

HEARTLAND

LETTER OF TRANSMITTAL

TO: Chuck Zimmerman
COMPANY: Ogden Murphy Wallace PLLC
ADDRESS: One Fifth Avenue, Suite 200
Wenatchee, WA 98807

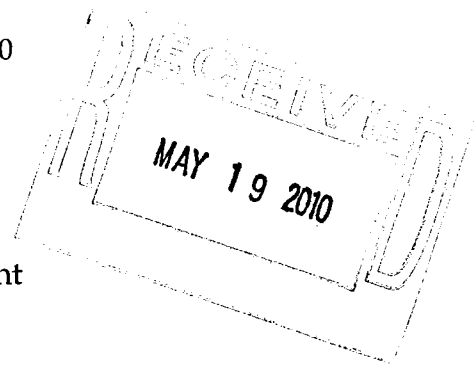
FROM: Matt Anderson (bg)
PROJECT: Port of Chelan County
SUBJECT: PSA
DATE: 05/18/10

TEL#: (509) 662-1954

TRANSMITTAL OF THE FOLLOWING: FOR:

- letter
- duplicate copies
- report
- originals
- specifications
- proposal
- other

- review & comment
- information
- approval
- use & file as
- requested
- action noted
- submittal



DESCRIPTION OF MATERIALS:

Please find enclosed the signed Professional Services Agreement between Port of Chelan County and Heartland LLC. Insurance requirements will be prepared and sent shortly.

Please return one fully executed copy to:

Beatriz Goldsmith
Heartland LLC
524 Second Avenue, Suite 200
Seattle, WA 98104

Please call if you have any questions.

Thank you,

Matt Anderson
bg

SENT VIA: Mail Courier Fed-Ex

Cc:

**PROFESSIONAL SERVICES AGREEMENT
PORT OF CHELAN COUNTY / HEARTLAND, LLC**

THIS AGREEMENT is entered into between the PORT OF CHELAN COUNTY ("PORT"), a Washington municipal corporation, and HEARTLAND, LLC, a Washington limited liability company ("CONSULTANT"), located in Seattle, Washington.

I. RECITALS:

A. The PORT is the owner of certain real property commonly known as the Peshastin Mill Site, located in Peshastin, Washington (hereinafter the "Project Property"). The Project Property is the real property that is the subject of this Agreement.

B. Pursuant to the policies of the PORT, the PORT advertised for requests for proposals to perform a feasibility study with respect to the Project Property.

C. In response to the requests for proposals, CONSULTANT submitted a response and was recommended by PORT staff to provide the services set forth in this Agreement.

D. In an Open Public Meeting on April 15, 2010, the Commissioners of the PORT took action authorizing the PORT Executive Director to negotiate the terms of this Agreement subject to review by legal counsel and approval of PORT Commissioner, J. C. Baldwin.

E. PORT legal counsel has reviewed this Agreement and PORT Commissioner J. C. Baldwin has approved this Agreement.

II. AGREEMENT

In consideration of the mutual covenants and provisions contained herein, the PORT and CONSULTANT agree as follows:

2.1 RECITALS. The Recitals set forth above herein are by this reference made a part of this Agreement.

2.2 CONSULTANT RESPONSIBILITIES. The PORT retains the CONSULTANT to perform a feasibility study related to the Project Property. The feasibility study is as outlined in the "Scope of Work" attached hereto and marked as Exhibit "A" and by this reference made a part herein. The Scope of Work timeline is as follows:

- Completion of Task 1 - on or before August 31, 2010.
- Completion of Task 2 - on or before sixty (60) days following completion of Task 1.

- Completion of Task 3 - on or before thirty (30) days following completion of Task 2.

The above-referenced timeline is subject to modification by mutual agreement, in writing, approved by the PORT and CONSULTANT Project Leads in the event the PORT and CONSULTANT experience unforeseen difficulties associated with scheduling PORT staff and sessions with community stakeholders and collaborators, which difficulties are not anticipated to result in an extension exceeding thirty (30) days.

2.3 TERM OF AGREEMENT. The term of this Agreement shall be from the Effective Date until the Scope of Work and the final deliverable work products are completed, which is anticipated to be no later than one hundred fifty (150) days following the Effective Date. However, to the extent additional time is deemed necessary by mutual agreement of the PORT and CONSULTANT, as indicated in Paragraph 2.2 above herein, the terms of this Agreement shall apply to work performed by CONSULTANT during any such extended time.

2.4 INDEPENDENT CONTRACTOR. The CONSULTANT and PORT agree that the CONSULTANT is an independent contractor with respect to the services provided pursuant to this Agreement. Nothing in this Agreement shall be considered to create the relationship of employer and employee between the parties hereto. Neither CONSULTANT nor any employee of CONSULTANT shall be entitled to any benefits afforded PORT employees by virtue of the services provided under this Agreement. The PORT shall not be responsible for withholding or otherwise deducting federal income tax or Social Security or for contributing to the State Industrial Insurance program, or otherwise assuming the duties of an employer with respect to the CONSULTANT, or any employees of CONSULTANT.

2.5 PROJECT LEADS. Matthew C. Anderson, Principal and Member of HEARTLAND, LLC, shall be the designated Project Lead person for services to be performed pursuant to this Agreement for the CONSULTANT. Mark Urdahl, Executive Director, shall be the designated Project Lead person for the PORT.

2.6 PORT RESPONSIBILITIES. The PORT's responsibilities under this Agreement shall include the following:

2.6.1 Make reasonable effort to gain full and free access for the CONSULTANT to enter upon all property required for the performance of the CONSULTANT's services under this Agreement and to which the CONSULTANT advises the PORT that the CONSULTANT needs access; provided that the PORT shall not be required to use its condemnation powers or to pay a property owner to gain such access;

2.6.2 Compensate, as provided by this Agreement, the CONSULTANT for services rendered under this Agreement.

2.7 CONSULTANT FEES. CONSULTANT shall provide professional services for which the PORT shall compensate the CONSULTANT on an hourly not to exceed basis for the work described in the Scope of Work, Exhibit "A" to the Agreement. The total fees shall not

exceed Fifty-Five Thousand Dollars (\$55,000) and individually, with respect to each Task, the fees to be paid by the PORT to the CONSULTANT shall not exceed the following amounts for each identified Task:

• Task 1 - Existing conditions and market analysis	-	\$ 22,000
• Task 2 - Concept testing	-	\$ 25,000
• Task 3 - Feasibility report and documentation	-	\$ 7,500
Total not to exceed compensation	-	\$ 55,000

Total not to exceed compensation is inclusive of all costs and expenses of CONSULTANT for the Scope of Work to be performed and deliverables identified in Exhibit "A" to this Agreement.

The hourly rates for CONSULTANT for all work to be performed pursuant to the terms of this Agreement and for any additional services not identified in the Scope of Work and requested to be performed in writing by the PORT and agreed to be provided by CONSULTANT shall be as set forth in Exhibit "B" to this Agreement.

If any additional services not identified in the Scope of Work are agreed to be performed by written supplement to this Agreement executed by and between PORT and CONSULTANT, CONSULTANT shall be entitled to reimbursement of its costs at the rates set forth in Exhibit "B" to this Agreement.

2.8 BILLINGS AND PAYMENTS. The billings for CONSULTANT 's services shall identify at a minimum the following:

- 2.8.1 The date on which the services are provided;
- 2.8.2 The individual performing the services;
- 2.8.3 The hourly rate of the individual performing the services;
- 2.8.4 The time expended to perform the services; and
- 2.8.5 A brief description of the services provided.

CONSULTANT shall bill the PORT at the completion of each Task for the dollar amount of services performed by CONSULTANT, not to exceed the Task-related not to exceed amounts identified in Paragraph 2.7 above. The PORT shall pay CONSULTANT 's bills or notify CONSULTANT that a dispute exists concerning CONSULTANT 's bill within forty-five (45) days of receipt of the CONSULTANT 's bill.

In the event the PORT notifies the CONSULTANT that a dispute exists concerning the bill, the PORT and CONSULTANT will meet in an effort to resolve the dispute. If the PORT and the CONSULTANT are unable to resolve the dispute to both parties' satisfaction, then the CONSULTANT must file suit to resolve the dispute concerning the bill in accordance with the

other provisions of this Agreement. Any suit filed for purposes of resolving a dispute concerning a disputed bill must be filed by the CONSULTANT within one hundred twenty (120) days of the date the bill is sent to the PORT or the CONSULTANT's request for payment from the PORT shall be deemed waived.

To the extent additional services are added to the Scope of Work for this Agreement by mutual written agreement between the PORT and CONSULTANT, CONSULTANT shall bill the PORT on a monthly basis for any such additional services and the PORT shall pay CONSULTANT's bills or notify CONSULTANT that a dispute exists concerning the CONSULTANT's bills within forty-five (45) days of receipt of CONSULTANT's bill. In the event the PORT notifies the CONSULTANT that a dispute exists concerning the bill, the provisions set forth above in this Paragraph 2.8 relating to disputed billing shall apply.

Interest charges on invoices for CONSULTANT's services shall be computed at the rate of eight percent (8%) per annum.

2.9 INDEMNIFICATION. The CONSULTANT agrees to hold harmless, indemnify and defend the PORT, its officers, agents and employees, from and against any and all claims, losses, or liability, for injuries, sickness or death of persons, including employees of the CONSULTANT, or damage to property, arising out of any willful misconduct or negligent act, error, or omission of the CONSULTANT, its officers, agents, subconsultants or employees, in connection with the services required by this Agreement, provided however, that:

2.9.1 The CONSULTANT's obligations to indemnify, defend and hold harmless shall not extend to injuries, sickness, death or damage caused by or resulting from the sole willful misconduct or sole negligence of the PORT, its officers, agents or employees; and

2.9.2 The CONSULTANT's obligations to indemnify, defend and hold harmless for injuries, sickness, death or damage caused by or resulting from the concurrent negligence or willful misconduct of the CONSULTANT and the PORT, or of the CONSULTANT and a third party other than an officer, agent, subconsultant or employee of the CONSULTANT, shall apply only to the extent of the negligence or willful misconduct of the CONSULTANT; and

2.9.3 With respect to the performance of the services required by this Agreement and as to claims against the PORT, its officers, agents and employees, the CONSULTANT expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligation to indemnify, defend and hold harmless provided for herein extends to any claim brought by or on behalf of any employee of the CONSULTANT and includes any judgment, award or costs thereof, including attorney's fees.

The CONSULTANT agrees that its obligation and agreement to indemnify, defend, and hold harmless pursuant to this provision, includes the agreement of CONSULTANT to reimburse the PORT for all of the PORT's costs and reasonable attorney's fees incurred as a result of any action of the PORT to enforce this provision.

THIS WAIVER IS MUTUALLY NEGOTIATED BY AND BETWEEN THE PORT AND THE CONSULTANT.

2.10 INSURANCE. The CONSULTANT shall secure and maintain in force during all times CONSULTANT is performing any services pursuant to this Agreement, comprehensive general liability insurance written on an occurrence basis with a minimum coverage of \$1,000,000 per occurrence and \$1,000,000 aggregate for personal injury, and \$1,000,000 per occurrence/aggregate for property damage. Said comprehensive general liability policy shall name the PORT as an additional named insured and shall include a provision prohibiting cancellation of said policy except upon 30 days prior written notice to the PORT. Certificates of coverage as required herein shall be delivered to the PORT within fifteen (15) days following execution of this Agreement.

2.11 SEVERABILITY. In the event any provisions of this Agreement shall be held to be invalid and unenforceable, the remaining provisions shall be valid and binding upon the parties.

2.12 ASSIGNMENT. The CONSULTANT shall not assign or transfer any interest in this contract without the prior written consent of the PORT.

2.13 REPORT OWNERSHIP. All original reports and drawings prepared by the CONSULTANT, as provided under this Agreement, shall become the sole property of the PORT upon final payment to the CONSULTANT of the CONSULTANT fees as set forth in this Agreement.

2.14 NOTICES. Notices by one party to the other provided pursuant to the terms of this Agreement shall be provided in writing and sent via U.S. Mail, or provided by personal delivery, to the addresses for giving notices as identified at the end of this Agreement, or as the said addresses may from time to time be changed by written notice from one party to the other.

2.15 ATTORNEY'S FEES. Except as otherwise specifically provided in this Agreement, in the event it is necessary for either party to utilize the services of an attorney to enforce any of the terms of this Agreement, each party shall pay for its own costs and reasonable attorney's fees.

2.16 WAIVER OF BREACH. The waiver by either party of the breach of any provision of this Agreement by the other party must be in writing and shall not operate or be construed as a waiver of any subsequent breach by such other party.

2.17 GOVERNING LAW AND VENUE. This Agreement shall be governed by the laws of the State of Washington and venue for any lawsuit shall be in the Chelan County Superior Court.

2.18 COPYRIGHT. No reports, maps or other documents produced in whole or in part under this Agreement shall be the subject of an application for copyright by or on behalf of the CONSULTANT.

2.19 AUDITS AND INSPECTIONS. The PORT, the State Auditor, or their delegates shall have the right to review and monitor the financial and other components of the work and services provided and undertaken as part of a project and under this Agreement, by whatever legal and reasonable means are deemed appropriate by the PORT and the State Auditor.

2.20 AGREEMENT TERMINATION. The PORT or CONSULTANT may terminate this Agreement by giving thirty (30) days' written notice to the other party. If the notice of termination is provided by the CONSULTANT prior to completion of all of the tasks in the "Scope of Work", Exhibit "A" to this Agreement, the CONSULTANT shall forthwith refund all payments made by the PORT to the CONSULTANT.

2.21 ACCESS TO RECORDS. The PORT and authorized representatives of the State and Federal Governments shall have access to any books, documents, papers, and records of the CONSULTANT which are pertinent to this Agreement for the purposes of making audits, examinations, excerpts, and transcriptions.

All such records and all other records pertinent to this Agreement and work undertaken pursuant to this Agreement shall be retained by the CONSULTANT for a period of six years after the final audit of the PORT's completed projects, pursuant to this Agreement, unless a longer period is required to resolve audit findings or litigation. In such cases, the PORT may request, and the CONSULTANT shall abide by, such longer period for record retention.

2.22 INTEREST OF PORT OFFICIALS. No member of the governing body of the PORT and no other officer, employee, or agent of the PORT who exercises any functions or responsibilities in connection with the planning and carrying out of the terms of this Agreement, shall have any personal financial interest, direct or indirect, in this Agreement and the PORT and CONSULTANT shall take appropriate steps to assure compliance.

2.23 INTEREST OF CONSULTANT AND EMPLOYEES. The CONSULTANT covenants that it shall not acquire interest, direct or indirect, in any study area or any parcels therein or any other interest which would conflict in any manner or degree with the performance of its services on behalf of the PORT pursuant to this Agreement.

2.24 REPORTS AND INFORMATION. The CONSULTANT, at such times and in such forms as the PORT may require, shall furnish the PORT with such periodic reports as it may request pertaining to the Scope of Work, Exhibit "A," to this Agreement.

2.25 COMPLIANCE WITH LAWS. The CONSULTANT shall comply with all applicable laws, ordinances, and codes of the federal, state, and local governments.

2.26 INTERPRETATION. This Agreement has been submitted to the scrutiny of both parties and their counsel, if desired, and it shall be given a fair and reasonable interpretation in accordance with its words, without consideration to or weight given to its being drafted by either party or its counsel.

2.27 ENTIRE AGREEMENT. This Agreement represents the entire and integrated agreement between the PORT and the CONSULTANT and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by

written instrument signed by both the PORT and the CONSULTANT. Nothing under this Agreement shall be construed to give any rights or benefits in this Agreement to anyone other than PORT and CONSULTANT and all duties and responsibilities undertaken pursuant to this Agreement will be for the sole and exclusive benefit of PORT and CONSULTANT.

2.28 EFFECTIVE DATE. The Effective Date shall be the date on which this Agreement is executed by the Executive Director of the PORT.

2.29 COUNTERPART AND FACSIMILE SIGNATURES. This Agreement may be signed in counterparts, each of which shall be an original, but all of which shall constitute one and the same Agreement. Signatures transmitted by facsimile or via PDF e-mail shall be deemed valid execution of this Agreement, binding on the parties.

APPROVED:

PORT OF CHELAN COUNTY

By: 
MARK URDAHL,
Executive Director

DATED: 5-21-10

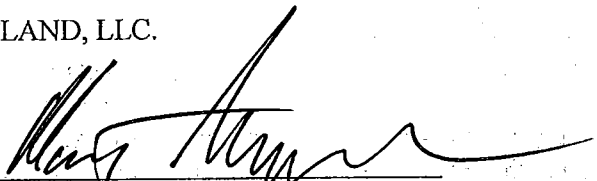
Address for Giving Notices:

Port of Chelan County
Attention: Mark Urdahl,
Executive Director
238 Olds Station Road
Wenatchee, WA 98807

Phone: (509) 663-5159

APPROVED:

HEARTLAND, LLC.

By: 
MATTHEW C. ANDERSON,
Principal and Member

DATED: 5/14/10

Address for Giving Notices:

Heartland, LLC
Attention: Matthew C. Anderson
Principal and Member
524 Second Avenue, Suite 200
Seattle, WA 98104

Phone: (206) 682-2500

FEASIBILITY STUDY SCOPE OF WORK

Task 1 - Existing Conditions Analysis

A. Project Start-Up

Large or small, we treat the launch of every project like the start-up of a new enterprise even if that is not the objective at the outset. Heartland will work with Port Staff on the following items (as deemed necessary by Staff) to create an efficient and effective launch to the project:

- Input/Oversight: Formation of a steering/stakeholder committee to work with the consultant team throughout the engagement.
- Master Schedule: Create a master schedule that includes analytical milestones, key meetings/presentations and stakeholder outreach.

B. Site Investigation

Heartland will study the project site to re-familiarize our team with its unique characteristics and context. Specific activities will include:

- Document Review: Existing studies, reports and preliminary designs.
- Base Mapping: Create a base site plan from existing and new materials available from the Port.
- Site Tour (preferably with Port Staff and key advisors).

C. Goals and Objectives Work Session

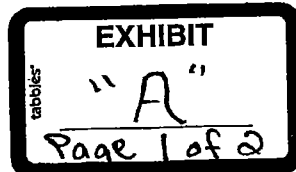
Upon conclusion of the site investigation (Task 1B), Heartland will facilitate a goals and objectives work session with Port Staff to outline the range of desirable uses for the Property and to focus the work of the feasibility study. Our most recent discussions about the Property have evolved around "agri-tourism" or clustering developments that leverage Chelan County's fast growing wine industry, tourism and outdoor recreation. We feel that the most effective of these types of sessions include a group of hand selected stakeholders and collaborators that can provide a rich mix of interests, expertise and creativity. The work session will outline specific scenarios that will be the subject of the market and financial analyses discussed in more detail below. This meeting could coincide with the Task 1B Site Tour in Leavenworth or in Wenatchee whichever is most efficient.

D. Market Assessment

For us, market analyses must examine the current and future market trends that will drive the project economics; not solely regurgitate past market performance. For this project, the market analyses will provide the factual base for quantifying the inputs to the financial model. The process of analyzing market data also enables the team to evaluate how the different types of uses identified in Task 1C may add value to each other when combined on the site.

General Analysis Methodology

- Review of existing and planned inventory by year built and location.
- Identify comparable local projects to assess room rates, occupancy, and amenities.
- Survey local, regional, and national niche development concepts that may fit with the project focus.
- Estimate future demand based on the regional growth.
- Balance existing and proposed supply with estimated future demand to estimate supportable development.
- Estimate land values based on available sales comparable data.



E. Findings: Opportunities and Challenges

At the conclusion subtask D, Heartland will prepare a report of findings from Tasks 1B-D to help guide Tasks 2-5.

F. Review and Comment

The Port Staff will review and comment on the Opportunities and Challenges identified by the Heartland Team.

Task 2 - Concept Testing

The concept testing process is highly iterative between Port Staff, Heartland and other team members. Leveraging the design work completed to date, Heartland will work with Port Staff to develop land use concepts for the Property per the following process. The goal of this task is twofold (1) Illustrate the range of development concepts being considered and (2) identify physical obstacles to future development.

A. Alternative Scenario Development

Heartland will generate alternative development scenarios that are fully informed by the opportunities and challenges identified in Task 1. Alternatives will be broad ranging concepts that test combinations of ideas and perspectives to frame the possible approaches to development.

B. Static Financial Analysis

At Heartland, we consider the financial model to be an iterative decision making tool that should be developed early, refined often and fully integrated into the analysis and design processes. While the inputs to the financial model are still conceptual at this point of the feasibility study, we will use the model to compare the relative strengths of each of major alternative being considered and test hypothetical project level economics to help further refine project components.

C. Alternatives Refinement

Based on the outcome of Task 2A and B, Heartland will refine the development alternatives and variations to three or fewer market-based concepts for the Property. Diagrammatic concept plans would include:

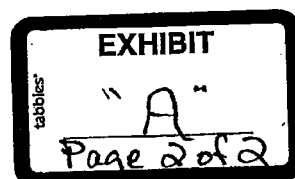
- o Conceptual development programs (GSF, unit counts and densities)
- o Linkages and buffers
- o Basic circulation
- o Basic infrastructure plan and cost estimates (to be provided by Civil)
- o Preliminary financial performance.

D. Review and Comment

The deliverable from this review and comment period will consist of a compiled list of key issues that need to be investigated further to conclude whether or not the conceptual plan is feasible.

Task 3 - Feasibility Report and Implementation Strategy

The Feasibility Report brings together all of the consultant deliverables from the Study into a comprehensive document designed to facilitate review and decision making by Port Staff. This report will conclude with a comprehensive strategy for positioning the Property in the marketplace in a manner that will best achieve the Port's objectives.



H E A R T L A N D
CONSULTING FEES
AND REIMBURSEMENT SCHEDULE

Effective January 1, 2010
(Revised January 21, 2010)

HOURLY BILLING RATES:

Stephen Walker	\$330
James Reinhardtsen	\$330
John Shaw	\$260
Matt Anderson	\$235
Erica Buckley	\$185
Richard Loo	\$170
Chris Fiori	\$170
Doug Larson	\$170
Matthew Kwatinetz	\$170
Matt Hoffman	\$165
Ross Beckley	\$165
Jenny Score	\$125
Stephen Russell	\$100
Research Interns	\$85

(Note: General office overhead and general clerical work are incorporated in these hourly rates)

REIMBURSABLE COSTS:

Binders and supplies	Cost
Copies - black & white	\$.10 each
Copies - color 11 x 17	\$2.00 each
Copies - color 8-1/2 x 11	\$1.50 each
Copies of large format originals - all types	Cost
Developing - film and photo	Cost
Document purchases	Cost
Incidental professional fees	Cost
Marketing expenses and advertisements	Cost
Mileage	\$.50/mile
Mounting on presentation board	\$3.75/sf
Parking and tolls	Cost
Postage and delivery	Cost
Printing - out-of-house	Cost
Prints - full color 11 x 17	\$2.00 each
Prints - full color 8 1/2 x 11	\$1.50 each
Prints - large format	\$8.50/sf
Scans - color	\$1.00 each
Subscriptions	Cost
Telephone - long distance and facsimiles	Cost
Travel - airfare, car rental, lodging and meals	Cost plus 2%

RATES ARE SUBJECT TO ANNUAL INCREASES

