

**OLD MILL PARK
SUBLEASE AND OPERATING AGREEMENT**

THIS AGREEMENT, made and entered into this 31ST day of March, 2008, by and between MANSON PARK AND RECREATION DISTRICT, a Washington municipal corporation, hereinafter referred to as the "District", and the LAKE CHELAN BOAT CLUB, a nonprofit corporation, hereinafter referred to as the "Club".

WHEREAS, the District operates a lake shore park in the Manson, Washington, area commonly known as the Old Mill Park, pursuant to a lease and operating agreement with the Chelan County Public utility District, No. 1, and

WHEREAS, said lease and operating agreement provides that the District may sublease portions of its interest in said park to third parties, subject to the approval of the Public Utility District, and

WHEREAS, public utility District No. 1 of Chelan County and the Club have previously agreed, pursuant to a verbal land acquisition agreement entered into between the Club and Public Utility District No. 1 of Chelan County that the Club should have a right to use a portion of Old Mill Park in exchange for the voluntary sale of certain lands owned by the Club, to the Public Utility District No. 1 of Chelan County for its Manson Bay Exhibit "R" Project, and

WHEREAS, the Club desires to sublease and operate a portion of the above mentioned park, **NOW, THEREFORE,**

1. **Premises.** The property being subleased to the Club consists of a portion of the Old Mill Park, this property being hereinafter referred to as the "premises", and is more particularly described on the attached Exhibit "A.1" and Exhibit "A.2". The size of the property is 100' by 100'.
2. **Use of premises.** The Club may use the premises for general recreational purposes of a nonprofit nature. In furtherance of this use, the Club may construct structures, docks, piers, pilings, landing areas, picnic areas, and other improvements on the premises. The Club shall be solely responsible for costs of all construction, maintenance and repair of all improvements, and shall comply with all federal, state and local requirements regarding permits, zoning, and other regulations. The Club shall not use the premises for any illegal purposes. The Club will inform the District of any event the Club anticipates which would necessitate the use of "Overflow Parking" on property that is not part of this Lease.
3. **Term of Lease.** The term of this Sublease shall be for five (5) years, commencing on April 1st, 2008 and ending on March 31st, 2013 unless sooner terminated subject to Paragraph 9 of this agreement. The club shall have one option to renew this lease for an additional five-year period. The Club shall notify the District in writing no later than September 30, 2012, of its intent to exercise this option. Terms of this renewal shall be mutually agreed upon between the District and Club. Upon the expiration of this lease, or any extension(s) thereof, the Club shall, at its

sole expense, remove all fixtures, buildings, docks, and other personal property from the premises, and will leave the property graded in a manner acceptable to the District. If this work extends beyond the end date of this lease, or any extension, the Club shall pay rent to the District in the amount of twenty-Five (\$25.00) per day until the property is vacated and graded.

- 4. **Lease Fee.** The annual lease fee shall be Four Thousand five hundred thirteen dollars and sixty-six cents (\$4,513.60) for the first year of this lease, payable on April 1st 2008. The lease fee shall increase on each anniversary date by five (5) percent of the immediately preceding year's lease fee, which includes leasehold tax. During the life of this lease, the Club will keep the area, including docks and building, in a clean and safe manner. The Club will be required to obtain all construction and maintenance permits, at their sole expense, for work(s) that is anticipated or required for safety reasons, from the County, State and Federal agencies who have authority over the property described in this lease and any other areas used by the Club under this lease. The Club will make the leased area available to the District for public access for District related events that includes public participation. The public access time(s) will not be more than one (1) day at a time, and no more than four (4) days per year. A District representative and/or club member must be in attendance at all times during the event and each event is subject to the CLUBHOUSE USE APPLICATION and CLUBHOUSE OPERATING RULES & PROCEDURES and is more particularly described on the attached Exhibit "B.1" and "B.2". Also, the District will take full responsibility of liability for said event and dock access will not be allowed for liability reasons. Changes to application and procedures documents may be made from time to time, subject to agreement by the Club and the District.

- 5. **Sublease.** The Club acknowledges that the owner of the premises is the Public Utility District No. 1 of Chelan County, Washington, and that the District is operating said premises on a lease and operating agreement with the Public Utility District. The Club acknowledges receipt of a copy of the lease and operating agreement between the District and the Public Utility District No. 1 of Chelan County, and agrees to be subject to all the terms and conditions thereof.

- 6. **Improvements.** In the event the Club desires to conduct maintenance, upkeep of the clubhouse, docks, and grounds, or place improvements upon the premises with an estimated construction cost of \$1,000.00, or more, the Club shall first obtain the written consent of the District. In no event shall the Club allow or permit any labor or material man's liens to attach to the premises. Prior approval of proposed improvements by the FERC may be required subject to Article 39 of the Lake Chelan Hydroelectric Project License.

- 7. **Insurance.** The Club shall maintain at all times, during the term of this agreement, at its sole expense, public liability insurance for the joint and separate protection of the Club and the

District, in the minimum amount of \$2 million dollars in the case of injury to any person in the same occurrence and in the minimum amount of \$500,000 for property damage. The Club shall furnish the District with evidence of such insurance. Such insurance shall name the Manson Parks District and PUD as an additional-insured. The Club will provide proof of insurance annually to the District. The District may require changes in insurance coverage from time to time.

8. **Termination.** In the event the Public Utility District terminates its lease and operating agreement with the District pursuant to the terms thereof, this agreement will be terminated by the District upon giving 180 days written notice to the Club, but also subject to the conditions of termination from the Public Utility District. All rights of use of the Old Mill Park by the Club shall be subject to the terms and conditions of the Federal Energy Regulatory Commission License granted to Public Utility District No. 1 of Chelan County and particularly Article 39 of Said License governing rights of use of Project Land. In the event the Public Utility District No. 1 of Chelan County is required by its Federal Energy Regulatory License to develop additional recreational facilities on the site leased to the Club, the Club agrees to quietly vacate the premises, upon receipt of proper notice as heretofore indicated.

9. **Annual Reports.** The Club agrees to supply the District with its annual financial report on the anniversary date of this agreement throughout the term thereof.

10. **Sales or Transfers.** The club may not sell, assign, transfer, or sublease all or any part of its interest pursuant to this sublease agreement without the express written permission of the District.

11. **Notices.** All notices provided for herein shall be deemed given when mailed by certified or registered mail to the parties at their address given below:

12. **Addresses.** District: Manson Parks & Recreation District
P.O. Box 590, Manson, Washington 98831

Club: Lake Chelan Boat Club, Inc.
P.O. Box 325, Chelan, Washington 98816

13. **Agreement Continuance.** This agreement shall be binding upon and inure to the benefit of the heirs, beneficiaries and assigns of either party.

14. **Attorney Fees.** In the event either party hereto deems it necessary or advisable to seek the services of an attorney with regard to the enforcement of any term or provision hereof, the prevailing party shall be entitled to their reasonable attorney fees, in addition to such other relief as the Court may award.

MANSON PARKS & RECREATION DISTRICT
By [Signature] 3/31/2008

Attest _____

LAKE CHELAN BOAT CLUB
By [Signature]

Attest _____

Approved by:
PUBLIC UTILITY DISTRICT NO. 1
OF CHELAN COUNTY, WASHINGTON

By _____