

GROUND LEASE

BETWEEN

TOWN OF MILLWOOD

LESSOR

AND

SPOKANE COUNTY FIRE DISTRICT NO. 1

LESSEE

DATED AS OF JULY 16, 2004

## LEASE

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

Tenant desires to lease from Landlord, and Landlord agrees to lease to Tenant, certain real property located in Millwood, Washington, upon which Tenant will maintain and operate a fire station for public purposes (the "Building") for the term and on the conditions set forth herein. Tenant, on even date herewith, has executed a separate lease for the Building ("Building Lease").

NOW, THEREFORE, Landlord and Tenant hereby agree:

### Section 1

#### PROPERTY AND TERM

1.1 Description. For and in consideration of Tenant's covenant to pay the rental and other sums provided for herein, and the performance of the other obligations of Tenant hereunder, Landlord leases to Tenant, and Tenant leases from Landlord, that certain property (the "Property") situated in the Town of Millwood, County of Spokane, State of Washington as described in Exhibit A attached hereto and incorporated herein by this reference.

(a) Reservation of Easement. Landlord reserves unto itself an easement on that certain portion of the Property as described in Exhibit B attached hereto and incorporated herein by this reference ("Easement"). The parties agree to execute and record documents reflecting the Easement.

(b) Parking for the Property. Tenant shall be entitled to the use of the five (5) parking stalls and 1 (one) handicapped parking stall located to the south of the Property on the public East Frederick right-of-way, which shall be the sole and exclusive source for parking of vehicles, trailers, or other similar property for the Property. The Landlord agrees to execute and record any documents necessary to reflect the Tenant's entitlement to such parking for the Property. In the event that such parking for the Property is not available, then Landlord shall make reasonable accommodations to provide equivalent parking for the Property.

(c) Care of Property. Subject to the terms specifically set forth herein, Tenant shall keep and maintain the Property neat, clean, in a sanitary and good operating condition, and ensure the Property is of first-class quality. Notwithstanding anything set forth herein, the Landlord agrees to maintain any portion of the Property that is used for municipal park purposes in the Town of Millwood.

1.2 Term. The term of this Lease ("Term") shall commence on the date first hereinabove set forth. The Term shall end on the date that is 50 years after the date on which the Term commences. Unless Tenant shall have given written notice to Landlord at least 90 days prior to the end of the Term or any subsequent Term of Tenant's intent to let this Lease terminate and/or lapse, this Lease shall automatically renew for an additional 50 year Term on the same terms and conditions as set forth herein; provided, this Lease shall automatically renew for no more than two (2) additional Terms. Furthermore, should the Landlord make the Property available for sale at any time prior to the end of the Term or any

subsequent Term, Tenant shall have the right of first refusal to purchase the Property at a value to be negotiated between the parties. Tenant shall notify Landlord, in writing, of Tenant's desire to purchase the property under such circumstances. This Lease shall terminate upon Tenant's refusal to provide fire protection and emergency services to Landlord in the future, whether by contract or otherwise, for no more than the amount equal to what the Tenant would have received based on its then existing levy rate as if the Landlord was annexed into the Tenant.

1.3 Landlord's Warranties. Landlord represents and warrants that:

(a) The title to the Property is vested in Landlord, and to the best of Landlord's knowledge, subject to no defects or encumbrances.

(b) Landlord has the authority to enter into this Lease and its execution and delivery by Landlord has been duly authorized; and

(d) Tenant shall at all times during the Term of this Lease have the right to peacefully and quietly have, hold and enjoy the Property, subject to the terms of this Lease.

1.4 Tenant's Warranties. Tenant represents and warrants that:

(a) Tenant has the authority to enter into this Lease and its execution and delivery by Tenant has been duly authorized; and

(b) Tenant will occupy and maintain the Property in accordance with all of the terms and conditions of this Lease and as specifically set forth in Sections 1.1(a), 1.5 and 2.3; and

(c) Tenant will maintain the entire Property in accordance with Section 1.1(b).

1.5 Use. The Property is leased to Tenant for the purpose of maintaining and operating certain improvements (the "Improvements") consisting of the Building, together with facilities for related purposes, and appurtenant fixtures, machinery and equipment, and for no other purpose without the prior written consent of Landlord. The parties covenant and agree the Property shall be used solely for public purposes. The parties further covenant and agree the Property 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.

## Section 2

### RENTAL

2.1 Rent. Tenant covenants and agrees to pay Landlord the following rent:

(a) Rent. In addition to all payments for utilities and Impositions as defined in Sections 3.1 and 3.2, Tenant shall pay as rent on the date of this Agreement, and in each year thereafter on such date, as Rent hereunder the amount of \$1.00 ("Rent").

2.2 Rent Payments. Rent and other sums to be paid by Tenant shall be payable in lawful money of the United States of America. All payments shall be made by Tenant to Landlord without notice or demand, deduction or offset at the place provided in Section 15.12, or to such other party or place as may be designated in writing hereafter by Landlord.

2.3 Operations. As a material inducement and covenant of Tenant hereunder, Tenant shall at all times during the Term of this Lease maintain the Property for a public purpose as a facility providing or in support of fire protection and emergency services. To the extent consistent with the requirements of this Section 2.3, Tenant shall use its best efforts throughout the Term of this Lease to comply with the other terms of this Lease, and to protect and enhance the value of the Property. This Section 2.3 applies to Tenant in conjunction with Section 1.5, which dictates the permitted uses of the Property.

### Section 3

#### ASSESSMENTS AND UTILITIES; TAXES; CONTEST OF IMPOSITIONS

3.1 Utilities. Tenant shall pay or cause to be paid when due, and shall indemnify, protect and hold harmless Landlord and the Property from all charges for public or private utility services to or for the Property during the Term, including without limiting the generality of the foregoing, all charges for heat, light, electricity, water, gas, telephone service, garbage collection and sewage and drainage service.

3.2 Taxes. Tenant shall pay when due each and every one of the following ("Impositions"):

(a) All real property taxes or payments in lieu thereof due with respect to the Property or any portion thereof;

(b) Taxes due or which may be due upon or with respect to the leasehold estate created by this Lease, or the rents payable or paid by Tenant to Landlord, including any business and occupation taxes, but excluding any tax measured by net income;

(c) All taxes imposed on or with respect to personal property and intangibles located in or used in connection with the Property;

(d) All assessments for public improvements or benefits which are assessed during the Term of this Lease, and similar assessments and charges with respect to the Property; and

(e) All other rents, rates and charges, excises, levies, management fees, license fees, permit fees, inspection fees and other authorization fees and other charges, in each case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character (including interest and penalties thereon), which at any time during or in respect of the Term may be assessed, levied, confirmed or imposed on or in respect of or be a lien upon the Property or any part thereof, or any estate, right or interest therein, or any occupancy, use or possession of or activity conducted on the Property or any part thereof

3.2.1 Installments. If by law any Imposition may at the option of the taxpayer be paid in installments, Tenant may exercise such option, and shall pay all such installments (and interest, if any) becoming due during the Term as the same become due (including any installment with respect to any assessment which may be payable following the Commencement Date) and shall at the end of the Term deposit with Landlord an amount sufficient to pay Tenant's pro rata share of all Impositions for the calendar year in which the Lease terminates.

3.2.2 Proof of Payment. Tenant shall furnish to Landlord, upon request, for inspection, within thirty (30) days after the date any Imposition would become delinquent (unless being contested in

conformity with Section 3.3), official receipts of the appropriate taxing authority or other proof satisfactory to Landlord evidencing the payment of such Imposition.

3.3 Permitted Contests. Tenant at its sole cost and expense may by appropriate legal proceedings conducted in good faith and with due diligence, contest the amount or validity or application, in whole or in part, of any Imposition or lien therefor, or any other lien, encumbrance or charge against the Property arising from work done or materials provided to or for Tenant, if:

(a) Such proceedings suspend the collection thereof from Landlord, Tenant and the Property, unless Tenant has furnished security as provided in subparagraph (b) of this Section 3.3;

(b) Tenant shall have furnished such security, if any, as may be required in the proceedings or is reasonably satisfactory to Landlord, and

(c) Tenant shall give Landlord reasonable notice of, and information pertaining to, such contest and regular progress reports with respect thereto.

Tenant shall indemnify, protect and hold harmless Landlord and the Property from any lien or liability with respect to any such Imposition or contest thereof, including all costs and expenses related thereto.

#### Section 4

### CONSTRUCTION OF IMPROVEMENTS

4.1 Acceptance of Property. Tenant has inspected the Property and will accept the same at the beginning of the Term in their present condition.

4.2 Review of Construction Plans. The Landlord shall have the right to review and comment on the Tenant's plans for the Property as follows:

(a) Prior to any construction of the Tenant's plans and specifications for any future Improvements, or any modification, replacement, alteration, or addition thereto which materially affects public space, the exterior of the Building or the first class quality of the Property, Landlord shall have the right to review and approve Tenant's plans and specifications (the "Plans and Specifications"). No improvement, modification, replacement, alteration, or addition for which Landlord's review and approval is to be solicited shall be constructed or conducted on the Property unless the Landlord has had an opportunity to review and approve the Plans and Specifications therefor. Landlord's approval shall not be unreasonably withheld. Landlord shall be invited to attend design meetings as an observer to allow sufficient familiarity with the drawings. Unless the Landlord notifies the Tenant that it is waiving its right to review and approve design development drawings for the Building, such drawings shall be delivered to Landlord and Landlord's consultant for review, which review and approval shall be completed within twenty (20) working days after submittal. Design development and schematic drawings shall conform with the scope of work for such drawings as established by the standards of the American Institute of Architects.

(b) Reviews and approval by Landlord under this Section 4.2 shall not be unreasonably delayed. Review and approval shall be deemed completed unless Landlord shall notify Tenant in writing within twenty (20) days, stating the reasons for delaying such review and approval. Tenant shall, upon

receipt of Landlord's reasonable notification establish a new day by which Landlord's review and approval shall be completed.

4.3 Review of Development Budget. Tenant shall furnish Landlord for its review, which shall not be unreasonably delayed, initial development cost estimates and material changes (i.e., those which either alone or in combination with other changes result in a change greater than or equal to Ten Thousand Dollars (\$10,000) in the cost estimates for the development of the Improvements). Landlord shall have twenty (20) days after receipt to review the budget.

4.4 Hold Harmless. Tenant shall indemnify, protect, defend and hold harmless Landlord and the Property from and against all claims and liabilities arising by virtue of or relating to construction of any Improvements or repairs made at any time to the Property including repairs, restoration and rebuilding and all other activities of Tenant on or with respect to the Property. If Tenant is required to defend any action or proceeding pursuant to this Section 4 to which action or proceeding Landlord is made a party, Landlord shall also be entitled to appear, defend, or otherwise take part in the matter involved, at its election, by counsel of its own choosing, and to the extent Landlord is indemnified under this Section, Tenant shall bear the cost of Landlord's defense, including attorneys fees.

4.5 Permits, Compliance With Codes. All building permits and other permits, licenses, permissions, consents and approvals required to be obtained from governmental agencies or third parties in connection with construction of any Improvements and any subsequent improvements, repairs, replacements or renewals to the Property shall be acquired as required by applicable laws, ordinances or regulations by and at the sole cost and expense of Tenant. Landlord agrees to cooperate reasonably with Tenant. Tenant shall cause all work on the Property during the Term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction.

4.6 Ownership of Improvements. During the Term of this Lease and subject to the terms of the Building Lease, any improvements constructed by Tenant including without limitation all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall be the property of Tenant. At the expiration or earlier termination of this Lease, the Improvements and all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall become the property of Landlord, subject to the security interest of any lender. The Improvements, and any alterations, additions, appurtenant fixtures, machinery and equipment shall be constructed in a first-class condition and shall be of first-class quality and shall be at all times maintained and in good operating condition.

4.7 Control and Indemnification. Notwithstanding anything to the contrary in this Lease, during the Term of this Lease, Tenant shall have exclusive control and possession of the Property, and Landlord shall have no liabilities, obligations or responsibilities whatsoever with respect thereto.

4.8 Surrender Upon Termination. Upon expiration or earlier termination of this Lease, Tenant's personal property and equipment attached to the Improvements or the Property shall become the property of the Landlord. Tenant shall surrender the Property to Landlord and any Plans and Specifications which Tenant then possesses; Tenant shall not remove any appurtenant fixtures, machinery or equipment, or any additions to or replacements thereof made during the Term of this Lease, it being the intent of the parties that upon expiration or earlier termination of this Lease, Landlord shall receive an operating Building as described in Section 1.5.

4.9 As-Built Drawings. Upon completion of any Improvements, Tenant shall deliver to Landlord one copy of an updated record set of drawings of the Improvements and an as-built survey.

4.10 Installation of Generator. Notwithstanding any other provision of this Section 4, Tenant shall be entitled to install a generator at or near the northeast corner of the Property. Tenant shall be required to obtain any necessary governmental permits, licenses, or approvals for the installation of such generator, which shall not be unreasonably denied.

## Section 5

### DAMAGE OR DESTRUCTION

5.1 Repairs, Alterations and Further Improvements - Tenants Obligation to Repair. In the event of damage to or destruction to any portion of the Property, any structures, improvements or other property as herein provided, to such an extent as to render the same untenable in whole or in a substantial part thereof or are destroyed, Tenant shall repair, replace, reconstruct or rebuild the Property, any structures, improvements or other property as herein provided. Such repair, replacement, reconstruction, or rebuilding shall be effected at Tenant's cost and expense.

5.2 Prompt Repair. Tenant shall commence to repair, replace, reconstruct or rebuild any structures, improvements or other property as herein provided within ninety (90) days and continuously carry out such repair, replacement, reconstruction or rebuilding to full completion as soon as possible, except to the extent of delays due to governmental restrictions, fire, casualty, riot, acts of God, acts of the public enemy, or other causes beyond the reasonable control of Tenant after the exercise of due diligence, including diligence in contracting, and the exercise of rights under contracts with contractors and suppliers but not including strikes, lockouts, shortages of labor or materials after due diligence in obtaining the same.

## Section 6

### INSURANCE

6.1 Acquisition of Insurance Policies. Tenant shall, at its sole cost and expense, procure and maintain, or cause to be procured and maintained, and shall have proof of for Landlord's review during the entire Term the insurance described in this Section (or its then available equivalent), which insurance shall be subject to Landlord's review and approval, which approval shall not be unreasonably withheld, and shall name Landlord 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 13.1 hereof; provided, however, that the amount of property damage insurance which Lessee shall maintain with respect to the Property 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 6.2 hereof, or the cost to pay or satisfy all indebtedness authorized pursuant to Ordinance No. 313 and related to the Property. Lessee shall require all organizations or entities providing services at or to the Property to name the Lessor as an additional insured; and if requested to provide certificates of insurance.

6.2 Types of Required Insurance. Tenant 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 Property 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 Landlord 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 the Property and services of the Tenant's Managing Agent 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 the following:

One Million Dollars (\$1,000,000) each occurrence (no aggregate applicable).

(c) Umbrella Liability Insurance. Umbrella liability insurance in the amount of Two Million Dollars (\$2,000,000).

(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 Property, 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 Property that may be made by Tenant at a cost in excess of Fifty Thousand Dollars (\$50,000) per job, builder's risk insurance upon the entire work on the Property 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 for any injury to or disease of any employee of Tenant.

6.3 Terms of Insurance. The policies of insurance described in Section 6.2 shall:

(a) Be written as primary policies not contributing with and not in excess of coverage that Landlord 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 Landlord. All references to the carrier's "endeavoring" to mail such notice and any wording purporting to release a carrier from liability for any "failure to mail" such notice shall be deleted from all certificates, policies, and endorsements.

(c) Expressly provide that Landlord shall not be required to give notice of accidents or claims and that Landlord 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 Landlord.

6.4 Landlord's Acquisition of Insurance. If Tenant at any time during the Term fails to procure or maintain insurance required hereunder or to pay the premiums therefor, Landlord shall have the right to procure the same and to pay any and all premiums thereon, and any amounts paid by Landlord in connection with the acquisition of insurance shall be immediately due and payable as additional rent, and Tenant shall pay to Landlord upon demand the full amount so paid and expended by Landlord, together with interest thereon at the rate provided in Section 15.14 hereof from the date of such expenditure by Landlord until repayment thereof by Tenant. Any policies of insurance obtained by Landlord covering physical damage to the Property shall contain a waiver of subrogation against Tenant if and to the extent such waiver is obtainable and if Tenant pays to Landlord on demand the additional costs, if any, incurred in obtaining such waiver.

6.5 Application of Insurance Money. All insurance money shall be applied as follows: First, for the purpose of defraying the cost of repairing, restoring, replacing and/or rebuilding any structure or improvement on or in the Property as provided in Section 6.6 hereof; and second, if the damaged or destroyed structure or improvement is not repaired, restored, replaced or rebuilt as hereinafter provided, said funds shall be disposed of as provided in Section 6.6. Any of said funds remaining at the end of the Term hereof shall be disposed of as set forth in Section 6.6.

6.6 Application of Proceeds of Physical Damage Insurance. In case of any insurance policies as described in Section 6.2(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 Property pursuant to Section 5 hereof. Any amounts payable to Tenant or any agent of Tenant 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 Tenant shall, upon request of Landlord, make available to Landlord and its representatives in Spokane County, Washington all books and records of Tenant relating to such work, services and materials.

6.7 Insurance Surveyor. The determinations required under this Section 6 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.

6.8 Waiver of Subrogation. Landlord and Tenant 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 Property 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. Tenant shall indemnify Landlord for any loss due to the fault or negligence of Tenant. Landlord and Tenant 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

(c) Expressly provide that Landlord shall not be required to give notice of accidents or claims and that Landlord 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 Landlord.

6.4 Landlord's Acquisition of Insurance. If Tenant at any time during the Term fails to procure or maintain insurance required hereunder or to pay the premiums therefor, Landlord shall have the right to procure the same and to pay any and all premiums thereon, and any amounts paid by Landlord in connection with the acquisition of insurance shall be immediately due and payable as additional rent, and Tenant shall pay to Landlord upon demand the full amount so paid and expended by Landlord, together with interest thereon at the rate provided in Section 15.14 hereof from the date of such expenditure by Landlord until repayment thereof by Tenant. Any policies of insurance obtained by Landlord covering physical damage to the Property shall contain a waiver of subrogation against Tenant if and to the extent such waiver is obtainable and if Tenant pays to Landlord on demand the additional costs, if any, incurred in obtaining such waiver.

6.5 Application of Insurance Money. All insurance money shall be applied as follows: First, for the purpose of defraying the cost of repairing, restoring, replacing and/or rebuilding any structure or improvement on or in the Property as provided in Section 6.6 hereof; and second, if the damaged or destroyed structure or improvement is not repaired, restored, replaced or rebuilt as hereinafter provided, said funds shall be disposed of as provided in Section 6.6. Any of said funds remaining at the end of the Term hereof shall be disposed of as set forth in Section 6.6.

6.6 Application of Proceeds of Physical Damage Insurance. In case of any insurance policies as described in Section 6.2(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 Property pursuant to Section 5 hereof. Any amounts payable to Tenant or any agent of Tenant 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 Tenant shall, upon request of Landlord, make available to Landlord and its representatives in Spokane County, Washington all books and records of Tenant relating to such work, services and materials.

6.7 Insurance Surveyor. The determinations required under this Section 6 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.

6.8 Waiver of Subrogation. Landlord and Tenant 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 Property 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. Tenant shall indemnify Landlord for any loss due to the fault or negligence of Tenant. Landlord and Tenant 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 13 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.

## Section 7

### TENANT TO COMPLY WITH LAWS

7.1 Compliance by Tenant. Tenant shall at all times during the Term of this Lease, at Tenant's sole cost and expense, perform and comply with laws, rules, orders, ordinances, regulations and requirements ("laws") now or hereafter enacted or promulgated which are applicable to the Property and the business of Tenant conducted with respect thereto.

## Section 8

### INSPECTION BY LANDLORD

8.1 Inspection of Property. Landlord and Landlord's agents and representatives shall be entitled, from time to time, upon reasonable notice to Tenant, to go upon and into the Property for the purpose of

- (a) Inspecting the same;
- (b) Inspecting the performance by Tenant of the agreements and conditions of this Lease;
- (c) Accessing any utilities servicing the Landlord; or
- (d) Enjoying or exercising the rights reserved by Landlord through any easement set forth herein.

Neither Landlord nor Landlord's agents or representatives shall assume any duty or liability with respect to the Property or their maintenance as a result of such inspection.

## Section 9

### INDEMNIFICATION

9.1 Tenant to Indemnify Landlord. Notwithstanding that joint or concurrent liability may be imposed upon Landlord by statute, ordinance, rule, regulation or order, Tenant shall upon demand indemnify, defend, hold harmless and reimburse Landlord, its officers, agents and employees from and against and for any and all liabilities, obligations, penalties, fines, suits, claims, demands, actions, costs and expenses of any kind or nature including without limitation reasonable architects', engineers', and attorneys' fees which may be imposed upon or asserted against Landlord by reason of Tenant's occupancy

and/or use of or services provided through the Property, including but not limited to the occurrence of any one or more of the following, or of facts or events which result in any one or more of the following:

(a) Tenant's Breach. Any breach, violation or non-performance of any covenant or agreement in this Lease (except to the extent arising from the non-performance or negligent performance of any covenant or obligation undertaken by Landlord under this Lease), including any failure of Tenant to maintain or renew any insurance policy required by the terms of this Lease, set forth and contained on the part of the Tenant to be fulfilled, kept, observed or performed,

(b) Occupancy, Use, and/or Services. Any accident, injury or damage to person and/or property (except to the extent arising from the non-performance or negligent performance of any covenant or obligation undertaken by Landlord under this Lease), arising from any use or occupancy of the Property which Tenant may make, permit or suffer to be made or exist, or occasioned by any use, occupancy of, or activity on the Property and/or on any sidewalk, street, alley, curb, passageway or space adjacent thereto, or any part thereof, by or for Tenant (or any resident or other subtenant, invitee, contractor, employee or agent of Tenant or any resident or other subtenant);

(c) Tenant Negligence. Any negligence or wrongful act or omission on the part of Tenant or its agents, contractors, servants, employees, licensees, sublessees or invitees, or anyone claiming through the foregoing;

(d) Tenant Work. Any work or thing done by or for Tenant in, on or about the Property and/or on any sidewalk, plaza, street, alley, curb, passageway or space adjacent thereto, or any part thereof unless performed by Landlord or its agents; or

(e) Limitation. The foregoing indemnity shall run to the parties in the capacities specified and shall not affect the rights or obligations of Landlord or its agents or officers in their individual capacities, as residents or occupants of the Building, or otherwise, except as specified herein.

9.2 Legal Proceedings. If Tenant is required to defend any action or proceeding pursuant to this Section to which action or proceeding Landlord is made a party, Landlord shall also be entitled to appear, defend, or otherwise take part in the matter involved, at its election, by counsel of its own choosing, and to the extent Landlord is indemnified under this Section 9, Tenant shall bear the cost of Landlord's defense, including attorneys fees; provided, however, Tenant shall be liable for attorney's fees only if single legal counsel (or a single firm of legal counsel) cannot represent both Landlord and Tenant without there arising an actual or potential conflict of interests.

9.3 Landlord to Indemnify Tenant. Notwithstanding that joint or concurrent liability may be imposed upon Tenant by statute, ordinance, rule, regulation or order, Landlord shall upon demand indemnify, defend, hold harmless and reimburse Tenant, its officers, agents and employees from and against and for any and all liabilities, obligations, penalties, fines, suits, claims, demands, actions, costs or expenses of any kind or nature including without limitation reasonable architects', engineers', and attorneys' fees which may be imposed upon or asserted against Tenant by reason of the Property's drainage systems into and/or complications with the well head adjacent to the east of the Property; provided, however, the rights set forth in this Section 9.3 shall apply only to the extent Tenant is not liable or responsible, in whole or part, for such liabilities, obligations, penalties, fines, suits, claims, demands, actions, costs or expenses; further provided, however, the rights set forth in this Section 9.3 shall not affect the terms and conditions set forth in Section 14 of this Lease.

## Section 10

### SUBLETTING AND ASSIGNMENT

10.1 Covenant Against Subletting. Except as otherwise provided in this Lease, Tenant shall not have the right to, directly or indirectly, sublease or sublet all or any part of the Property. The terms of this Section 10.1 shall remain in effect both during and after expiration or termination of this Agreement.

10.2 Covenant Against Assignments. Tenant shall not sell, assign or transfer this Lease, the leasehold estate it creates, or any of Tenant's rights hereunder, in whole or in part, nor shall Tenant's rights or interests under or in this Lease pass or be transferred or assigned by operation of law or otherwise. The terms of this Section 10.2 shall remain in effect both during and after expiration or termination of this Agreement.

10.3 Covenants Binding on Successors and Assigns. All of the terms, conditions and covenants of this Lease shall inure to the benefit of and be binding upon the successors and assigns of the respective parties hereto, but the provisions of this Section 10.3 shall in no way affect or derogate from the other provisions of this Section 10.

## Section 11

### LANDLORD AND TENANT TO FURNISH STATEMENT

11.1 Landlord's Statement. Landlord, within thirty (30) days after written request to Landlord from Tenant, will furnish a written statement, duly acknowledged, as to the following items:

- (a) The amount of the rent due, if any;
- (b) Whether or not the Lease is unmodified and in full force and effect (or, if there have been modifications, whether or not the same are in full force and effect as modified and identifying the modifications);
- (c) Whether or not to Landlord's actual knowledge Tenant is in default and specifying the nature of any such default; and
- (d) Such other matters as Tenant may reasonably request and which relate to the actual knowledge of Landlord.

11.2 Tenant's Statement. Tenant, within thirty (30) days after written request of the Landlord, will furnish a written statement, duly acknowledged, as to:

- (a) Whether the Lease is unmodified and in full force and effect (or, if there have been modifications, whether or not the same are in full force and effect as modified and identifying the modifications);
- (b) Whether there are any defaults thereunder on the part of Landlord to the actual knowledge of Tenant and specifying the nature of such defaults, if any; and

(c) Such other matters as Landlord may reasonably request and which relate to the actual knowledge of Tenant.

11.3 Failure to Furnish. Upon the failure of the Landlord or the Tenant, as the case may be, to furnish such statements within the said thirty (30) day period, it shall be conclusively presumed that the Lease is in full force and effect and that there are no defaults thereunder by the other party, except to the extent of facts actually known by the party to whom such statement was to be directed.

## Section 12

### DEFAULT

12.1 Event of Default. The occurrence of any of the following shall constitute an Event of Default:

(a) Payments to Landlord. Failure of Tenant to duly and punctually make any payment owing to Landlord hereunder, or to pay any Imposition or any other payment which if not paid may result in a lien on the Property (except as and to the extent permitted under Section 3.3 of this Lease), as and when the same becomes due and payable, or the failure to maintain any of the insurance coverage required hereunder or pay any of the premiums required to be paid with respect thereto, and such occurrence or failure continues for a period of thirty (30) days after notice thereof given to Tenant by Landlord;

(b) Other Covenants. Tenant or Landlord being in breach of, or Tenant or Landlord failing to perform, comply with, or observe any other term, covenant, warranty, condition, agreement or undertaking contained in or arising under this Lease other than those referred to hereinabove in this Section 12 and such failure continues for a period of thirty (30) days after notice thereof is given by the non-defaulting party to the defaulting party.

(c) Insolvency. Tenant making an assignment for the benefit of creditors, filing a petition in bankruptcy, petitioning or applying to any tribunal for the appointment of a custodian, receiver or any trustee for it or a substantial part of its assets, or commencing any proceedings under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or if there shall have been filed any such petition or application, or any such proceeding shall have been commenced against it, in which an order for relief is entered or which remains undismissed for a period of thirty (30) days or more; or Tenant by any act or omission indicating its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or any trustee for it or any substantial part of any of its properties, or suffering any such custodianship, receivership or trusteeship to continue undischarged for a period of thirty (30) days or more, Tenant being generally unable to pay its debts as such debts become due; or Tenant having concealed, removed, or permitted to be concealed or removed, any part of its property, with intent to hinder, delay or defraud its creditors or any of them, or making or suffering a transfer of any of its property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law; or suffering or permitting, while insolvent, any creditor to obtain a lien upon any of its property through legal proceedings which is not vacated within thirty (30) days from the date thereof

(d) Default of Building Lease. Violation or default of any of the covenants or agreements of the Building Lease.

12.2 Termination of Lease. In addition to all other rights and remedies available to Landlord by law or equity, Landlord may, at any time after the occurrence of any Event of Default on the part of Tenant, and while the same remains unremedied, give notice to Tenant of its intention to terminate this Lease, in which case, unless within thirty (30) days after the giving of such notice, the condition creating or upon which is based such Event of Default is cured, this Lease shall terminate as of the expiration of such thirty (30) days and Landlord may reenter upon the Property and have possession thereof, provided, however, if the Event of Default is one described in Section 12.1 (b) and is one which can be cured, but cannot with due diligence (without regard to the availability of funds or the financial condition of Tenant) be cured prior to the expiration of the period provided herein, and Tenant proceeds promptly and thereafter prosecutes with all due diligence the curing of such default, then the time for curing of such Event of Default may be extended for such period as may be necessary to complete the same with all due diligence. Notwithstanding the foregoing provisions of this Section 12.2 or the provisions of Section 12.1(b) hereof, if the asserted default is subject to arbitration pursuant hereto, and the existence of such default is being contested by the party assertedly in default, if and so long as such party is cooperating and acting in good faith to complete the arbitration proceeding with respect thereto as expeditiously as possible, the time for curing such default shall commence upon the rendering of the arbitration decision with respect thereto, or other resolution thereof, whichever occurs first; provided, however, if the matter being arbitrated is capable of performance to the extent not in dispute (e.g., the undisputed portion of money owing), performance to the extent not in dispute shall be a condition precedent to the effectiveness of this sentence.

12.3 Effect of Termination. Upon termination of the Term under this Section 12, all rights and privileges of Tenant and all duties and obligations of Landlord hereunder shall terminate. Immediately upon such termination of the Term, and without further notice to any other party, Landlord shall have the right to assert, perfect, establish and confirm all rights reverting to Landlord by reason of such termination by any means permitted by law, including the right to take possession of the Property together with all Improvements thereto, fixtures therein (including trade fixtures) and any and all capital alterations and Improvements which may be constructed upon or to the Property, with or without process of law, and to remove all personal property from the Property and all persons occupying the same and to use all necessary lawful force therefor and in all respects to take the actual, full and exclusive possession of the Property and every part thereof as Landlord's original estate, thereby wholly terminating any right, title, interest or claim of or through Tenant as to the Property or the Improvements or fixtures and alterations to the Improvements, and all personal property located on the Property, all without incurring any liability to Tenant or to any person occupying or using the Property for any damage caused or sustained by reason of such entry or such removal, except for damage resulting from Landlord's negligence in effecting such removal, and Tenant agrees to indemnify, protect and save harmless Landlord, and all employees, agents and representatives of Landlord, from all costs, loss or damage arising or occasioned thereby to Tenant, or its agents, employees, officers, guests, invitees or tenants, except as limited hereinabove.

12.4 Damages and Remedies. The exercise by either party of any remedy arising by virtue of an Event of Default shall not be considered exclusive, but either party may exercise any and all other rights or remedies provided by this Lease or by law or equity. Landlord may elect to sue Tenant hereunder without terminating this Lease. The termination of the Term pursuant to this Section 12 shall not extinguish the right of either party to collect damages arising from the breach of this Lease by the other party. Tenant shall be liable for rentals accruing up to the end of the Term specified in this Lease notwithstanding the early termination of such Term due to an Event of Default and the reentry of Landlord before the normal expiration of the Term as established herein or pursuant hereto, except that Landlord shall make reasonable and diligent efforts to rerent the Property upon such terms as it sees fit in its reasonable discretion and for a term which may expire either before or after the specified termination

date of the Term herein, and Tenant shall pay to Landlord all rent and other sums which would be payable hereunder by Tenant if no such termination and reentry had occurred.

12.5 No Offsets. Tenant shall not assert any breach of an obligation, warranty or duty of Landlord as, and no such breach shall constitute, a defense, offset, excuse or counterclaim to any obligation of Tenant hereunder, but Tenant may, subject to the other provisions of this Lease, pursue independent remedies for any such breach by Landlord.

12.6 Payment by Landlord of Tenant's Defaulted Payments. In case of default on the part of Tenant to pay any money, or do any act to satisfy any of the obligations or covenants which it is required to pay, do, or satisfy under the provisions of this Lease, Landlord may, at its option, after notice to Tenant, pay any or all such sums, or do any or all such acts which require the payment of money, or incur any expense whatsoever to remedy the failure of Tenant to perform any one or more of the covenants herein contained. Tenant shall repay the same to Landlord on demand together with interest at the rate provided in Section 15.14 hereof, such interest to be calculated from the date payment is made by Landlord.

### Section 13

#### ARBITRATION

13.1 Applicability. When so specified in this Lease, any dispute, controversy or claim arising out of this Lease shall be settled by expedited mandatory arbitration as set forth in this Section 13.

13.2 Notice of Demand. Either party may demand arbitration by notifying the other party in writing in accordance with the notice provisions of Section 15.12. The notice shall describe the reasons 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 Section 13.4.

13.3 Response. 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 in accordance with the notice provisions of Section 15.12. The response shall list the name of a second arbitrator qualified in accordance with Section 13.4. 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 Section 13.2 shall resolve the dispute, controversy or claim within thirty (30) calendar days of the deadline for response.

13.4 Qualified Arbitrator. Any arbitrator selected in accordance with Sections 13.2 and 13.3 shall be a natural person not employed by either of the parties or any parent or affiliated partnership, corporation or other enterprise thereof. Notwithstanding any other provision in this Section 13, the parties may mutually agree to the appointment of a single arbitrator.

13.5 Appointment of Third Arbitrator. If a party responds timely to a notice of demand for expedited arbitration under Section 13.3, the two arbitrators shall appoint a third arbitrator who shall be qualified in accordance with Section 13.4. 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 Section 13.3. 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.

13.6 Arbitration Hearing: Discovery: Venue. The arbitration hearing shall commence within thirty (30) calendar days of appointment of the third arbitrator as described in Section 13.5. 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 13 shall be in Spokane County, Washington.

13.7 Decision. The arbitrators' decision shall be made in no event later than ten (10) calendar days after the commencement of the arbitration hearing described in Section 13.6. 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 more prevailing party.

#### Section 14

#### ENVIRONMENTAL COVENANT AND INDEMNITY

Tenant shall not dispose of or otherwise allow the release of any hazardous waste or materials in, on or under the Property, or any adjacent property, or in any improvements placed on the Property. Tenant represents and warrants to Landlord, that Tenant's intended use of the Property does not involve the use, production, disposal or bringing on to the Property 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. Tenant 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 Property or any adjacent property, or incorporated in any improvements, at Tenant's expense. After notice to Tenant and a reasonable opportunity for Tenant to effect such compliance, Landlord may, but is not obligated to, enter upon the Property and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest in the Property. Whether or not Tenant has actual knowledge of the release of hazardous waste or materials on the Property or any adjacent property as the result of Tenant's use of the Property, Tenant shall reimburse Landlord for the full amount of all costs and activities, and such obligation shall continue even after the termination of this Lease. Tenant shall notify Landlord immediately of any release of any hazardous waste or materials on the Property.

Tenant agrees to indemnify and hold harmless Landlord 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 Landlord 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 Tenant or other person for whom Tenant would otherwise be liable.

Landlord agrees to indemnify and hold harmless Tenant 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 Tenant 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 Landlord or other person for whom Landlord would otherwise be liable.

## Section 15

### MISCELLANEOUS

15.1 No Partnerships. Nothing contained herein or in any instrument relating hereto shall be construed as creating a partnership or joint venture between Landlord and Tenant or between Landlord and any other party, or cause Landlord to be responsible in any way for debts or obligations of Tenant or any other party.

15.3 Time of the Essence. Time is hereby expressly declared to be of the essence of this Lease and of each and every term, covenant, agreement, condition and provision hereof.

15.4 Captions. The captions of this Lease and the table of contents preceding this Lease are for convenience and reference only, and are not a part of this Lease, and in no way amplify, define, limit or describe the scope or intent of this Lease, nor in any way affect this Lease.

15.5 Meaning of Terms. Words of any gender in this Lease shall be held to include any other gender and words in the singular number shall be held to include the plural when the sense requires.

15.6 Lease Construed as a Whole. The language in all parts of this Lease shall in all cases be construed as a whole according to its fair meaning and neither strictly for nor against Landlord or Tenant.

15.7 Severability. If any provision of this Lease (other than those relating to payment of rent) or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

15.8 Survival. Each provision of this Lease which may require the payment of money by, to or on behalf of Landlord or Tenant or third parties after the expiration of the Term hereof or its earlier termination shall survive such expiration or earlier termination.

15.10 Amendment. This Lease may be amended at any time by mutual agreement of the parties, documented in writing, signed by both Landlord and Tenant.

15.11 Commissions. Tenant shall save and hold Landlord harmless from any and all claims or demands, requests by real estate brokers, agents or finders with whom Tenant may have dealt in connection with this Lease.

15.12 Notices. All notices, demands, requests, or other writings in this Lease provided to be given or made or sent, or which may be given or made or sent by either party hereto to the other may be given personally or may be delivered by depositing the same in the United States mails, postage prepaid, properly addressed, and sent to the following addresses:

Landlord: Town of Millwood  
c/o Mayor  
9103 E. Frederick  
Millwood, WA 99206

Tenant: Spokane County Fire District No. 1  
c/o Fire Chief  
10319 E. Sprague  
Spokane, WA 99206

or to such other address as either party may from time to time designate by written notice to the other. Notices given by mail as aforesaid shall be deemed received and effective on the second business day following such dispatch.

15.13 Attorneys' Fees. In any proceeding or controversy associated with or arising out of this Lease or a claimed or actual breach thereof, or in any proceeding to recover the possession of the Property, the more prevailing party shall be entitled to recover from the other party as a part of prevailing party's costs, reasonable attorney's fees, the amount of which shall be fixed by the court and shall be made a part of any judgment rendered.

15.14 Interest. Except as otherwise specifically provided herein, any amounts due one party to the other pursuant to the terms of this Lease, including amounts to be reimbursed one to the other, shall bear interest from the due date or the date the right to reimbursement accrues at the legal rate; provided, however, that such rate shall not exceed, in any event, the highest rate of interest which may be charged under applicable law without the creation of liability for penalties or rights of offset or creation of defenses. For purposes of interest calculations, the due date of amounts or the date the right to reimbursement accrues shall be deemed the date that it originally was owing but may have been disputed, as distinguished from the date of final settlement or the making of a judicial or arbitration award.

15.15 Governing Law. This Lease shall be construed according to and governed by the laws of the State of Washington.

15.16 Exhibits. The Exhibits to this Lease are:

Exhibit	Description	Section Reference
A	Description of Leased Property	Sec. 1. 1
B	Description of Easement	Sec. 1. 1

15.17 Reference Date of Lease. For reference purposes, the date of this Lease shall be the date on the first page hereof, irrespective of the date Landlord or Tenant actually executes this Lease.

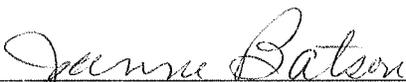
15.18 Successors and Assigns. All of the covenants, agreements, terms and conditions contained in this Lease shall inure to and be binding upon the Landlord and Tenant and their respective administrators, successors and assigns.

15.19 Entire Agreement. This Lease contains the final and complete expression of the parties relating in any manner to the leasing, use and occupancy of the Property and other matters set forth in this Lease. No prior agreements or understanding, whether written or oral, pertaining to the same shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or added to except in writing signed by Landlord and Tenant.

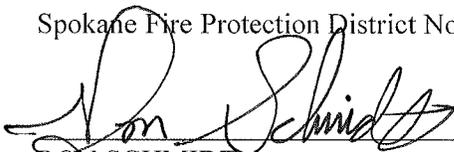
15.20 No Waiver Implied. No waiver of any default hereunder shall be implied from any omission by either party to take any action on account of such default if such default persists or is repeated and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. The acceptance by Landlord of rent with knowledge of the breach of any of the covenants of this Lease by Tenant shall not be deemed a waiver of any such breach. One or more waivers of any breach of any covenant, term or condition of this Lease shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by Landlord or Tenant, as the case may be, to or of any act by the other party requiring consent or approval, shall not be deemed to waive or render unnecessary Landlord's or Tenant's consent or approval, as the case may be, to or of any subsequent similar acts by the other party.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

LANDLORD:  
Town of Millwood

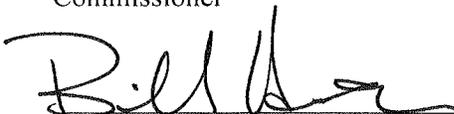
  
\_\_\_\_\_  
JEANNIE BATSON  
Mayor

TENANT:  
Spokane Fire Protection District No. 1

  
\_\_\_\_\_  
RON SCHMIDT  
Chairman of the Board of Commissioners

  
\_\_\_\_\_  
JOE DAWSON  
Commissioner

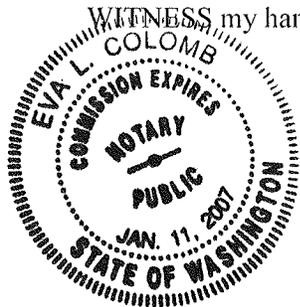
  
\_\_\_\_\_  
KOLBY HANSON  
Commissioner

  
\_\_\_\_\_  
BILL ANDERSON  
Commissioner

  
MONTE NESBITT  
Commissioner

STATE OF WASHINGTON )  
 ) ss.  
County of Spokane )

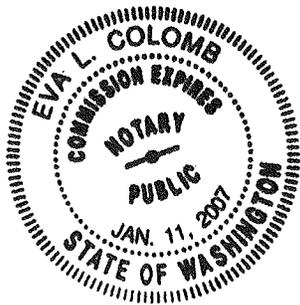
On this 21 day of July, 2004 before me personally appeared JEANNIE BATSON, to me known to be the Mayor of the Town of Millwood, the municipal corporation that executed the foregoing instrument, and acknowledged it to be the free and voluntary act and deed of said corporation for the uses and purposes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

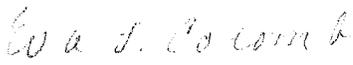


STATE OF WASHINGTON )  
 ) ss.  
County of Spokane )

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.

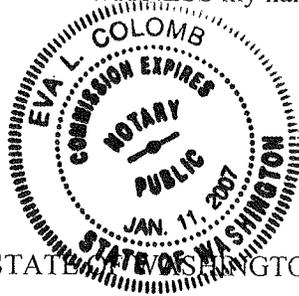


  
NOTARY PUBLIC in and for said County and State, residing at Spokane  
My appointment expires 1-11-07

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.



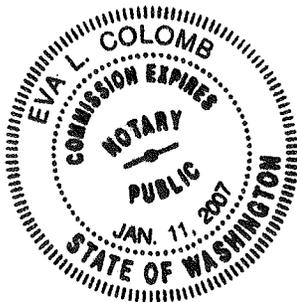
STATE OF WASHINGTON )  
 ) ss.  
County of Spokane )

*Eva L. Colomb*

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

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.



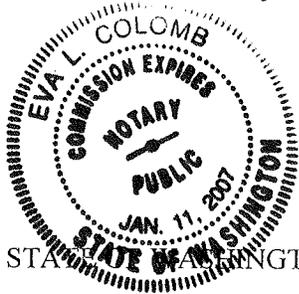
*Eva L. Colomb*

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.



STATE OF WASHINGTON )  
 ) ss.  
County of Spokane )

*Eva L. Colomb*

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

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

**EXHIBIT A**

**DESCRIPTION OF LEASED PROPERTY**

The Property shall be described as follows:

Beginning at the northwest corner of Section 8, Township 25, Range 44 E., W. M., thence south along the west line of said Section 330.13 feet, thence east on a line parallel with the north line of said Section to a point 190.01 feet east of said Section line, said point being on the centerline of the Frederick Avenue right-of-way, thence north 20 feet on a line parallel with the west line of said Section to the north line of the Frederick Avenue right-of-way and the true point of beginning, thence continuing north 120 feet on a line parallel with west line of said Section, thence east 157 feet on a line parallel with the north line of said Section, thence south 120 feet on a line parallel with the west line of said Section, to a point on the north line of the Frederick Avenue right-of-way, thence west along the north line of Frederick Avenue right of way to the true point of beginning.

## EXHIBIT B

### DESCRIPTION OF EASEMENT

Landlord reserves unto itself an Easement on the Property herein, with such Easement legally described as:

Beginning at the northwest corner of Section 8, Township 25, Range 44 E., W. M., thence south along the west line of said Section 330.13 feet, thence east on a line parallel with the north line of said Section to a point 190.01 feet east of said Section line, said point being on the centerline of the Frederick Avenue right-of-way, thence north 20 feet on a line parallel with the west line of said Section to the north line of the Frederick Avenue right-of-way and the true point of beginning, thence continuing north 120 feet on a line parallel with west line of said Section, thence east 20 feet on a line parallel with the north line of said Section, thence south 120 feet on a line parallel with the west line of said Section, to a point on the north line of Frederick Avenue right-of-way, thence west along the north line of Frederick Avenue right-of-way to the true point of beginning.

Beginning at the northwest corner of Section 8, Township 25, Range 44 E., W. M., thence south along the west line of said Section 330.13 feet, thence east on a line parallel with the north line of said Section to a point 190.01 feet east of said Section line, said point being on the centerline of the Frederick Avenue right-of-way, thence north 20 feet on a line parallel with the west line of said Section to the north line of the Frederick Avenue right-of-way, thence continuing north 120 feet on a line parallel with west line of said Section to the true point of beginning, thence east 157 feet on a line parallel with the north line of said Section, thence south 17 feet on a line parallel with the west line of said Section, thence west 157 feet on a line parallel with the north line of said Section, thence north 17 feet on a line parallel with the west line of said Section to the true point of beginning.

Beginning at the northwest corner of Section 8, Township 25, Range 44 E., W. M., thence south along the west line of said Section 330.13 feet, thence east on a line parallel with the north line of said Section to a point 190.01 feet east of said Section line, said point being on the centerline of the Frederick Avenue right-of-way, thence north 20 feet on a line parallel with the west line of said Section to the north line of the Frederick Avenue right-of-way, thence continuing north 120 feet on a line parallel with west line of said Section, thence east 157 feet on a line parallel with the north line of said Section to the true point of beginning, thence south 120 feet on a line parallel with the west line of said Section, to a point on the north line of the Frederick Avenue right-of-way, thence west 14 feet along the north line of Frederick Avenue right-of-way, thence north 120 feet on a line parallel with the west line of said Section, thence east 14 feet on a line parallel to the to north line of said Section to the true point of beginning.

The Easement is reserved for the following purposes:

Ingress and egress by Landlord and its licensees;

Access to certain utilities or facilities on the Property by Landlord, including but not limited to the fill station, water, sewer, and gas; and

Maintenance of a public right-of-way for sidewalks and public access on the south portion of the Easement

Passage over the Easement shall not be obstructed and Tenant shall not engage in any activities that hinder, block, or otherwise infringe on the Landlord's use and enjoyment of the Easement. Tenants shall not construct, place, or leave any structure, vehicle, or object on the Easement; provided, however, Tenant may temporarily hinder, block, or otherwise infringe on Landlord's use and enjoyment of the Easement so long as Tenant provides seven (7) days prior written notice to Landlord of such circumstances, such circumstances do not exist for greater than fourteen (14) days, and Tenant makes a good faith attempt to accommodate the reasonable needs of Landlord during the existence of such circumstances.

Tenant shall keep the Easement maintained in good repair and free from weed, debris, and obstruction. Tenant shall be responsible for the payment of any expenses incurred in connection with the maintenance, upkeep and repair of the Easement.

The Easement shall run with the land and shall be binding upon the Tenant's representatives, successors and assigns with respect to the Property.