

BUILDING LEASE

THIS LEASE made and entered into at Millwood, Washington as of this 16th day of July, 2004, by and between the Town of Millwood, a Washington municipal corporation ("Lessor"), and the Spokane County Fire District 1, a.k.a. Spokane Valley Fire Department, a Washington municipal corporation ("Lessee").

NOW, THEREFORE, Lessor and Lessee hereby agree:

1. **LEASE OF BUILDING.** The Lessor does hereby lease to Lessee, and Lessee does hereby lease from Lessor, that certain Building situated in the Town of Millwood, County of Spokane, State of Washington, described as follows:

The Town of Millwood Fire Station, located at 9111 E. Frederick, Millwood, WA 99206.

A floor plan of the space leased hereunder is as shown on Exhibit "A" attached hereto, hereinafter called "Building".

2. **PURPOSE.** The parties covenant and agree the Building shall be used solely for public purposes. The parties further covenant and agree the Building shall be used in a manner that does not cause or create any grounds for the interest on any outstanding indebtedness associated with the Building to become subject to taxation. The Building shall be used for no other business or purpose without the written consent of Lessor.

3. **TERM.** The term of this Lease shall be for such time as rent is due and owing as set forth in Section 4, subject to extension or reduction thereof or Lessee's exercise of its rights in Section 5 of this Lease, and dependent upon delivery of possession of the Building; *provided, however* this Lease shall terminate upon the following conditions: (1) Lessee's proper notice of and provision of funds to Lessor, as set forth herein, which allows Lessor to redeem any outstanding indebtedness authorized pursuant to the laws of the State of Washington and Ordinance No. 313 of Lessor, adopted on October 23, 2001, attached hereto as Exhibit "B" and incorporated herein by this reference ("Ordinance No. 313"); (2) Lessee's redemption of any outstanding indebtedness authorized pursuant to the laws of the State of Washington and Ordinance No. 313; or (3) in the event Lessee refuses to provide fire protection and emergency services to Lessor in the future, whether by contract or otherwise, for no more than the amount equal to what the Lessee would have received based on its then existing levy rate as if the Lessor was annexed into the Lessee.

4. **RENT.** Lessee covenants and agrees to pay Lessor as rent for said Building the amounts stipulated hereinafter. All rent shall be paid in lawful money of the United States to Lessor, at 9103 E. Frederick, Millwood, WA 99206, or to such other party or place as may be designated in writing hereafter by Lessor. Any rent or other amounts due and payable that shall

remain unpaid ten (10) days following its due date shall bear a late charge of twelve percent (12%). Such late payment charge shall be paid to Lessor with such unpaid amounts.

The parties expressly covenant and agree that the rent paid by Lessee to Lessor shall be in accordance with the outstanding indebtedness authorized pursuant to the laws of the State of Washington and Ordinance No. 313, and shall be paid pursuant to the following schedule:

<u>Lessee's Rental Payment Date</u>	<u>Rent</u>
11/15/04	\$57,512.50
05/15/05	\$16,712.50
11/15/05	\$56,712.50
05/15/06	\$15,912.50
11/15/06	\$55,912.50
05/15/07	\$15,112.50
11/15/07	\$55,112.50
05/15/08	\$14,312.50
11/15/08	\$59,312.50
05/15/09	\$13,412.50
11/15/09	\$58,412.50
05/15/10	\$12,467.50
11/15/10	\$62,467.50
05/15/11	\$11,405.00
11/15/11	\$61,405.00
05/15/12	\$10,305.00
11/15/12	\$60,305.00
05/15/13	\$9,180.00
11/15/13	\$64,180.00
05/15/14	\$7,915.00
11/15/14	\$67,915.00
05/15/15	\$6,490.00
11/15/15	\$66,490.00
05/15/16	\$5,035.00
11/15/16	\$70,035.00
05/15/17	\$3,410.00
11/15/17	\$68,410.00
05/15/18	\$1,785.00
11/15/18	\$71,785.00

In the event that Lessee's Rental Payment Date shall fall on a Saturday, Sunday, legal holiday, or any day in which the Lessor is not open for business, Lessee shall make such rent payment on the business day immediately preceding such Saturday, Sunday, legal holiday, or any day in which the Lessor is not open for business.

In accordance with the rights and obligations of Lessor under the laws of the State of Washington and Ordinance No. 313, Lessee shall, on or after December 1, 2011, have the option to prepay any rent due and owing on or after November 15, 2012; *provided, however*, Lessee shall prepay rent only by paying Lessor in any integral multiple of \$5,000; *further provided, however*, Lessee shall give Lessor written notice of its intent to prepay rent not less 35 days nor more than 50 days prior to the date Lessee intends to prepay such rent.

The covenants and agreements to pay rent shall survive the termination, if any, of this Lease.

5. **OPTION TO PURCHASE.** Lessor grants to Lessee the option to purchase the Building at any time on or after payment by Lessee of all rent amounts set forth above, whether making all payments in full or by prepaying any rent, as set forth herein, for One and 00/100 Dollar (\$1.00) on the conditions that Lessee give thirty (30) days notice in writing of the exercise of this option to Lessor, that this Lease agreement shall not have been terminated previously, and that Lessee shall not be in violation or default of any of covenants, terms or conditions of Section 2 and Section 4 of this Lease, up to the time of the exercise of this option and the payment of the purchase price, in the manner provided.

6. **REPAIRS.** Lessee shall take good care of the Building and, at Lessee's cost and expense, shall make all reasonable repairs and replacements, structural and otherwise, as and when Lessor deems necessary to preserve the Building in good working order and condition necessitated or occasioned by the acts, omissions or negligence of Lessee or any person claiming through or under Lessee, or any of their servants, employees, contractors, agents, visitors or licensees, or by the use or occupancy or manner of use or occupancy of the Building by Lessee or any such person. Lessor shall not be responsible for any injury to or interference with Lessee's business arising from any repairs, maintenance, alteration or improvement in or to any portion of the Building, or in or to the fixtures, appurtenances and equipment therein.

7. **SERVICES AND UTILITIES.** Lessee shall be responsible for all services and utilities for the Building, including but not limited to electricity, light, gas, heat, water, sewer, garbage, and telephone. Lessor shall not be liable for any loss or damage caused or resulting from such services or utilities or any variation, interruption or failure thereof due to any cause whatsoever outside of Lessor's negligence. No temporary interruption or failure of any such service or utility incident to the making of repairs, alterations, or improvements or due to accident or strike or other condition reasonably beyond Lessor's control shall be deemed an eviction of Lessor or relieve Lessee from any of its obligations hereunder.

8. **ACCIDENTS.** All personal property in said Building shall be at the risk of Lessee. With the exception of Lessor or Lessor's agents' negligence, Lessor or Lessor's agents shall not be liable for any damage, either to person or property, sustained by Lessee or others, caused by any unknown defects in said Building or hereafter occurring therein, or any part or appurtenance thereof, becoming out of repair, or caused by fire or by the bursting or leaking of water, gas, sewer or steam pipes, or from any act or neglect of co-tenants or other occupants of said Building, or any other persons, or due to the happening of any accident from whatsoever cause in and about said Building. With the exception previously noted regarding negligence or

misconduct, Lessee agrees to defend and hold Lessor and Lessor's agent harmless from any and all claims for damages suffered or alleged to be suffered in or about the Building by any person, firm or corporation.

9. **BUILDING CONDITION.** Lessee has examined the Building and, subject to such alterations as may be specifically set forth herein, accepts them in their present condition. Lessee acknowledges and agrees that Lessee is acquiring the Building on an "AS IS" basis and the Lessor expressly disclaims all warranties, either express or implied, including but not limited to any implied warranty of merchantability or fitness for a particular purpose. Lessor neither assumes nor authorizes any other person to assume for Seller any liability in connection with the acquisition of the Building. Seller will at all times keep and maintain the Building neat, clean and in a sanitary condition. Should the Lease terminate as a result of Lessee's default pursuant to Paragraph 20, Lessee shall surrender the Building to Lessor in its condition as accepted hereunder, or as it may be altered or improved pursuant to Paragraph 19, subject only to ordinary wear and tear and damage by act of God.

10. **USE.** Lessee covenants to and it is the essence of this Lease that Lessee shall during the term of this Lease use the Building for the purposes herein specified.

11. **LIENS AND INSOLVENCY.** Lessee shall keep the Building free from any liens arising out of any work performed, materials furnished or obligations incurred by Lessee. In the event of a lien, Lessee shall cause said lien to be removed from the Building within ten (10) days of the date thereof. In the event Lessee fails to cause said lien to be removed within the ten (10) day period, Lessor may take such action as it deems necessary to remove said lien, which action may include the posting of a bond, payment of said lien, or such other action or remedy as Lessee deems appropriate or otherwise available at law. All such charges, including attorney fees incurred in connection with release of the lien, shall be due and payable immediately as additional rent. In the event Lessee becomes insolvent, voluntarily or involuntarily bankrupt, or is judicially declared incompetent, or if a receiver, assignee or other liquidating officer is appointed for the business of the Lessee, then the Lessor may cancel this Lease at Lessor's option.

12. **ASSIGNMENT AND TRANSFER.** Lessee shall not assign this Lease nor sublet the Building or any part thereof without first obtaining written permission from Lessor. The terms of this Section 12 shall remain in effect both during and after expiration and/or termination of this Lease.

13. **ACCESS.** Lessee will allow Lessor or Lessor's agents reasonable access at all reasonable times to said Building for the purpose of inspection.

14. **DAMAGE OR DESTRUCTION.** In the event of damage to or destruction to any portion of the Building, to such an extent as to render the same untenable in whole or in a substantial part thereof or are destroyed, Lessee shall repair, replace, reconstruct or rebuild the Building. Such repair, replacement, reconstruction, or rebuilding shall be effected at Lessee's cost and expense.

16. **NOTICES.** Any notice required to be served in accordance with the terms of this Lease shall be sent by mail to the following addresses:

Lessor's address:

Town of Millwood
9103 E. Frederick
Millwood, WA 9920
Telephone: 509- 924-0960
Fax: 509-927-2867

Lessee's address:

Spokane County Fire District No. 1,
d/b/a/ Spokane Valley Fire Department
10319 East Sprague
Spokane, WA 99206
Telephone: 509-928-1700
Fax: 509-892-4125

17. **GOVERNMENTAL FEES.** All fees payable to the Town of Millwood, County of Spokane, or State of Washington during the life of this Lease shall be paid by Lessee for the business conducted by Lessee on said property and for any of Lessee's personal property maintained thereon.

18. **SIGNS.** All signs, marquees, or symbols placed in the windows or doors of the Building, or upon any exterior part of the Building and/or property by the Lessee, shall be consistent with fire protection and emergency services. The parties agree and acknowledge that Lessee will continue to maintain signage identifying the Building as the "Millwood Fire Station."

19. **ALTERATIONS.** Lessee shall not make any alterations, additions or improvements in said Building without the consent of Lessor in writing, first had and obtained and which shall not be unreasonably withheld, and all alterations, additions and improvements which shall be made, shall be at the sole cost and expense of Lessee, and may become the property of the Lessor, and shall remain in and be surrendered with the Building as a part thereof at the termination of this Lease as result of a violation or default of the covenants, terms or conditions of Section 2 and Section 4 of this Lease, without disturbance, molestation or injury; provided, however, Lessee shall be entitled to install a generator near and dishwasher and lockers inside the Building. If the Lessee shall perform work with the consent of the Lessor, as aforesaid, Lessee agrees to comply with all laws, ordinances, rules and regulations of the Town of Millwood or any other authorized public authority. The Lessee further agrees to save the Lessor free and harmless from damage, loss or expense arising out of the said work.

20. **DEFAULT AND REENTRY.** If any rents above reserved or any part thereof shall remain unpaid when the same shall become due, if Lessee shall violate or default in any of

the covenants and agreements herein contained, or if Lessee shall be in default or violate any of the covenants or agreements of any other lease between the parties, then the Lessor may cancel this Lease upon giving the Lessee sixty (60) days written notice and reenter said Building, but notwithstanding such reentry by the Lessor, the liability of the Lessee for the rent provided for herein shall not be extinguished for the balance of the term of this Lease as a result of a violation of default in any of the covenants, terms or conditions of Section 2 and Section 4 of this Lease.

21. **COSTS AND ATTORNEYS' FEES.** If by reason of any default on the part of the Lessee or in the event that any action, suit, or other proceeding is instituted concerning or arising of this Lease, the prevailing party shall recover all of such party's costs and attorneys' fees incurred in each and every such action, suit, or other proceeding, including any and all appeals or petitions therefrom from the non-prevailing party. As used herein, "attorneys' fees" shall mean the full and actual costs of any legal services actually rendered in connection with the matters involved, calculated on the basis of the usual fee charged by the attorneys performing such services. Any such action shall be commenced and maintained in Spokane County, Washington.

22. **ARBITRATION.** Any dispute, controversy or claim arising out of this Lease shall be settled by expedited mandatory arbitration as set forth in this Section 22.

Either party may demand arbitration by notifying the other party in writing. The notice shall describe the reason(s) for such demand, the amount involved, if any, and the particular remedy sought. The notice shall also list the name of one arbitrator qualified in accordance with this Section 22.

The party that has not demanded arbitration shall respond to the notice of demand within ten (10) calendar days of receipt of such notice by delivering a written response. The response shall list the name of a second arbitrator qualified in accordance with this Section 22. The response shall also describe counterclaims, if any, the amount involved, if any, and the particular remedy sought. If a party fails to respond timely to the notice of demand, the arbitrator selected by the party making such demand under this Section 22 shall resolve the dispute, controversy or claim within thirty (30) calendar days of the deadline for response.

Any arbitrator selected in accordance with this Section 22 shall be a natural person not employed by either of the parties.

If a party responds timely to a notice of demand for expedited arbitration under this Section 22, the two arbitrators shall appoint a third arbitrator who shall be qualified in accordance with this Section 22. Such third arbitrator shall be appointed within ten (10) calendar days of receipt by the party demanding arbitration of the notice of response provided for under this Section 22. If the two arbitrators fail to timely appoint a third arbitrator, the third arbitrator shall be appointed by the parties if they can agree within a period often (10) calendar days. If the parties cannot timely agree, then either party may request the appointment of such third arbitrator by the Presiding Judge of the Superior Court of Spokane County, Washington; provided that the other party shall not raise any question as to the Court's full power and jurisdiction to entertain

such application and to make such appointment. Notwithstanding any other provision in this Section 22, the parties may mutually agree to the appointment of a single arbitrator.

The arbitration hearing shall commence within thirty (30) calendar days of appointment of the third arbitrator as described in this Section 22. There shall be no discovery or dispositive motion practice (such as motions for summary judgment or to dismiss or the like) except as may be permitted by the arbitrators; and any such discovery or dispositive motion practice permitted by the arbitrators shall not in any way conflict with the time limits contained herein. The arbitrators shall not be bound by any rules of civil procedure or evidence, but rather shall consider such writings and oral presentations as reasonable business persons would use in the conduct of their day to day affairs, and may require the parties to submit some or all of their case by written declaration or such other manner of presentation as the arbitrators may determine to be appropriate. Venue of any arbitration hearing pursuant to this Section 22 shall be in Spokane County, Washington.

The arbitrators' decision shall be made in no event later than ten (10) calendar days after the commencement of the arbitration hearing described in this Section 22. The award shall be final and judgment may be entered in any court having jurisdiction thereof. The arbitrators may award specific performance of this Agreement. The arbitrators may also require remedial measures as part of any award. The arbitrators in their discretion may award attorneys' fees and costs to the prevailing party.

23. **NON-WAIVER OF BREACH.** The failure of the Lessor to insist upon strict performance of any of the covenants and agreements of this Lease, or to exercise any option herein conferred in any one or more instances, shall not be construed to be a waiver or relinquishment of any such, or any other, covenants or agreements, but the same shall be and remain in full force and effect.

24. **REMOVAL OF PROPERTY.** In the event of any entry in, or taking possession of, the Building as aforesaid, the Lessor shall have the right, but not the obligation, to remove from the Building all personal property located therein, and may store the same in any place selected by Lessor, including but not limited to a public warehouse, at the expense and risk of the owners thereof, with the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, the proceeds of such sale to be applied first to the cost of such sale, second to the payment of the charges for storage, if any, and third to the payment of any other sums of money which may then be due from Lessee to Lessor under any of the terms hereof, the balance, if any, to be paid to Lessee.

25. **DEPOSIT AND DAMAGES.** Termination of this Lease by Lessor for breach of any term or condition hereof by Lessee shall not discharge any obligation due to Lessor damages hereunder or for rent as result of a violation or default of the covenants, terms and conditions of Section 2 and Section 4 of this Lease. Any deposit held by or in trust for Lessor as security for the fulfillment of the terms of this Lease by Lessee may, at Lessor's option, be applied to the last maturing rental installments hereunder, or to the satisfaction of any other obligation of Lessee under this Lease.

26. **LESSOR AND LESSEE DEFINED.** The words "Lessor" and "Lessee" shall be construed in conformity with the number and nature of Lessor and Lessee herein, and this Lease shall bind and inure to the benefits of the successors in interest of both parties.

27. **TIME OF THE ESSENCE.** Time is hereby declared to be of the essence of each and every provision hereof; and no waiver of any breach of any condition or covenant shall waive any such condition or covenant or future breach thereof, or this covenant as to time.

28. **LIABILITY INSURANCE AND INDEMNIFICATION**

28.1 **Acquisition of Insurance Policies.** Lessee shall, at its sole cost and expense, procure and maintain, or cause to be procured and maintained, and shall have proof of for Lessor's review during the entire Term the insurance described in this Section 28 (or its then available equivalent), which insurance shall be subject to Lessor's review and approval, which approval shall not be unreasonably withheld, and shall name Lessor as an additional insured. Policy limits, coverages and deductibles shall be reviewed annually and may be adjusted if prudent, considering levels of inflation, risk of loss, premium expenses, ordinances and laws and other relevant factors. Any dispute regarding policy limits shall be resolved by arbitration as provided in Section 22 hereof; provided, however, that the amount of property damage insurance which Lessee shall maintain with respect to the Building shall never be less than greater of the full replacement cost of the Building under then existing ordinances and laws, as required in accordance with Section 28.2 hereof, or the cost to pay or satisfy all indebtedness authorized pursuant to Ordinance No. 313 and related to the Building. Lessee shall require all organizations or entities providing services at or to the Building to name the Lessor as an additional insured, and if requested to provide certificates of insurance.

28.2 **Types of Required Insurance.** Lessee shall procure and maintain the following:

(a) **General Liability Insurance.** General liability insurance insuring against injuries or damages to persons or property sustained in, on or about the Building and the appurtenances thereto, including the sidewalks and alleyways adjacent thereto, with limits of liability no less than the following, and further, shall contain a provision indemnifying Lessor against any persons claiming injuries or damages:

Bodily Injury and Property Damage Liability Premises/Operations, Products/Completed Operations, Personal and Advertising Injury, Contractual, Owners and Contractors Protective Liability Coverages, and fire legal liability and Professional Liability Coverage including, but not limited to, fire protection, emergency or other professional services provided on or through the Building with limits of liability of no less than One Million Dollars (\$1,000,000) each occurrence and Two Million Dollars (\$2,000,000) annual aggregate.

(b) **Automobile Liability Insurance.** Automobile bodily injury and property damage liability covering all owned, non-owned, and hired vehicles with limits of liability no less than One Million Dollars (\$1,000,000) each occurrence (no aggregate applicable).

(c) Umbrella Liability Insurance. Umbrella liability insurance in the amount of Five Million Dollars (\$5,000,000).

(d) Physical Property Damage Insurance. Physical damage insurance covering all real and personal property, including business personal property, business interruption/extra expense, and building ordinances and law coverages located on or in, or constituting a part of, the Building, in an amount equal to at least one hundred percent (100%) of the new replacement cost of all such property (or such lesser amount as Lessor may approve in writing). Lessee shall not be required to maintain insurance for war risks, earthquake, or flood risks.

(e) Builder's Risk Insurance. During any subsequent restorations, alterations or changes in the Building that may be made by Lessee at a cost in excess of Fifty Thousand Dollars (\$50,000) per job, builder's risk insurance upon the entire work on the Building to the current one hundred percent (100%) replacement value thereof against "all risks" of physical loss or damage to the property insured including earthquake and/or other earth movements and flood.

(f) Worker's Compensation Insurance. Worker's compensation and employer's liability insurance, or the equivalent, for any injury to or disease of any employee of Lessee.

28.3 Terms of Insurance. The policies of insurance shall:

(a) Be written as primary policies not contributing with and not in excess of coverage that Lessor may carry.

(b) Contain an endorsement providing that the amount of coverage shall not be reduced, modified, or canceled except after thirty (30) days' prior written notice from insurance company to Lessor.

(c) Expressly provide that Lessor shall not be required to give notice of accidents or claims and that Lessor shall have no liability for premiums.

(d) Be written by insurance companies having a rating of "A" or better, and such insurance companies shall be reasonably acceptable to Lessor.

28.4 Lessor's Acquisition of Insurance. If Lessee at any time during the Term fails to procure or maintain insurance required hereunder or to pay the premiums therefor, Lessor shall have the right to procure the same and to pay any and all premiums thereon, and any amounts paid by Lessor in connection with the acquisition of insurance shall be immediately due and payable as additional rent, and Lessee shall pay to Lessor upon demand the full amount so paid and expended by Lessor, together with interest thereon at the rate provided for herein from the date of such expenditure by Lessor until repayment thereof by Lessee. Any policies of insurance obtained by Lessor covering physical damage to the Building shall contain a waiver of subrogation against Lessee if and to the extent such waiver is obtainable and if Lessee pays to Lessor on demand the additional costs, if any, incurred in obtaining such waiver.

28.5 Application of Insurance Money. All insurance money or condemnation proceeds shall be applied to pay the cost of repairing, restoring, replacing and/or rebuilding the Building as provided in Section 28.6 hereof.

28.6 Application of Proceeds of Physical Damage Insurance. In case of any insurance policies as described in Section 28.2(d) (Physical Property Damage Insurance) the application of insurance proceeds from damage or loss to property shall be applied to the cost of such repair, replacement, restoration or rebuilding of the Building pursuant to Section 6 of this Lease. Any amounts payable to Lessee or any agent of Lessee for work or services performed or materials provided as part of any such repair, replacement, restoration or rebuilding shall not exceed competitive rates for such services or materials and Lessee shall, upon request of Lessor, make available to Lessor and its representatives in Spokane County, Washington all books and records of Lessee relating to such work, services and materials.

28.7 Insurance Surveyor. The determinations required under this Section 28 shall be made by an independent qualified insurance appraiser selected by the parties, whose decision shall not be subject to arbitration. If the parties cannot agree on the insurance appraiser within thirty (30) days after the date of such damage or destruction, then the same shall be appointed by the Presiding Judge of the Superior Court of Spokane, Washington upon the application of either party.

28.8 Waiver of Subrogation. Lessor and Lessee hereby release each other from any and all liability or responsibility (to the other or anyone claiming *through* or under them by way of subrogation or otherwise) for any loss or damage to real or personal property on the Building caused by fire or any other insured peril, even if such fire or other casualty shall have been caused by the fault or negligence of the other party or anyone for whom such party may be responsible, to the extent insurance proceeds are available from such fire or insured peril. Lessee shall indemnify Lessor for any loss due to the fault or negligence of Lessee. Lessor and Lessee shall each procure insurance policies with such a waiver of subrogation and with a clause or endorsement to the effect that any such release shall not adversely affect or impair said policies or prejudice the right of the releasor to recover thereunder; provided, however, if policies with such a clause or endorsement shall not be obtainable or shall be obtainable only at a premium over that chargeable without such waiver (any dispute regarding which shall be subject to arbitration pursuant to Section 22 of this Lease), the party seeking such policy shall notify the other thereof, and the latter shall have ten (10) days thereafter either (a) to procure such insurance from companies reasonably satisfactory to the other party or (b) to agree to pay such additional premium. If neither (a) nor (b) are done, this section shall have no effect during such time as such policies shall not be obtainable or the party in whose favor a waiver of subrogation is desired shall refuse to pay the additional premium. If such policies shall at any time be unobtainable, but shall be subsequently obtainable, neither party shall be subsequently liable for a failure to obtain such insurance until a reasonable time after notification thereof by the other party.

29. **SUBORDINATION.** Without the necessity of any additional document being executed by Lessee for the purpose of effecting a subordination, Lessee agrees that this Lease shall not be subject and subordinate to the lien of any mortgage or deed of trust that may now exist or hereafter be executed in any amount for which the Building or real property, or Lessor's interest in any of said items is specified as security

30. **LESSEE'S CERTIFICATES.** Lessee, at any time and from time to time upon not less than ten (10) days' prior written notice from Lessor, will execute, acknowledge and deliver to Lessor a certificate of Lessee stating: (a) that Lessee has accepted the Building (or, if Lessee has not done so, that Lessee has not accepted the Building and specifying the reasons therefor), (b) the commencement and expiration dates of this Lease, (c) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that same is in full force and effect as modified and stating the modifications), (d) whether or not there are then existing any defenses against the enforcement of any of the obligations of Lessee under this Lease (and, if so, specifying same), (e) whether or not there are then existing any defaults by Lessor in the performance of its obligations under this Lease (and, if so, specifying same), (f) charges under this Lease have been paid, and (g) any other information that may reasonably be required by any of such persons. It is intended that any such certificate of Lessee delivered pursuant to this section may be relied upon by Lessor.

31. **ENVIRONMENTAL COVENANT AND INDEMNITY.** Lessee shall not dispose of or otherwise allow the release of any hazardous waste or materials in, on or under the Building, or any adjacent property, or in any improvements placed on the Building. Lessee represents and warrants to Lessor, that Lessee's intended use of the Building does not involve the use, production, disposal or bringing on to the Building of any hazardous waste or materials. As used herein, the term "hazardous waste or materials" includes any substance, waste or material defined or designated as hazardous, toxic or dangerous (or any similar term) by any federal, state or local statute, regulation, rule or ordinance now or hereafter in effect, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. sec 9601 *et seq.*, and the Model Toxics Control Act, RCW 70.105D. Lessee shall promptly comply with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, treatment, disposal, storage, control, removal or cleanup of hazardous waste or materials in, on or under the Building or any adjacent property, or incorporated in any improvements, at Lessee's expense. After notice to Lessee and a reasonable opportunity for Lessee to effect such compliance, Lessor may, but is not obligated to, enter upon the Building and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest in the Building. Whether or not Lessee has actual knowledge of the release of hazardous waste or materials on the Building or any adjacent property as the result of Lessee's use of the Building, Lessee shall reimburse Lessor for the full amount of all costs and activities, and such obligation shall continue even after the termination of this Lease. Lessee shall notify Lessor immediately of any release of any hazardous waste or materials on the Building.

Lessee agrees to indemnify and hold harmless Lessor against any and all losses, liabilities, suits, obligations, fines, damages, judgments, penalties, claims, charges, clean-up

costs, remedial actions, costs and expenses (including, without limitation, consultants' fees, attorneys' fees and disbursements) that may be imposed on, incurred or paid by, or asserted against Lessor or the Property by reason of, or in connection with the acts or omissions, resulting in the release of any hazardous waste or materials by Lessee or other person for whom Lessee would otherwise be liable.

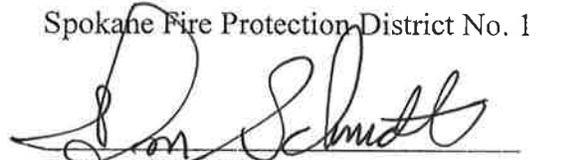
Lessor agrees to indemnify and hold harmless Lessee against any and all losses, liabilities, suits, obligations, fines, damages, judgments, penalties, claims, charges, clean-up costs, remedial actions, costs and expenses (including, without limitation, consultants' fees, attorneys' fees and disbursements) that may be imposed on, incurred or paid by, or asserted against Lessee or the Property by reason of, or in connection with the acts or omissions, resulting in the release of any hazardous waste or materials by Lessor or other person for whom Lessor would otherwise be liable.

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written.

LESSOR:
Town of Millwood


JEANNIE BATSON
Mayor

LESSEE:
Spokane Fire Protection District No. 1


RON SCHMIDT
Chairman of the Board of Commissioners


JOE DAWSON
Commissioner


KOLBY HANSEN
Commissioner


BILL ANDERSON
Commissioner


MONTE NESBITT
Commissioner

STATE OF WASHINGTON)
) ss.
County of Spokane)

On this 21 day of July, 2004 before me personally appeared JEANNIE BATSON, to me known to be the Mayor of the Town of Millwood, the municipal corporation that executed the foregoing instrument, and acknowledged it to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned; and on oath stated that she is authorized to execute said instrument for and on behalf of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Eva L. Colomb

NOTARY PUBLIC in and for said County and State, residing at Spokane
My appointment expires 1-11-07

STATE OF WASHINGTON)
) ss.
County of Spokane)

On this 21 day of July, 2004 before me personally appeared RON SCHMIDT, to me known to be the Chairman of the Board of Fire Commissioners of the Spokane County Fire Protection District No. 1, the municipal corporation that executed the foregoing instrument, and acknowledged it to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned; and on oath stated that he is authorized to execute said instrument for and on behalf of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.



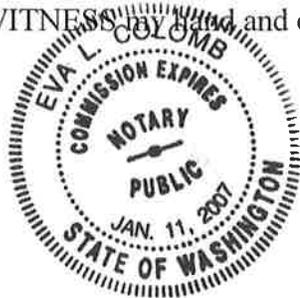
Eva L. Colomb

NOTARY PUBLIC in and for said County and State, residing at Spokane
My appointment expires 1-11-07

STATE OF WASHINGTON)
) ss.
County of Spokane)

On this 21 day of July, 2004 before me personally appeared JOE DAWSON, to me known to be a Commissioner on the Board of Fire Commissioners of the Spokane County Fire Protection District No. 1, the municipal corporation that executed the foregoing instrument, and acknowledged it to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned; and on oath stated that he is authorized to execute said instrument for and on behalf of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Eva L. Colomb

NOTARY PUBLIC in and for said County and State, residing at Spokane
My appointment expires 1-11-07

STATE OF WASHINGTON)
) ss.
County of Spokane)

On this 21 day of July, 2004 before me personally appeared KOLBY HANSEN, to me known to be a Commissioner on the Board of Fire Commissioners of the Spokane County Fire Protection District No. 1, the municipal corporation that executed the foregoing instrument, and acknowledged it to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned; and on oath stated that he is authorized to execute said instrument for and on behalf of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.



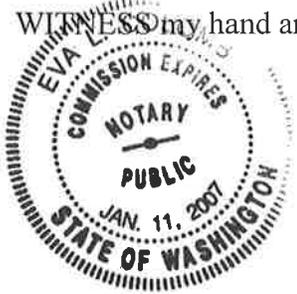
Eva L. Colomb

NOTARY PUBLIC in and for said County and State, residing at Spokane
My appointment expires 1-11-07

STATE OF WASHINGTON)
) ss.
County of Spokane)

On this 21 day of July, 2004 before me personally appeared BILL ANDERSON, to me known to be a Commissioner on the Board of Fire Commissioners of the Spokane County Fire Protection District No. 1, the municipal corporation that executed the foregoing instrument, and acknowledged it to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned; and on oath stated that he is authorized to execute said instrument for and on behalf of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Eva L. Colomb
NOTARY PUBLIC in and for said County and State, residing at Spokane
My appointment expires 1-11-07

STATE OF WASHINGTON)
) ss.
County of Spokane)

On this 21 day of July, 2004 before me personally appeared MONTE NESBITT, to me known to be a Commissioner on the Board of Fire Commissioners of the Spokane County Fire Protection District No. 1, the municipal corporation that executed the foregoing instrument, and acknowledged it to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned; and on oath stated that he is authorized to execute said instrument for and on behalf of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Eva L. Colomb
NOTARY PUBLIC in and for said County and State, residing at Spokane
My appointment expires 1-11-07

H:\Clients\Millwood\Millwood Fire Protection Contract\StationLease (7-21-04).doc

EXHIBIT A

EXHIBIT B

TOWN OF MILLWOOD
SPOKANE COUNTY, WASHINGTON

Ordinance #313

October 23, 2001

AN ORDINANCE of the Town of Millwood, Washington, relating to contracting indebtedness; providing for the issuance, specifying the maturities, interest rates, terms and covenants of \$835,000 par value of Unlimited Tax General Obligation Bonds, 2001, authorized by the qualified voters of the Town at a special election held therein pursuant to Ordinance No. 311; establishing a bond redemption fund and a capital projects fund; and approving the sale and providing for the delivery of the bonds to D.A. Davidson & Co.

WHEREAS, the Town of Millwood, Washington (the "Town"), is in need of acquiring a fire truck and fire-fighting equipment, and acquiring, constructing and installing a new fire station and carrying out other capital purposes as determined by the Town Council (as further defined herein, the "Project") and the Town does not have sufficient funds available for that purpose to meet the estimated cost of the Project; and

WHEREAS, on June 19, 2001, the Town issued its \$600,000 General Obligation Bond Anticipation Notes, 2001 (the "Notes"), to finance a portion of the Project pending the submission of a proposition to its voters to issue bonds for such purposes; and

WHEREAS, on September 18, 2001, the Town's voters approved a ballot proposition authorizing the Town to acquire a fire truck and fire-fighting equipment, to acquire, construct and install a new fire station, to issue no more than \$835,000 of general obligation bonds, maturing within 20 years, and to levy annual excess property taxes to pay and retire the bonds, all as provided in Ordinance No. 311 of the Town; NOW, THEREFORE,

BE IT ORDAINED BY THE COUNCIL OF THE TOWN OF MILLWOOD, WASHINGTON, as follows:

Section 1. Authorization of Bonds Pursuant to Election. The Town shall issue and sell the total \$835,000 par value of negotiable general obligation bonds authorized by the qualified voters of the Town at a special election held on September 18, 2001, in conjunction with the State primary election held on the same date, pursuant to Ordinance No. 311 passed and approved on July 31, 2001, for the purpose of paying the cost of (i) acquiring a fire truck and fire-fighting equipment, (ii) acquiring, constructing and installing a new fire station, (iii) carrying out other capital purposes as determined by the Town Council and consistent with Ordinance No. 311, (iv) all necessary furniture, equipment and appurtenances (the items listed in clauses (i) through (iv) are referred to as the "Project"), and (v) engineering, planning, financial, legal and other services lawfully incurred incident to the Project. The proceeds of the Bonds also may be used to (i) pay costs related to the sale, issuance and delivery of the Bonds, and (ii) pay the principal of and, to the extent a capital expenditure, interest on the Notes (as defined in the recitals hereto).

Section 2. Description of Bonds. The bonds shall be called Unlimited Tax General Obligation Bonds, 2001, of the Town (the "Bonds"); shall be in the aggregate principal amount of \$835,000; shall be dated November 1, 2001; shall be in the denomination of \$5,000 or any integral multiple thereof within a single maturity; shall be numbered separately in the manner and with any additional designation as the Bond Registrar (collectively, the fiscal agent and co-fiscal agent of the State of Washington) deems necessary for purposes of identification; shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on each June 1 and December 1, commencing June 1, 2002, to the maturity or earlier redemption of the Bonds; and shall mature on December 1 in years and amounts and bear interest at the rates per annum as follows:

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Maturity Years	Amounts	Interest Rates	Maturity Years	Amounts	Interest Rates
2002	\$25,000	4.00%	2011	\$50,000	4.40%
2003	35,000	4.00	2012	50,000	4.50
2004	40,000	4.00	2013	55,000	4.60
2005	40,000	4.00	2014	60,000	4.75
2006	40,000	4.00	2015	60,000	4.85
2007	40,000	4.00	2016	65,000	5.00
2008	45,000	4.00	2017	65,000	5.00
2009	45,000	4.20	2018	70,000	5.10
2010	50,000	4.25			

The life of the capital facilities to be acquired with the proceeds of the Bonds exceeds the term of the Bonds.

Section 3. Registration and Transfer of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on books or records maintained by the Bond Registrar (the "Bond Register"). The Bond Register shall contain the name and mailing address of the owner of each Bond and the principal amount and number of each of the Bonds held by each owner. The Town hereby adopts the system of registration specified and adopted by Washington State in its fiscal agency contract with the Bond Registrar, as such contract may be amended or renewed from time to time.

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal payment or redemption date.

The Bonds initially shall be registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of a Blanket Issuer Letter of Representations with DTC substantially in the form on file with the Town Clerk-Treasurer (the "Clerk-Treasurer") and by this reference made a part hereof (as it may be amended from time to time, the "Letter of Representations"). To induce DTC to accept the Bonds as eligible for deposit at DTC, the Town approves the Letter of Representations. The Clerk-Treasurer is authorized and directed to execute and deliver the Letter of Representations, on behalf of the Town, to DTC on or before the date of delivery of the Bonds to the purchaser thereof and the payment therefor, with such changes as the Clerk-Treasurer deems to be in the best interest of the Town, and her execution and delivery of the Letter of Representations shall evidence irrevocably the approval of the Letter of Representations by the Town. Neither the Town nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal or interest on the Bonds, or any notice that is permitted or required to be given to registered owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC).

For as long as any Bonds are held in fully immobilized form, DTC, its nominee or its successor depository shall be deemed to be the registered owner for all purposes hereunder and all references to registered owners, bondowners, bondholders or the like shall mean DTC or its nominee and shall not mean the owners of any beneficial interests in the Bonds. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of DTC or its nominee, if that successor shall be qualified under any applicable laws to provide the services proposed to be provided by it; (ii) to any substitute depository appointed by the Town or such substitute depository's successor; or (iii) to any person if the Bonds are no longer held in immobilized form.

TOWN OF MILLWOOD
SPOKANE COUNTY, WASHINGTON

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Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the Town that it no longer wishes to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Town may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

If (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the Town determines that the Bonds are to be in certificated form, the ownership of Bonds may be transferred to any person as provided herein and the Bonds no longer shall be held in fully immobilized form.

Section 4. Payment of Bonds. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by checks or drafts of the Bond Registrar mailed on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date or, if requested in writing by a registered owner of \$100,000 or more in principal amount of Bonds prior to the applicable record date, by wire transfer on the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners at either of the principal offices of the Bond Registrar at the option of the owners. Notwithstanding the foregoing, as long as the Bonds are registered in the name of DTC or its nominee, payment of principal of and interest on the Bonds shall be made in the manner set forth in the Letter of Representations.

Section 5. Redemption Provisions and Open Market Purchase of Bonds. Bonds maturing in the years 2002 through 2011, inclusive, shall be issued without the right or option of the Town to redeem those Bonds prior to their stated maturity dates. The Town reserves the right and option to redeem the Bonds maturing on or after December 1, 2012, prior to their stated maturity dates at any time on or after December 1, 2011, as a whole or in part (within one or more maturities selected by the Town and randomly within a maturity in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date fixed for redemption.

Portions of the principal amount of any Bond, in installments of \$5,000 or any integral multiple thereof, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond at either of the principal offices of the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at the option of the registered owner) of the same maturity and interest rate in any of the denominations authorized by this ordinance in the aggregate principal amount remaining unredeemed.

The Town further reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price acceptable to the Town plus accrued interest to the date of purchase.

All Bonds purchased or redeemed under this section shall be cancelled.

Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, selection of Bonds for redemption shall be in accordance with the Letter of Representations.

Section 6. Notice of Redemption. The Town shall cause notice of any intended redemption of Bonds to be given not less than 30 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the owner of any Bond. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call. In addition, the redemption notice shall be mailed within the same period, postage prepaid, to D.A. Davidson & Co., at its principal office in Spokane, Washington, or its successor, and to such other persons and with such additional information as the Clerk-Treasurer shall determine,

TOWN OF MILLWOOD
SPOKANE COUNTY, WASHINGTON

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October 23, 2001

but these additional mailings shall not be a condition precedent to the redemption of Bonds. Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, notice of redemption shall be given in accordance with the Letter of Representations.

Section 7. Failure to Redeem Bonds. If any Bond is not redeemed when properly presented at its maturity or call date, the Town shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the bond redemption fund hereinafter created and the Bond has been called for payment by giving notice of that call to the registered owner thereof.

Section 8. Pledge of Taxes. For as long as any of the Bonds are outstanding, the Town irrevocably pledges to levy taxes annually without limitation as to rate or amount on all of the taxable property within the Town in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds, and the full faith, credit and resources of the Town are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

Section 9. Form and Execution of Bonds. The Bonds shall be printed or lithographed on good bond paper in a form consistent with the provisions of this ordinance and state law, shall be signed by the Mayor and Clerk-Treasurer, either or both of whose signatures may be manual or in facsimile, and the seal of the Town or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a Certificate of Authentication in the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance:

CERTIFICATE OF AUTHENTICATION

This Bond is one of the fully registered Town of Millwood, Washington, Unlimited Tax General Obligation Bonds, 2001, described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENT
Bond Registrar

By _____
Authorized Signer

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

If any officer whose facsimile signature appears on the Bonds ceases to be an officer of the Town authorized to sign bonds before the Bonds bearing his or her facsimile signature are authenticated or delivered by the Bond Registrar or issued by the Town, those Bonds nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the Town as though that person had continued to be an officer of the Town authorized to sign bonds. Any Bond also may be signed on behalf of the Town by any person who, on the actual date of signing of the Bond, is an officer of the Town authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

Section 10. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the Town at all times. The Bond Registrar is authorized, on behalf of the Town, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the Town's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance.

TOWN OF MILLWOOD
SPOKANE COUNTY, WASHINGTON

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The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Bond owners.

Section 11. Preservation of Tax Exemption for Interest on Bonds. The Town covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the Town treated as proceeds of the Bonds at any time during the term of the Bonds, which will cause interest on the Bonds to be included in gross income for federal income tax purposes. The Town certifies that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

Section 12. Small Governmental Issuer Arbitrage Rebate Exception and Designation of Bonds as "Qualified Tax-Exempt Obligations." The Town finds and declares that (a) it is a duly organized and existing governmental unit of the State of Washington and has general taxing power; (b) no Bond that is part of this issue of Bonds is a "private activity bond" within the meaning of Section 141 of the United States Internal Revenue Code of 1986, as amended (the "Code"); (c) at least 95% of the net proceeds of the Bonds will be used for local governmental activities of the Town (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Town); (d) the aggregate face amount of all tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) issued by the Town and all entities subordinate to the Town (including any entity that the Town controls, that derives its authority to issue tax-exempt obligations from the Town, or that issues tax-exempt obligations on behalf of the Town) during the calendar year in which the Bonds are issued is not reasonably expected to exceed \$5,000,000; and (e) the amount of tax-exempt obligations, including the Bonds, designated by the Town as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Bonds are issued does not exceed \$10,000,000. The Town therefore certifies that the Bonds are eligible for the arbitrage rebate exception under Section 148(f)(4)(D) of the Code and designates the Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

Section 13. Refunding or Defeasance of the Bonds. The Town may issue refunding bonds pursuant to the laws of the State of Washington or use money available from any other lawful source to pay when due the principal of and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund or defease all such then-outstanding Bonds (hereinafter collectively called the "defeased Bonds") and to pay the costs of the refunding or defeasance. If money and/or "government obligations" (as defined in chapter 39.53 RCW, as now or hereafter amended) maturing at a time or times and bearing interest in amounts (together with money, if necessary) sufficient to redeem and retire, refund or defease the defeased Bonds in accordance with their terms are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance of defeased Bonds (hereinafter called the "trust account"), then all right and interest of the owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. The owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account. The Town shall include in the refunding or defeasance plan such provisions as the Town deems necessary for the random selection of any defeased Bonds that constitute less than all of a particular maturity of the Bonds, for notice of the defeasance to be given to the owners of the defeased Bonds and to such other persons as the Town shall determine, and for any required replacement of Bond certificates for defeased Bonds. The defeased Bonds shall be deemed no longer outstanding, and the Town may apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine.

If the Bonds are registered in the name of DTC or its nominee, notice of any defeasance of Bonds shall be given to DTC in the manner prescribed in the Letter of Representations for notices of redemption of Bonds.

TOWN OF MILLWOOD
SPOKANE COUNTY, WASHINGTON

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Section 14. Bond Fund and Deposit of Bond Proceeds. There is created and established in the office of the Clerk-Treasurer a special fund designated as the Unlimited Tax General Obligation Bond Fund (the "Bond Fund"). Accrued interest on the Bonds, if any, received from the sale and delivery of the Bonds shall be paid into the Bond Fund. All taxes collected for and allocated to the payment of the principal of and interest on the Bonds shall be deposited in the Bond Fund.

Pursuant to Ordinance No. 309 of the Town, there has been created and established in the office of the Clerk-Treasurer a special fund designated as the General Obligation Note Fund, 2001 (the "Note Fund"), into which the Town has covenanted to deposit all money allocated by the Town to the payment of the principal of and interest on the Notes, and from which the Town has covenanted to pay the principal of and interest on the Notes. That portion of the principal proceeds received from the sale and delivery of the Bonds that is necessary, together with other legally available money, to pay the principal of and interest on the Notes at their maturity shall be paid into the Note Fund. Money on deposit in the Note Fund shall be invested in "government obligations" (as defined in chapter 39.53 RCW) maturing at a time or times and bearing interest in amounts sufficient to pay the principal of and interest on the Notes at their maturity.

Pursuant to Ordinance No. 309 of the Town, there also has been created and established in the office of the Clerk-Treasurer a special fund designated as the Fire Department Capital Projects Fund, or such other designation that the Town's Treasurer deems desirable (the "Capital Projects Fund"). The remaining principal proceeds and premium, if any, received from the sale and delivery of the Bonds shall be paid into the Capital Projects Fund and used for the purposes specified in Section 1 of this ordinance. Until needed to pay the costs of the Project and costs of issuance of the Bonds, the Town may invest principal proceeds temporarily in any legal investment, and the investment earnings may be retained in the Capital Projects Fund and be spent for the purposes of that fund except that earnings subject to a federal tax or rebate requirement may be withdrawn from the Capital Projects Fund and used for those tax or rebate purposes.

Section 15. Approval of Bond Purchase Contract. D.A. Davidson & Co. of Spokane, Washington, has presented a purchase contract (the "Bond Purchase Contract") to the Town offering to purchase the Bonds under the terms and conditions provided in the Bond Purchase Contract, which written Bond Purchase Contract has been presented to the Town Council, is on file with the Clerk-Treasurer and is incorporated herein by this reference. The Town Council finds that entering into the Bond Purchase Contract is in the Town's best interest and therefore accepts the offer contained therein and authorizes its execution by Town officials.

The Bonds will be printed at Town expense and will be delivered to the purchaser in accordance with the Bond Purchase Contract, with the approving legal opinion of Foster Pepper & Shefelman PLLC, municipal bond counsel, regarding the Bonds. Bond counsel shall not be required to review any official statement, offering circular or other sales or disclosure material issued or used in connection with the Bonds.

The proper Town officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the purchaser and for the proper application and use of the proceeds of the sale thereof.

TOWN OF MILLWOOD
SPOKANE COUNTY, WASHINGTON

Ordinance #313

October 23, 2001

Section 16. Effective Date. This ordinance shall take effect immediately. The Clerk-Treasurer is directed to cause a summary of this ordinance to be published, as required by law.

ADOPTED by the Town Council of the Town of Millwood, Washington, at a continued regular meeting thereof initially held on October 1, 2001, and continued to this 23rd day of October, 2001.

TOWN OF MILLWOOD, WASHINGTON



Mayor

ATTEST:



Town Clerk-Treasurer

(SEAL)

TOWN OF MILLWOOD
SPOKANE COUNTY, WASHINGTON

Ordinance #313

October 23, 2001

CERTIFICATION

I, the undersigned, Town Clerk-Treasurer of the Town of Millwood, Washington, (the "Town"), hereby certify as follows:

1. The attached copy of Ordinance No. 313 (the "Ordinance") is a full, true and correct copy of an ordinance duly adopted at a continued regular meeting of the Town Council held at the regular meeting place thereof on October 23, 2001, as that ordinance appears on the Town Council's minute books; and the Ordinance is now in full force and effect; and

2. The Town Council adjourned and continued its regular meeting held on October 1, 2001, to 5:30 p.m. on October 23, 2001, in the Town Council's chambers (as specified in the order of adjournment/continuance of regular meeting, a true and complete copy of which is attached hereto); and

3. I caused a written copy of the order of adjournment/continuance of regular meeting to be conspicuously posted immediately after the time of the adjournment on or near the door of the place where the regular meeting was held; and

4. A quorum of the members of the Town Council was present throughout the meeting and a majority of those members present voted in the proper manner for the adoption of the Ordinance.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of October, 2001.

TOWN OF MILLWOOD, WASHINGTON

Eva L. Colomb

Town Clerk-Treasurer