

RESOLUTION NO. 08-543

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
BLACK DIAMOND, KING COUNTY, WASHINGTON,
AUTHORIZING THE MAYOR TO EXECUTE LEASE
AGREEMENTS WITH MODULAR SPACE CORPORATION
(MODSPACE)**

WHEREAS, the City of Black Diamond has determined the need for additional work space to house the Community Development and the Utilities Departments.

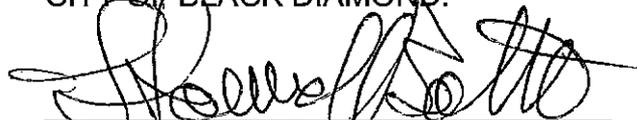
WHEREAS, Modular Space Corporation is willing and able to set up and install and lease the modular work areas and the City has used this same contractor and has been satisfied with their work;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND,
WASHINGTON, DOES RESOLVE AS FOLLOWS:**

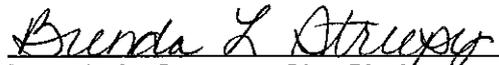
Section 1. The Mayor is authorized to execute lease agreement number 358159 and number 383607 for the combined amount of \$5,230.74 per month as contained in forms attached hereto as Exhibit A and Exhibit B.

**PASSED BY THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND,
WASHINGTON, AT A REGULAR MEETING, THIS 2ND DAY OF OCTOBER, 2008.**

CITY OF BLACK DIAMOND:


Howard Botts, Mayor

Attest:


Brenda L. Streepy, City Clerk



LEASE AGREEMENT NO.: 358159

ACCOUNT NO.: 111564

CUSTOMER NO.: 166850

RETURN EQUIPMENT TO ModSpace:

SEATTLE
 19432 EAST VALLEY HIGHWAY
 KENT
 WA 98032
 Telephone: 253-395-0301
 1-800-523-7918
 Fax: 253-395-0235

Modular Space Corporation, a Delaware corporation ("ModSpace") hereby leases the equipment specified below (the "Equipment") to:

CITY OF BLACK DIAMOND
 PO Box 599
 BLACK DIAMOND
 WA 98010-0599
 Customer Contact: Kevin Esping
 Telephone: 253-281-0584
 Fax: 360-886-2592
 P.O. #:

The Equipment will be located at (subject to Section 4 on attached page):

TBD
 BLACK DIAMOND
 WA 98010

Customer hereby leases Equipment from ModSpace for a minimum period of 24 months (the "Minimum Lease Period") from the start of the lease term in accordance with the terms and conditions of this Lease Agreement including the terms and conditions set forth on the attached page (this "Lease"). Rental month is defined as a thirty-day period.

Customer agrees to pay ModSpace without demand and in advance the monthly rental and other charges on the due dates set forth in this Lease. The anticipated delivery date for the Equipment, subject to Section 3(c) on the attached page, will be on or about the 27th day of August, 2007.

Unit	Class	Width	Length	Serial No.	Monthly	Weekly	Daily	Insurance Value
653523	MULT	12'	60'	26156A	\$650.00	\$149.59	\$21.37	\$48,519
653524	MULT	12'	60'	26156B	\$650.00	\$149.59	\$21.37	\$48,519
653525	MULT	12'	60'	26156C	\$650.00	\$149.59	\$21.37	\$48,519
653526	MULT	12'	60'	26156D	\$650.00	\$149.59	\$21.37	\$48,519

ONE TIME CHARGES	
DELIVERY	
DELIVERY FUEL SURCHARGE (Qty: 4 at \$25.00)	\$100.00
BUILDING DELIVERY (Qty: 4 at \$374.00)	\$1,496.00
OPTIONAL EQUIPMENT (Qty: 4 at \$210.00)	\$840.00
INSTALLATION	
REMOVE HITCH (Qty: 4 at \$75.00)	\$300.00
ANCHOR/TIE DOWN (Qty: 22 at \$81.00)	\$1,782.00
RAMP ASSEMBLY (Qty: 1 at \$1,276.00)	\$1,276.00
SET-UP COMPLEX (Qty: 1 at \$10,250.00)	\$10,250.00
INSTALL SKIRTING - VINYL (Qty: 216 at \$20.00)	\$4,320.00
MODIFICATIONS	
INSTALL PARTITION (LABOR) (Qty: 1 at \$5,750.00)	\$5,750.00
Installation of demount walls	
MODIFICATIONS-SINK/CABINET (Qty: 1 at \$3,775.00)	\$3,775.00
Installation of Kitchenette and change of door swing	
REMOVE CUSTOM MODIFICATIONS* (Qty: 1)	***
Kitchenette, change door back to original swing.	
RETURN DELIVERY	
BUILDING RETURN* (Qty: 4)	***

MONTHLY CHARGES	
COMPLEX	\$2,600.00
RENTAL	
RAMPS (Qty: 1 at \$390.00)	\$390.00
STEPS (Qty: 1 at \$35.00)	\$35.00
Total	\$3,025.00
Monthly Property Tax	\$47.28
Sales Tax(Monthly Lease Items)	\$261.17
Grand Total(Monthly)	\$3,333.45

LEASE AGREEMENT NO.: 358159
 ACCOUNT NO.: 111564
 CUSTOMER NO.: 166950



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 19432 EAST VALLEY HIGHWAY
 KENT
 WA 98032
 Telephone: 253-395-0301
 1-800-523-7918
 Fax: 253-395-0235

383607

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RETURN FUEL SURCHARGE* (Qty: 4)	...
OPTIONAL EQUIPMENT* (Qty: 4)	...
DISMANTLING	...
INSTALL HITCH* (Qty: 4)	...
REMOVE ANCHORS/TIEDOWNS* (Qty: 1)	...
UNSKIRT* (Qty: 1)	...
REMOVE RAMPS* (Qty: 1)	...
TEAR DOWN COMPLEX* (Qty: 1)	...
REMOVE PARTITION (LABOR)* (Qty: 1)	...
	Total
	\$29,889.00
	Sales Tax(One Time)
	\$2,540.54
	Grand Total(OneTime)
	\$32,429.54

DAILY: \$85.48
 WEEKLY: \$598.36

* Billed at Termination
 ** Billed at current rate at Termination

†Tax rates will vary with delivery address. Taxes are subject to change by tax authorities without notice.

No agent, employee or representative of ModSpace has any authority to make any representation or warranty concerning the Equipment that is not specifically included in this Lease. Unless specifically identified in this Lease, this Lease supersedes all prior negotiations, proposals and documents. This Lease will not be subject to any additional provision that may be contained in the Customer's purchase order, although Customer's purchase order number may be used by the parties as a convenient reference for invoicing purposes.

(012) Tax rates may vary dependent upon confirmation of final delivery address. Any adjustment to the Tax rate imposed by city, county, state, or federal government or other taxing authority subsequent to the date of ModSpace' quotation, proposal, or commencement date of the Lease will be reflected on Customer's invoice. Customer is responsible for the payment of any increase in Taxes and such obligation supersedes any conflicting language contained in any Customer document.

(013) Any Value Added Products or services (including but not limited to holding tanks, ramps, security services) are products provided by a third party vendor. ModSpace will not be held responsible for the maintenance or servicing of such products. Customer will be responsible for any and all of the third party vendor's terms and conditions that typically govern the leasing and servicing of the equipment. The Customer understands that for their convenience ModSpace will coordinate the product or service and act as a billing agent for the third party vendor.

(014) ALL RIGHT, TITLE AND INTEREST OF MODULAR SPACE CORPORATION HEREUNDER HAS BEEN PLEDGED TO, AND IS SUBJECT TO THE SECURITY INTERESTS OF, BANK OF AMERICA, N.A., AS AGENT, PURSUANT TO THAT CERTAIN SECOND AMENDED AND RESTATED CREDIT AGREEMENT, DATED AS OF MARCH 30, 2007, AMONG MODULAR SPACE CORPORATION, CERTAIN OF ITS SUBSIDIARIES PARTY THERETO AS EITHER BORROWER OR GUARANTOR, BANK OF AMERICA, N.A. AS AGENT, AND THE LENDERS FROM TIME TO TIME PARTY THERETO, AS AMENDED, RESTATED OR OTHERWISE MODIFIED FROM TIME TO TIME. MODULAR SPACE CORPORATION SHALL HAVE NO RIGHT TO TRANSFER ITS RIGHT, TITLE OR INTEREST HEREUNDER TO ANY PARTY EXCEPT PURSUANT TO AND IN ACCORDANCE WITH THE PROVISIONS OF THE RELEVANT LOAN DOCUMENTS.

Comprehensive and Liability insurance coverage certificate must be received prior to delivery or Lessee will need to accept ModSpace Optional Insurance and/or Damage Waiver on ModSpace leases agreement prior to delivery.

Return delivery and dismantle will be billed at current rate at time of return unless otherwise quoted.

Pilot cars will be billed as required for 12' or 14' wide trailer @ 210.00 per unit on each delivery or return. Charges over a 25 mile radius will be charged on a per mile basis at \$1.75 per mile

Tiedowns/anchors not included and will be priced upon request.

Alterations will require an alteration permit through Washington State Department of Labor and Industries.

Set up is based on 1000psf soil bearing capacity.

Excessive cleaning and/or damage will be charged additionally at prevailing rates.

The Lessee is responsible for providing a level site that is accessible to standard mobile transport equipment.



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Wait time or additional site time will be charged at \$75.00/hr. Additional charges may apply for labor time.

Property tax and sales tax will be charged additionally.

Customer is responsible for all taxes, permits, fees, licenses, utility connections, foundation engineering, and the preparation of a level, compact and accessible site.

*CHARGES FOR RETURN FREIGHT, DISMANTLE, CLEANING, DAMAGE REPAIR, AND NON-RETURNED KEYS WILL BE CHARGED AT THE THEN CURRENT RATE AT THE TIME OF LEASE TERMINATION.

Steps not returned will be billed at \$700.00 per landing. Keys not returned will be charged \$75.00 per door

Used equipment is sold "as-is", no warranty expressed or implied.

The attached page contains Terms and Conditions that form an integral part of this Lease. Those terms and conditions include but are not limited to disclaimer of warranties of merchantability and fitness and limitations on damages. The only other documents that form a part of this lease are:

US20021216, NONE

Signed by duly authorized agents, with the intent to be legally bound, this _____ day of _____, 20____

Rhonda Banghart
Modular Space Corporation AUTHORIZED AGENT

By *Howard Botts*
CUSTOMER OR AUTHORIZED AGENT

Name RHONDA BANGHART

Name Howard Botts
(please print)

Accepted and Del. By: _____
Freight Vendor

Date: _____

Remarks: _____

Received and Accepted By: _____

Date: _____

Name: _____
(please print)

**TERMS AND CONDITIONS OF LEASE AGREEMENT****1. Lease**

This transaction is a lease as defined by the Uniform Commercial Code as enacted in Pennsylvania and not a sale. Customer does not acquire through this Lease or by payment of rental under this Lease any right, title or interest in or to the Equipment, except the right to possess and use the Equipment so long as Customer is not in default under this Lease.

2. Rental and Other Payments

(a) The start of the lease term is the date on which ModSpace substantially completes its scope of work for installation, unless otherwise agreed to among the parties. Monthly rental will accrue through and including the month in which the later of the Return Date or End of the Term occurs. The "Return Date" is the date on which the Equipment is returned to ModSpace in accordance with the terms of this Lease. The "End of the Term" is the date on which the term of this Lease is to expire, either originally, under a renewal term or under month-to-month renewals as contemplated by this Lease. Rental and such other charges will be prorated on a daily basis where necessary. Unless otherwise specified in this Lease, charges for delivery and installation, initial month's rent and any applicable initial charges for the Optional Insurance Program and Damage Waiver will be due and payable at the start of the lease term, and charges for teardown and return will be due and payable at the earlier of the Return Date or the End of Term. After payment of the initial month's rent, each month's rent thereafter is due and payable without demand and in advance (i) at the end of each thirty (30) day period following the commencement of the lease term, if a rental month is defined on the first page of this Lease as a thirty-day period or (ii) on the first of each month immediately following the month in which this lease commences, if a rental month is defined on the first page of this Lease as a calendar month. All other sums payable by Customer under this Lease are due and payable when invoiced. Unless agreed otherwise, all payments made under this Lease will be made by Customer's check drawn on its regular bank checking account or such other form of payment as is acceptable to ModSpace. All payments by Customer will be made without setoff or deduction of any kind.

(b) Customer will pay ModSpace for any and all sales and use taxes, other direct taxes and registration fees imposed by any city, county, state, or federal government or other taxing authorities and related directly or indirectly to the Equipment or its use, excluding federal or state taxes relating to income (all of the foregoing that Customer is to pay, "Taxes"). Taxes may be allocated by ModSpace on either an individual or prorated basis for any item of Equipment based on purchase price, value, possession, use, location, rentals, delivery or operation of such Equipment. Taxes may include an allocation (b) Customer will pay ModSpace for any and all sales and use taxes, other direct taxes and registration fees imposed by any city, county, state, or federal government or other taxing authorities and related directly or indirectly to the Equipment or its use, excluding federal or state taxes relating to income (all of the foregoing that Customer is to pay, "Taxes"). Taxes may be allocated by ModSpace on either an individual or prorated basis for any item of Equipment based on purchase price, value, possession, use, location, rentals, delivery or operation of such Equipment. Taxes may include an allocation on a statewide basis of locally imposed taxes. Customer's obligations under this Subsection will survive the termination of this Lease.

(c) For Customer's convenience, ModSpace intends to issue invoices for amounts due under this Lease. If Customer fails to pay any amount due within twenty (20) days of the due date, ModSpace may impose a charge on such amount at one and one-half percent (1-1/2%) per month or the highest rate permitted by law, whichever is lower, from the due date until payment in full is received by ModSpace.

(d) When the Lease term exceeds eleven (11) months, the rental charge may, at ModSpace's option, be adjusted upward, based upon the Consumer Price Index, All Urban Consumers, U.S. City Average, All Items ("CPI") (United States Bureau of Labor Statistics or such other index as may succeed the CPI, as follows: For each change of one percent (1%) in the CPI from the CPI as available immediately prior to the start date of this Lease, the rental rate will be adjusted by a factor of one percent (1%). Any adjustments will take effect at six (6) months following the start date of this Lease and will be further adjusted each six (6) months thereafter. The adjustment will be based on the most recent CPI indices available prior to the invoice in which an adjustment is made.

(e) From time to time, at ModSpace's option, ModSpace may add additional costs and expenses, including but not limited to increases in fuel costs and/or other operating costs and expenses ("Additional Operating Costs") to the rental charges and other payments that Customer must pay to ModSpace under this Lease, said Additional Operating Costs will be calculated by ModSpace, in its sole discretion, as a result of increases in ModSpace's costs and expenses.

3. Delivery and Installation

(a) Customer will provide free and clear access for delivery of the Equipment by standard mobile transport vehicles. Customer will be solely responsible, at its cost, for preparation of the site on which the Equipment is to be used (the "Site"), including any required structural or grade alterations and identification of utility lines. Customer will provide firm and level ground on no more than a six-inch (6") slope from one end to the other for safe and unobstructed installation for the Equipment. Site selection is the sole responsibility of Customer. ModSpace ASSUMES NO LIABILITY NOR OFFERS ANY WARRANTY FOR THE FITNESS OR ADEQUACY OF, OR THE UTILITIES AVAILABLE AT THE SITE.

(b) Customer will have sole responsibility, at Customer's cost, to obtain any and all licenses, titles, building and other permits and any other approvals and certificates as may be required by law or otherwise for the installation and placement of the Equipment and Customer's lawful operation, possession or occupancy of the Equipment. Customer agrees that all certificates of title or registration applicable to the Equipment will reflect ModSpace's ownership of the Equipment.

(c) ModSpace's delivery of the Equipment is subject to delays in manufacturing, modification, delivery or installation due to fire, flood, windstorm, riot, civil disobedience, strike or other labor actions, acts of God, or any circumstances beyond ModSpace's control (including but not limited to breaches by ModSpace's sub-contractors or manufacturers) which delay the manufacture or modification of products or the making of deliveries in the normal course of business.

(d) The prices for delivery, installation, teardown, return delivery and other "one-time" charges, the due dates of such charges and the start date of this Lease assume accuracy of the information given to ModSpace with respect to Site conditions and locations and are subject to adjustment to the extent that the timing of or physical nature of access to the Site is or becomes limited, the Site does not have adequate load bearing or topographic qualities or is otherwise not properly prepared, utilities are not correctly located, provision of utilities is not timely or applicable licenses or permits are not provided in a timely manner or Customer otherwise delays completion of ModSpace's scope of work.

(e) ModSpace may suspend work at the Site if ModSpace deems the Site to be unsafe.

4. Maintenance of Equipment

(a) Customer will not move or in any way modify the Equipment without written consent of ModSpace. Notwithstanding ModSpace's consent to Customer's modification of the Equipment, Customer is liable for the cost of the removal of such modification or restoration of the Equipment upon the termination of this Lease for the modified Equipment. ModSpace may place its name on the Equipment, and Customer will assure that such name is not removed or concealed in whole or in part.

(b) Customer, at Customer's sole cost, will keep the Equipment at all times until the Return Date in good repair and operating condition, subject to ordinary wear and tear, and free of any and all liens and encumbrances. ModSpace will have the right to inspect the Equipment from time to time until the Return Date and if ModSpace believes the Equipment to be misused, abused or neglected, ModSpace may summarily remove and repossess the Equipment at Customer's cost.

(c) Customer will perform, execute and comply with all Laws which in any way affect the use, operation, maintenance, or storage of the Equipment. "Laws" means all laws, rules, regulations or orders of any governmental agency or instrumentality of the United States, Canada, any state, province, municipality or other local government and all orders, writs and decrees of any court, tribunal or administrative agency, in any case which now exist or hereafter arise (including but not limited to laws governing Hazardous Substances and other environmental risks and the Americans with Disabilities Act). Customer will not make or permit any unlawful use or handling of the Equipment.

(d) HAZARDOUS SUBSTANCES. (i) "Hazardous Substances" means hazardous, toxic, radioactive or bio-hazardous substances or petroleum products. (ii) Customer will not use or store Hazardous Substances in the Equipment, except such substances and in such quantities as would be normal in the operation of a commercial office. Customer will not locate the Equipment at a remediation or nuclear site or use the Equipment for medical laboratory testing. (iii) Ordinary wear and tear does not include contamination by Hazardous Substances. If any returned Equipment is found to have been contaminated by Hazardous Substances during Customer's possession, ModSpace may charge Customer for the clean up or may require Customer to purchase the Equipment at the then current market price charged for an uncontaminated unit.

(e) Customer agrees that the Equipment leased hereunder will not be occupied by any person other than Customer or its agents, employees or invitees. The Equipment will not be used for residential or dormitory purposes.

**TERMS AND CONDITIONS OF LEASE AGREEMENT****5. NO WARRANTY FOR MERCHANTABILITY OR FITNESS**

THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, AND ALL WARRANTIES OF ANY KIND, INCLUDING ANY EXPRESS OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR PURPOSE, ARE HEREBY EXCLUDED BOTH AS TO THE EQUIPMENT AND AS TO ANY INSTALLATION, MAINTENANCE OR REPAIR WORK PERFORMED BY ModSpace ON THE EQUIPMENT.

6. Limitation of Damages

Customer does hereby expressly waive any and all claims and demands for loss of profits or other alleged consequential, incidental or punitive damages arising out of or in connection with this Lease. ModSpace is not liable for any loss or damage to any property stored, located or transported in, upon, under or around any Equipment and Customer does hereby waive any and all claims and demands for any such loss or damage.

7. End of Lease

(a) Unless specified otherwise, Customer must give ModSpace sixty (60) days' prior written notice of the date on which the Equipment is to be returned.

(b) If Customer, without any further written agreement, continues to possess or occupy the Equipment after the expiration of the initial and any renewal term of Lease, with or without consent of ModSpace, Customer will then be deemed to have renewed this Lease on a month-to-month basis subject to such rate as ModSpace declares to be in effect (and in the absence of such declaration at the last monthly rate applicable to the Equipment), and ModSpace may terminate such month-to-month extensions at any time.

(c) If, at any time after the initial or any renewal term (or at ModSpace's request at any time this Lease is on a month-to-month basis), ModSpace requests the return of the Equipment, Customer will return the Equipment to ModSpace, within five (5) days, at ModSpace's designated address, at Customer's sole cost. Missing accessories, attachments or other items, repairs of any kind and restoration to original specifications whether due to Customer alterations or otherwise will remain the sole responsibility of Customer, normal wear and tear excepted.

(d) Customer may terminate this Lease prior to the expiration of the Minimum Lease Period, subject to all terms and conditions of this Lease, and the Customer will pay (in addition to tear-down and return charges) the following termination charges:

i) If Customer is the first user of the Equipment: the remaining unpaid rental charges for the Minimum Lease Period;

ii) If Customer is not the first user: (A) if the remaining Minimum Lease Period ("MLP") is less than three (3) rental months, four (4) times the Adjusted Weekly Lease Charge ("AWLC"); (B) if the remaining MLP is between three (3) rental months and six (6) rental months, inclusive, eight (8) times the AWLC; if the remaining MLP is more than six (6) rental months but one (1) year or less, twelve (12) times the AWLC; if the remaining MLP exceeds one (1) year, fourteen (14) times the AWLC for each year, or portion thereof, of the portion of the remaining MLP cancelled.

iii) The "Adjusted Weekly Lease Charge" or "AWLC" means the Weekly Lease Charge less that portion representing amortization of any delivery, set-up, tear-down, return or similar one-time charges and customer-requested modifications not provided as a separate charge under the terms of this Lease (the "Amortized One-Time Costs") in addition, Customer will pay in full the unpaid Amortized One-Time Costs. In no case will the termination charges be in excess of the rental charge for the remainder of MLP.

8. Indemnification

Customer hereby specifically indemnifies, agrees to defend and holds harmless ModSpace, its employees and agents from any and all loss, claims, liabilities, damages, fines, forfeitures, seizures, penalties and expenses (including attorneys' fees and investigative costs) (collectively "Losses") that may arise from or in connection with:

(a) The loss of or damage to the Equipment prior to the Return Date because of (a) The loss of or damage to the Equipment prior to the Return Date because of collision, fire, lightning or theft, flood, windstorm or explosion, civil disturbance or riot or any other peril or casualty;

(b) The death of or injury to, including but not limited to, damage to the property of, any person (other than the Equipment) as a result of, in whole or in part, the use or condition prior to the Return Date of the Equipment;

(c) Any act or omission of Customer in violation of this Lease;

(d) The actual or alleged storage, maintenance, use, handling, repair, or operation of the Equipment, prior to the Return Date, including but not limited to any failure to use anchor straps, any work done on, or any materials supplied to or in connection with the operation, maintenance, possession or storage of the Equipment and any loss or damage to anything stored in any of the Equipment; and

(e) Any damage to Customer's property or the property of any third parties incurred during or in connection with the fulfillment of Customer's obligations by or on behalf of ModSpace or the repossession or return of Equipment by ModSpace in accordance with the terms of this Lease.

The obligations contained in this Section 8 will survive expiration or termination of the term of this Lease and the Return Date. The indemnifications contained in this Section 8 will apply to any Losses whether they are asserted before or after the Return Date.

9. Insurance

(a) Customer, at Customer's sole cost, will procure and keep in full force and effect, from the initial delivery date until the return of all Equipment the following policies of insurance satisfactory to ModSpace as to the insurer and as to the form and amount of coverage, with premiums prepaid:

i) Commercial General Liability insurance with a minimum combined single limit of \$1,000,000 per occurrence, written on an occurrence form, including coverage for premises, operations, contractual liability, broad form property damage, independent contractors and personal injury liability, naming ModSpace as an additional insured.

ii) Commercial Property Insurance protecting against all loss and damages, at full replacement cost, sustained or suffered due to the loss of or damage to the Equipment as a result of collision, fire, lightning, theft, flood, windstorm, explosion or any other casualty, naming ModSpace and Bank of America, N.A. as a loss payee.

(b) Customer will deliver certificates evidencing all such insurance to ModSpace within fourteen (14) days after delivery of the Equipment to Customer's site, time being of the essence; except that, if Customer elects to enroll in the Optional Insurance Program or the Damage Waiver Option, Customer will not have to deliver certificates of insurance to ModSpace for the type of risks covered by the Optional Insurance Program or Damage Waiver Option as elected by Customer. Each certificate will state that such insurance will not terminate or be materially changed without thirty (30) days' prior written notice to ModSpace.

(c) If Customer fails to deliver the insurance certificate as required by paragraph (b) on the date required, Customer will be in default under this Lease. In addition to all the other remedies for default under this Lease, ModSpace may (i) impose upon Customer a one-time fee for insurance processing of One Hundred Dollars (\$100) and (ii) assess as additional rent an uninsured lessee fee of ten percent (10%) of the monthly rental from the start of the lease term until the required insurance certificate is delivered to ModSpace.

(d) Obtaining insurance as described above, including the Optional Insurance Program, will not affect Customer's obligations and indemnities under this Lease, and the loss, damage to, or destruction of any of the Equipment will neither terminate this Lease nor, except to the extent that ModSpace is actually compensated by insurance paid for by Customer, relieve Customer of any of Customer's liability under this Lease.

TERMS AND CONDITIONS OF LEASE AGREEMENT**10. Optional Insurance and Damage Waiver**

- (a) In certain circumstances, Customer may choose (i) to enroll in an Optional Insurance Program to cover general liability risks (the "Optional Insurance Program") or (ii) to accept a Damage Waiver Option to cover damage to the Equipment (the "Damage Waiver Option") or (iii) to elect both options. If the Optional Insurance Program or the Damage Waiver Option is available and Customer, in writing prior to delivery of the Equipment to the site, elects to enroll in the Optional Insurance Program or accept the Damage Waiver Option, then, Section 10(b) will apply if Customer elects to enroll in the Optional Insurance Program and, Section 10(c) will apply if Customer accepts the Damage Waiver Option.
- (b) The Optional Insurance Program is fully described in an Outline of Coverage ("the "Outline of Coverage") which Customer has received and reviewed prior to any election to enroll in the Optional Insurance Program. All questions regarding the Optional Insurance Program will be answered by the qualified licensed insurance agent identified in the Outline of Coverage. If Customer properly elects to enroll in the Optional Insurance Program, so long as such coverage is still in full force and effect, Customer will not be required, under this Lease, to carry additional commercial liability insurance as required by Section 9(a)(i).
- (c) If the Damage Waiver Option is properly elected and so long as Customer timely pays the additional fee specified for such Damage Waiver Option, Customer will not be required, under the terms of this Lease, to carry any additional commercial property insurance as required by Section 9(a)(ii) and Customer will not be liable to ModSpace in excess of \$500 per unit of Equipment for loss or damage specified in Section 8(a), except Customer will not be relieved of liability if Customer violates any other provision of this Lease. **THE DAMAGE WAIVER IS NOT INSURANCE COVERAGE.**
- (d) Customer's coverage under the Optional Insurance Program or acceptance of the Damage Waiver Option may be cancelled by either party and rates for coverage under the Optional Insurance Program or fees for the Damage Waiver Option may be changed upon thirty (30) days' prior written notice. If the Optional Insurance Program or Damage Waiver Option is, for any reason, cancelled, Customer will provide to ModSpace evidence of policies of insurance as set forth in Sections 9(a)(i) or 9(a)(ii), as appropriate, within ten (10) days prior to the effective date of such cancellation.
- (e) The coverage provided under the Optional Insurance Program and the limitation of liability under the Damage Waiver Option does not extend to the transportation of Equipment or its contents and, only extends to Equipment installed on ground level.
- (f) The Damage Waiver Option will not be binding upon ModSpace unless any loss, damage, injury or claim is reported to ModSpace in writing within seventy-two (72) hours of the occurrence of any such event. Customer will also provide any information in regard to such event that ModSpace reasonably requests.

11. Default

- The occurrence of one or more of the following in clauses (a) - (e) below will constitute an Event of Default under this Lease:
- (a) Customer fails to pay when due any rental payment or any other payment due under this Lease or fails to perform its obligations under Section 9 of this Lease;
- (b) Customer fails to perform or observe any other term or condition under this Lease and such failure remains unremedied for more than ten (10) days after such failure to perform or observe;
- (c) Customer or any person or entity which controls more than fifty percent (50%) of Customer's equity (a "Control Person") or any guarantor of any of Customer's obligations hereunder (a "Guarantor") (i) becomes insolvent, (ii) becomes subject to any voluntary or involuntary bankruptcy or reorganization proceedings, (iii) commits an act of bankruptcy, (iv) makes an assignment for the benefit of creditors, (v) appoints or submits to the appointment of a receiver for all or any of its assets, (vi) admits in writing its inability to pay its debts as they become due or (vii) enters into any type of voluntary or involuntary liquidation or dissolution;
- (d) Customer, any Control Person or any Guarantor defaults under any other agreement with ModSpace or any affiliate of ModSpace; and
- (e) Any letter of credit, guaranty or other security given to secure the performance of Customer's obligations under this Lease expires, terminates or in the reasonable opinion of ModSpace becomes worthless. Upon the occurrence of an Event of Default, ModSpace will have the option to declare the entire balance of rent for the remainder of the stated lease term immediately due and payable and to accelerate and make immediately due and payable any other amounts owing under this Lease. ModSpace will also have the option to retake and retain any or all of the Equipment free of all rights of Customer without any further liability or obligation to redeliver any of the Equipment to Customer, and Customer hereby grants ModSpace the right to enter upon any premises where all or any of the Equipment is located in order to take possession of and remove such Equipment. (Notwithstanding the foregoing, if an Event of Default occurs under clause (c) above, such accelerations will occur automatically without the need for declaration.) Customer will pay to ModSpace on demand all fees, costs and expenses incurred by ModSpace in enforcing its rights under this Lease, including without limitation reasonable attorneys' fees. The remedies provided in favor of ModSpace will be cumulative and in addition to all other remedies provided in this Lease or existing at law or in equity. No action taken by ModSpace pursuant to this Section 11 or Section 13 will release Customer from Customer's covenants, obligations and indemnities provided under this Lease, including but not limited to Customer's obligation for the payment of rentals provided in this Lease. ModSpace retakes possession of the Equipment or any part of the Equipment and there is at the time of such retaking, in, upon or attached to such repossessed Equipment, any other property, goods or things of value owned by Customer or in the custody or control of Customer, ModSpace is authorized to take possession of such other property, goods or things and hold the same for Customer, at Customer's sole cost, either in ModSpace's possession or in public storage, at ModSpace's sole discretion.

12. ModSpace' Right To Cure

If Customer defaults in any of its obligations under this Lease, whether or not an Event of Default then exists, ModSpace may pay all amounts or perform or cause to be performed all obligations required to be paid or performed by Customer under this Lease and recover from Customer as additional rent all amounts so paid or the reasonable value of all services so performed.

13. Set-Off

Without limiting any other provision of this Lease, upon the occurrence of an Event of Default, ModSpace will have the immediate right, without notice, demand or other action, to set-off against Customer any amounts ModSpace may hold as prepayments or deposits for ModSpace liabilities to Customer whether or not then due to Customer. Unless otherwise prohibited by law, ModSpace will be deemed to have exercised such right to set-off and to have made a charge against any such sums immediately upon the occurrence of any Event of Default by Customer.

14. Assignment, Amendment, Modification, Miscellaneous

- (a) Customer will not have the right to assign this Lease or to sublet, rent or otherwise hire out or transfer possession of any of the Equipment to any person or entity other than ModSpace, without the prior written consent of ModSpace. ModSpace may assign this Lease and the rentals reserved under this Lease. If ModSpace makes such an assignment, the assignee will acquire all rights and remedies possessed by or available to ModSpace under this Lease.
- (b) This Lease contains the entire agreement between the parties pertaining to the subject matter of this Lease. No agreements, representation or understandings not specifically contained in this Lease will be binding upon any of the parties hereto unless reduced to writing and signed by the parties to be bound thereby. Any amendment, modification or addendum to this Lease will not be binding on ModSpace unless signed by an authorized officer of ModSpace. This Lease will be governed as to its construction, interpretation and effect by the laws of the Commonwealth of Pennsylvania without regard to principles of choice of laws.



LEASE AGREEMENT NO.: 383607

ACCOUNT NO.: 111564

CUSTOMER NO.: 166950

Exhibit B

RETURN EQUIPMENT TO ModSpace:

SEATTLE
 19432 EAST VALLEY HIGHWAY
 KENT
 WA 98032
 Telephone: 253-395-0301
 1-800-523-7918
 Fax: 253-395-0235

Modular Space Corporation, a Delaware corporation ("ModSpace") hereby leases the equipment specified below (the "Equipment") to:

CITY OF BLACK DIAMOND
 PO Box 599
 BLACK DIAMOND
 WA 98010-0599
 Customer Contact: Kevin Esping
 Telephone: 253-261-0594
 Fax: 360-888-2582
 P.O. #:

The Equipment will be located at (subject to Section 4 on attached page):

TBD
 BLACK DIAMOND
 WA 98010

Customer hereby leases Equipment from ModSpace for a minimum period of 24 months (the "Minimum Lease Period") from the start of the lease term in accordance with the terms and conditions of this Lease Agreement including the terms and conditions set forth on the attached page (this "Lease"). Rental month is defined as a thirty-day period.

Customer agrees to pay ModSpace without demand and in advance the monthly rental and other charges on the due dates set forth in this Lease. The anticipated delivery date for the Equipment, subject to Section 3(c) on the attached page, will be on or about the 15th day of October, 2007.

Unit	Class	Width	Length	Serial No.	Monthly	Weekly	Daily	Insurance Value
653591	MULT	12'	60'	26151A	\$650.00	\$149.59	\$21.37	\$48,519
653592	MULT	12'	60'	26151B	\$650.00	\$149.59	\$21.37	\$48,519

ONE TIME CHARGES	
DELIVERY	
DELIVERY FUEL SURCHARGE (Qty: 2 at \$25.00)	\$50.00
BUILDING DELIVERY (Qty: 2 at \$374.00)	\$748.00
OPTIONAL EQUIPMENT (Qty: 2 at \$210.00)	\$420.00
INSTALLATION	
ANCHOR/TIE DOWN (Qty: 1 at \$1,300.00)	\$1,300.00
RAMP ASSEMBLY (Qty: 1 at \$1,276.00)	\$1,276.00
SET-UP COMPLEX (Qty: 1 at \$4,350.00)	\$4,350.00
INSTALL SKIRTING - VINYL (Qty: 1 at \$3,360.00)	\$3,360.00
MODIFICATIONS	
INSTALL PARTITION (LABOR) (Qty: 1 at \$531.00)	\$531.00
Installation of additional demount walls 8x8x8	
MODIFICATIONS LABOR (Qty: 1 at \$825.00)	\$825.00
RETURN DELIVERY	
BUILDING RETURN* (Qty: 2)	***
RETURN FUEL SURCHARGE* (Qty: 2)	***
OPTIONAL EQUIPMENT* (Qty: 2)	***
DISMANTLING	
REMOVE ANCHORS/TIEDOWNS* (Qty: 1)	***
UNSKIRT* (Qty: 1)	***
REMOVE RAMPS* (Qty: 1)	***
TEAR DOWN COMPLEX* (Qty: 1)	***

MONTHLY CHARGES	
COMPLEX	\$1,300.00
RENTAL	
RAMPS (Qty: 1 at \$390.00)	\$390.00
STEPS (Qty: 1 at \$35.00)	\$35.00
Total	\$1,725.00
Monthly Property Tax	\$23.64
Sales Tax(Monthly Lease Items)	\$148.65
Grand Total(Monthly)	\$1,897.29



LEASE AGREEMENT NO.: 383607
ACCOUNT NO.: 111564
CUSTOMER NO.: 166950

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KENT
WA 98032
Telephone: 253-395-0301
1-800-523-7918
Fax: 253-395-0235

(Continued)

REMOVE PARTITION (LABOR)* (Qty: 1)		DAILY:	\$42.74
	Total	WEEKLY:	\$299.18
	Sales Tax(One Time)		
	Grand Total(One Time)		

* Billed at Termination
** Billed at current rates at Termination

**Tax rates will vary with delivery address. Taxes are subject to change by tax authorities without notice.*

No agent, employee or representative of ModSpace has any authority to make any representation or warranty concerning the Equipment that is not specifically included in this Lease. Unless specifically identified in this Lease, this Lease supersedes all prior negotiations, proposals and documents. This Lease will not be subject to any additional provision that may be contained in the Customer's purchase order, although Customer's purchase order number may be used by the parties as a convenient reference for invoicing purposes.

(12) Tax rates may vary dependent upon confirmation of final delivery address. Any adjustment to the Tax rate imposed by city, county, state, or federal government or other taxing authority subsequent to the date of ModSpace' quotation, proposal, or commencement date of the Lease will be reflected on Customer's invoice. Customer is responsible for the payment of any increase in Taxes and such obligation supersedes any conflicting language contained in any Customer document.

(13) Any Value Added Products or services (including but not limited to holding tanks, ramps, security services) are products provided by a third party vendor. ModSpace will not be held responsible for the maintenance or servicing of such products. Customer will be responsible for any and all of the third party vendor's terms and conditions that typically govern the leasing and servicing of the equipment. The Customer understands that for their convenience ModSpace will coordinate the product or service and act as a billing agent for the third party vendor.

(14) ALL RIGHT, TITLE AND INTEREST OF MODULAR SPACE CORPORATION HEREUNDER HAS BEEN PLEDGED TO, AND IS SUBJECT TO THE SECURITY INTERESTS OF, BANK OF AMERICA, N.A., AS AGENT, PURSUANT TO THAT CERTAIN SECOND AMENDED AND RESTATED CREDIT AGREEMENT, DATED AS OF MARCH 30, 2007, AMONG MODULAR SPACE CORPORATION, CERTAIN OF ITS SUBSIDIARIES PARTY THERETO AS EITHER BORROWER OR GUARANTOR, BANK OF AMERICA, N.A. AS AGENT, AND THE LENDERS FROM TIME TO TIME PARTY THERETO, AS AMENDED, RESTATED OR OTHERWISE MODIFIED FROM TIME TO TIME. MODULAR SPACE CORPORATION SHALL HAVE NO RIGHT TO TRANSFER ITS RIGHT, TITLE OR INTEREST HEREUNDER TO ANY PARTY EXCEPT PURSUANT TO AND IN ACCORDANCE WITH THE PROVISIONS OF THE RELEVANT LOAN DOCUMENTS.

Comprehensive and Liability insurance coverage certificate must be received prior to delivery or Lessee will need to accept ModSpace Optional Insurance and/or Damage Waiver on ModSpace leases agreement prior to delivery.

Return delivery and dismantle will be billed at current rate at time of return unless otherwise quoted.
Pilot cars will be billed as required for 12' or 14' wide trailer @ 210.00 per unit on each delivery or return. Charges over a 25 mile radius will be charged on a per mile basis at \$1.75 per mile

Tiedowns/anchors not included and will be priced upon request.
Alterations will require an alteration permit through Washington State Department of Labor and Industries.
Set up is based on 1000psf soil bearing capacity.

Excessive cleaning and/or damage will be charged additionally at prevailing rates.
The Lessee is responsible for providing a level site that is accessible to standard mobile transport equipment.
Wait time or additional site time will be charged at \$75.00/hr. Additional charges may apply for labor time.
Property tax and sales tax will be charged additionally.

Customer is responsible for all taxes, permits, fees, licenses, utility connections, foundation engineering, and the preparation of a level, compact and accessible site.

*CHARGES FOR RETURN FREIGHT, DISMANTLE, CLEANING, DAMAGE REPAIR, AND NON-RETURNED KEYS WILL BE CHARGED AT THE THEN CURRENT RATE AT THE TIME OF LEASE TERMINATION.

Steps not returned will be billed at \$700.00 per landing. Keys not returned will be charged \$75.00 per door



LEASE AGREEMENT NO.: 383607
 ACCOUNT NO.: 111564
 CUSTOMER NO.: 168950

RETURN EQUIPMENT TO ModSpace:

SEATTLE
 19432 EAST VALLEY HIGHWAY
 KENT
 WA 98032
 Telephone: 253-395-0301
 1-800-523-7918
 Fax: 253-395-0235

(Continued)

SECURITY INTERESTS OF, BANK OF AMERICA, N.A., AS AGENT, PURSUANT TO THAT CERTAIN SECOND AMENDED AND RESTATED CREDIT AGREEMENT, DATED AS OF MARCH 30, 2007, AMONG MODULAR SPACE CORPORATION, CERTAIN OF ITS SUBSIDIARIES PARTY THERETO AS EITHER BORROWER OR GUARANTOR, BANK OF AMERICA, N.A., AS AGENT, AND THE LENDERS FROM TIME TO TIME PARTY THERETO, AS AMENDED, RESTATED OR OTHERWISE MODIFIED FROM TIME TO TIME. MODULAR SPACE CORPORATION SHALL HAVE NO RIGHT TO TRANSFER ITS RIGHT, TITLE OR INTEREST HEREUNDER TO ANY PARTY EXCEPT PURSUANT TO AND IN ACCORDANCE WITH THE PROVISIONS OF THE RELEVANT LOAN DOCUMENTS.

Comprehensive and Liability Insurance coverage certificate must be received prior to delivery or Lessee will need to accept ModSpace Optional Insurance and/or Damage Waiver on ModSpace leases agreement prior to delivery.

Return delivery and dismantle will be billed at current rate at time of return unless otherwise quoted.

Pilot cars will be billed as required for 12' or 14' wide trailer @ 210.00 per unit on each delivery or return. Charges over a 25 mile radius will be charged on a per mile basis at \$1.76 per mile

Tiedowns/anchors not included and will be priced upon request.

Alterations will require an alteration permit through Washington State Department of Labor and Industries.

Set up is based on 1000psf soil bearing capacity.

Excessive cleaning and/or damage will be charged additionally at prevailing rates.

Lessee is responsible for providing a level site that is accessible to standard mobile transport equipment.

wait time or additional site time will be charged at \$75.00/hr. Additional charges may apply for labor time.

Property tax and sales tax will be charged additionally.

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*CHARGES FOR RETURN FREIGHT, DISMANTLE, CLEANING, DAMAGE REPAIR, AND NON-RETURNED KEYS WILL BE CHARGED AT THE THEN CURRENT RATE AT THE TIME OF LEASE TERMINATION.

Steps not returned will be billed at \$700.00 per landing. Keys not returned will be charged \$75.00 per door

Used equipment is sold "as-is", no warranty expressed or implied.

The attached page contains Terms and Conditions that form an integral part of this Lease. Those terms and conditions include but are not limited to disclaimers of warranties of merchantability and fitness and limitations on damages. The only other documents that form a part of this lease are:

US20021216 NONE

Signed by duly authorized agents, with the intent to be legally bound, this _____ day of _____, 20____
 By [Signature] By [Signature]
 Modular Space Corporation AUTHORIZED AGENT CUSTOMER OR AUTHORIZED AGENT

Name RHONDA BANGHART

Name Howard Botts
 (please print)



Accepted and Del. By: _____
 Freight Vendor

Date: _____

Remarks: _____

Received and Accepted By: _____
 Name: _____
 (please print)

Date: _____