

August 29, 2016

Mr. Gary Penitsch, President  
Crescent Bar, Inc.  
8894 Crescent Bar Road NW, Suite 1  
Quincy, WA 98848

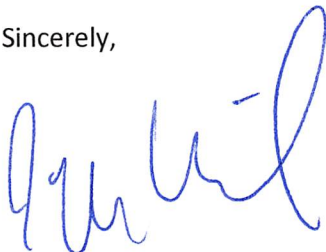
Dear Mr. Penitsch,

As you know, Crescent Bar Inc. (CBI) has managed Grant PUD property at Crescent Bar for more than 30 years and has provided important services for both the on-island residents and the recreating public by operating and maintaining the golf course, campground, marina, fuel station, day use areas, and water and wastewater systems. Since December 2015, CBI has provided these services under a short-term management agreement that was part of a comprehensive settlement that ended nearly five years of litigation between Grant PUD and CBI and the on-island homeowners associations. The current management agreement between Grant PUD and CBI expires on October 1, 2016. This letter provides notification that Grant PUD will not be renewing the management agreement with CBI and will be pursuing other options for operating and maintaining our property at Crescent Bar.

Given that the current agreement will not be renewed, all personal property CBI desires to retain must be removed from Grant PUD property no later than October 1, 2016. This includes all portable items, such as lawn-mowing equipment, golf carts, tools, etc. Given Grant PUD's need for ongoing maintenance of Crescent Bar, we are open to purchasing some or all of this equipment in the event CBI is considering disposing of the items. If you are interested in discussing a potential equipment purchase, please contact Vanessa Seldal at (509) 429-1604 at your earliest convenience. As a reminder, all permanent structures and infrastructure on Grant PUD property at Crescent Bar are the property of Grant PUD and must be left in place and in their current condition.

If you have any questions, please don't hesitate to give me a call at (509) 793-1581.

Sincerely,



Jeff Grizzel  
Natural Resources Director

c: Shannon Lowry, Grant PUD Lands & Recreation Manager