE

2.1 Permitted Use. Grant shall use the Property for the purpose of rearing and acclimating summer Chinook, generally from October 1 through May 31 or other species as agreed to in writing by both Parties (“Permitted Use”).

2.2 Restrictions on Permitted Use and Operations. Grant shall not permit damage or waste to the Property or the adjacent Chelan Property in Grant’s exercise of the Permitted Use or as a result of unpermitted uses of the Property or adjacent Chelan Property.

2.3 Conformance with Laws. Grant shall, at all times, keep current and comply with all conditions and terms of permits, licenses, certificates, regulations, ordinances, statutes, and other government rules and regulations regarding Grant's use or occupancy of the Property.

2.4 Liens and Encumbrances. Grant shall keep the Property free and clear of liens or encumbrances arising from the Permitted Use or Grant's occupancy and/or use of the Property.

SECTION 3. TERM

3.1 Term. The term of this Lease shall be ten (10) years (the "Term"), beginning on the last date it is executed by the Parties (the "Effective Date"), and ending on the tenth (10th) anniversary of the Effective Date (the "Termination Date"), unless terminated sooner under the terms of this Lease, or unless renewed pursuant to the terms of this Lease.

3.2 Renewal of the Lease. Grant may elect to renew this Lease up to three (3) times in ten (10) year increments so that the Lease Term may be extended to 2052. In order to renew the Lease Grant must give Chelan written notice of Grant's intent to renew the Lease at least one (1) year prior to Termination Date and thereafter at least one (1) year prior to the Termination Date of any renewal period.

3.3 End of Term. Upon the expiration or termination of this Lease, Title to the Improvements shall transfer to Chelan in accordance with Section 4.1a hereof; and Grant shall restore the Property, excluding Improvements, in accordance with Section 16.5, and surrender the Property to Chelan in the same or better condition as on the Commencement Date, reasonable wear and tear excepted.

SECTION 4. RENT

4.1 Rent. For the Term, Grant, as consideration and rental ("Rent") for the Lease shall:

- a. Make the Improvements pursuant to Section 7. Upon Termination title to all Improvements not expressly excepted in writing by Chelan shall transfer to and vest in Chelan (e.g., well, surveys, piping, building etc.).
- b. So long as Grant is the sole user of the Property, Grant shall pay all applicable taxes and/or fees levied by any Federal, Chelan and/or local authority as a result of this Lease, Grant's Permitted Use and/or against the Property, specifically including without limitation and Lessor's excise tax or leasehold tax.
- c. So long as Grant is the sole user of the Property, during the Term and any renewal term, Grant shall be solely responsible, at Grant's sole cost and expense, for the year-round maintenance of all the Property, the adjacent Chelan Property, and all Improvements, specifically including without limitation all equipment,

infrastructure, buildings, grounds, and other Chelan and Grant facilities located at the Chelan Property, excluding Chelan's acclimation pond system. Chelan shall be responsible to conduct all maintenance on the surface water intake system and so long as Grant is the sole user of the Property, costs and expenses for the maintenance shall be the sole responsibility of Grant.

- d. So long as Grant is the sole user of the Property, during the Term and any renewal term, Grant shall be solely responsible for managing and correcting any issues related to pests, invasive species or other forms of flora and fauna where they affect the Improvements, CAF, Property and/or adjacent Chelan Property. Examples include, but are not limited to, controlling noxious weeds, preventing and eliminating insect and rodent infestations, relocating animals attracted to the facility and removing hazardous trees.
- e. So long as Grant is the sole user of the Property, Grant shall be solely responsible for maintaining year-round access to the Property and the adjacent Chelan Property including the access road located to the Chelan Property and the perimeter fence/gate. Road maintenance includes, but is not limited to, regular snow plowing and grading.
- f. So long as Grant is the sole user of the Property, Grant shall be solely responsible for maintaining existing signage and providing new signs where warranted for safety and/or to prevent unauthorized access.
- g. So long as Grant is the sole user of the Property, Grant shall be solely responsible for maintaining existing fencing and providing new fencing where reasonably necessary for safety and/or to prevent unauthorized access to the Improvements and the CAF.
- h. So long as Grant is the sole user of the Property, Grant shall be responsible for arranging for and shall fully and promptly pay for all heat, light, power, water, sewer, telephone service, solid waste disposal and other public utilities furnished to the leased premises throughout the term hereof, and all other costs and expenses in connection with the use, operation, and maintenance of the leased premises and all activities conducted thereon.
- i. Chelan will require overwinter acclimation capacity at the Grant-owned Improvements beginning October of 2014. Grant will provide overwinter acclimation capacity for Chelan's 60,516 spring Chinook by that date through one of two options:

Option A- Grant may have Sufficient Existing Capacity, within their currently proposed improvements at the Property, to overwinter acclimate Chelan PUD's 60,516 spring Chinook program. The determination of Sufficient Existing Capacity

would be represented by HCP and PRCC committee approval of Chelan's 60,516 spring Chinook, within the improved space, prior to August 1, of 2013. Chelan and Grant agree to request HCP and PRCC committee approval within two months of the execution of the Lease Agreement.

-OR-

Option B- In the event the HCP and PRCC committees have not approved Sufficient Existing Capacity prior to August 1, of 2013; Grant will provide a single payment of \$400,000 to Chelan by January 1, 2014. Chelan will be responsible for the improvements or modifications necessary for Chelan to provide overwinter acclimation capacity for Chelan's 60,516 spring Chinook program within Grant-owned Improvements or elsewhere at the Property.

- j. In the event of Chelan's use of the Property, during the Term and any renewal Term, costs and responsibilities for year-round maintenance including the surface water intake structure, pest control, access, signage, fencing, and utilities (as described in Sections 4.1.b through 4.1.h), shall be proportionally shared between Chelan and Grant based on the total number of fish each party is responsible for at the Facility. Chelan will invoice Grant for any actual costs based on Grant's proportional share of the Facility.

SECTION 5. SUBORDINATION

5.1 It is expressly understood and agreed that the rights of Grant under this Lease are subject to such use of the Property by Chelan, without liability therefore, as it deems necessary in connection with Chelan's hatchery programs and obligations, including, without limitation, Chelan license obligations for the Rocky Reach, Rock Island and/or Lake Chelan Hydroelectric Projects.

- a. Grant shall operate the CAF for the purposes of rearing and acclimating summer Chinook generally from the period of October 1 through May 31, or other species as agreed to in writing by both Parties.
- b. If the Parties concurrently rear fish at the Facility, then Grant shall contract with Chelan's Eastbank Hatchery operator for operation of the facility.
- c. During the term of the Lease, Chelan may require the use of the reserved capacity at the CAF and/or request the use of said reserved capacity referenced in 4.1(i) above within Grant-Owned Improvements at the property.
- d. Chelan will provide to Grant thirty (30) days written notice of the intent to use remaining capacity at the CAF.

- e. Chelan will provide Grant with a written request for use of reserved capacity at Grant-Owned Improvements referenced at 4.1(i) above for rearing Chelan's Program at least one year prior to the beginning of the requested period of use (i.e., October of any given year). Each Party shall be responsible for a proportional share of operational expenses based on the annual number of fish reared and acclimated at the facility. As an example, If Chelan has 60,516 fish and Grant has 200,000 fish, the proportional costs would be distributed between Chelan and Grant at 23% and 77%, respectively.

SECTION 6. OTHER EXPENSES

6.1 Utilities. So long as Grant is the sole user of the Property, Grant shall pay all fees charged for utilities required or needed by the Permitted Use. In the event the Parties concurrently use the Property, the Parties agree to share any utility costs on a proportional basis to the Property use.

6.2 Taxes and Assessments. So long as Grant is the sole user of the Property, Grant shall pay all taxes (including leasehold excise taxes), assessments, and other governmental charges applicable or attributable to the Property, Grant's leasehold interest, the Improvements, or Grant's use and enjoyment of the Property. In the event the Parties concurrently use the Property, the Parties agree to share the costs of taxes and assessments on a proportional basis to the Property use.

SECTION 7. IMPROVEMENTS

7.1 Improvements Defined.

- a. "Improvements," are additions within, upon, or attached to the land. This includes, but is not limited to, fill, structures, buildings, fencing, and other fixtures.
- b. "Personal Property" means items that can be removed from the Property without (1) injury to the Property or Improvements or (2) diminishing the value or utility of the Property or Improvements.
- c. "Chelan-Owned Improvements" are Improvements made or owned by Chelan. Chelan-Owned Improvements includes the CAF and any construction, alteration, or addition to Chelan-Owned Improvements made by Grant.
- d. "Grant-Owned Improvements" are Improvements authorized by Chelan and made by Grant.

- e. "Unauthorized Improvements" are Improvements made on the Property without Chelan's prior consent or Improvements made by Grant that do not conform to plans submitted to and approved by Chelan.
- f. "Surface Water Intake System" includes all mechanisms and infrastructure to the point where it connects with Grant-Owned Improvements.

7.2 Existing Chelan-Owned Improvements. On the Commencement Date, all Improvements located on the Property are Chelan-Owned Improvements and include, without limitation, the Improvement listed at Exhibit C attached hereto and incorporated herein by this reference.

7.3 Construction, Major Repair, Modification, and Demolition. This Paragraph 7.3 governs construction, alteration, replacement, major repair, modification, demolition, and deconstruction of Improvements by Grant ("Work").

- a. Grant shall design and construct the Improvements at the CAF so that Chelan may simultaneously use remaining capacity at the CAF provided sufficient water is available in accordance with Section 9 below.
- b. Grant may complete the Work as described and depicted at Exhibit C attached hereto and incorporated herein by this reference. In completing the Work, Grant shall comply with all Federal, State and local laws, regulations, rules and directives and shall indemnify, defend and hold harmless Chelan from and against any and all claims, fines, proceedings, damages and expense, including reasonable attorney fees, associated with Grant's compliance or failure to comply with the provisions of this subsection.
- c. All Work must conform to requirements of this Lease.
- d. Except in an emergency, Grant shall not conduct any Work other than as authorized by subsection b of this Section without Chelan's prior written consent.
- e. Grant will obtain all necessary permits and regulatory coverage to operate and culture fish at the CAF, including, but not limited to Endangered Species Act Section 10 permits.
- f. Except in an emergency, Grant shall submit to Chelan plans and specifications describing the proposed Work at least sixty (60) days before submitting permit applications to regulatory authorities unless Grant and Chelan otherwise agree to coordinate permit applications.
- g. Grant shall notify Chelan of emergency Work within five (5) business days of the start of such Work. Upon Chelan's request, Grant shall provide plans and specifications or as-builts of emergency Work.

- h. Before completing Work, Grant shall remove all debris and restore the Property, to an orderly and safe condition.
- i. Upon completing work, Grant shall promptly provide Chelan with as-built plans and specifications.

SECTION 8. USE OF CHELAN OWNED IMPROVEMENTS

On the Commencement Date Grant shall have the right to access and use the Chelan-Owned Improvements and the CAF listed at Exhibit A attached hereto and incorporated herein by this reference. Grant shall not improve, alter or modify Chelan-Owned Improvements and/or the CAF except in accordance with the Work described in Exhibit C.

SECTION 9. WATER RIGHTS

Chelan maintains ownership of its existing surface water right, which is valid February 15 through April 30 of each year. This right shall be used to meet Grant's operational requirements (up to 6.3 cubic feet per second). Chelan will have access to any water in excess of that which is required for operation of Grant's Improvements. Chelan shall provide Grant at least one year advance written notice prior to transferring this surface water right to another location.

An additional surface water right permit application for the periods of use from October 15 through February 15 and April 30 through May 30 has been jointly submitted by Chelan and Grant. If Chelan terminates this Lease in accordance with Section 16, Chelan shall allow Grant to transfer this right to another location or Chelan may relinquish the water right to Grant. Grant shall provide written notice to Chelan of its intention to transfer the right within six months of receiving the termination notice from Chelan. Any costs associated with transferring the right shall be Grant's obligation. If Grant has no further use for the right then Grant shall relinquish the right to Chelan.

A new groundwater right permit application for the periods of use from October 15 through May 30 has been jointly submitted by Chelan and Grant. If Chelan terminates this Lease in accordance with the Section 16, Chelan shall allow Grant to transfer this right to another location or Chelan may relinquish the water right to Grant. Grant shall provide written notice to Chelan of its intention to transfer the right within six months of receiving the termination notice from Chelan. Any costs associated with transferring the right shall be Grant's obligation. If Grant determines it has no further use for the right then Grant may relinquish the right to Chelan.

SECTION 10. BIOSECURITY

10.1 Upon the effective date of the Lease Agreement, Grant is solely responsible for ensuring the biosecurity of Grant PUD program fish reared at the Property.

10.2 Chelan is not responsible for any aspect of fish health or welfare at the Property for Grant PUD program fish during the effective term of the Lease.

10.3 Chelan makes no claim or guarantee about the adequacy of biosecurity or fish health at the Property.

10.4 The use of locks or other security devices to limit access will be coordinated between Chelan and Grant.

SECTION 11. ENVIRONMENTAL LIABILITY/RISK ALLOCATION

11.1 Definitions.

- a. "Hazardous Substance" means any substance that now or in the future becomes regulated or defined under any federal, State, or local statute, ordinance, rule, regulation, or other law relating to human health, environmental protection, contamination, pollution, or cleanup.
- b. "Release or threatened release of Hazardous Substance" means a release or threatened release as defined under any law described in Paragraph 11.1(a).
- c. "Utmost care" means such a degree of care as would be exercised by a very careful, prudent, and competent person under the same or similar circumstances; the standard of care applicable under the Washington State Model Toxics Control Act ("MTCA"), Chapter 70.105 RCW, as amended.
- d. "Grant and affiliates" means Grant, contractors, agents, employees, guests, invitees, licensees, affiliates, or any person on the Property with Grant's permission.
- e. "Liabilities" means any claims, demands, proceedings, lawsuits, damages, costs, expenses, fees (including attorneys' fees and disbursements), penalties, or judgments.

11.2 General Conditions.

- a. Grant's obligations under this Section extend to the area in, on, under, or above:
 - (1) The Property and
 - (2) Adjacent lands if affected by a release of Hazardous Substances that occurs as a result of the Permitted Use.
- b. Standard of Care.

- (1) Grant shall exercise the utmost care with respect to Hazardous Substances and shall notify Chelan within 48 hours of any release of hazardous substances.
- (2) Grant shall exercise utmost care for the foreseeable acts or omissions of third parties with respect to Hazardous Substances, and the foreseeable consequences of those acts or omissions, to the extent required to establish a viable, third-party defense under the law.

11.3 Current Conditions and Duty to Investigate. Chelan makes no representation about the condition of the Property. Hazardous Substances may exist in, on, under, or above the Property. Grant is responsible for conducting all appropriate inquiry and gathering sufficient information about the existence, scope, and location of Hazardous Substances on or near the Property necessary for Grant's obligations under this Lease and utilize the Property for the Permitted Use.

11.4 Use of Hazardous Substances.

- a. Grant and affiliates shall not use, store, generate, process, transport, handle, release, or dispose of Hazardous Substances, except in accordance with all applicable laws.
- b. Grant shall not undertake, or allow others to undertake by Grant's permission, acquiescence, or failure to act, activities that result in a release or threatened release of Hazardous Substances.
- c. If use of Hazardous Substances related to Grant's use or occupancy of the Property results in violation of law: Grant shall be solely responsible, at Grant's sole cost and expense, for remedying the violation and remediating the Property.

11.5 Indemnification.

- a. Grant shall fully indemnify, defend, and hold Chelan harmless from and against Liabilities that arise out of, or relate to:
 - (1) The use, storage, generation, processing, transportation, handling, or disposal of any Hazardous Substance by Grant and affiliates occurring whenever Grant occupies or has occupied the Property;
 - (2) The release or threatened release of any Hazardous Substance resulting from any act or omission of Grant and affiliates occurring whenever Grant occupies or has occupied the Property.
- b. Grant shall fully indemnify, defend, and hold Chelan harmless for Liabilities that arise out of or relate to Grant's breach of obligations under this Section.

11.6 Cleanup. If Grant's act, omission, or breach of obligation under Paragraph 11.4 results in a release of Hazardous Substances that exceeds the threshold limits of any applicable regulatory standard, Grant shall, at Grant's sole expense, promptly take all actions necessary or advisable to clean up the Hazardous Substances in accordance with applicable law.

SECTION 12. ASSIGNMENT AND SUBLETTING

12.1 No Assignment. Grant shall not convey, transfer, sublet or encumber any part of Grant's interest in this Lease or the Property.

SECTION 13. INDEMNITY, FINANCIAL SECURITY, INSURANCE

13.1 Indemnity.

- a. Grant shall indemnify, defend, and hold Chelan, its employees, officers, and agents harmless from Claims arising out of the use, occupation, or control of the Property or Improvements by Grant, its contractors, agents, invitees, guests, employees, affiliates, licensees, or permittees.
- b. "Claim" as used in this Lease means any financial loss, claim, suit, action, damages, expenses, fees (including attorneys' fees), penalties, or judgments attributable to bodily injury, sickness, disease, death, and damages to tangible property, including, but not limited to, land, aquatic life, and other natural resources. "Damages to tangible property" includes, but is not limited to, physical injury to the Property and damages resulting from loss of use of the Property.
- c. Chelan shall not require Grant to indemnify, defend, and hold Chelan harmless for claims that arise solely out of the willful or negligent act of Chelan or Chelan's elected officials, employees, or agents.
- d. Grant waives its immunity under Title 51 RCW to the extent it is required to indemnify, defend, and hold Chelan and its agencies, officials, agents, or employees harmless
- e. Section 11, Environmental Liability/Risk Allocation, exclusively shall govern Grant's liability to Chelan for Hazardous Substances and its obligation to indemnify, defend, and hold Chelan harmless for Hazardous Substances

13.2 Insurance Terms.

a. Insurance Required.

- (1) At its own expense, Grant shall procure and maintain during the Term of this Lease, the insurance coverages and limits as follows:
 - (a) General Liability Insurance.
- (2) Grant shall maintain commercial general liability insurance (CGL) covering claims for bodily injury, personal injury, or property damage arising on the Property and/or arising out of Grant's use, occupation, or control of the Property and, if necessary, commercial umbrella insurance with a limit of not less than One Million Dollars (\$1,000,000) per each occurrence. If such CGL or MGL insurance contains aggregate limits, the general aggregate limit must be at least twice the "each occurrence" limit. CGL or MGL insurance must have products-completed operations aggregate limit of at least two times the "each occurrence" limit.
- (3) All insurance must cover liability arising out of premises, operations, independent contractors, products completed operations, personal injury and advertising injury, and liability assumed under an insured contract (including the tort liability of another party assumed in a business contract) and contain separation of insured (cross-liability) condition.

b. Workers' Compensation.

- (1) State of Washington Workers' Compensation.
 - (i) Grant shall comply with all State of Washington workers' compensation statutes and regulations. Grant shall provide workers' compensation coverage for all employees of Grant. Coverage must include bodily injury (including death) by accident or disease, which arises out of or in connection with Grant's use, occupation, and control of the Property.
 - (ii) If Grant fails to comply with all State of Washington workers' compensation statutes and regulations and Chelan incurs fines or is required by law to provide benefits to or obtain coverage for such employees, Grant shall indemnify Chelan. Indemnity shall include all fines; payment of benefits to Grant, employees, or their heirs or legal representatives; and the cost of effecting coverage on behalf of such employees.
- (2) Longshore and Harbor Workers' and Jones Acts. Longshore and Harbor Workers' Act (33 U.S.C. Section 901 *et seq.*) and/or the Jones Act (46 U.S.C. Section 688) may require Grant to provide insurance coverage in some circumstances. Grant shall ascertain if such insurance is required and, if required,

shall maintain insurance in compliance with law. Grant is responsible for all civil and criminal liability arising from failure to maintain such coverage.

- c. **Employers' Liability Insurance.** Grant shall procure employers' liability insurance, and, if necessary, commercial umbrella liability insurance with limits not less than One Million Dollars (\$1,000,000) each accident for bodily injury by accident or One Million Dollars (\$1,000,000) each employee for bodily injury by disease.

SECTION 14. ROUTINE MAINTENANCE AND REPAIR

14.1 Chelan's Repairs and Maintenance.

- a. This Lease does not obligate Chelan to make any alterations, maintenance, replacements, or repairs in, on, or about Grant-Owned Improvements.
- b. Chelan shall be responsible for conducting year-round maintenance, repairs, emergency repairs, and any necessary replacement of the surface water intake system. In the event of concurrent use of the Property by Chelan and Grant, the Parties agree to share maintenance costs on a proportional basis to the Property use.

14.2 Grant's Repairs and Maintenance.

- a. So long as Grant is the sole user of the Property, and at Grant's own expense, Grant shall keep and maintain the Property and all Improvements in good order and repair and in a safe condition.
 - i. So long as Grant is the sole user of the Property, during the Term and any renewal term, Grant shall be solely responsible, at Grant's sole cost and expense, for the year-round maintenance of all the Property, the adjacent Chelan Property, and all Improvements, specifically including without limitation all equipment, infrastructure, buildings, grounds, and other Chelan and Grant facilities located at the Chelan Property, excluding the surface water intake system which shall remain Chelan's responsibility to maintain.
 - ii. So long as Grant is the sole user of the Property, during the Term and any renewal term, Grant shall be solely responsible for managing and correcting any issues related to pests, invasive species or other forms of flora and fauna where they affect the Improvements, CAF, Property and/or adjacent Chelan Property. Examples include, but are not limited to, controlling noxious weeds, preventing and eliminating insect and rodent infestations, relocating animals attracted to the facility and removing hazardous trees.
 - iii. So long as Grant is the sole user of the Property, Grant shall be solely responsible for maintaining year-round access to the Property and the adjacent Chelan Property including the access road located to the Chelan Property and the perimeter fence/gate. Road maintenance includes, but is not limited to, regular snow plowing and grading.

- iv. So long as Grant is the sole user of the Property, Grant shall be solely responsible for maintaining existing signage and providing new signs where warranted for safety and/or to prevent unauthorized access.
 - v. So long as Grant is the sole user of the Property, Grant shall be solely responsible for maintaining existing fencing and providing new fencing where reasonably necessary for safety and/or to prevent unauthorized access to the Improvements and the CAF.
 - vi. In the event of Chelan's use of the Property, during the Term and any renewal Term, costs and responsibilities for year-round maintenance, pest control, access, signage, fencing, and utilities (as described in Sections 14.2.a through 14.2.e), shall be proportionally shared between Chelan and Grant based on the total number of fish each party is responsible for at the Facility.
- b. Grant is responsible maintaining hazardous material storage at standards required by law.
 - c. Chelan retains the right to conduct periodic inspections of the CAF.
 - d. The Parties agree to meet by July 1, annually, to determine the appropriate proportional share of maintenance costs for the coming calendar year.

SECTION 15. DAMAGE OR DESTRUCTION

15.1 Notice and Repair.

- a. Grant shall notify Chelan's Maintenance Coordinator when maintenance is required to the surface water intake system. Notice shall be in the form of an e-mail or telephone conversation and shall include the timeline for repairs. Chelan shall immediately reconstruct, repair, or replace the surface water intake system.

SECTION 16. TERMINATION

16.1 This Lease shall automatically terminate on the expiration of the Term or any renewal term.

16.2 Chelan may terminate this Lease, for any reason, on the expiration date of the Second Term (i.e., after 20 years) or at any time thereafter by providing Grant at least five years prior notice. For example if Chelan desires to terminate the Lease at the expiration of the Second Term (i.e., after 20 years), Chelan shall provide Grant notice not later than five years prior to the expiration of the Second Term (i.e., during year fifteen).

16.3 In addition, Chelan may terminate this Lease for Grant's default in accordance with Section 17 hereof.

16.4 This Lease shall terminate automatically in the event Chelan loses the right to operate hatchery facilities on the Chelan Property as the result of a regulatory act (e.g., the loss of water rights, termination of HCPs, loss of FERC license) or legal injunction.

16.5 Grant may terminate this Lease by providing Chelan (1) one year advance written notification to Chelan in the event that Chelan does not fulfill all of its obligations described in this Lease or (2) upon two years advance written notification to Chelan for any other reason.

16.6 Upon termination, Grant will repair, restore or replace any existing infrastructure, buildings, landscaping, or equipment located at the CAF to meet or exceed their original condition and functionality.

16.6 In accordance with Section 9.1, if Grant transfers the groundwater right to another location, it shall decommission the well in accordance with applicable laws and regulations, unless Chelan waives Grant's obligation to do so.

SECTION 17. DEFAULT AND REMEDIES

17.1 Default Defined. Grant is in default of this Lease on the occurrence of any of the following:

- a. Failure to comply with any law, regulation, policy, or order of any lawful governmental authority;
- b. Failure to comply with any other provision of this Lease;

17.2 Grant's Right to Cure. Grant shall have thirty (30) days from the default to 1) cure the default, or 2) in the event that the default cannot reasonably be cured in thirty (30) days, to begin to diligently cure such default, or Chelan may terminate the Lease without further notice to Grant.

17.3 Remedies.

- a. Upon termination for default, Chelan may remove Grant by summary proceedings or otherwise.

- b. Grant shall immediately surrender possession of the premises to Chelan on the termination of this Agreement for any reason, and pay any costs or expenses incurred by Chelan to regain possession.
- c. Grant shall surrender the premises in good order and condition, ordinary wear and tear and damages by the elements excepted.
- d. If the Event of Default (1) arises from Grant’s failure to comply with restrictions on Permitted Use and operations, or (2) results in damage to natural resources or the Property, Chelan may enter the Property without terminating this Lease to (1) restore the natural resources or Property and charge Grant restoration costs and/or (2) charge Grant for damages. On demand by Chelan, Grant shall pay all costs and/or damages.
- e. The remedies specified under this Section are not exclusive of any other remedies or means of redress to which the Chelan is lawfully entitled for Grant’s breach or threatened breach of any provision of this Lease.

SECTION 18. DISCLAIMER OF QUIET ENJOYMENT

18.1 No Guaranty or Warranty. Chelan disclaims and Grant releases Chelan from any claim for breach of any implied covenant of quiet enjoyment. This disclaimer and release includes, but is not limited to, interference arising from exercise of rights under the Public Trust Doctrine; Treaty rights held by Indian Tribes; and the general power and authority of Chelan with respect to aquatic lands and navigable waters.

SECTION 19. LEASE MANAGEMENT

The Project Coordinator for each of the Parties shall be responsible for and shall be the contact person for all communication and billing regarding the performance of this Lease.

The Project Coordinator for Grant PUD is:	The Project Coordinator for Chelan PUD is:
Shannon Lowry, Todd Pearsons (alternate)	Alene Underwood, Joe Miller (alternate)
PO Box 878	327 N. Wenatchee Avenue
Ephrata, WA 98823	Wenatchee, WA 98801
Phone: (509) 754-0500 ext. 2191	Phone: (509) 661-4472
Fax: (509) 754-5695	Fax: (509) 661-8108
Chelan Maintenance Coordinator is:	Grant Maintenance Coordinator is:
Barry Keesee	Ian Hunter
327 N. Wenatchee Avenue	15655 Wanapum Village Lane SW
Wenatchee, WA 98801	Beverly, WA 99321
Phone: (509) 661-4763	Phone: (509) 754-0500 ext. 3122
Fax: (509) 630-9930	Fax: (509) 754-5695

SECTION 19. MISCELLANEOUS

19.1 Authority. Grant and the person or persons executing this Lease on behalf of Grant represent that Grant is qualified to do business in the State of Washington, that Grant has full right and authority to enter into this Lease, and that each and every person signing on behalf of Grant is authorized to do so. Upon Chelan's request, Grant shall provide evidence satisfactory to Chelan confirming these representations.

19.2 Successors and Assigns. This Lease binds and inures to the benefit of the Parties, their successors, and assigns.

19.3 Headings. The headings used in this Lease are for convenience only and in no way define, limit, or extend the scope of this Lease or the intent of any provision.

19.4 Entire Agreement. This Lease, including the exhibits and addenda, if any, contains the entire agreement of the Parties. This Lease merges all prior and contemporaneous agreements, promises, representations and statements relating to this transaction or to the Property.

19.5 Waiver.

- a. The waiver of any breach or default of any term, covenant, or condition of this Lease is not a waiver of such term, covenant, or condition; of any subsequent breach or default of the same; or of any other term, covenant, or condition of this Lease. Chelan's acceptance of a rental payment is not a waiver of any preceding or existing breach other than the failure to pay the particular rental payment that was accepted.
- b. The renewal of the Lease, extension of the Lease, or the issuance of a new lease to Grant, does not waive Chelan's ability to pursue any rights or remedies under the Lease.

19.6 Cumulative Remedies. The rights and remedies under this Lease are cumulative and in addition to all other rights and remedies afforded by law or equity or otherwise.

19.7 Time is of the Essence. TIME IS OF THE ESSENCE as to each and every provision of this Lease.

19.8 Invalidity. The invalidity, voidness, or illegality of any provision of this Lease does not affect, impair, or invalidate any other provision of this Lease.

19.9 Applicable Law and Venue. This Lease is to be interpreted and construed in accordance with the laws of the State of Washington. Venue for any action arising out of or in connection with this Lease is in the Superior Court for Chelan County, Washington.

19.10 Statutory Reference. Any reference to a statute means that statute as presently enacted or hereafter amended or superseded.


19.11 Recordation. Either Party at that Party's expense may record a copy of the fully-executed Lease.

19.12 Modification. No modification of this Lease is effective unless in writing and signed by both Parties. Oral representations or statements do not bind either Party.

19.13 Survival. Any obligations of Grant not fully performed upon termination of this Lease do not cease, but continue as obligations of Grant until fully performed.

IN WITNESS WHEREOF, the Parties have executed this Lease this 25th day of February, 2013.

PUBLIC UTILITY NO. 1
OF CHELAN COUNTY, WA

By:  _____
General Manager

PUBLIC UTILITY DISTRICT NO. 2 OF
GRANT COUNTY, WA

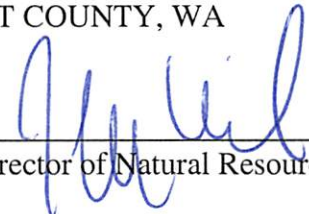
By:  _____
Director of Natural Resources

EXHIBIT A

Chelan owns the following real property and personal property as described below:

-
- Surface Water Intake System
 - intake screens
 - air backwash compressor and piping
 - submersible pumps
 - Support buildings (pump house, electrical cabinets, air compressor room)
 - Electrical cabinet includes (switchgear, pump motor controls, PLC, etc.)
- Portable backup diesel generator
- Electrical components (switchgear, pump motor controls, PLC, etc.)
- Trapezoidal acclimation pond (liner, supply piping, header, pond drainage structure, drainage piping, and outfall)
- Two outbuildings
- Power service
- Security fencing

CCPUD SA No. 13-047

GCPUD Agreement No. 430-3408

EXHIBIT B

RHMISC-93.1

P. W. D. #1
FILED FOR RECORD

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OKANOGAN COUNTY AUDITOR
OKANOGAN, WA

WARRANTY DEED

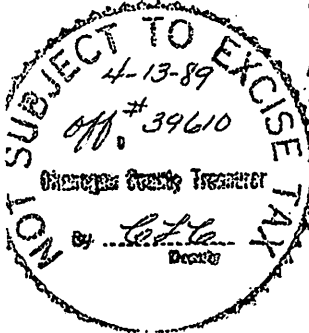
~~Indexed~~
~~Abstract~~
~~Reverse~~
~~Recorded~~
~~Filed~~

In the Matter of Rock Island Fish Rearing Facility

KNOW ALL MEN BY THESE PRESENTS, that the Grantor(s), KELLY ANN SMITH and HELEN L. SEWELL, a widow, as joint tenants, with right of survivorship, for and in consideration of the sum of TEN AND NO/100THS DOLLARS (\$10.00), and other valuable consideration, hereby conveys and warrants to the PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, a Municipal Corporation, the following described real estate, situated in Okanogan County, State of Washington, to-wit:

That part of Lot 114 of Furey, East, Pfau, and Musson's Plat No. 1, located in Section 21 of T33N, R22E, W.M., Okanogan County, Washington, further described as follows:

Commencing at the southeast corner of said Lot 114, thence NW 89°40'00", along the southerly boundary line of said Lot 114 (common with the northerly boundary line of a road as platted now known as Duncan Road), for 523.1 feet, thence leaving said boundary line NW 00°19'00" for 257.98 feet to the true point of beginning, thence from said point of beginning, continuing NW 00°19'00" for 627.71 feet to the northerly boundary line of said Plat No. 1, thence along said boundary line NE 85°26'03" (Plat bearing NE 85°28'00") for 219.80 feet, thence NE 82°24'12" (Plat bearing NE 82°29'10") for 20.98 feet, thence leaving said boundary line SE 00°19'00" for 646.66 feet, thence SW 89°41'00" for 240.00 feet to the true point of beginning containing 3.51 acres.



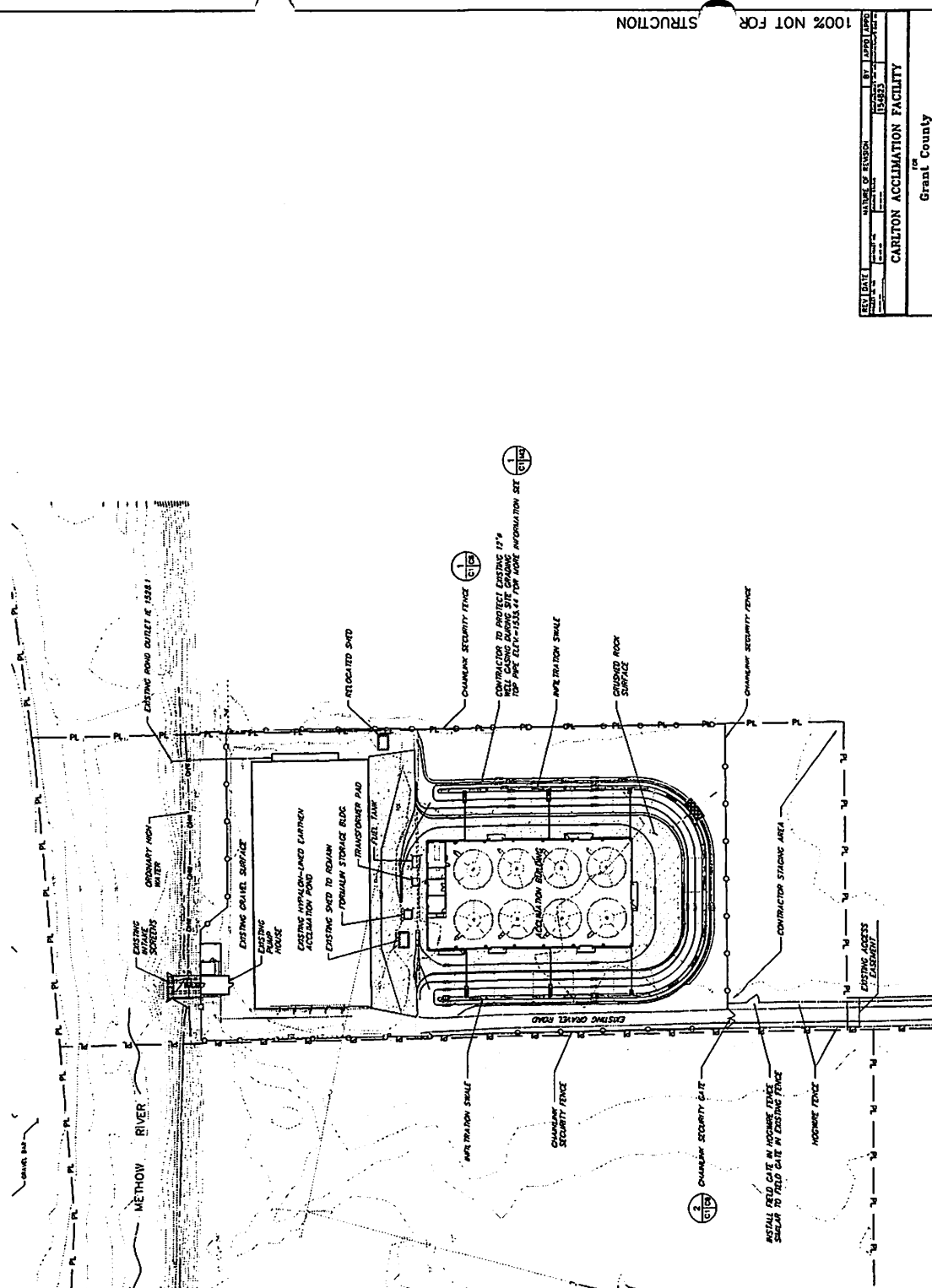
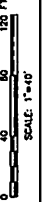
Together with an easement for an access road for ingress and egress, said easement being 25.0 feet wide parallel with and easterly of the following described line:

Beginning at the southwest corner of the above described parcel, thence SE 00°19'00" for 257.98 feet to the northerly boundary line of said Duncan Road and the terminus of said easement.

NOTE: Exempt parcel - a division of land for the convenience of public body. Okanogan County Short Plat Ordinance No. 85-5.



PROPOSED SITE PLAN



REV. DATE	DESCRIPTION	BY	APP'D	DATE
PROJECT INFORMATION				
CARLTON ACCLIMATION FACILITY				
FOR				
Great County				
PUBLIC UTILITY DISTRICT				
FOR SUBJECT CHOSER ACQUISITION				
PROPOSED SITE PLAN				
DATE	SCALE	SHEET NO.	TOTAL SHEETS	PROJECT NO.
		C1		

111345Y00-Carlton Design
154823_Site Layout Design
154823_CAR Design Jdr
USDC: hrc
DATE: Sep 21, 2012 9:56am
PROJECT: 154823_CAR Design Jdr

EXHIBIT C

Grant shall conduct the Work below:

- New PLC for existing surface water intake system
- Deicing water header for intake screens (including supply piping)
- 12-inch groundwater well and submersible pump
- Formalin storage out-building including piping to tank building
- Generator fuel storage tank
- Electrical transformer
- Acclimation building
 - Eight 30-foot diameter fish rearing tanks
 - Tank surface water supply and drainage
 - Formalin distribution cabinet/network
 - Emergency well water supply network
 - Break room
 - Mechanical room (pumps, valves, eyewash skid)
 - Electrical room (PLC, MCC, etc.)
 - Generator room (generator and equipment)
- Surface water supply line extension
- Fish Release Pipe (including PIT antenna)
- Security fencing
- Stormwater management components

REQUEST FOR CONTRACT NO.

430-3408

Date 1/26/2012

Scope of Work/Scope of Supply Land lease agreement with Chelan PUD for capital construction and long-term O&M costs at Carlton Pond

Initiated by Shannon Lowry

Program Manager Shannon Lowry Class/Contract P2000-15 and P2000-20

Departmental Manager Tom Dresser Estimated Cost \$

Project Engineer Ian Hunter Cost Center # 9230 Project ID # 102110 and 102102

Budgeted Item: Yes No

SSI, CIP, and CEII REQUIREMENTS: Any contract document containing drawings, specifications, operational information or other technical information associated with a Critical Cyber Asset (CCA) or identified as Critical Energy Infrastructure Information (CEII) or Security Sensitive Information (SSI) shall be reviewed by appropriate personnel to ensure compliance with applicable regulations and District policies and procedures.

Sensitive Security Information or CIP Protected Information or CEII designated: Yes ___ No ___ (SSI / CIP / CEII- circle which one applies)

Unescorted/Unrestricted Access to a Critical Asset (CA) or Critical Cyber Asset (CCA): Yes ___ No ___ If "yes" is checked, see Note below for additional contract requirements.

Pre-bid site visit access to a Critical Asset Area Required: Yes ___ No ___

If "yes" is checked above for any item, it must be confirmed by the Security Coordinator or other CA System Owner: _____ (initials). If "no" is checked on all items, no initials are required.

If this contract will involve the release of SSI, CIP or CEII documents, bidders must submit responsible bidder data and a NDA prior to receipt of the documents, Bid Form and attendance at an on-site pre-bid conference or job walk-through. A list of the attendees at such pre-bid conference or job walk-through must be provided to the Security Coordinator in advance.

Note: A background check and risk assessment shall be required if unescorted physical access or authorized cyber access will be permitted in critical cyber asset areas

SPECIAL INSTRUCTIONS: (Provide any pertinent information such as required or requested completion or delivery dates and schedules, suggested liquidated damages, special warranty considerations, performance warranties, evaluation criteria, special payment terms, etc.) (In the case of "repeating services" contracts, does this contract replace or supersede any other contract? If yes, identify by contract number? _____)

(Attach additional pages if needed.)

SCOPE OF WORK: (Provide detailed scope of work including general description of project and detailed of all work schedules.)

This contract would allow Grant PUD to lease property from Chelan PUD for capital development of a fish acclimation facility at Carlton Pond in Twisp, WA. The agreement would also provide for costs associated with operations and maintenance and monitoring and evaluation of this program

RECOMMENDED CONTRACTORS/BIDDERS: Attach separate sheet.

TRANSMITTAL OF DRAWINGS TO CONTRACT OFFICER: PM shall send .pdf drawing file to CO. Drawings labeled "SSI", "CIP" or "CEII" must be in a separate .pdf file

ATTACH CONTRACT TECHNICAL SPECIFICATIONS

ROUTING AND SCHEDULING: Milestones based on the following schedule (in elapsed calendar days for contracts over 300K)

Contracting Officer (0-10)	_____	Bid Opening (57)	Wed	_____
Legal & Audit Review (11-19)	_____	Bid Eval/Write Award Memo (58-72)		_____
Final Revisions and Typing (20-23)	_____	Place on Commission Agenda (72)	Wed	_____
Program Manager Final Review (24-25)	_____	Review by Commission (77)	Mon	_____
Posting, Review Mailing List (25-27)	_____	Contract Award by Commission (91)	Mon	_____