

After Recording return to:

Kenneth B. Woodrich
Woodrich & Archer LLP
PO Box 510
Stevenson, WA 98648

LEASE AGREEMENT

THIS AGREEMENT entered into this 12th of MAY, 2009, between SDS Lumber Company, Inc., hereinafter called Lessor, and P.U.D. No. 1 of Skamania County, a municipal corporation of the State of Washington, hereinafter called Lessee.

WHEREAS, Lessee intends to construct potable water reservoir on property located in Skamania County owned by Lessor. Lessor and Lessee mutually desire to enter into a long-term lease for this use under the terms and conditions set forth below.

IT IS AGREED AS FOLLOWS: Lessor does hereby lease to Lessee the (real property) located in Skamania County, Washington, consisting of a 23,300 square foot site, together with related easements in Skamania County, Washington, Township 3 North, Range 10 East, Section 20, being a portion of Tax Lot 200 and as hereinafter described in and shown on the attached Exhibit A. 03102000020000

Section 1: TERM

Initial Term. The term of this lease shall commence upon execution by both parties and shall terminate on December 31, 2108.

Renewal Term. Lessee shall have the option to renew this lease for an additional ninety-nine (99) years as provided in this lease.

Basic Rent. As consideration for the initial term of this lease, Lessee shall provide to Lessor the following:

- One water service connection to the property [described in Exhibit B] or [other property described] free of charge;

Renewal Term Rent. Lessee may, at Lessee's sole option, renew this lease for an additional term of ninety-nine (99) years by providing written notice of intent to do so not later than ninety (90) days, nor earlier than one hundred eighty (180) days prior to the expiration of the initial term, together with payment in full of rent in the amount of ninety- nine dollars (\$99.00) for the renewal term.

Section 2: ADDITIONAL PAYMENTS

In addition to the rental payments, Lessee shall pay the following amounts:

- A. Any taxes which Lessee may be required to pay in connection with the leased property.
- B. Any charges for power, water, sewage and other services, utilities and benefits used by Lessee for the leased property.
- C. The cost for all insurance which Lessee is required to carry.
- D. During the term of this lease, Lessee shall be solely responsible for the costs of any improvement made by Lessee to the leased property.

Section 3: USE AND MAINTENANCE OF PREMISES

- A. Lessee will use the property for the construction, maintenance and operation of a steel storage reservoir and related appurtenances necessary to operate a municipal type water supply storage and distribution system.
- B. Lessee shall conform to all applicable laws and regulations of any public authority affecting the leased property and its use.
- C. Lessee shall commit no waste of the leased property.
- D. Lessee shall conform to all covenants, conditions, and restrictions with respect to the leased property.
- E. Lessee shall be solely responsible for all repairs and maintenance required for any improvement on the leased property. Lessor shall have no responsibility whatsoever for repairs, maintenance, or improvements to the leased property.
- F. Lessee agrees to keep the leased property neat, clean and free of refuse during the term of this lease.

Section 4: INSPECTION OF PREMISES

Lessor shall have the right to inspect the premises at any reasonable time.

Section 5: LIABILITY TO THIRD PERSON

Indemnification. Lessee shall indemnify and defend Lessor from any claim, loss or liability to any person or property in or upon the demised premises arising out of or related to any activity of Lessee on the leased premises or because of any condition of the leased property in the possession or under the control of the Lessee.

Liability Insurance. Before taking possession of the property, Lessee shall procure and thereafter during the term of the lease shall continue to carry public liability and property damage insurance which shall cover all risks arising directly or indirectly out of Lessee's activities on or any condition of the leased property whether or not related to an occurrence caused or contributed to by Lessor's negligence. The policy limits shall not be less than \$1,000,000 combined with single limits per occurrence for bodily injury and property damage, \$2,000,000 annual aggregate.

Section 6: TERMINATION

Upon termination of this lease, Lessee shall vacate the property as soon as reasonable or practicable, and remove any property of Lessee, perform any cleanup and other work required to leave the property in at least as good a condition as existed at the time this lease was executed.

Section 7: RENEWAL OPTION

If this lease is current and in good standing at the end of the basic term, Lessee shall have the option to renew this lease for the renewal term described above, as follows:

- A. The renewal term shall commence on the day following the date of termination of the preceding term.
- B. This option shall automatically renew unless Lessee opts out of the renewal by written notice to Lessor prior to the expiration of the basic term, or renewal term, of not less than six (6) months.
- C. The terms and conditions of the Lease for the renewal term shall be the same as the original term except the sum to be paid for this renewal and subsequent renewals shall be the sum of \$10.

Section 8: OPTION TO PURCHASE

The present National Scenic Area ordinances prohibit platting of lands in the F-1 classification, which covers the Lessor's ownership, including the leased premises. In the event these ordinances are revised, making it possible to divide the subject leased 23,300 square foot site and related easements from the parcel of land of which it is a part, the Lessee may at its expense create such a plat to create the legal smaller tract. The Lessor agrees to freely join in such platting and upon the creation of a legal parcel for the leased premises sell such parcel and related easements to the Lessee for the purchase price of \$1.00. The costs of such partitioning and transfer of titles shall be entirely borne by the Lessee.

Section 9: SUCCESSOR IN INTEREST

This Lease Agreement shall be binding upon the heirs, successors, and assigns of the parties hereto.

DATED this 12 day of May, 2009.

Lessor:

SDS LUMBER COMPANY, INC.

By JASON SPADARO its PRESIDENT

STATE OF Washington

) ss.

County of Klickitat

Personally appearing before me Jason Spadaro as President of SDS LUMBER COMPANY, INC., , and acknowledged the foregoing instrument to be duly authorized to be their voluntary act.

Before me this 12th day of May, 2009.

Notary Public
State of Washington
PHYLLIS J. BLUMENSTEIN
MY COMMISSION EXPIRES
September 28, 2010

Phyllis J. Blumenstein
Notary Public
in and for the state of Washington
Commission expires: 9-28-10

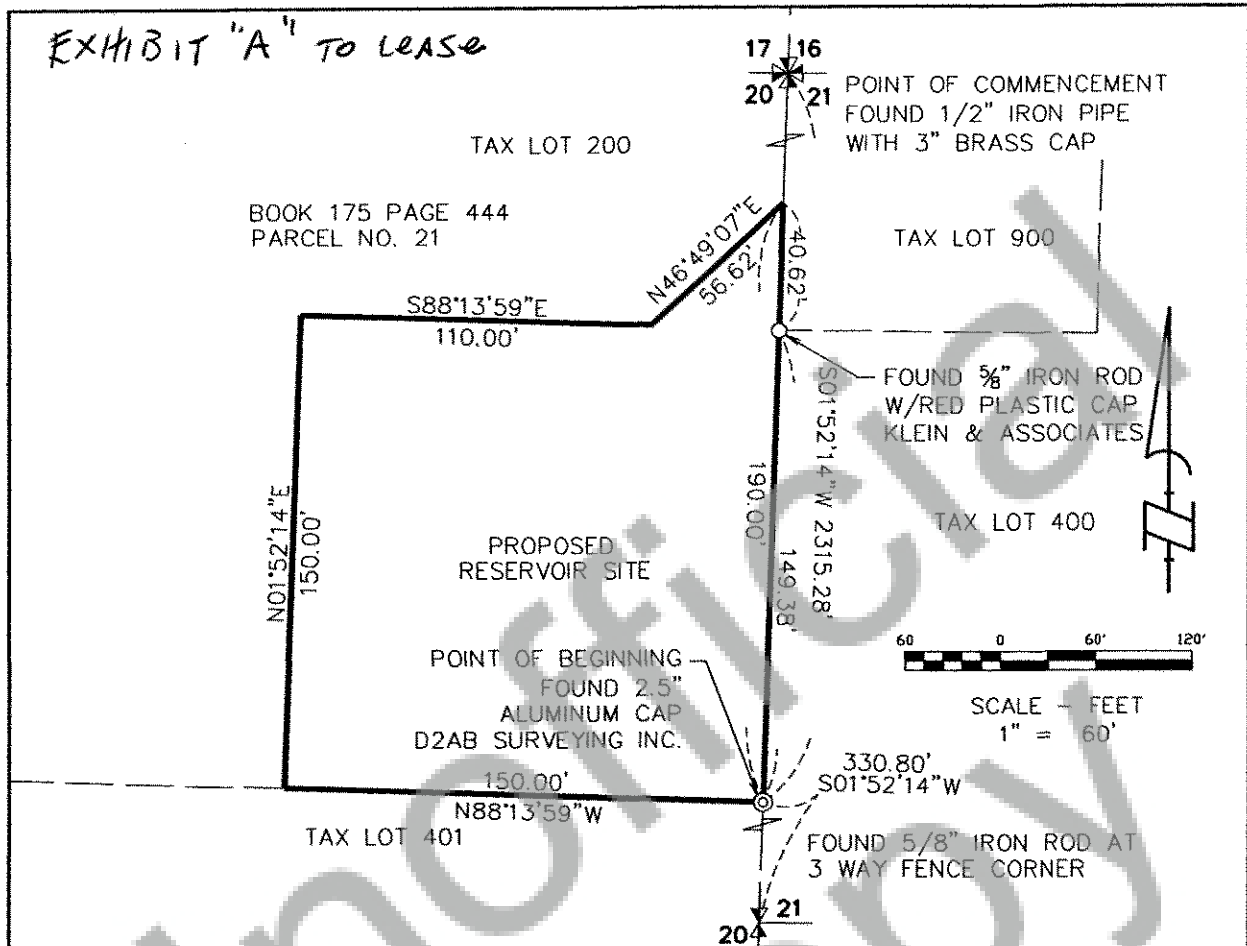
Approved as to form:

P.U.D. No. 1 of Skamania County, Lessee

Kenneth B. Woodrich
Kenneth B. Woodrich, Attorney for Lessee

Curt Esch
Curt Esch, Board President

Clyde Leach
Clyde Leach, Board Secretary

EXHIBIT "A" TO LEASE**LEGAL DESCRIPTION**

A PORTION OF THAT CERTAIN TRACT OF LAND DESCRIBED AS PARCEL 21 OF BOOK 175, PAGE 444, SKAMANIA COUNTY RECORDS, LOCATED IN THE NORTHEAST QUARTER OF SECTION 20, TOWNSHIP 3 NORTH, RANGE 10 EAST OF THE WILLAMETTE MERIDIAN SKAMANIA COUNTY, WASHINGTON. MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SECTION 20, TOWNSHIP 3 NORTH, RANGE 10 EAST OF THE WILLAMETTE MERIDIAN, SKAMANIA COUNTY, WASHINGTON. THENCE SOUTH 01°52'14" WEST, 2315.28 FEET ALONG THE EAST LINE OF THE NORTHEAST QUARTER OF SAID SECTION 20 TO THE SOUTHEAST CORNER OF PARCEL 21 AS DESCRIBED IN BOOK 175 PAGE 444 OF SKAMANIA COUNTY RECORDS, AND THE POINT OF BEGINNING OF THIS DESCRIPTION; THENCE NORTH 88°13'59" WEST, 150.00 FEET ALONG THE SOUTH LINE OF LAST SAID PARCEL 21; THENCE NORTH 01°52'14" EAST, 150.00 FEET ALONG A LINE WHICH IS 150.00 FEET WEST OF AND PARALLEL WITH THE EAST LINE OF THE NORTHEAST QUARTER OF SAID SECTION 20; THENCE SOUTH 88°13'59" EAST, 110.00 FEET ALONG A LINE WHICH IS 150.00 FEET NORTH OF AND PARALLEL WITH THE SOUTH LINE OF LAST SAID PARCEL 21; THENCE NORTH 46°49'07" EAST, 56.62 FEET TO A POINT ON THE EAST LINE OF LAST SAID PARCEL 21, ALSO BEING THE EAST LINE OF THE NORTHEAST QUARTER OF SECTION 20, SAID POINT BEING NORTH 01°52'14" EAST, 190.00 FEET FROM THE POINT OF BEGINNING; THENCE SOUTH 01°52'14" WEST, 190.00 FEET ALONG THE EAST LINE OF THE NORTHEAST QUARTER OF SAID SECTION 20 BACK TO THE POINT OF BEGINNING,

CONTAINING 23,300 SQUARE FEET MORE OR LESS.

RESERVOIR SITE LOCATED IN
THE NE 1/4 OF SECTION 20, T. 3N., R. 10E., W.M.
SKAMANIA COUNTY, STATE OF WASHINGTON

Klein & Associates, Inc.
LAND SURVEYING
1300 12th Street
Hood River, Oregon 97031
TEL: (503) 336-3322

PROJECT: 081003
FILE No: 081003EX
LAYOUT: LAYOUT
SURVEYED: SURVEYED
DESIGN: DESIGN_BY
DRAFT: CEM
APPROVE: JMK
DATE: 2/27/2009
SHEET: 1 OF 1 SHEETS

EXHIBIT "B"
TO
LEASE AGREEMENT

Type of Connection: One Residential Connection

Description of Property: One Residential Lot within Underwood Water Service Area

Lessor shall be responsible for all installation costs.

Unofficial
Copy