

CHEHALIS CITY COUNCIL AGENDA

CITY HALL
350 N MARKET BLVD | CHEHALIS, WA · 98532

Dennis L. Dawes, Position at Large
Mayor

Terry F. Harris, District 1, Mayor Pro Tem
Daryl J. Lund, District 2
Dr. Isaac S. Pope, District 4

Anthony E. Ketchum Sr., District 3
Chad E. Taylor, Position at Large
Robert J. Spahr, Position at Large

Regular Meeting of Monday, September 9, 2019 5:00 p.m.

1. Call to Order. (Mayor)
2. Pledge of Allegiance. (Mayor)

SPECIAL BUSINESS

3. Recognition of Richard DeBolt by the Washington Recreation & Park Association (WRPA). (Paul Simmons, WRPA)

CITIZENS BUSINESS

This is an opportunity for members of the audience to address the council on matters not listed elsewhere on the agenda. Speaker identification forms are available at the door and may be given to the city clerk prior to the beginning of the meeting.

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
CONSENT CALENDAR		
4. <u>Minutes of the Regular City Council Meeting of August 26, 2019.</u> (City Clerk)	APPROVE	1
5. <u>Vouchers and Transfers – Accounts Payable.</u> (City Manager, Finance Director)	APPROVE	4

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CONSENT CALENDAR - CONTINUED		
6. <u>Vouchers and Transfers – Payroll.</u> (City Manager, Finance Director)	APPROVE	5
7. <u>Offer to Lease Tract 16-B on NW Louisiana Avenue (by Home Depot/Taco Bell) by Riptide 6, LLC.</u> (City Manager, Public Works Director, Airport Operations Coordinator)	APPROVE	6
8. <u>Resolution No. 10-2019, First and Final Reading – Delegating Signing Authority to the Finance Director for Reimbursement on Federally Funded Transportation Projects.</u> (City Manager, Public Works Director, Street/Storm Superintendent)	ADOPT	38
9. <u>Implementation of ACH (Automated Clearing House) Payment Options for Accounts Payable (AP) Vendor Payments .</u> (City Manager, Finance Director)	APPROVE	41

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NEW BUSINESS		
10. <u>Purchase of Exterior Ballistic Vests for Police Officers.</u> (City Manager, Police Chief)	APPROVE	43

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ADMINISTRATION AND CITY COUNCIL REPORTS		
11. <u>Administration Reports.</u> a. City Manager Update. (City Manager)	INFORMATION ONLY	- - -
12. <u>Councilor Reports/Committee Updates.</u> (City Council)	INFORMATION ONLY	- - -

EXECUTIVE SESSION		
13. Pursuant to RCW:		
a. 42.30.110(1)(b) – Selection of Site or Acquisition of Real Estate		
b. 42.30.110(1)(g) – Review Performance of a Public Employee		
c. 42.30.140(4)(b) – Collective Bargaining		

**THE CITY COUNCIL MAY ADD AND TAKE ACTION ON OTHER ITEMS NOT LISTED ON THIS AGENDA.
NEXT REGULAR CITY COUNCIL MEETING IS MONDAY, SEPTEMBER 23, 2019.**

August 26, 2019

The Chehalis city council met in regular session on Monday, August 26, 2019, in the Chehalis city hall. Mayor Dennis Dawes called the meeting to order at 5:00 pm with the following council members present: Terry Harris, Daryl Lund, Dr. Isaac Pope, and Bob Spahr. Councilors Tony Ketchum and Chad Taylor were absent (excused). Staff present included: Jill Anderson, City Manager; Caryn Foley, City Clerk; Bill Hillier, City Attorney; Trent Lougheed, Public Works Director/City Engineer; Brandon Rakes, Airport Operations Coordinator; Chun Saul, Finance Director; Glenn Schaffer, Police Chief; and Don Schmitt, Street/Storm Superintendent. Members of the news media included Will Rubin of *The Chronicle*.

1. **Lewis County Citizen Budget Committee.** Commissioner Edna Fund stated the county was seeking volunteers to participate in the county's 2020 budget process. Applications are due September 13 and are available on the county's website. Commissioner Fund stated she enjoyed the Recreation Park project groundbreaking event this afternoon.

Mayor Dawes stated it was a great event and had an excellent turnout.

2. **Consent Calendar.** Councilor Spahr moved to approve the consent calendar comprised of the following:

a. Minutes of the regular meeting of August 12, 2019; and

b. August 15, 2019 Claim Vouchers No. 126541-126708 and Electronic Funds Transfer No. 72019 in the amount of \$438,695.36.

The motion was seconded by Councilor Lund and carried unanimously.

3. **Petition to Vacate Right-of-Way at NW North Street.** City Manager Anderson stated the item was initially discussed during a public hearing about four weeks ago. That public hearing was closed and the discussion by the city council was continued to this evening. Late Friday, an email was received from Pam Wildhaber presenting an option 6, which the council was made aware of.

Trent Lougheed provided an overview of the issue and a summary of the options that were considered, including the option provided by the Wildhaber family. In 1989, 15' on the Wildhaber side was vacated and the proposed application would match that on the other side of the road. The existing ROW width is 45' due to the previous vacation approval. The current proposal is to vacate the northern 15' to make a 30' ROW. The options identified by staff include:

- Option 1 – Grant the request as written
- Option 2 – Grant request and create no parking zones on both sides
- Option 3 – Vacate the entire width of 45'
- Option 4 – Deny the request
- Option 5 – Deny the request and create no parking zone

Mayor Dawes stated the option proposed by the Wildhabers was basically a modified version of Option 3 to vacate the entire 45' with 15' going to the Grahams and 30' going to the Wildhabers with an easement to the Grahams upon agreement between the parties.

Mr. Lougheed stated staff recommended Option 5 to deny the vacation and create no parking on both sides.

City Manager Anderson stated staff was concerned about the option proposed by the Wildhabers since there was a long history of difficulties between the two parties.

Mayor Dawes asked Pam Wildhaber if staff adequately and correctly outline Option 6. Ms. Wildhaber stated yes.

Mayor Dawes asked Jeff Graham if he was aware of Option 6. Mr. Graham stated he was not.

Scott Blinks, representing the Grahams, stated the Grahams only wanted to fix the horrific problem that exists on NW North Street. Granting the vacation petition was the only solution to the predicament. In 1989, the city council received three objections to the Wildhaber petition to vacate and the petition was granted anyway. Now the only objection to the Graham

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petition was from the Wildhabers. A governmental entity cannot favor one citizen over another. A privilege cannot be granted to one citizen and the same privilege denied to another citizen. Denying the grant petition would be an arbitrary and capricious act. He asked the council to grant the petition by accepting Option 2.

Councilor Spahr was concerned about people being able to turn around if Option 2 were granted. He stated the railroad could cut off access at any time.

Mr. Blinks stated there were no permanent structural improvements planned or anticipated by the Grahams in the 15' they were requesting to acquire from the city. It was merely for extending the setback requirements. He stated Option 6 would be a violation of the city's municipal code 12.32.060(e), which stated a vacation could only be granted where no abutting owner becomes landlocked or access would be substantially impaired.

Mayor Dawes stated to hold the current council subject to a past council was unfair. Mr. Blinks stated he did not mean to disparage the current council.

Trevor White, representing the Wildhabers, thought Option 6 would give the Grahams what they want and allow more space for the Wildhabers. The city would receive twice the revenue for the vacation and the city would not have to be directly involved in the matter any longer.

Pam Wildhaber thought the option was win-win for everyone. She offered to purchase the property from the Grahams for list price. She stated every parking space allowed her to generate revenue.

Councilor Spahr disclosed that he had the property for sale at one time as a realtor, which listing expired a year-and-a-half ago. He stated he was contacted today to see if he would make contact with the Grahams to see if they were interested in selling. Richard Graham told him it was in Jeff's hands. Councilor Spahr stated the council meeting minutes from 1989 discussed how the 15' vacation would be dedicated to parking, but a building ended up being built on the property.

Pam Wildhaber explained there has always been a fruit stand on the corner. After the property was vacated, a walk-in cooler was placed under an awning on the subject side of the building. When the building was turned into a restaurant, they enclosed the existing awning.

Mayor Dawes stated the building issue was a separate issue apart from the vacation request. He didn't believe Option 6 would get the desired result and would rely on the parties to negotiate ownership where one party owns two-thirds. Any agreement would also have to go on into perpetuity to maintain an easement.

Mr. White stated it was common to sell a piece of property with an easement attached to it.

Councilor Pope assumed Option 5 was in the best interest of the city, including the safety of all citizens. Mr. Lougheed stated the city had to provide the safest result possible and if the city maintains a 45' ROW and parking is not eliminated on both sides, that does not allow someone safe maneuvering.

Councilor Pope expressed concern about emergency service access.

Councilor Spahr moved to approve Option 5 and deny the vacation request of Richard Graham for the northern 15' of NW North Street ROW that abuts his property line; direct staff to create no parking zones along both sides of NW North Street from the Graham's western property line to the BNSF railroad ROW and from the southwest end of the Wildhaber's building to the BNSF railroad ROW; and clarify that the option requires all materials blocking the City ROW to be removed. The motion was seconded by Councilor Pope.

Councilor Spahr stated he was concerned about the turnaround area. He wanted to see the Grahams ask for a waiver of property setbacks to help them do what they want to do.

Councilor Lund stated he was against the motion. He agreed with the comments made by Mr. Blinks and the statute he cited that if one party is allowed to do something, the other party should have the same opportunity.

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Mayor Dawes clarified that the statue cited by Mr. Blinks referred to landlocking a property.

The motion carried 4 to 1. Councilor Lund voted against the motion.

Mayor Dawes encouraged the two parties to get together and come up with something that would work. It would have to be agreeable to both parties before it was ever brought to the council and would need involvement from city staff at the beginning.

4. Administration Reports.

a. **City Manager Update – Strategic Planning.** City Manager Anderson provided an update on the strategic plan and three-year goals that included maintaining and enhancing financial stability; enhancing and modernizing technology; increasing and optimizing staffing levels; improving and maintaining infrastructure; and enhancing and maintaining facilities. City Manager Anderson noted some of the six-month objectives since the last strategic planning session in March. The next strategic planning session is scheduled for September 18.

5. Councilor Reports/Committee Updates.

a. Councilor Harris thanked the school district for allowing the police department to use Cascade and R.E. Bennett Schools for K9 use, and Code Enforcement Officer Angie Elder for the safety issue on West Street with the RV situation.

b. Mayor Dawes attended the opening ceremonies for the fair and a Business After Hours at Dick's Brewing. He thanked staff for the nice groundbreaking ceremony today for Recreation Park.

6. **Executive Session.** Mayor Dawes announced the council would take a short recess and then be in executive session pursuant to RCW 42.30.110(1)(b) – Selection of Site or Acquisition of Real Estate and RCW 42.30.110(1)(c) – Minimum Price at Which Real Estate Will Be Offered for Sale/Lease, not to exceed 6:30 pm and there would be no decision following conclusion of the executive session. Mayor Dawes closed the regular meeting at 5:58 pm. The executive session began at 6:02 pm. Following conclusion of the executive session, the regular meeting was reopened and immediately adjourned at 6:29 pm.

Dennis L. Dawes, Mayor

Caryn Foley, City Clerk

Approved:
Initials: _____

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Chun Saul, Finance Director
Michelle White, Accounting Tech II

MEETING OF: September 9, 2019

SUBJECT: Vouchers and Transfers

ISSUE

City Council approval is requested for Vouchers and Transfers dated August 30, 2019.

DISCUSSION

The August 30, 2019 claim vouchers have been reviewed by a committee of three councilors prior to the release of payments. The administration is requesting City Council approval for Claim Vouchers No. 126709-126840 in the amount of \$412,357.02 dated August 30, 2019, which includes the transfer of:

- \$ 91,244.41 from the General Fund
- \$ 9,211.25 from the Dedicated Street Fund – 4% Sales Tax Fund
- \$ 246,554.19 from the Wastewater Fund
- \$ 27,678.63 from the Water Fund
- \$ 416.25 from the Storm & Surface Water Utility Fund
- \$ 36,107.01 from the Airport Fund
- \$ 1,145.28 from the Firemen’s Pension Fund

RECOMMENDATION

It is recommended that the City Council approve the August 30, 2019 Claim Vouchers No. 126709-126840 in the amount of \$412,357.02.

SUGGESTED MOTION

I move that the City Council approve the August 30, 2019 Claim Vouchers No. 126709-126840 in the amount of \$412,357.02.

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Chun Saul, Finance Director
Betty Brooks, Payroll Accountant

MEETING OF: September 9, 2019

SUBJECT: Payroll Vouchers and Transfers

ISSUE

City Council approval is requested for Payroll Vouchers and Transfers dated August 30, 2019.

DISCUSSION

The administration requests City Council approval for Payroll Vouchers No. 40981-41032, Direct Deposit Payroll Vouchers No. 11136-11261, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 255-259 dated August 30, 2019 in the amount of \$855,723.70, which include the transfer of:

- \$587,256.38 from the General Fund
- \$8,986.54 from the Arterial Street Fund
- \$95,241.54 from the Wastewater Fund
- \$105,453.61 from the Water Fund
- \$21,899.49 from the Storm & Surface Water Utility Fund
- \$34,804.14 from the Airport Fund
- \$2,082.00 from the Firemen's Pension Fund

RECOMMENDATION

It is recommended that the City Council approve the August 30, 2019 Payroll Vouchers No. 40981-41032, Direct Deposit Payroll Vouchers No. 11136-11261, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 255-259 in the amount of \$855,723.70.

SUGGESTED MOTION

I move that the City Council approve the August 30, 2019, Payroll Vouchers No. 40981-41032, Direct Deposit Payroll Vouchers No. 11136-11261, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 255-259 in the amount of \$855,723.70.

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Trent Lougheed, P.E., Public Works Director
Brandon Rakes, Airport Operations Coordinator

MEETING OF: September 9, 2019

SUBJECT: Offer to Lease Tract 16-B on NW Louisiana Avenue (In Front of Home Depot and North of Taco Bell) by Riptide 6, LLC

ISSUE

The Chehalis-Centralia Airport has received an offer to lease Tract 16-B by Riptide 6, LLC for construction of The Wave Carwash. This parcel is located on property managed by the airport located along NW Louisiana Avenue in front of Home Depot and north of Taco Bell.

INTRODUCTION

Riptide 6, LLC approached the Airport in early May of this year regarding the potential of leasing property for development, and ultimately submitted an offer to lease Tract 16-B. This tract totals approximately 1.16 gross acres of land.

Riptide 6, LLC/The Wave Carwash specializes in a premium, carwash facilities experience. Their locations can be found throughout the local region with facilities located in Olympia, Lacey, Frederickson, Tumwater, and Centralia. Mike Opitz, Owner and President of The Wave Carwash, met with Brandon Rakes, Airport Operations Coordinator on Thursday, May 16, 2019 to personally give a tour of their Frederickson, Washington facility which represents the same type of facility that he would like to develop in Chehalis. Development of the site would be anticipated to begin in the Spring of 2020 if approved.

TERMS OF THE PROPOSAL

Upon receipt of the initial offer, a determination of market rent was ordered by the City. This information was used to negotiate the final lease that has been submitted for consideration at this time. Mr. Opitz has agreed to the current Offer to Lease, which includes provisions for the following:

- Deposit to the City equal to the first year of rent to be collected including leasehold tax
- Time for developer to complete due diligence work
- Contingency clauses
- Rent amount and commencement date
- Length of the initial term of a lease of ten years, and extension clauses of ten, five-year options. Reappraisal would occur on each twentieth anniversary of the lease.

The execution of the Lease by both parties will guide both parties in a process to develop the property.

FISCAL IMPACT

If the proposed Lease is accepted, the City would receive lease revenue in the amount of \$33,770.68 annually that would be restricted for the operation of the Airport and sales tax revenue from any retail activity that would be used to fund the City's general operations, including the provision of police and fire services. The City will also receive an estimated \$122,080 as a Fee-in-Lieu of for Compensatory Excavation that is required for this site. This fee collected by the City will be used toward flood reduction projects.

RECOMMENDATION

It is recommended that the City Council approve acceptance of the Lease for Tract 16-B, by Riptide 6, LLC and authorize the City Manager to execute the lease agreement.

SUGGESTED MOTION

I move that the City Council approve acceptance of the Lease for Tract 16-B, by Riptide 6, LLC and authorize the City Manager to execute the lease agreement.

AFTER RECORDING RETURN TO:

Mr. Brandon L. Rakes
Chehalis-Centralia Airport
PO Box 1344
Chehalis, WA 98532

Parcel Number: 005605016002

**GROUND LEASE
(Chehalis, Washington)**

THIS GROUND LEASE ("Lease") is made and entered into as of the effective date set forth in Section I by and between **CITY OF CHEHALIS, operator of the Chehalis-Centralia Airport ("Landlord")**, and **Riptide 6, LLC ("Tenant")**. Landlord and Tenant are sometimes hereinafter each singularly referred to as a **"Party"** and collectively referred to as the **"Parties."**

SECTION 1 - FUNDAMENTAL LEASE TERMS

For convenience, this Section I summarizes certain fundamental economic and business terms of this Lease. If these fundamental terms conflict with the balance of the Lease, the latter shall control.

- Effective Date:** As stated in Section 21.19 below
- Landlord:** City of Chehalis
Chehalis-Centralia Airport
P.O. Box 1344
Chehalis, Washington 98532
- Tenant:** Riptide 6, LLC and/or assigns.
- Lease Term:** Ten (10) years with ten (10) five (5) year option periods, as stated in Section 3.1
- Rent:** See Section 4
- Title Insurance Liability Amount:** Four Hundred Five Thousand Dollars (\$405,000.00) to be increased at the request of Tenant upon Reappraisal of the Property as provided in Section 4.3.
- Deposit:** \$38,106.84 by cashier's check, upon execution of this document as provided in Section 4.1a, below

SECTION 2 - DEMISE OF PROPERTY

2.1 Property. For and in consideration of Tenant's covenant to pay the rental and other sums for which provision is made in this Lease, and the performance of the other obligations of Tenant hereunder Landlord leases to Tenant, and Tenant leases from Landlord, that certain real property consisting of 50,404 square feet more or less, which real property is more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference for Tenant, its customers, invitees, and employees, but not including any mineral rights, water rights, or any other right to excavate or withdraw minerals, gas, oil, or

other material, except as specially granted herein; subject to easements and encumbrances of record as of the date hereof as noted in the records of Lewis County, Washington. Said property and rights leased hereby are hereinafter referred to as the "Property". The Property and planned development as prepared by Tenant's engineer or architect are depicted on the site plan attached hereto as Exhibit "B" and incorporated herein by this reference ("Site Plan") upon written acceptance and approval of said Site Plan by Landlord and before commencement of construction on the Property by Tenant.

2.2 Removed

2.3 Development. Tenant is authorized to fill the Property and to construct one or more structures (herein, "Improvements") on the Property, provided that (a) any such improvement is within the Building Areas of the Site Plan, (b) each improvement is constructed in compliance with all applicable codes, and (c) Landlord has approved in writing all plans and schematic drawings for the Improvements, and all filling and grading plans, 100 year Flood Plain mitigation plans; drainage plans, location of utilities, access and traffic circulation routes, such approvals not to be unreasonably withheld. Tenant shall also obtain Landlord's consent, which consent shall not be unreasonably withheld, prior to any utilities or fill being installed or placed on the Property by the Tenant. Tenant's failure to submit said plans to Landlord for its written approval shall constitute a breach of this Lease and Landlord may, in addition to other remedies provided herein, discontinue all Tenant's work under this Lease until Tenant has provided plans for Landlord's review and written approval. Tenant shall not meet the obligations of this subsection by submitting plans to governmental bodies but shall separately submit said plans to Landlord prior to submitting to governmental agencies. Tenant shall have no claim against Landlord for any such work stoppage that occurs due to Tenant not submitting the plans required herein.

2.4 Tenant's Work. Tenant shall plan, design and perform it's development work in accordance with civil engineering standards established and required by the City of Chehalis for each development action including but not limited to filling and grading plans, 100 year flood mitigation plans, plans for streets, utilities, building and other improvements and shall obtain all required governmental permits, inspections and approvals. Tenant shall pay all costs associated with said development action.

2.5 Landlord's Work. Removed

SECTION 3 - LEASE TERM

3.1 Term. This Lease shall become legally binding on the Effective Date (as defined in Section 21.19 hereof) and shall expire on the last day of the tenth (10th) Lease Year, subject to rights to extend. Tenant shall have the right to extend the lease for ten (10) additional five (5) year terms by giving Landlord notice of extension not more than one (1) year prior to the end of the then-existing term, and not less than ten (10) days prior to the end of the then-existing term. For purposes of this Lease, the term "Lease Year" shall mean each twelve (12)-month period commencing on the Effective Date and each anniversary thereof.

SECTION 4 – RENT

4.1a Tenant Deposit. On the Effective Date of this Lease, as defined herein, Tenant shall pay Landlord by payment of a cashier's check payable to Chehalis-Centralia Airport a thirty-eight-thousand one hundred six and 84/100 dollars (\$38,106.84) deposit which shall be credited towards payment of rent and any applicable taxes as described in Section 4.2.

4.1b Rent. For each Lease Year, on the monthly basis described herein, Tenant shall pay to Landlord at P. O. Box 1344, Chehalis, Washington, 98532, or such other place as Landlord shall designate in writing, in United States dollars, the monthly amount ("Rent"), as described in Sections 4.2, 4.3 and 4.4 hereof.

4.2 Payment of Rent. The rent deposit as described in Section 4.1a shall be applied each month to rent commencing on the date Tenant is issued a certificate of occupancy, and no later than eighteen (18) months after the Inspection Completion Date (defined in Section 8.2 herein) Upon the depletion of the

tenant deposit as described in Section 4.1a, Tenant shall pay on the first day of each calendar month the monthly amounts of Rent set forth herein subject to Reappraisal and Escalation of Rent after Appraisal as set forth in subsections 4.3 and 4.4 of this Lease. If payment is not received by the tenth day of the month for which that rent is due, a late fee of ten percent (10%) will be assessed to the balance owing.

\$33,770.68/ 12 months = \$2,814.22 per month, plus Leasehold Excise Tax of 12.84%

4.3 Reappraisal. On each twentieth anniversary of the Effective Date of this Lease the Rent will be adjusted to fair market rental value, which annual Rent is deemed to be a sum equal to Ten Percent (10%) of the fair market value of the Property, as determined by appraisal. It is understood and agreed by both parties that the appraisal will be based upon fair rental for vacant unimproved land exclusive of all Tenant owned improvements made to the Property after the Effective Date of this Lease. Landlord shall engage an independent appraiser (MAI) to appraise the Property. If Tenant disagrees with the value of Landlord's appraiser, Tenant may, at its expense, obtain a separate independent appraisal (MAI) for Landlord's consideration. If Landlord and Tenant cannot agree on the fair market value of the Property, the appraisers shall select a third independent appraiser (MAI) to review the two appraisals and set the fair market value for the Property, to set the new annual rental for this Lease, which shall be binding upon both parties to this Lease, provided that the rent so determined shall not be less than the rent payable prior to an Appraisal Date. The cost of a third appraiser shall be borne equally by the two parties.

4.4 Escalation of Rent After Appraisal. The Rent shall, commencing on the fifth (5th) anniversary of the Effective Date hereof, and again on the tenth (10th) anniversary of the Effective Date hereof, and again on the fifteenth (15th) anniversary of the Effective Date hereof, be increased by ten percent (10%) of the Rent then in effect. Then, after the Rent is determined by appraisal pursuant to the procedures set forth in Section 4.3 above, on the twentieth (20th) anniversary of the Effective Date hereof, and on the twenty fifth (25th) anniversary of the Effective Date hereof, and on the thirtieth (30th) anniversary of the Effective Date hereof, and on the thirty fifth (35th) anniversary of the Effective Date hereof, be increased by ten percent (10%) of the Rent then in effect. Then, after the Rent is determined by appraisal pursuant to the procedures set forth in Section 4.3 above on the fortieth (40th) anniversary of the Effective Date, on the on the forty fifth (45th) anniversary of the Effective Date hereof, and on the fiftieth (50th) anniversary of the Effective Date hereof, and again on the fifty fifth (55) anniversary of the Effective Date herof, be increased by ten percent (10%) of the Rent then in effect.

SECTION 5 - TAXES

5.1 Leasehold Taxes. Tenant shall pay to Landlord, at the time Rent payments are made hereunder, the Leasehold Tax established and defined in Chapter 82.29A, Revised Code of Washington. Any delinquent taxes shall be a debt to Landlord, and in the event any penalties or interest are due because of the failure of Tenant to timely pay the Leasehold Tax, such penalties and/or interest shall be payable by Tenant to Landlord.

5.2 Taxes and Assessments.

(a) The term "Taxes" as used herein shall mean all taxes and other governmental charges, general and special, ordinary and extraordinary, of any kind whatsoever, applicable or attributable to the Property and Tenant's use and enjoyment thereof, including Assessments as defined below. Tenant shall pay when due its prorated share of all Taxes commencing with the Rent Commencement Date and continuing throughout the Term. Nothing in this Lease shall prevent Tenant from protesting, contesting, seeking modification, or adjudicating the imposition of any "Taxes" as defined herein.

(b) On or prior to the Rent Commencement Date, Landlord shall pay all then-outstanding Assessments levied or imposed against the Property. The term "Assessments" as used herein shall mean all assessments for public improvements or benefits which heretofore or shall during the Term be assessed, levied, imposed upon, or become due and payable, or a lien upon the Property, any improvements constructed thereon, the leasehold estate created hereby, or any part thereof. Neither Party shall cause nor suffer the imposition of any Assessment upon the Property without the prior written consent of the other.

In the event any Assessment is proposed which affects the Property, Tenant shall promptly notify Landlord of such proposal after Tenant has knowledge or receives notice thereof. Tenant shall pay its prorated portion of the total amount of all Assessments levied with respect to the Property and the leasehold estate created hereby. In no event shall Landlord be obligated to pay any Assessment or any portion thereof levied or created during the Term, irrespective of whether such Assessment or any portion thereof was specifically allocated to the Property or Landlord's reversionary interest therein. Assessments may be paid in installments as permitted by the terms of the Assessments.

5.3 Payment Date and Proof. All payments to Landlord by Tenant (except Leasehold Tax which shall be paid at the time each rental payment is made hereunder) for Taxes and/or Assessments shall be made by Tenant on or before five (5) days before the last day on which such payments or any installments thereof permitted hereunder may be made without penalty or interest. Tenant shall furnish to Landlord receipts or other appropriate evidence establishing the payment of such amounts. Tenant may comply with this requirement by retaining a tax service to notify Landlord when the Taxes have been paid.

5.4 Failure to Pay. In the event Tenant fails to pay any of the expenses or amounts specific in this Section 5, Landlord may, but shall not be obligated to do so, pay any such amount, and the amounts so paid shall immediately be due and payable by Tenant to Landlord and shall thereafter bear interest at the maximum rate allowed by law. Landlord shall provide Tenant with not less than ten (10) days notice of Landlord's intent to pay unpaid amounts as authorized by this Section prior to making any such payment. Such notice shall disclose the rate of interest to be applied by Landlord against the unpaid amounts. Any failure to pay any expense or amount specified or any other amount to be paid by Tenant under the terms of this Lease shall be a material default hereunder by Tenant, and such default (subject to the notice provisions hereof) shall entitle Landlord to pursue all remedies specified in this Lease, including the right to terminate this Lease and thereafter pursue the remedies available pursuant to law.

5.5 Personal Property Taxes. Tenant shall pay all personal property taxes assessed on Tenant's personal property on the Property. If Landlord has paid any such tax as required by the applicable taxing authority, Tenant shall reimburse Landlord upon Tenant's receipt of paid invoices for such taxes, provided Landlord shall use reasonable efforts to give Tenant notice of any such tax prior to paying same.

5.6 Proration of Taxes.

(a) Tenant shall reimburse Landlord within thirty (30) days after Tenant receives from Landlord an invoice for the amount of all Real Estate Tax payments made by Landlord for which Tenant is liable pursuant to Section 5.0 hereof. Each invoice shall be accompanied by a computation of the amount payable.

(b) If the Term shall expire on any date other than the last day of a tax fiscal year, the amount payable by Tenant during the tax fiscal year in which such termination occurs shall be prorated on the basis which the number of days from the commencement of said tax fiscal year to and including said termination date bears to 365. A similar proration shall be made for the tax fiscal year in which the Term commences.

SECTION 6 - SUBLEASES

6.1 Subleases. It is understood between the parties that Tenant may be subleasing a portion of the Property as the Property is developed. All subleases shall conform to and shall be subject to the terms and conditions of this master Ground Lease, and shall conform to and be subject to the then-effective Easements, Covenant, and Restrictions ("ECR"). To the extent required by the FAA, all subleases are subject to FAA approval. Appropriate attornment and non disturbance agreements must be executed by the parties prior to occupancy by any subtenant. Tenant shall provide Landlord with a copy of its proposed sublease for approval to ensure the proposed sublease is consistent with this Master Lease. Each sublease shall include language stating that any conflict between the language in a sublease and the Master Lease shall be decided on the language of the Master Lease. Tenant shall immediately provide Landlord copies of all subleases as they are executed. Failure of Tenant to provide such copies shall constitute a material breach of this lease and all provisions of this Lease and at law shall be available to Landlord.

SECTION 7 - UTILITIES

7.1 Utility Usage. Tenant shall pay the applicable utility companies or governmental agencies directly for all utilities consumed on the Property by Tenant. Landlord shall not take, or permit any person claiming under Landlord or any such occupant to take, any action which shall interrupt or interfere with any electric, water, sewage, or telephone service to the Property and hold Landlord harmless therefrom.

SECTION 8 - POSSESSION AND USE

8.1 Date. Tenant shall have possession of the Property upon the Effective Date.

8.2 Inspection. Tenant will commence inspection of the Property on the Effective Date, in order to determine form and nature of fill to be required and allowed, whether pilings and related improvements will be needed before fill and constructing the remaining Improvements. Tenant has one hundred eighty (180) days during which to complete that inspection (the last day of that inspection period defined herein to be the "Inspection Completion Date"). In the event that Tenant shall determine within its sole discretion prior to the Inspection Completion Date that Tenant's Improvements and Tenant's plans for the Property are for any reason not feasible, then Tenant shall give such notice to Landlord and this Lease shall terminate, and the Tenant deposit described in Section 4.1(a) shall be returned to Tenant.

8.3 Permitted Use. The Property is leased to Tenant for the sole purpose of constructing, maintaining, and operating the Improvements referred to in Section 10 below, in the location depicted on the Site Plan as shown in Exhibit "B", attached and incorporated herein; and no improvements, fixtures or any other use, temporary or permanent, shall be made, constructed, or placed in areas designated on said Site Plan and the ECR for vehicle parking, ingress, and egress. The Improvements on the Property may be used for any lawful use, subject to ECR and the prohibited uses stated therein. Tenant shall use commercially reasonable efforts and diligently market the rental of the Improvements and the Property in the event any improvement is vacated for any reason whatsoever.

SECTION 9 - ASSIGNMENT

9.1 Assignment. Unless otherwise provided herein, Tenant shall not assign, transfer, nor otherwise alienate this Lease, or any interest therein without Landlord's prior written consent, and such consent shall not be unreasonably withheld. Any assignee or subtenant shall be bound by the terms of this Lease. Tenant shall also not hypothecate or mortgage Tenant's interest in this Lease, except as authorized by Section 20 below.

9.2 Permitted Assignments. Notwithstanding Section 9.1 or Section 20.1, Tenant shall have the right to assign, transfer, or otherwise alienate this Lease or any interest therein to another Qualified Carwash Operator without Landlord's consent. A Qualified Carwash Operator is a person or entity that is authorized to own and operate a carwash.

SECTION 10 - IMPROVEMENTS CONSTRUCTED BY TENANT AND OPERATION

10.1 Construction. Tenant intends during the Term of this Lease, and, subject to the approvals stated in Section 2.2 above, is authorized by Landlord, to construct and renovate Improvements on the Property. The entirety of the Improvements to be constructed by Tenant is referred to herein as the "Project". Tenant's Improvements shall be constructed within the Building Areas of the Site Plan and no temporary or long term improvements will be constructed in the area designated for parking in the Site Plan. At any time and from time to time during the Term, Tenant may make, at its sole cost and expense, changes and alterations to the Project or any part thereof, with the prior written consent of Landlord, which consent shall not be unreasonably withheld so long as such changes and alterations are in compliance with the then-effective building and design code. Such changes and alteration to the Project and shall further be subject to the following:

a. The plans or specifications for such initial construction, changes or alterations, including amendments of such plans or specifications, shall be submitted to Landlord for its approval, which approval shall not be unreasonably withheld if the plans and specifications are in compliance with the then-effective building and design code.

b. Tenant, at Tenant's expense, must contract with appropriate civil engineering firms for construction monitoring inspections of filling and grading activities, utility installation, and pavement. All engineering visits must be logged and provided monthly in report format with findings to the Landlord. In addition, Landlord shall be copied on all other civil engineering reports the Tenant receives.

c. If required by applicable law, and not by Landlord in Landlord's discretion, Tenant shall provide Landlord, at Tenant's expense, with a performance and payment bond, pursuant to Section 10.3 below, in an amount not less than the projected cost of such construction, changes or alterations. No change or alteration shall be undertaken until Tenant shall have procured and paid for all required permits, licenses, and authorizations. All changes and alterations shall be made in a good and workmanlike manner and in compliance with all applicable building and zoning codes and other legal requirements. Tenant shall furnish to Landlord a complete set of "as built" plans for the Project upon completion of construction. In the event Tenant fails to provide Landlord with said "as built" plans, Landlord may contract for any services necessary to accomplish the same and Tenant shall reimburse Landlord for the costs thereof including Landlord's administrative costs, such reimbursement to be made within thirty (30) days of Tenant's receipt of Landlord's billing. Tenant's failure to pay said costs shall constitute a breach under this Lease.

10.2 Fixtures and Equipment.

a. Project. In constructing the Project upon the Property, Tenant may place or install in the Project such personal property, trade fixtures, business equipment and furnishings (the "Business Equipment") as Tenant shall deem desirable for the conduct of business therein. The Business Equipment used in the conduct of business by Tenant (as distinguished from fixtures and equipment used in connection with the operation and maintenance of the Property, including plumbing fixtures, electrical fixtures, lighting, cabling, flooring, the foregoing the "Building Fixtures") placed by Tenant on or in the Project shall not become part of the realty, even if nailed, screwed, or otherwise fastened to the Improvements or buildings of the Project, but shall retain their status as personal property and may be removed by the Tenant at any time so long as Tenant is not in default under this Lease. Notwithstanding Subsection 10.7 below, the Building Fixtures constructed or installed upon the Property shall be deemed to become part of the real property and, upon the Termination Date shall become the sole and exclusive property of Landlord, free of any and all claims of Tenant or any person or entity claiming by or through the Tenant. In the event Tenant does not remove its personal property and the Business Equipment which it is permitted by this Subsection 10.2 to remove from the Project within ninety (90) days following the Termination Date, the Landlord may treat said Business Equipment as abandoned and (i) retain the Business Equipment and treat the trade fixtures as part of the Property, or (ii) have the Business Equipment and trade fixtures removed and stored at Tenant's expense. Tenant shall promptly reimburse the Landlord for any damage caused to the Property by the removal of personal property and trade fixtures whether removal is by the Tenant or the Landlord.

b. Tenant's Work. Tenant may perform such work as necessary, subject to the terms of this Lease and ECR, to prepare the Property as Tenant deems appropriate subject however to the Site Plan.

c. Signage. Tenant may install signage on the Property and on any carwash pylon, in a form acceptable to Tenant, subject to the ECR and Federal Aviation Administration (FAA) requirements.

10.3 Mechanics and Labor Liens.

a. Tenant agrees that it will not permit any claim of lien made by any mechanic, materialman, laborer, or other similar liens to stand against the Property for work or materials furnished to Tenant in connection with any construction, improvements, maintenance, or repair thereof made by Tenant or its agents upon the Property. Tenant shall cause any such claim or lien to be fully discharged within thirty (30) days after the date of filing thereof; provided, however, that in the event Tenant, in good faith, disputes the

validity or amount of any such claim of lien, and if Tenant shall give to Landlord such security as Landlord may reasonably require to ensure payment thereof and prevent any sale, foreclosure, or forfeiture of the Property or any portion thereof by reason of such nonpayment. Tenant shall not be deemed to be in breach of this Subsection 10.3, so long as Tenant is diligently pursuing a resolution of such dispute. Upon entry of final judgment resolving the dispute if litigation or arbitration results therefrom, Tenant shall discharge said lien within the time limits specified above.

b. Tenant shall provide Landlord with evidence of Tenant's financial ability to complete the construction of any improvement and to pay in full claims of all persons for work performed in or materials furnished for construction. If required by law, Tenant shall also post a surety bond issued by a corporate surety acceptable to the Landlord in an amount equal to the cost of each improvement, said bond to be deposited with Landlord and to remain in effect until said improvement shall have been constructed and insured as provided in this Lease, and the entire cost of the improvement shall have been paid in full, free from all liens and claims of contractors, subcontractors, mechanics, laborers, and materialmen.

10.4 Development Rights. Tenant shall not undertake any development of the Property other than to construct the Project and the changes and alterations thereto approved by Landlord in accordance with Subsection 10.1 above. Tenant shall not represent to any person, governmental body, or other entity that Tenant is the owner of the Property, nor shall Tenant execute any petition, application, permit, plat, or other document on behalf of Landlord as the "owner" of the Property without Landlord's express written consent, which consent shall not be unreasonably withheld. Landlord shall join in and/or execute any petition, application, permit, plat, and other land use document requested by Tenant and which is reasonably necessary for the development of the Property. Tenant shall notify the Landlord in writing of any proposed or pending governmental action of which Tenant becomes aware which affects the Property, its zoning, or the right to develop the Property for any future use, unless such governmental action is initiated by Landlord. Tenant's project shall conform with the requirements of this Lease and shall cooperate with Landlord on any coordinated development effort such as, but not be limited to, infrastructure development, security requirements, access, surface water runoff, and access to all facilities. No development of Tenant shall conflict with the overall management and use of the Airport facility, including but not limited to, conflicts with FAA requirements for setback and height restrictions in addition to FAA requirements described in Exhibit "E", by this reference incorporated herein.

10.5 Hold Harmless. Tenant shall indemnify, protect, and hold harmless Landlord, its agent, contractor, representative and the Property from and against all claims and liabilities arising by virtue of or relating to construction of the Project or repairs made at any time to the Project (including repairs, restoration, and rebuilding). Tenant shall regularly and timely pay any and all amounts properly payable to third parties with respect to such work and will maintain its books and records in the state of Washington, with respect to all aspects of such work and materials, and will make them available for inspection by Landlord or its representatives as requested.

10.6 Permits and Compliance With Codes. All building and other permits, licenses, permissions, consents and approvals required to be obtained from governmental agencies or third parties in connection with construction of the Project and any subsequent improvements, repairs, replacements or renewals to the Property or Project shall be acquired as required by applicable laws, ordinances or regulations by and at the sole cost and expense of Tenant. Tenant shall cause all work on the Property during the Term to be performed in accordance with all applicable laws, directions and regulations of all governmental agencies and representatives of such agencies having jurisdiction. Tenant, in addition to the requirements herein to comply with all laws, directions and ordinances as provided in this Lease, shall also be responsible to comply with City of Chehalis Ordinances 817-B and 818-B which create special benefit areas and establish costs to be paid to the City prior to the issuance of any development permits. Tenant's responsibility to comply shall include the assumption and payment of all costs incurred to comply with said Ordinances and Landlord shall have no responsibility thereto. Tenant shall comply with the overall development plans of Airport property.

10.7 Ownership of Improvements. During the Term of this Lease, the Project and all other Improvements constructed by Tenant, including, without limitation, all additions, alterations, and

improvements thereto or replacements thereof and all appurtenant fixtures, machinery, and equipment installed therein, shall be the property of Tenant. At the expiration or earlier Termination of this Lease, the Project and all improvements, additions, alterations, and improvements thereon and thereto or replacements thereof, and all appurtenant fixtures, machinery, and equipment installed therein, shall then become the property of Landlord.

10.8 Control and Indemnification. During the Term of this Lease, Tenant shall have exclusive control and possession of the Property, and Landlord shall have no liabilities, obligations or responsibilities whatsoever with respect thereto or with respect to any plans or specifications submitted to Landlord pursuant to this Lease. Landlord's approval of any such plans and specifications shall not render Landlord liable therefore, and Tenant hereby covenants and agrees to indemnify, defend, and hold the Landlord harmless from and against any and all claims arising out of or from the use of such plans and specifications.

10.9 Landlord's Reservation to Withhold Additional Leases from Tenant. Landlord reserves the right to withhold the negotiation of any additional leases with Tenant if Tenant is not in compliance with all the terms and conditions of this Lease or in compliance with the codes of governmental authorities as provided in paragraph 10.6 above. Landlord shall not unreasonably withhold the negotiation of or the entering into additional leases with Tenant but shall not be obligated to commit any other property for development to Tenant if, at its sole discretion, determines Tenant is not in compliance to Landlord's reasonable interpretation of the requirements of this Lease or governmental requirements.

SECTION 11 – MAINTENANCE AND REPAIRS

11.1 Maintenance. Tenant covenants it shall maintain the Property and Improvements thereon, including common areas, during the Term of this Lease at its sole cost and expense. Tenant may, by sublease or other agreement with subtenants, assign or otherwise transfer this responsibility, or may contract with reputable firms for maintenance, but in the event subtenants or contractors do not meet this obligation Tenant shall perform the maintenance or cause it to be performed. **Notwithstanding the provisions of this Lease for default by Tenant, in the event Tenant fails to maintain the Property and Improvements thereon, Landlord reserves the right at any time after written notice to Tenant, to cause the maintenance to be performed and recover the costs thereof from Tenant within thirty (30) days of incurring the expense thereof. The term "Maintenance" as used in this lease shall include but not be limited to: maintaining landscape and lawn areas by replacement of beauty bark, plants, mowing, weed control and fertilization, parking area markings and parking surfaces, lighting, replacement of pavement, application of pavement sealant, pavement striping; regularly removing trash and debris from the Property whether such trash and debris occurs in public access areas or behind the building improvements at dumpster locations, loading ramps or along the fill slopes of the Property; and maintenance shall include, without limitation, the neat and orderly organization of equipment parking, staging and storage and the temporary storage of construction materials, soil and construction debris, whether or not Tenant may intend to use such material at a later time during or after construction, to convey a pleasing landscape of neatness and orderliness to customers and invitees of the carwash and adjacent Airport properties.** The Term "Maintenance" as used herein shall also include any other maintenance typically provided for on carwash properties. The maintenance of Improvements shall include periodic inspections by qualified persons to determine and perform needed repair or replacement of heating, ventilating and air conditioning facilities; exterior paint, signage, plate glass, gutters, drains and electrical fixtures and facilities.

SECTION 12 - TENANT'S INDEMNITY; LIABILITY AND CASUALTY INSURANCE

12.1 Indemnity. Landlord shall have no responsibility or control with respect to any aspect of the Property or any activity conducted thereon from and after the Effective Date. Tenant shall indemnify and hold harmless Landlord from any and all liability, damage, expense, cause of action, suits, claims, or judgments by any reason whatsoever caused, arising out of the use, occupation, and control of the Property by Tenant, its invitees, agents, employees, licensees, or permittees, except as may arise solely out of the willful or grossly negligent act of Landlord or Landlord's agents or employees.

12.2 Acquisition of Insurance Policies. Tenant shall, at its sole cost and expense, procure and maintain, or cause to be procured and maintained, from and after the commencement of any construction on the Property, the insurance described in this section (or its then available equivalent), issued by an insurance company or companies licensed to do business in the state of Washington covering and protecting Tenant.

12.3 Types of Required Insurance. Tenant shall procure and maintain the following:

(a) Commercial General Liability Insurance. Commercial general liability insurance covering claims with respect to injuries or damages to persons or property sustained in, on, or about the Property and the Project and the appurtenances thereto, including but not limited to the sidewalks and alleyways adjacent thereto, with limits of liability no less than the following:

Bodily injury and property damage liability: One Million and no/100 Dollars (\$1,000,000.00) each occurrence, Two Million and no/100 Dollars (\$2,000,000.00) aggregate.

Such limits may be achieved through the use of umbrella liability insurance sufficient to meet the requirements of this Section 12 for the Property and the Project.

(b) Physical Property Damage Insurance. Physical damage insurance covering all real and personal property, excluding property paid for by sublessees or paid for by Tenant for which sublessees have reimbursed Tenant, located on or in, or constituting a part of, the Property (including but not limited to the Project) in an amount equal to at least one hundred percent (100%) of replacement value of all such property. Such insurance shall afford coverage for damages resulting from (i) fire; (ii) perils covered by extended coverage insurance as embraced in the Standard Bureau form used in the state of Washington; (iii) explosion of steam and pressure boilers and similar apparatus located in the Project; and (iv) flood damage if the Property is located within a flood plain. Tenant shall not be required to maintain insurance for war risks; provided, however, if Tenant shall obtain any such coverage then, for as long as such insurance is maintained by Tenant Landlord shall be entitled to the benefits of (i) the first sentence of Section 12.4 hereof, and (ii) Paragraph (c) of Section 12.4.

(c) Builder's Risk Insurance. During construction of the Project and during any subsequent restorations, alterations, or changes in the Project that may be made by Tenant at a cost in excess of Ten Thousand and no/100 Dollars (\$10,000.00) per job, contingent liability and all builder's risk insurance in an amount reasonably satisfactory to Landlord. The Tenant may elect to provide the Builder's Risk Insurance described in this Section 12.3(c) or such coverage may be provided by the Tenant's contractor, at the Tenant's option.

(d) Workmen's Compensation Insurance. Workmen's compensation and employer's liability insurance with respect to any work by employees of Tenant on or about the Property.

12.4 Terms of Insurance. The policies required under Section 12.3(a) shall name Landlord as additional insured and Tenant shall provide to Landlord certificates of insurance and copies of policies obtained by Tenant hereunder promptly upon the request of Landlord. Further, all policies of insurance described in Section 12.3 shall:

(a) Be written as primary policies not contributing with and not in excess of coverage that Landlord may carry.

(b) Contain an endorsement providing that such insurance may not be materially changed, amended, or canceled with respect to Landlord, except after thirty (30) days' prior written notice from insurance company to Landlord.

(c) Contain an endorsement of express waiver of any right of subrogation by the insurance company against Landlord and Landlord's elected or appointed officials, agents, contractor, representative, and employees.

(d) Provide that all proceeds shall be paid jointly to Landlord and Tenant.

12.5 Landlord's Acquisition of Insurance. If Tenant at any time from and after the commencement of construction fails to procure or maintain such insurance or to pay the premiums therefore, Landlord shall have the right to procure substitute insurance as Landlord deems appropriate and to pay any and all premiums thereon, and Tenant shall pay to Landlord upon demand the full amount so paid and expended by Landlord, together with interest thereon at the rate provided herein from the date of such expenditure by Landlord until repayment thereof by Tenant. Any policies of insurance obtained by Landlord covering physical damage to the Property or Project shall contain a waiver of subrogation against Tenant if and to the extent such waiver is obtainable and if Tenant pays to Landlord on demand the additional costs, if any, incurred in obtaining such waiver.

12.6 Application of Proceeds of Physical Damage Insurance. In case of any insurance policies as described in Section 12.3 (Physical Property Damage Insurance), the application of insurance proceeds from damage or loss to property shall be determined in accordance with this Lease and, in the event of any repair, replacement, restoration, or rebuilding, the proceeds of the insurance collected shall be applied to the cost of such work upon certificate of progress and/or completion by the licensed architect or engineer in charge of the work. Any amounts payable to Tenant or any affiliate of Tenant for work or services performed or materials provided as part of any such repair, replacements, restoration, or rebuilding shall not exceed competitive rates for such services or materials, and Tenant shall, upon request of Landlord, make available to Landlord and its representatives at Landlord's offices all books and records of Tenant relating to such work, services, and materials.

12.9 Insurance Surveyor. The determinations required herein shall be made by an independent qualified insurance surveyor selected by the parties, whose decision shall not be subject to arbitration. If the parties cannot agree on the insurance surveyor within thirty (30) days after the date of such damage or destruction, then the same shall be appointed by the Presiding Judge of the Superior Court of Lewis County, Washington, upon the application of either party.

SECTION 13 - DAMAGE OR DESTRUCTION

13.1 Effect of Damage or Destruction.

(a) In the event of any damage to or destruction of the Property or any Improvements thereon from any cause whatsoever, Tenant shall promptly give written notice thereof to Landlord. Tenant shall promptly repair or restore the Property as nearly as possible to its condition immediately prior to such damage or destruction unless Landlord and Tenant mutually agree in writing that such repair and restoration are not feasible. All such repair and restoration shall be performed in accordance with the requirements herein. Unless this Lease is so terminated by mutual agreement, there shall be no abatement or reduction in rent during such repair and restoration. Any insurance proceeds payable by reason of such damage or destruction shall be made available pay the cost of such reconstruction; provided, however, in the event Tenant is in default under the terms of this Lease beyond any applicable cure period at the time such damage or destruction occurs, Landlord may elect to terminate this Lease and Landlord shall thereafter have the right to retain all insurance proceeds payable as a result of such damage or destruction. Funds of Insurance in excess of the cost of such reconstruction shall be paid to Landlord and Tenant pro-rata based upon the unexpired Term of the Lease, with Tenant receiving the fraction thereof which is equal to the then remaining Term divided by the original Term of this Lease, and Landlord receiving the remainder; provided, however, Landlord shall have a lien on Tenant's share of such proceeds to the extent Tenant has failed to pay any moneys to Landlord under the Terms of this Lease and if proceeds are available.

(b) In the event such damage or destruction occurs within the last ten (10) years of the Term of this Lease, and if such damage or destruction cannot be substantially repaired within one hundred eighty (180) days, Tenant may elect by written notice to Landlord, not more than ninety (90) days after the date of such damage or destruction, to either (i) terminate this Lease, or (ii) repair or restore the Property as nearly as possible to its condition immediately prior to such damage or destruction or construct thereon such other

improvements as may be approved by Landlord. In the event Tenant fails to provide such notice to Landlord, this Lease shall continue in full force and effect. In the event Tenant elects to terminate this Lease, the Term of this Lease shall terminate on a date specified in such notice. Any insurance proceeds payable shall be allocated between Landlord and Tenant pro-rata based upon the unexpired Term of the Lease as specified herein and subject to Landlord's claim against Tenant's share of such proceeds in an amount equal to sums due from Tenant hereunder. In the event Tenant elects to restore the Property, any insurance proceeds payable by reason of such damage or destruction shall be made available to Tenant to pay the costs of such reconstruction and any funds remaining shall be allocated between Landlord and Tenant as stated herein above.

SECTION 14 - CONDEMNATION

14.1 Total Taking. If all the Property is taken by the power of eminent domain exercised by any governmental or quasi-governmental authority by judgment or settlement in lieu of judgment, this Lease shall terminate as of the date Tenant is required to vacate the Property, and all minimum rent, adjustments, and other rentals and charges due hereunder shall be paid to that date. The term "eminent domain" shall include the taking or damaging of property by, through, or under any governmental or quasi-governmental authority by judgment or settlement in lieu of judgment and any purchase or acquisition in lieu thereof.

14.2 Partial Taking. If more than ten percent (10%) of the Property shall be taken or appropriated, this Lease may, at the option of Tenant, be terminated by written notice given to Landlord not more than thirty (30) days after Landlord and Tenant receive notice of the taking or appropriation, and such termination shall be effective as of the date when Tenant is required to vacate the portion of the Property so taken. If this Lease is so terminated, all adjustments and other charges due hereunder shall be paid to the date of termination. Whenever any portion of the Property is taken by eminent domain and this Lease is not terminated, Tenant shall at its expense proceed with all reasonable dispatch to restore, to the extent that it is reasonably prudent to do so, the remainder of the Property to the condition it was in immediately prior to such taking, and Tenant shall at its expense proceed with all reasonable dispatch to restore its fixtures, furniture, furnishings, leasehold improvements, floor coverings, and equipment to the same condition they were in immediately prior to such taking. From the date Tenant is required to vacate that portion of the Property taken, the Ground Rent payable hereunder shall be reduced in the same proportion that area taken bears to the total area of the Property prior to taking.

14.3 Damages. In the event of a partial taking which does not result in the termination of this Lease and which does result in a "single award" (defined below), the award shall first be made available to Tenant to enable Tenant to restore the Property and the improvements, fixtures, furnishings, etc., located thereon, and the excess award shall be divided among Tenant and Landlord in the manner described below with respect to a total taking. In the event of a total taking, or a partial taking that does result in termination of the Lease, if the judgment, order, or decree entered in such condemnation proceeding shall not yield separate awards to Landlord and Tenant but rather shall provide for the payment of a lump sum with respect to the Property (herein called "single award") as compensation for the respective interests of Landlord and Tenant, then the single award shall be divided between Landlord and Tenant in the ratio as nearly practicable, which (a) the then fair market value of Landlord's interest in the Property, exclusive of improvements made by Tenant, to (b) the then fair market value of Tenant's interest in the remainder of the Term of this Lease (including extension options) and the improvements made by Tenant. Tenant shall also have the right to claim from the condemning authority all compensation that may be recoverable by Tenant on account of any loss incurred by Tenant in removing Tenant's merchandise, furniture, trade fixtures, and equipment or for damage to Tenant's business; however, Tenant may claim such damages only if they are awarded separately in the eminent domain proceeding and not as part of Landlord's damages.

SECTION 15 - SELF HELP

15.1 Self Help. If either Party defaults in the performance of any obligation (including obligations to reimburse or pay money hereunder) imposed on it by this Lease and does not cure such default within twenty (20) days after written notice from the other Party specifying the default (or if such Party does not

within said period commence and diligently proceed to cure such default other than an obligation to pay money), the other Party, without waiver of or prejudice to any other right or remedy it may have, shall have the right, at any time thereafter, to cure such default for the account of the defaulting Party, if applicable, and the defaulting Party shall reimburse the other party upon invoice for any amount paid and any expense or contractual liability so incurred (which, in the case of a monetary default, shall be the amount of money owed by the defaulting Party). If Landlord is the defaulting Party and fails to reimburse Tenant within ten (10) days after invoice Tenant shall have the right to offset the amount due thereunder, together with Default Interest, against Rent and other charges due from Tenant to Landlord under this Lease until Tenant has been completely reimbursed for its expenses.

In emergencies, or where necessary to prevent injury to persons or damage to property, either Party may cure a default by the other before the expiration of the prescribed notice period, but after giving such written or oral notice to the other Party as is practical under the circumstances.

If Tenant exercises its right of set-off as set forth in this Lease, and a court of competent jurisdiction issues a final, non-appealable order pursuant to which Landlord is found not to have been in default hereunder, then Tenant shall not be in default hereunder, but shall have sixty (60) days from the date of such final, non-appealable order in which to pay to Landlord those funds determined by the court to have been inappropriately set-off.

SECTION 16 – DEFAULT

16.1 Breach by Tenant.

(a) **Breach and Default.** In the event of any breach of any provision of this Lease by Tenant, the breach shall be deemed a default entitling Landlord to the remedies hereinafter set forth after Landlord has delivered to Tenant notice of the alleged breach and a demand that the same be remedied immediately, provided that if the breach pertains to a matter other than payment of rent, as described in Section 4.2, Tenant shall not be in default after receipt of the notice if Tenant shall promptly commence to cure the default and shall cure the default within ninety (90) days after receipt of the notice; provided, further, if such default is nonmonetary in nature and is not reasonably susceptible of being cured in said ninety (90) days Tenant shall commence to cure such default within said period and diligently pursue such action to completion. If a breach has been cured within the grace periods permitted by this Section, it shall no longer constitute a default.

(b) **Right of Re-entry.** In the event of a default that remains uncured pursuant to the applicable cure periods provided herein, Landlord, in addition to any other rights or remedies that it may have, shall have the immediate right of re-entry. Should Landlord elect to re-enter or take possession of the leased Property, it may either terminate this Lease or, from time to time, without Terminating this Lease, relet the leased Property or any part thereof for the account and in the name of Tenant or otherwise, for any such Term or terms and conditions as Landlord in its sole discretion may deem advisable with the right to complete construction of or make alterations and repairs to the Improvements. Tenant shall pay to Landlord, as soon as ascertained, the cost and expenses incurred by Landlord in such reletting, completion of construction, or in making such alterations and repairs. Rentals received by Landlord from such reletting shall be applied: first, to the payment of any indebtedness, other than rent, due hereunder from Tenant to Landlord; second, to the payment of rent due and unpaid hereunder and to any other payments required to be made by Tenant hereunder and the residue, if any, shall be held by Landlord and applied in payment of future rent or damages in the event of termination as the same may become due and payable hereunder, and the balance, if any, at the end of the Term of this Lease shall be paid to Tenant. Should such rentals received from time to time from such reletting during any period be less than that agreed to be paid during that period by Tenant hereunder, Tenant shall pay such deficiency to Landlord. Such deficiency shall be calculated and paid for that period. At any time after such re-entry, whether or not Landlord shall have collected any periodic deficiencies as aforesaid, Landlord shall be entitled to recover from Tenant, and Tenant shall pay to Landlord, on demand, as and for liquidated and agreed final damages for Tenant's default, an amount equal to the difference between the rent for the period to the date upon which the Term would have ended but for the default of Tenant and the then fair and reasonable rental value of the Property

for the same period.

(c) Reletting. No such reletting of the Property by Landlord shall be construed as an election on its part to terminate this Lease unless a notice of such intention to be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach, provided that it has not been cured. Should Landlord at any time terminate this Lease for any breach, in addition to any other remedy it may have, it may recover from Tenant all damages it may incur by reason of such breach.

16.2 Remedies Upon Landlord's Default. In the event Landlord shall at any time be in default in the observance or performance of any of the covenants and agreements required to be performed and observed by Landlord hereunder and any such default shall continue for a period of thirty (30) days after written notice to Landlord, or if such default is incapable of being cured in a reasonable manner within thirty (30) days, if Landlord has not commenced to cure the same within said thirty (30)-day period or does not thereafter diligently prosecute the same to completion, Tenant shall be entitled, at its election, to exercise, concurrently or successively, any one or more of the following rights, in addition to all remedies otherwise provided in this Lease and otherwise available at law or in equity under the laws of the United States or the state of Washington:

(a) To bring suit for the collection of any amounts for which Landlord may be in default, or for the performance of any other covenant or agreement devolving upon Landlord, without terminating this Lease; and/or

(b) To terminate this Lease upon thirty (30) days' written notice to Landlord, without waiving Tenant's rights to damages for Landlord's failure to perform its obligations hereunder. In the event Tenant elects to terminate this Lease as aforesaid, all rights and obligations of Tenant, and of any successors or assigns, shall cease and terminate, except that Tenant shall have and retain full right to sue for and collect all amounts for the payment of which Landlord shall then be in default and all damages to Tenant by reason of any such breach.

In the event that either Landlord or Tenant commences any suit for the collection of any amounts for which the other may be in default or for the performance of any other covenant or agreement hereunder, the prevailing party shall be entitled to recover, all costs and expenses including attorneys' fees incurred in enforcing such obligations and/or collecting such amounts. All remedies of Tenant herein created or remedies otherwise existing at law or in equity are cumulative, and the exercise of one or more rights or remedies shall not be taken to exclude or waive the right to the exercise of any other. All such rights and remedies may be exercised and enforced concurrently and whenever and as often as Tenant shall deem necessary.

16.3 Remedies Cumulative. All remedies of Landlord or Tenant herein created or remedies otherwise existing at law or in equity are cumulative, and the exercise of one or more rights or remedies shall not be taken to exclude or waive the right to the exercise of any other, provided that in no event shall Landlord have the right to (a) be awarded consequential damages for Tenant's default or (b) accelerate rental reserved hereunder without offsetting against such amount the present value of the fair market rental value of the Property for the balance of the Term. Except as limited herein above, all rights and remedies may be exercised and enforced concurrently and whenever and as often as Landlord or Tenant shall deem necessary.

SECTION 17 - QUIET POSSESSION

17.1 Quiet Possession. Landlord covenants that it has full right, power, and authority to make this Lease. Landlord covenants that Tenant, so long as Tenant is not in default hereunder and subject to the provisions of this Lease, shall have quiet and peaceful possession of the Property during the entire Term of this Lease.

SECTION 18 - SUBORDINATION

18.1 Landlord's Right to Mortgage. Landlord may mortgage its interest in the Property, provided such mortgage expressly provides that the rights and interests of the mortgagee thereunder are subject and subordinate to the rights and interests of Tenant hereunder and to the rights of any Leasehold Mortgagee under any Leasehold Mortgage then or thereafter existing. Should Landlord sell, convey, or transfer its interest in the Property, or should any mortgagee of Landlord succeed to Landlord's interest through foreclosure or deed in lieu thereof, Tenant shall attorn to such succeeding party as its landlord under this Lease promptly upon any such succession, provided such succeeding party assumes all of Landlord's duties and obligations under this Lease, including without limitation the covenant of quiet enjoyment. Such succeeding party shall not be liable for any of Landlord's obligations and duties hereunder prior to its assumption of Landlord's duties and obligations hereunder, except that Tenant shall be entitled to any offsets or defense which may have arisen prior to such succeeding party's assumption, which such offsets or defenses are specifically provided herein or are otherwise permitted by law.

SECTION 19 - RESERVED

SECTION 20 - LEASEHOLD MORTGAGES

20.1 Leasehold Mortgages Authorized. Landlord, subject to the provisions of this Lease, consents to Tenant receiving a Purchase Money Leasehold Mortgage upon a sale and assignment of the leasehold estate created by this Lease or the mortgaging or otherwise encumbering Tenant's leasehold estate to an Institutional Investor (as hereinafter defined) under one or more leasehold mortgages. This Lease may be assigned as security for such Purchase Money Leasehold Mortgage(s) or Institutional Investor Leasehold Mortgage(s). Except as specifically authorized in this Section 20 with respect to Purchase Money Leasehold Mortgage(s), and Institutional Investor Leasehold Mortgage(s), Tenant shall not have the right to collaterally assign, hypothecate, mortgage, or otherwise pledge the leasehold estate created hereby without Landlord's express written consent, which consent may be withheld by Landlord in the exercise of its reasonable business judgment.

20.2 Notice to Landlord.

(a) If upon a sale and assignment of the leasehold estate Tenant may, on one or more occasions, take back a Purchase Money Leasehold Mortgage for a Term not beyond the Termination Date for so long as Tenant holds such instrument, or if Tenant shall mortgage Tenant's leasehold estate to an Institutional Investor for a Term not beyond the Termination Date and if the holder of such Leasehold Mortgage shall provide Landlord with notice of such Leasehold Mortgage, together with a true copy of such Leasehold Mortgage and the name and address of the mortgagee, Landlord and Tenant agree that, following receipt of such notice to Landlord, the provisions of this Section 20 shall apply in respect to each such Purchase Money Leasehold Mortgage or such Leasehold Mortgage held by an Institutional Investor. In addition to the foregoing requirements, any Purchase Money Leasehold Mortgage or Institutional Investor Leasehold Mortgage shall contain a statement which disclaims any interest or lien against Landlord's fee interest in the Property and which states that Landlord shall have no personal liability whatsoever in connection with said mortgage or the instruments and obligations secured thereby.

(b) In the event of any assignment of a Leasehold Mortgage or in the event of a change of address of a Leasehold Mortgagee or of an assignment of such mortgage, notice of the new name and address shall be provided to Landlord; provided, however, any such assignee shall be an Institutional Investor as defined herein.

(c) Landlord shall promptly, upon receipt of a communication purporting to constitute the notice provided for by Section 20.2(a) above, acknowledge by an instrument in recordable form receipt of such communication as constituting the notice provided by Section 20.2(a) above, or, in the alternative, notify Tenant and the Leasehold Mortgagee of the rejection of such communication as not conforming with the provisions of Section 20.2(a), and specify the specific basis of such rejection.

(d) After Landlord has received the notice provided for by Section 20.2(a) above, Tenant shall, with reasonable promptness, provide Landlord with copies of the note or other obligation secured by such Leasehold Mortgage and any other documents pertinent to the Leasehold Mortgage as specified by Landlord. Tenant shall thereafter, in a like manner, also provide Landlord from time to time with a copy of each amendment or other modification or supplement to such instruments. All recorded documents shall be accompanied by the appropriate certification of the appropriate official of the recording office as to their authenticity as true and correct copies of official records, and all nonrecorded documents shall be accompanied by a certification by Tenant that such documents are true and correct copies of the originals. From time to time upon being requested to do so by Landlord, Tenant shall also notify Landlord of the date and place of recording and other pertinent recording data with respect to such instruments as have been recorded.

20.3 Definitions.

(a) The term "Institutional Investor" as used in this Section 20 shall refer to any reputable and solvent (i) savings bank; (ii) commercial bank; (iii) trust company; (iv) credit union; (v) insurance company; (vi) petroleum company; (vii) college; (viii) university; (ix) real estate investment trust; or (x) pension fund. The term "Institutional Investor" shall also include other reputable and solvent lenders of substance which perform functions similar to any of the foregoing and which have assets in excess of Fifty Million and no/100 Dollars (\$50,000,000.00) at the time the Leasehold Mortgage loan is made.

(b) The term "Leasehold Mortgage" as used in this Section 20 shall include a mortgage, a deed of trust, a deed to secure debt, or other security instrument by which Tenant's leasehold estate is mortgaged, conveyed, assigned, or otherwise transferred, to secure a debt or other obligation which is held by an Institutional Investor.

(c) The term "Leasehold Mortgagee" as used in this Section 20 refers to the Institutional Investor which is the holder of a Leasehold Mortgage in respect to which the notice provided for by Section 20.2(a) has been given and received and as to which the provisions of this Section 20 are applicable.

20.4 Consent of Leasehold Mortgagee Required. No cancellation, surrender, or modification of this Lease shall be effective as to any Leasehold Mortgage unless consented to in writing by such Leasehold Mortgagee; provided, however, that nothing in this Section 20.4 shall limit or derogate from Landlord's rights to terminate this Lease in accordance with the provisions of this Section 20.

20.5 Default Notice. Landlord, upon providing Tenant any notice of: (i) default under this Lease, or (ii) a termination of this Lease, or (iii) demand to remedy a claimed default, shall contemporaneously provide a copy of such notice to every Leasehold Mortgagee. From and after such notice has been given to a Leasehold Mortgagee, such Leasehold Mortgagee shall have the same period, after the giving of such notice upon it, for remedying any default or causing the same to be remedied, as is given Tenant after the giving of such notice to Tenant, plus in each instance the additional periods of time specific in Sections 20.6 and 20.7 to remedy, commence remedying, or cause to be remedied the defaults specified in any such notice. Landlord shall accept such performance by or at the instigation of such Leasehold Mortgagee as if the same had been done by Tenant. Tenant authorizes each Leasehold Mortgagee to take any such action at such Leasehold Mortgagee's option, and does hereby authorize entry upon the Property by the Leasehold Mortgagee for such purpose.

20.6 Notice to Leasehold Mortgagee.

(a) Anything contained in this Lease to the contrary, notwithstanding if any default shall occur which entitled Landlord to terminate this Lease, Landlord shall have no right to terminate this Lease unless Landlord shall notify every Leasehold Mortgagee of Landlord's intent to so terminate at least forty-five (45) days in advance of the proposed effective date of such termination if such default is capable of being cured by the payment of money, and at least sixty (60) days in advance of the proposed effective date of such termination if such default is not capable of being cured by the payment of money. The provisions hereof shall apply if, during such 45-day or 60-day Termination Notice Period, any Leasehold Mortgagee shall:

- (1) Notify Landlord of such Leasehold Mortgagee's desire to nullify such notice; and
- (2) Pay or cause to be paid all rent, additional rent, and other payments then due and in arrears as specified in the Termination Notice to such Leasehold Mortgagee and which may become due during such 45-day or 60-day period; and
- (3) Comply with all nonmonetary requirements of this Lease then in default and reasonably susceptible of being complied with by such Leasehold Mortgagee; provided, however, that such Leasehold Mortgagee shall not be required during such 60-day period to cure or commence to cure any default consisting of Tenant's failure to satisfy and discharge any lien, charge, or encumbrance against Tenant's interest in this Lease or the Property junior in priority to the lien of the mortgage held by such Leasehold Mortgagee.

(b) Any notice to be given by Landlord to a Leasehold Mortgagee pursuant to any provision of this Section 20 shall be deemed properly addressed if sent to the Leasehold Mortgagee who served the notice referred to in Section 20.2(a) unless notice of change of mortgage ownership has been given to Landlord pursuant to Section 20.2(b).

20.7 Procedure on Default.

(a) If Landlord shall elect to terminate this Lease by reason of any default of Tenant, and a Leasehold Mortgagee shall have proceeded in the manner provided for by Section 20.6, the specified date for the termination of this Lease as fixed by Landlord in its Termination Notice shall be extended for a period of six (6) months, provided that such Leasehold Mortgagee shall, during such six-month period:

- (1) Pay or cause to be paid the minimum rent, percentage rent, and other monetary obligations of Tenant under this Lease as the same become due, and continue to perform all of Tenant's other obligations under this Lease, excepting (i) obligations of Tenant to satisfy or otherwise discharge any lien, charge, or encumbrance against Tenant's interest in this Lease or the Project junior in priority to the lien of the mortgage held by such Leasehold Mortgagee, and (ii) past nonmonetary obligations then in default and not reasonably susceptible of being cured by such Leasehold Mortgagee, and
- (2) If not enjoined or stayed, take steps to acquire or sell Tenant's interest in this Lease by foreclosure of the Leasehold Mortgage or other appropriate means and prosecute the same to completion with due diligence. If such Leasehold Mortgagee is enjoined or stayed from taking such steps, the Leasehold Mortgagee shall use its best efforts to seek relief from such injunction or stay.

(b) If at the end of such six-month period such Leasehold Mortgagee is complying with Section 20.7(a), this Lease shall not then terminate, and the time for completion by such Leasehold Mortgagee of its proceedings shall continue so long as such Leasehold Mortgagee continues to comply with the provisions of Section 20.7(a) above, and is enjoined or stayed and thereafter for so long as such Leasehold Mortgagee proceeds to complete steps to acquire or sell Tenant's interest in this Lease by foreclosure of the Leasehold Mortgagee or by other appropriate means with reasonable diligence and continuity. Nothing in this Section 20.7(b), however, shall be construed to extend this Lease beyond the original Term, nor to require a Leasehold Mortgagee to continue such foreclosure proceedings after the default has been cured. If the default shall be cured and the Leasehold Mortgagee shall discontinue such foreclosure proceedings, this Lease shall continue in full force and effect as if Tenant had not defaulted under this Lease.

(c) If a Leasehold Mortgagee is complying with Section 20.7(a) upon (i) the acquisition of Tenant's estate herein by such Leasehold Mortgagee or any other purchasers at a foreclosure sale or otherwise, and (ii) the discharge of any lien, charge, or encumbrance against Tenant's interest in this Lease or the Property which is junior in priority to the lien of the Leasehold Mortgagee held by such Leasehold Mortgagee

and which Tenant is obligated to satisfy and discharge by reason of the terms of this Lease, this Lease shall continue in full force and effect as if Tenant had not defaulted under this Lease; provided, however, that such Leasehold Mortgagee or its designee or any other such party acquiring Tenant's leasehold estate created hereby shall agree in writing to assume all obligations of Tenant hereunder, subject to the provisions of this Section 20.

(d) For the purposes of this Section 20, the making of a Leasehold Mortgage shall not be deemed to constitute a complete assignment or transfer of this Lease or of the leasehold estate hereby created, nor shall any Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of this Lease or of the leasehold estate hereby created. The Leasehold Mortgagee prior to foreclosure of the Leasehold Mortgage or other entry into possession of the leasehold estate shall not be obligated to assume the performance of any of the terms, covenants, or conditions on the part of Tenant to be performed hereunder. The purchaser (including any Leasehold Mortgagee) at any sale of this Lease and the leasehold estate hereby created in any proceedings for the foreclosure of any Leasehold Mortgagee, or the assignee or transferee (including the Leasehold Mortgagee) of this Lease and the leasehold estate hereby created under any instrument of assignment or transfer in lieu of the foreclosure of any Leasehold Mortgage shall be deemed to be an assignee or transferee within the meaning of this Section 20, and shall be deemed to have agreed to perform all of the terms, covenants, and conditions on the part of Tenant to be performed hereunder from and after the date of such purchase and assignment.

(e) Any Leasehold Mortgagee of the leasehold estate of Tenant pursuant to foreclosure, assignment in lieu of foreclosure, or other proceedings may, upon acquiring Tenant's leasehold estate, without further consent of Landlord, sell and assign the leasehold estate on such terms and to such persons and organizations as are acceptable to such Mortgagee; provided, that such assignee has delivered to Landlord its written agreement to be bound by all of the provisions of this Lease and the assignee has previously been approved in writing by Landlord, which approval shall not be unreasonably withheld.

(f) Notwithstanding any other provisions of this Lease, any sale of this Lease and of the leasehold estate hereby created in any proceedings for the foreclosure of any Leasehold Mortgage, or the assignment or transfer of this Lease and of the leasehold estate hereby created in lieu of the foreclosure of any Leasehold Mortgage, shall be deemed to be a permitted sale, transfer, or assignment of this Lease and of the leasehold estate hereby created.

(g) Tenant shall not transfer, sell, or assign any redemption right from any foreclosure sale to any person which is not approved by the Landlord in accordance with the provisions of Section 9 above. Upon any sale or transfer, after the transfer is completed, Tenant is relieved from any and all obligations.

20.8 New Lease. In the event of the Termination of this Lease as a result of Tenant's default, Landlord shall, if such Leasehold Mortgagee shall have waived in writing its rights under Sections 20.6 and 20.7 within thirty (30) days after such Leasehold Mortgagee's receipt of notice required by Section 20.6, provide each Leasehold Mortgagee with written notice that this Lease has been terminated, together with a statement of all sums which would at that time be due under this Lease but for such termination, and of all other defaults, if any, then known to Landlord. Landlord agrees to enter into a new lease ("New Lease") of the Property with such Leasehold Mortgagee for the remainder of the Term of this Lease, effective as of the date of Termination, at the rent and upon the terms, covenants, and conditions (including all escalations of rent, but excluding requirements which are not applicable or which have already been fulfilled) of this Lease, provided:

(a) Such Leasehold Mortgagee shall make written request upon Landlord for such New Lease within sixty (60) days after the date such Leasehold Mortgagee receives Landlord's Notice of Termination of this Lease given pursuant to this Section 20.8.

(b) Such Leasehold Mortgagee shall pay or cause to be paid to Landlord at the time of the execution and delivery of such New Lease any and all sums which would at the time of execution and delivery thereof be due pursuant to this Lease but for such Termination, and, in addition thereto, all reasonable expenses which Landlord shall have incurred by reason of such Termination and the execution

and delivery of the New Lease, and which have not otherwise been received by Landlord from Tenant or other party-in-interest under Tenant. Upon the execution of such New Lease, Landlord shall allow to the Tenant named therein as an offset against the sums otherwise due under this Section 20.8 or under the New Lease an amount equal to the net income derived by Landlord from the Property during the period from the date of Termination of this Lease to the date of the beginning of the Lease Term of such New Lease. In the event of a controversy as to the amount to be paid to Landlord pursuant to this Section 20.8, the payment obligation shall be satisfied if Landlord shall be paid the amount not in controversy, and the Leasehold Mortgagee or its designee shall agree to pay any additional sum ultimately determined to be due plus interest as allowed by law, and such obligation shall be adequately secured.

(c) Such Leasehold Mortgagee or its designee shall agree to remedy any of Tenant's defaults of which said Leasehold Mortgagee was notified by Landlord's Notice of Termination and which are reasonably susceptible of being so cured by Leasehold Mortgagee or its designee.

20.9 New Lease Priorities. If more than one Leasehold Mortgagee shall request a New Lease pursuant to Section 20.8, Landlord shall enter into such New Lease with the Leasehold Mortgagee whose mortgage is prior in lien, or with the designee of such Leasehold Mortgagee. Landlord, without liability to Tenant or any Leasehold Mortgagee with an adverse claim may rely upon a mortgagee's title insurance policy or preliminary commitment therefore, issued by a reasonable title insurance company doing business within the state of Washington as the basis for determining the appropriate Leasehold Mortgagee who is entitled to such New Lease.

20.10 Leasehold Mortgagee Need Not Cure Specified Default. Nothing herein contained shall require any Leasehold Mortgagee or its designee as a condition to its exercise of right hereunder to cure any default of Tenant not reasonably susceptible of being cured by such Leasehold Mortgagee or its designee, including but not limited to the default referred to in Section 16 hereof, in order to comply with the provisions of Sections 20.6 or 20.7 or as a condition of entering into a New Lease provided for by Section 20.8 above.

20.11 Eminent Domain. Tenant's share, as provided in this Lease, of the proceeds arising from an exercise of the power of eminent domain shall, subject to the provisions this Lease, be disposed of as provided for by any Leasehold Mortgagee.

20.12 Casualty Loss. A standard mortgagee clause naming each Leasehold Mortgagee may be added to any and all insurance policies required to be carried by Tenant hereunder on condition that the insurance proceeds are to be applied in the manner specified in this Lease and the Leasehold Mortgagee shall so provide; except that the Leasehold Mortgagee may provide a manner for the disposition of such proceeds, if any, otherwise payable directly to Tenant pursuant to the provisions of this Lease.

20.13 Arbitration/Legal Proceedings. Landlord shall give each Leasehold Mortgagee prompt notice of any arbitration or legal proceedings between Landlord and Tenant involving obligations under this Lease. Each Leasehold Mortgagee shall have the right to intervene in any such proceedings and be made a party to such proceedings, and the Parties hereto do hereby consent to such intervention. In the event any Leasehold Mortgagee shall not elect to intervene or become a party to any such proceedings, Landlord shall give the Leasehold Mortgagee notice of, and a copy of, any award or decision made in any such proceedings, which shall be binding on all Leasehold Mortgagees not intervening after receipt of notice of arbitration. In the event Tenant shall fail to appoint an arbitrator after notice from Landlord as provided in Section 20 hereof, a Leasehold Mortgagee (in order of seniority if there be more than one) shall have an additional period of thirty (30) days after notice by Landlord that Tenant has failed to appoint such arbitrator to make such appointment, and the arbitrator so appointed shall thereupon be recognized in all respects as if he had been appointed by Tenant. In the event a Leasehold Mortgagee commences any judicial or nonjudicial action to foreclose its Leasehold Mortgagee or otherwise realize upon its security granted therein, written notice of such proceeding shall be provided to Landlord at the same time notice thereof is given to Tenant.

20.14 No Merger. So long as any Leasehold Mortgagee is in existence, unless all Leasehold

Mortgagees shall otherwise expressly consent in writing, the fee title to the Property and the leasehold estate of Tenant therein created by this Lease shall not merge but shall remain separate and distinct, notwithstanding the acquisition of said fee title and said leasehold estate by Landlord, by Tenant, or by a third party, by purchase or otherwise.

20.15 Estoppel Certificate. Landlord shall, without charge, any time and from time to time hereafter, but not more frequently than twice in any one-year period (or more frequently if such request is made in connection with any sale or mortgaging of Tenant's leasehold interest or permitted subletting by Tenant), within fifteen (15) days after written request of Tenant to do so, certify by written instrument duly executed and acknowledged to any Mortgagee or purchaser, or proposed Mortgagee or proposed purchaser, or any other person, firm, or corporation specified in such request: (i) as to whether this Lease has been supplemented or amended, and if so, the substance and manner of such supplement or amendment; (ii) as to whether the Lease remains in full force and effect; (iii) as to the existence of any default hereunder; (iv) as to the existence of any offsets, counterclaims, or defenses hereto on the part of Tenant; and (v) as to the commencement and expiration dates of the Occupancy Period of this Lease. Any Leasehold Mortgagee and any other holder of any indebtedness secured by Tenant's leasehold estate shall provide Landlord, upon Landlord's written request, a statement as to (i) the current amount secured by the Leasehold Mortgage held by such Leasehold Mortgagee, (ii) whether any default exists under said Leasehold Mortgage, and (iii) whether there exist any offsets, claims, or disputes with respect to said Leasehold Mortgage and the instruments secured thereby.

20.16 Notices. Notices from Landlord to the Leasehold Mortgagee shall be mailed to the address furnished Landlord pursuant to Section 20.2, and those from the Leasehold Mortgagee to Landlord shall be mailed to the address designated pursuant to the provisions of Section 21 hereof. Such notices, demands, and requests shall be given in the manner described in Section 20 and Section 21 and shall in all respects be governed by the provisions of those Sections.

20.17 Erroneous Payments. No payment made to Landlord by a Leasehold Mortgagee shall constitute agreement that such payment was, in fact, due under the terms of this Lease; and a Leasehold Mortgagee having made any payment to Landlord pursuant to Landlord's wrongful, improper, or mistaken notice or demand shall be entitled to the return of any such payment or portion thereof, provided it shall have made demand therefore not later than one (1) year after the date of its payment.

SECTION 21 – MISCELLANEOUS

21.1 Holding Over. In the event of Tenant's continued occupancy of the Property after the expiration of the Term, or any earlier termination provided or permitted by this Lease, such tenancy shall be deemed a month-to-month tenancy at the same monthly Rent as during the last month of the Term which ended just prior to such holding over. All other covenants, provisions, obligations, and conditions of this Lease shall remain in full force and effect during such month-to-month tenancy.

21.2 Non-Waiver of Default. No acquiescence by either Party to any default by the other Party shall operate as a waiver of its rights with respect to the same or any other breach or default, whether of the same or any other covenant or condition. No waiver shall be effective unless it is in writing and signed by the Party giving the waiver.

21.3 Recording. This Lease shall not be recorded. The parties shall execute, acknowledge, and deliver to each other duplicate originals of a short form or memorandum of this Lease ("Memorandum of Lease") in substantially the form of Exhibit "C" attached hereto and incorporated herein, describing the Property and setting forth the Term of this Lease. The Memorandum of Lease shall be recorded at Landlord's expense.

21.4 Notice. Any notice, request, offer, approval, consent, or other communication required or permitted to be given by or on behalf of either Party to the other shall be given or communicated in writing by personal delivery, reputable overnight courier service which keeps receipts of deliveries (i.e., Federal Express), or United States certified mail (return receipt requested with postage fully prepaid) or express

mail service addressed to the other Party as follows:

If to Tenant: Riptide 6, LLC
Attn. Mike Opitz
191 Marvin Rd SE
Lacey, WA 98503

If to Landlord: Chehalis-Centralia Airport
P.O. Box 1344
Chehalis, Washington 98532

Copy to: Hillier, Scheibmeir, Vey & Kelly, P.S.
P.O. Box 939
Chehalis, Washington 98532
Attention: William T. Hillier

or at such other address as may be specified from time to time in writing by either Party. All such notices hereunder shall be deemed to have been given on the date personally delivered or the date marked on the return receipt, unless delivery is refused or cannot be made, in which case the date of postmark shall be deemed the date notice has been given.

21.5 Successors and Assigns. All covenants, promises, conditions, representations, and agreements herein contained shall be binding upon and shall inure to the benefit of the Parties hereto and their respective heirs, executors, administrators, successors (including subtenants), and assigns.

21.6 Partial Invalidity. If any provision of this Lease or the application thereof to any person or circumstance shall to any extent be held invalid, the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby, and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

21.7 Interpretation. In interpreting this Lease in its entirety, any additions written or typed thereon shall be given equal weight, and there shall be no inference, by operation of law or otherwise, that any provision of this Lease shall be construed against either Party hereto. This Lease shall be construed without regard to any presumption or other rule requiring construction against the drafting Party. This Lease, along with all documents referenced herein, shall constitute the entire agreement between the parties and any amendments must be in writing signed by both parties.

21.8 Headings, Captions, and References. The section captions contained in this Lease are for convenience only and do not in any way limit or amplify any term or provision hereof. The use of the terms "hereof", "hereunder", and "herein" shall refer to this Lease as a whole, inclusive of the Exhibits, except when noted otherwise. The terms "Include", "Includes", and "Including" incorporate the concept that such inclusion is "without limitation". The use of the masculine or neuter genders herein shall include the masculine, feminine, and neuter genders, and the singular form shall include the plural when the context so requires.

21.9 Brokerage Commissions. Each Party shall indemnify the other with respect to compensation, commissions, fees, or other sums claimed to be due or owing with respect to the representations made by Landlord or Tenant, as applicable. Rune Harkestad of Kidder Mathews represented the Tenant and Landlord. Landlord will pay a commission in accordance with a separate Non-Exclusive Lease Commission Agreement.

21.10 Insolvency. If (i) a receiver or trustee is appointed to take possession of all or substantially all of the assets of Tenant, or if (ii) any action is taken or suffered by Tenant pursuant to an insolvency, bankruptcy, or reorganization act, or if (iii) Tenant makes a general assignment for the benefit of its creditors, and if such appointment or assignment continues for a period of thirty (30) days, it shall, at

Landlord's option, constitute a default by Tenant and Landlord shall be entitled to the remedies set forth herein, which may be exercised by Landlord without prior notice or demand upon Tenant.

21.11 Governing Law. This Lease shall be construed under the laws of the state of Washington. Venue for any dispute shall be in Lewis County, Washington.

21.12 No Diminution of Value. To the extent that any sublease between Tenant and a sublessee provides for the establishment of one or more view corridors for the benefit of a sublessee or Tenant which restricts or burdens the Property or other real property owned by Landlord, such restrictions or burdens shall not be taken into account in connection with any appraisal of the Property or other real property owned by Landlord and shall not result in a diminution of fair market value or fair market rental value for purposes of establishing a rent to be paid by Tenant or the adjustment of rent to be paid by Tenant.

21.13 Execution of Documents. Landlord and Tenant shall each cooperate with the other and execute such documents as the other Party may reasonably require or request so as to enable it to conduct its operations, so long as the requested conduct or execution of documents does not derogate from or alter the powers, rights, duties, and responsibilities of the respective Parties. However, should Landlord request Tenant to provide an estoppel certificate ("Estoppel Certificate") in a form other than as provided as Exhibit "D", Landlord shall pay Tenant's reasonable attorneys' fees incurred. Nothing herein shall be deemed to imply a requirement that Tenant execute an Estoppel Certificate different from Exhibit "D".

21.14 Conditions Subsequent. Tenant's obligations hereunder are conditioned upon satisfaction of the following conditions subsequent as and when specified below.

(a) Title Insurance. Landlord shall provide Tenant a leasehold title policy (1975 Form), issued by Title Guarantee Company of Lewis County, insuring Tenant's leasehold interest in the amount specified in Article I on an ALTA form acceptable to Tenant and showing only the Permitted Exceptions, which title insurance policy must be issued on or before the date which is thirty (30) days after the Effective Date. Landlord shall furnish Tenant, during the Inspection Period, a commitment for title insurance, as hereinafter defined. The title insurance commitment shall provide for deletion of the standard printed exceptions and shall provide such other coverage as Tenant shall request to insure to Tenant's satisfaction against title defects revealed in the commitment, whether or not such matters are Permitted Exceptions. The cost of the title insurance policy, including the extended coverage and corrective endorsements, shall be paid by Landlord. Tenant shall have until the later of the end of the Inspection Period, or thirty (30) days after receipt of the title insurance commitment ("Title Review Period") together with legible copies of all documents referred to in the commitment (either as exceptions or requirements), and the Survey (as hereinafter defined), within which to review the commitment, the Survey, and such title documents and to advise Landlord of any objections to title. If Tenant's title objections are not resolved to Tenant's satisfaction during the Title Review Period, then Tenant shall have the right to terminate this Lease upon written notice to Landlord, and the Parties shall be relieved of all further obligations or liabilities hereunder.

21.15 Hazardous, Toxic, or Harmful Substances. Tenant shall not cause or permit any hazardous material (as hereinafter defined) to be brought upon, kept, or used in or about the Property by Tenant, its agents, employees, contractors, or invitees, without the prior written consent of Landlord, except such materials that are normally used or sold in the course of Tenant's business. Tenant agrees that handling and storage of such materials and substances shall occur safely and in compliance with all applicable federal, state, and local laws and regulations. If Tenant breaches the obligations stated in the preceding sentence, or if the presence of hazardous material on the Property caused or permitted by Tenant results in contamination of the Property or any adjacent property, then Tenant shall indemnify, defend, and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses (including, without limitation, diminution in value of the Property and/or adjacent property, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Property and/or adjacent property, damages arising from any adverse impact on marketing of the Property and/or adjacent property, and sums paid in settlement of claims, attorneys' fees, consultant fees, and expert fees) which arise during or after the commencement of construction on the Property as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with

any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state or local governmental agency or political subdivision because of hazardous material present in the soil or ground water on or under the Property and/or adjacent property. Without limiting the foregoing, if the presence of any hazardous material on the Property caused or permitted by Tenant results in any contamination of the Property and/or adjacent property, Tenant shall promptly take all actions at its sole expense as are necessary to return the Property and/or adjacent property to the condition existing prior to the introduction of any such hazardous material to the Property and/or adjacent property, provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Property and/or adjacent property. As used herein, the term "hazardous material" means any hazardous or toxic substance, material or waste which is or becomes regulated by local governmental authority, the state of Washington or the United States government. Upon expiration or earlier Termination of this Lease, Tenant shall duly execute and deliver to Landlord a certificate (the "Hazardous Waste Certificate") in a form approved by Landlord. Nothing contained herein shall be deemed or construed to limit the liability of Tenant to Landlord hereunder for the breach of any covenant of Tenant under this Section. The provisions of this Section shall survive the expiration or earlier Termination of this Lease and Tenant's surrender of the Property to Landlord.

21.16 Force Majeure. Whenever a party is required to perform an act under this Lease by a certain time, said time shall be deemed extended (unless specifically provided elsewhere in this Lease) so as to take into account events of "Force Majeure." "Force Majeure" is any of the following events that prevents, delays, retards or hinders a Party's performance of its duties hereunder: Act of God; fire; earthquake; flood; war; explosion; invasion; insurrection; riot; mob violence; sabotage; vandalism; inability to procure or general shortage of labor, equipment, facilities, materials or supplies in the open market; transportation failure; strikes; lockouts; condemnation; requisition; acts of governmental, civil, military or naval authorities or any other cause, whether similar or dissimilar to the foregoing, not within such Party's control. Notwithstanding, anything in this Lease to the contrary, Force Majeure shall not include a Party's lack of, or inability to procure, moneys to fulfill its commitments and obligations under this Lease.

21.17 Estoppel Certificate. Tenant agrees within a reasonable period of time after request therefore from Landlord to execute in recordable form and deliver to Landlord the Estoppel Certificate. Landlord agrees to give Tenant a comparable estoppel certificate within a reasonable period of time after request therefore from Tenant.

21.18 Approval. Any approval required from Landlord hereunder shall not be unreasonably withheld, or conditioned, and shall be timely delivered. Any request by Tenant for approval shall be sent by certified mail, return receipt requested and shall be deemed approved unless Landlord within thirty (30) days provides written notice to Tenant of the disapproval of the request, together with the reasons therefore.

21.19 Effectiveness. This Lease shall not be deemed effective for any purpose or binding on either Party hereto unless and until the date this Lease is signed by both Parties and a fully executed copy is delivered to and received by both Parties ("Effective Date").

21.20 Right of First Refusal. In the event of any offer acceptable to Landlord at any time or times during the original or extended term hereof, for the sale of the Property the Landlord, prior to acceptance thereof, shall give the Tenant, with respect to each such offer, written notice thereof and a copy of said offer including the name and address of the proposed purchaser; and Tenant shall have the option and right of first refusal for sixty (60) days after receipt of such notice within which to elect to purchase or lease the Property, as the case may be, on the terms of said offer. If Tenant shall elect to purchase the Property pursuant to the option and first refusal herein granted, it shall give notice of such election within such sixty (60) day period. Tenant's failure at any time to exercise its option under this paragraph shall not affect this lease and the continuance of Lessee's rights and options under this and any other paragraph herein.

IN WITNESS WHEREOF, this Lease has been executed as of the date written above.

LANDLORD:

CITY OF CHEHALIS

By _____
Name: Jill Anderson
Its: City Manager
Date: _____

TENANT:

Riptide 6, LLC

By _____
Name: _____
Its: _____
Date: _____

DRAFT

INSERT NOTARY

DRAFT

LIST OF EXHIBITS

Exhibit A	Legal Description of Property
Exhibit B	Site Plan
Exhibit C	Memorandum of Lease
Exhibit D	Estoppel Certificate
Exhibit E	Compliance with Federal Aviation Administration (FAA) Requirements

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EXHIBIT "A"
Legal Description

Tract 16-B Amended BSP AF 3449004

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EXHIBIT "B"
SITE PLAN

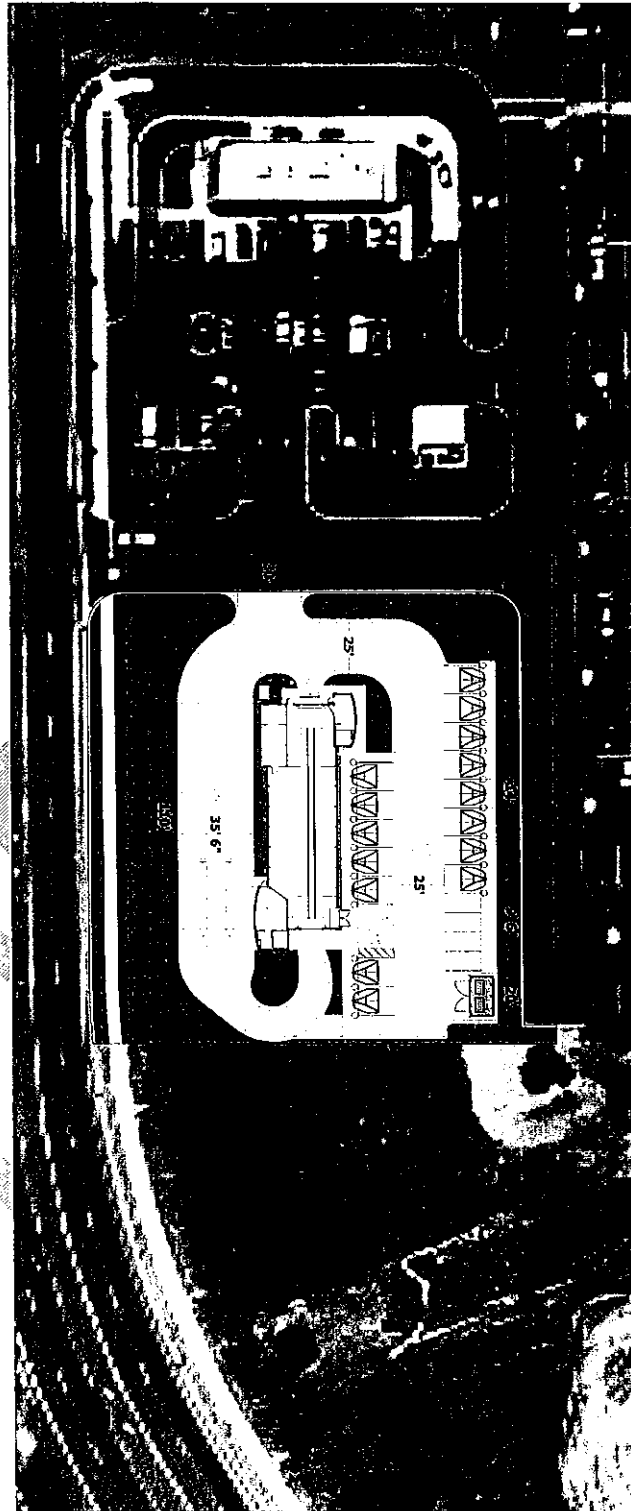


EXHIBIT "C"
Memorandum of Lease

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EXHIBIT "D"

Date: _____

TO: _____

CHEHALIS-CENTRALIA AIRPORT GOVERNING BOARD ("Landlord"), and Riptide 6, LLC and/or assigns. ("Tenant") are parties to that certain Lease dated _____, 20____, ("Lease") for certain real property consisting of land and Improvements ("Property") located in the city of Chehalis, county of Lewis, state of Washington, and more fully described on Exhibit "1" attached hereto.

The undersigned _____ of Tenant certifies that to the best of his or her actual knowledge, the following statements are true and correct as of the date hereof.

Tenant has entered into occupancy of the Property described in the Lease;

The Lease is in full force and effect and has not been assigned, modified, supplemented, or amended in any way, except as follows:

The Rent Commencement Date of the Lease is _____, 20____;

The Lease Term shall expire on _____, 20____; provided, however, that Tenant may have additional options to extend the Lease Term as provided therein;

Current annual Rent is _____;

All conditions precedent of Tenant's obligations as set forth in the Lease have been satisfied or waived;

Tenant has not received notice of, and has no actual knowledge of the existence of, any defaults under the Lease by either Landlord or Tenant;

No rents have been paid in advance of (1) month except _____;

Tenant has not assigned or mortgaged its interest in the Lease, in whole or in part, or sublet all or part of the Property except _____; and

There have been no amendments or modifications to the Lease except _____.

EXECUTED as of the date first written above.

By _____
Name: _____
Title: _____

TENANT

EXHIBIT "E"

COMPLIANCE WITH FEDERAL AVIATION ADMINISTRATION REQUIREMENTS

The Tenant, for itself, its successors-in-interest and assigns, as part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities; (2) that in the construction of any Improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination; and (3) that the Tenant shall use the Property in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

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**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Trent Lougheed, Public Works Director
Don Schmitt, Street/Storm Superintendent

MEETING OF: September 9, 2019

SUBJECT: Resolution No. 10-2019, First and Final Reading – Delegating Signing Authority to the Finance Director for Reimbursement on Federally Funded Transportation Projects

ISSUE

WSDOT Local Programs administers federal transportation funds and requires recipient agency's documentation confirming the individual signing the reimbursement request is authorized to legally bind the agency.

DISCUSSION

The City was recently awarded federal STP grant funding for the Kresky Avenue Resurfacing Project through adoption of Resolution 7-2019, which accepted the funding and authorized the City Manager signatory privileges on any Department of Transportation applications.

Local Programs also requires the agency to submit documentation that the individual signing reimbursement requests is authorized to legally bind the agency. Since the Finance Director has historically submitted these requests, this resolution delegates that authority to the Finance Director.

FISCAL IMPACT

N/A

RECOMMENDATION

It is recommended that the City Council adopt Resolution No. 10-2019 on first and final reading.

SUGGESTED MOTION

I move that the City Council adopt Resolution No. 10-2019 on first and final reading.

RESOLUTION NO. 10-2019

**A RESOLUTION OF THE CITY OF CHEHALIS,
WASHINGTON, DELEGATING SIGNING AUTHORITY
TO THE FINANCE DIRECTOR FOR REIMBURSEMENT
ON FEDERALLY FUNDED TRANSPORTATION
PROJECTS.**

**THE CITY COUNCIL OF THE CITY OF CHEHALIS, WASHINGTON, DO
RESOLVE AS FOLLOWS:**

WHEREAS, the City Manager has been duly appointed by the City of Chehalis in accordance with Resolution 7-2019, which includes management of federal STP grants; and

WHEREAS, The Federal Highway Administration, through the State, authorizes federal transportation funding to the City of Chehalis for transportation projects; and

WHEREAS, The Code of Federal Regulations, 2 CFR 200.415(a) has been revised to ensure that final fiscal reports or vouchers requesting payment under Federal agreements must include a certification, signed by an official who is authorized to legally bind the non-Federal Agency; and

WHEREAS, the City Manager executes all Federal grant funding agreements and supplemental agreements; and

WHEREAS, in order to seek timely reimbursement for proper expenditures related to the Federally funded grant projects, the City of Chehalis delegates to the person appointed as the Finance Director the authority to legally bind the City of Chehalis, solely for the purpose of requesting Federal Grant reimbursement;

NOW, THEREFORE, BE IT RESOLVED that the City of Chehalis hereby adopts the following:

Section 1. For the purposes of requesting reimbursement for Federally funded transportation projects, the Finance Director shall be delegated authority per 2 CF\$ 200.415(a) to legally bind the City of Chehalis in furtherance of the intent of this resolution; and

Section 2. The person duly appointed as the Finance Director shall be authorized to sign all grant reimbursement vouchers for grant funded transportation projects on behalf of the City of Chehalis.

ADOPTED by the City Council of the city of Chehalis, Washington, and **APPROVED** by its Mayor, at a regularly scheduled open public meeting thereof this _____ day of _____, 2019.

Mayor

Attest:

City Clerk

Approved as to form and content:

City Attorney

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Chun Saul, Finance Director

MEETING OF: September 9, 2019

SUBJECT: Implementation of ACH (Automated Clearing House) Payment Options for Accounts Payable (AP) Vendor Payments

ISSUE

As a part of the City Council Strategic Planning objectives for Optimizing Technology, the Finance Department had planned to implement an electronic vendor payment program for its vendors and suppliers through an Automated Clearing House (ACH). In order to implement the vendor ACH payment program, additional software is needed.

DISCUSSION

ACH payments are electronic payments made through the Automated Clearing House (ACH) network. Instead of printing paper checks, funds move from one bank account to another with the help of an intermediary that routes funds to the destination. It is also known as "direct payments." Payroll direct deposit is the most common ACH transaction.

Vendors can elect the ACH payment option by completing a Vendor ACH Payment Enrollment Form provided by the City. Once the City approves an invoice and processes the payment, an electronic remittance advice will be emailed to the vendor, and their bank account will be credited. The remittance advice would include statement-type information such as invoice number, invoice date, and amount paid.

ACH payments offer opportunities for both the City and vendors to save time, reduce costs, secure payments, reduce the risk of fraud, and take advantage of the convenience of electronic payments. Technology is a huge factor in every business now and pushing us towards electronic payment processing every day.

The City issued 3,373 paper checks during 2018, and total direct costs for supplies, printing, and mailing was about \$3,000. In addition, a considerable amount of Accounts Payable staff time is spent manually handling paper checks, an average 11-12 hours each month to stuff checks,

prepare for mailing, and reconcile to bank statements and cleared checks in the accounting system.

With a vendor ACH payment program, we will be able to save costs relating to writing checks plus save much needed staff time for other tasks.

The City's current accounts payable system does not have the functionality to send electronic remittance advice to vendors via email. The City's current financial software vendor offers a product called Tyler Output Processor that allows the ability to send electronic remittance advice to vendors via email. This product can also be used to email employee payroll direct deposit advice to employees. Once the City purchases the license, the implementation can be done within the next 8-10 weeks.

FISCAL IMPACT

The total one-time cost for purchase of the software license and implementation services is about \$5,367 plus \$585 for recurring annual maintenance. This cost was not included in the 2019 Budget. However, the Finance Department has \$6,500 approved for on-site training for its financial software system in its 2019 Budget that has not been used and can be used for this purpose instead.

RECOMMENDATION

It is recommended that the City Council approve the purchase of the software license and implementing an AP Vendor ACH payment program in 2019.

SUGGESTED MOTION

It is recommended that the City Council approve the purchase of the software license and implementing an AP Vendor ACH payment program in 2019.

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Glenn Schaffer, Police Chief

MEETING OF: September 9, 2019

SUBJECT: Purchase of Exterior Ballistic Vests for Police Officers

ISSUE

The Chehalis Police Department has been researching the purchase and use of exterior ballistic vests for police officers. After settling on a brand of vest that provides a professional look and accompanying pouches for gear, the Police Department estimates the cost to be \$5,700, which was not budgeted in 2019.

DISCUSSION

Historically, Chehalis Police officers have worn ballistic vests under their uniforms. While affording the most professional look, these vests are both hot and uncomfortable, and require officers to carry all their gear on their duty belts.

Traditionally, police duty belts are two pieces. A heavy “under belt” made of either leather or a nylon material that incorporates a layer of Velcro, and a heavier outer belt which supports the gear. The under belt is secured to the officer via the belt loops on the officer’s uniform pants, and the outer belt is secured to the under belt using leather or nylon straps that wrap around both belts. This ensemble is bulky and is what supports the associated “gear” such as the officer’s holster, radio, handcuffs, flashlight, and other less-lethal weapons. It is not uncommon for an officer to have more gear than room on their belts to carry it all.

The weight of the duty belt is an issue, but so is the bulk. There are obvious problems associated with the weight and the bulk in strenuous activities such as running or fighting with suspects; but it is the everyday activities that put the most strain on officers. Climbing in and out of vehicles dozens of times per shift and sitting in cars or office chairs with even a small gear pouch somewhere on an officer’s back can create serious back and hip pain. In the month of August alone the Chehalis Police department had three officers either wearing specialty equipment, out sick, or on light duty due to back problems.

One remedy for this is the exterior ballistic vest. This is a vest that is worn on the outside of the uniform and is made to be a “load-bearing” vest capable of carrying most all an officer’s gear, getting the weight and bulk off their hips.

In 2019, we purchased one vest for Officer Roberts to use on a trial basis and was used to carry all his gear except his firearm and radio. The feedback from officer Roberts is very positive. Of the 18 sworn police officers, 12 have requested to be issued the exterior vest. The vests are all special order and can take up to three months to arrive. The cost of the vests, plus the various pouches to carry essential gear totally approximately \$475.00 per vest. To purchase the vests at one time for 12 officers would cost approximately \$5,700 which was not previously budgeted. Due to the time it takes for ordering, officers to be measured, and vests to arrive, we would like to begin the purchase of the vests immediately as opposed to waiting for the 2020 budget.

RECOMMENDATION

It is recommended that the City Council approve the appropriation of \$5,700.00 from the General Fund to the Police Department’s budget for the purchase of exterior vests.

SUGGESTED MOTION

I move that the City Council approve the appropriation of \$5,700.00 from the General Fund to the Police Department’s budget for the purchase of exterior vests.