

PLEASE NOTE SPECIAL MEETING TIME

CHEHALIS CITY COUNCIL AGENDA
CITY HALL
350 N MARKET BOULEVARD, 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 Bob Spahr, Position at Large |

February 23, 2015

4:45 p.m.

| EXECUTIVE SESSION | | |
|--|-----|--|
| 1. <u>Executive Session Pursuant to RCW 42.30.110 (1)(c) – Lease or Sale of Real Estate.</u> (City Manager, City Attorney, Community Development Director) | --- | |

Regular Meeting of Monday, February 23, 2015

5:00 p.m.

| ITEM | ADMINISTRATION RECOMMENDATION | PAGE |
|---|----------------------------------|------|
| 2. <u>Call to Order.</u> (Mayor) | | |
| 3. <u>Pledge of Allegiance.</u> (Mayor) | | |

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.

CONSENT CALENDAR

| | | |
|--|---|----|
| 4. <u>Minutes of the Regular Meeting of February 9, 2015.</u> (City Clerk) | APPROVE | 1 |
| 5. <u>Vouchers and Transfers.</u> (Finance Manager) | APPROVE | 5 |
| 6. <u>Resolution No. 3-2015, First and Final Reading – Declaring City Property to be Surplus.</u> (City Clerk) | ADOPT | 6 |
| 7. <u>Authorize City Manager to Execute Memorandum of Understanding (MOU) Between the City and the Washington Military Department Emergency Management Division Authorizing Access to Airport Property as Needed for State Staging Area for Emergency or Disaster Preparation, Response and/or Recovery Activities.</u> (City Manager, Community Development Director) | AUTHORIZE CITY MANAGER TO EXECUTE MOU BETWEEN THE CITY AND THE WASHINGTON MILITARY DEPARTMENT EMERGENCY MANAGEMENT DIVISION | 8 |
| 8. <u>Authorize City Manager to Execute Agreement Between the City and Gibbs & Olson for Engineering Services for the Basin 1022 I&I Rehabilitation Project in an Amount not to Exceed \$139,900.</u> (City Manager, Public Works Director, Wastewater Superintendent) | AUTHORIZE CITY MANAGER TO EXECUTE ENGINEERING AGREEMENT BETWEEN THE CITY AND GIBBS & OLSON IN AN AMOUNT NOT TO EXCEED \$139,900 | 21 |

ADMINISTRATION AND CITY COUNCIL REPORTS

| | | |
|--|------------------|----|
| 9. <u>Administration Reports.</u> | | |
| a. January financial report. (Finance Manager) | INFORMATION ONLY | 32 |
| 10. <u>Council Reports.</u> | | |
| a. Councilor reports. (City Council) | INFORMATION ONLY | |
| b. Council committee reports. (City Council) | INFORMATION ONLY | |

NEW BUSINESS

11. Authorize City Manager to Execute Property Lease Agreement. (City Manager, Community Development Director)

AUTHORIZE CITY MANAGER TO
EXECUTE PROPERTY LEASE
AGREEMENT

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THE CITY COUNCIL MAY ADD AND TAKE ACTION ON
OTHER ITEMS NOT LISTED ON THIS AGENDA

NEXT REGULAR CITY COUNCIL MEETING WILL BE ON MONDAY, MARCH 9, 2015

February 9, 2015

The Chehalis city council met in regular session on Monday, February 9, 2015, in the Chehalis city hall. Mayor Dawes called the meeting to order at 4:15 p.m. with the following council members present: Terry Harris, Dr. Isaac Pope, Bob Spahr, Daryl Lund, and Chad Taylor. Councilor Ketchum was absent (excused). Staff present included: Merlin MacReynold, City Manager; Bill Hillier, City Attorney; and Judy Schave, City Clerk.

1. **Executive Session.** Mayor Dawes announced the council would be in executive session pursuant to RCW 42.30.110(1)(i) – potential litigation for approximately 45 minutes and there would be no decision following conclusion of the executive session.

Mayor Dawes closed the executive session at 5:02 p.m. and announced the council would take a short recess before opening the regular meeting at 5:04 p.m. Additional staff included: Glenn Schaffer, Police Chief/Interim Fire Chief; Peggy Hammer, Human Resources Administrator; Dennis Osborn, Community Development Director; Lilly Wall, Recreation Manager; Rick Sahlin, Public Works Director; and Don Schmitt, Street/Stormwater Superintendent. Members of the media included Dameon Pesanti from *The Chronicle*.

2. **Public Hearing on 2015-2020 Six-Year Transportation Improvement Plan (STIP) Proposed Amendments.** Public Works Director Rick Sahlin reported the administration had been before the council on three previous occasions to talk about the bridge scour grant that was received in 2012. He noted the initial estimated cost for the project was \$190,500.

Mr. Sahlin reported, in April 2014, the city hired HDJ Design Group, PLLC (HDJ) to manage the project, and in August 2014, the city hired ESA Vigil-Agrimis to do the design work. He stated the plans are now at 60 percent and HDJ and the Washington State Department of Transportation Local Programs is requiring us to amend our 2015-2020 STIP at the state level for the new projected cost of \$430,700 (\$251,000 being construction costs).

Councilor Harris stated it was interesting that the engineering costs are \$180,000 for a \$250,000 project. Mr. Sahlin indicated the \$180,000 includes the engineering and permitting costs.

Mayor Dawes closed the regular meeting at 5:08:24 p.m. and opened the public hearing.

There being no public comment, Mayor Dawes closed the public hearing at 5:08:46 and reopened the regular meeting.

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

- a. Minutes of the regular meeting of January 26, 2015;
- b. Claim Vouchers No. 111548-111671 in the amount of \$178,233.13 dated January 30, 2015; Payroll Vouchers No. 37875-37923, Direct Deposit Payroll Vouchers No. 5696-5785, and Electronic Federal Tax Payment No. 144 in the amount of \$683,452.56 dated January 30, 2015; and
- c. Approve and authorize the city manager to execute the updated right-of-way procedures for potential/temporary property acquisition for the National Avenue Salzer Creek Bridge Scour Mitigation Project.

The motion was seconded by Councilor Pope and carried unanimously.

4. **Administration Reports.**

a. **Recreation Park - Scope of Improvements.** City Manager MacReynold reported a couple of years ago the council gave policy direction to begin to do significant improvements to Recreation Park. He noted the project was put on hold while the pool project was being dealt with. City Manager MacReynold stated the Chehalis Parks Committee and the Chehalis Foundation's City Projects Committee met to discuss the scope of work, adding the project has significantly increased not only in scope, but also in cost. He noted based on recent discussions, the administration thought this would be a good time to bring the rest of the council up to speed on the proposed improvements to make Recreation Park a first-class facility.

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Community Development Director Dennis Osborn reported the Recreation Park Project is now estimated to be anywhere between \$2.1 to 2.45 million. The proposal includes improvements to the parking, infrastructure and ball fields, as well as remodeling the existing facilities, including the V.R. Lee Community Building, Fred Hess Kitchen and restrooms. Also included in the cost is site preparation and drainage, the concept of synthetic fields, remodel/upgrades to Penny Playground, new picnic shelters, picnic tables, and trash receptacles.

Mr. Osborn walked the council through the list of projects, to include:

- V.R. Lee Community Building – interior remodel, replace/update windows
- Fred Hess Kitchen – replace linoleum, replace/update windows
- Penny Playground – retrofit/replacement
- 10 picnic tables and eight (8) trash receptacles
- Playground - restroom upgrade w/new roof
- Replace three (3) picnic shelters (includes demo, site prep, pads, and new structures)
- Landscaping improvements
- Game Day Grass/without soil prep – two (2) infields
- Game Day Grass/without soil prep – one (1) full field
- Soil prep for Game Day Grass – two (2) infields
- Soil prep for Game Day Grass – one (1) full field
- Maintenance Equipment for Game Day Grass
- Storm main line
- Fields 3 & 4 - drainage improvements w/sprinklers
- Parking area extension
- Park circulation road
- Ball field concrete viewing corridor

Councilor Pope stated the council should know that the responsibility of the Penny Playground has been transferred to the Chehalis Foundation.

Mr. Osborn stated if the scope of work looks good to the council they would present it to the Chehalis Foundation at their February 10 meeting. He noted they would work with the Foundation to seek funding options and would continue to keep the council informed.

Councilor Pope stated, as a member of the Chehalis Parks Committee, he would suggest they move forward with the plan.

Councilor Taylor agreed, adding he would love to see as much of the 'game day grass' as possible. Mr. Osborn stated the game day grass will make the facility more attractive for statewide tournaments.

Mayor Dawes agreed, adding the game day grass would allow more use and would make it look so much nicer.

Councilor Harris thanked Mr. Osborn for mentioning that they are looking for alternate funding sources. He reported it would be great if they could figure out how to activate other folks in the community to step forward and take on some of the projects themselves. Councilor Harris stated we have a lot of contractors in town and suggested knocking on some doors to see what some of them might be willing to do.

Councilor Harris reported a lot of money was going to go into the improvements and suggested if they do install the game day grass they can start tournaments earlier and play later into the year. He stated that was going to make the Lodging Tax Advisory Committee (LTAC) and the hoteliers and business people in the community very happy.

Councilor Harris asked if they would lose a season by starting the work in July.

February 9, 2015

Recreation Manager Lilly Wall reported they wouldn't start the project until after the season ends, which is usually the first week of July. Mr. Osborn stated, conceptually, they could start earlier in the year on some of the other improvements that don't affect the play area.

Councilor Lund agreed, suggesting they go full steam ahead. He stated it will be nice to have a first-class facility.

Councilor Spahr inquired as to the number of parking stalls that would be added. Ms. Wall stated they would get some additional parking stalls plus improve on what's currently there. Mr. Osborn believed the total number of parking stalls is 61, but he would follow up with the council on the actual number.

Councilor Spahr inquired about the Fred Hess Kitchen improvements, wondering why the estimated cost is so high. Mr. Osborn reported they plan to put in new windows, electrical, flooring and sub-flooring, depending on what they find once they pull up the old flooring. Councilor Spahr asked if the estimates were on the high side. Mr. Osborn stated they were.

Councilor Pope reported the way they have the projects broke down it will allow others or civic groups to take on some of the projects individually.

Mayor Dawes stated, based on the discussion, the council is very supportive of the Committee moving forward with the proposed improvements for Recreation Park.

Councilor Lund stated he didn't want people to forget that they're still working on plans for Stan Hedwall Park.

Mayor Dawes reported a lot of things on the list, drainage being one of them, have been talked about for over 30 years. He stated it was exciting to see things finally moving forward and to be able to turn it into a first-class facility.

Councilor Lund wanted the citizens to know that the city is not writing a check for this, adding they plan to try to find funding with the help of the Foundation. City Manager MacReynold stated they would be looking at all possibilities for how to fund the improvements.

Councilor Harris stated in 2013-2014 the LTAC gave city staff funding to pay for the initial ground work, primarily for the drainage.

5. Council Reports.

a. Update From Councilor Lund. Councilor Lund reported he attended the Chehalis Parks Committee meeting along with members of the Foundation's City Project Committee to discuss plans for Recreation Park. He stated things are also going well for the Lewis County Historical Museum, noting they're having a fundraiser "Gala" on February 14.

b. Update From Councilor Spahr. Councilor Spahr reported he attended his first Sewer Operating Board meeting, as well as the Lewis Economic Development Council (EDC) banquet.

c. Update From Councilor Pope. Councilor Pope stated he also attended the Chehalis Parks Committee meeting. He noted the Committee will be making a presentation to the Chehalis Foundation on Tuesday, February 10.

d. Update From Mayor Dawes. Mayor Dawes reported he attended the EDC banquet as well, adding he was pleased to report that Councilor Spahr will continue to be the city's representative on the EDC Board.

6. Resolution No. 2-2015, First and Final Reading – Amending the 2015-2020 Six-Year Transportation Improvement Plan. City Manager MacReynold stated the council already heard from the administration on the proposed amendments to the 2015-2020 STIP and encourage a favorable vote.

Councilor Lund moved to adopt Resolution No. 2-2015 on first and final reading.

February 9, 2015

The motion was seconded by Councilor Taylor and carried unanimously.

There being no further business to come before the council, the meeting adjourned 5:32 p.m.

Mayor

Attest:

City Clerk

SUGGESTED MOTION

I move that the council approve the minutes of the regular city council meeting of February 9, 2015.

CITY OF CHEHALIS
AGENDA REPORT

DATE: February 13, 2015

TO: The Honorable Mayor and City Council

FROM: Judy Pectol, Finance Manager *JP*

PREPARED BY: Michelle White, Accounting Tech II *MW*

SUBJECT: Vouchers and Transfers

ISSUE

Council approval is requested of the following:

Claim Vouchers No. 111672 through 111818 and Electronic Funds Transfer No. 12015 in the amount of \$335,404.76 dated February 13, 2015 and the transfer of \$122,690.26 from the General Fund, \$1,236.69 from the Dedicated Street Fund - 4% Sales Tax Fund, \$75,941.41 from the Wastewater Fund, \$94,759.70 from the Water Fund, \$1,912.02 from the Storm & Surface Water Utility Fund and \$38,864.68 from the Airport Fund.

RECOMMENDATION/COUNCIL ACTION DESIRED

The administration recommends that the council approve the February 13, 2015 Claim Vouchers No. 111672 through 111818 and Electronic Funds Transfer No. 12015 in the amount of \$335,404.76.

SUGGESTED MOTION

I move to approve the February 13, 2015 Claim Vouchers No. 111672 through 111818 and Electronic Funds Transfer No. 12015 in the amount of \$335,404.76.

Reviewed by: *[Signature]*, City Manager

**CITY OF CHEHALIS
AGENDA REPORT**

DATE: February 11, 2015
TO: The Honorable Mayor and City Council
FROM: Judy Schave, City Clerk
SUBJECT: Resolution No. 03-2015 - Surplus of City Property

ISSUE

The Chehalis Water Department has certain property that is no longer used or needed. State law requires that property must first be declared surplus by the city council before being sold, traded, or disposed of.

DISCUSSION

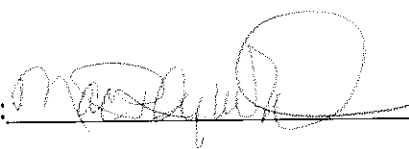
At this time the Chehalis Water Department has a number of used water meters that have been changed out over the years, and a very used breaker hammer for a backhoe. The meters are no longer needed and will be destroyed and sold as scrap and the other equipment will be sold at auction.

RECOMMENDATION/COUNCIL ACTION DESIRED

The administration recommends that the council adopt Resolution No. 03-2015 on first and final reading.

SUGGESTED MOTION

I move that the council adopt Resolution No. 03-2015 on first and final reading.

REVIEWED BY:  _____, City Manager

RESOLUTION NO. 03-2015

A RESOLUTION OF THE CITY OF CHEHALIS, WASHINGTON, DECLARING PERSONAL PROPERTY OF THE CITY OF CHEHALIS TO BE SURPLUS AND OF NO FURTHER USE TO THE CITY, AND DIRECTING THE SALE AND DISPOSITION THEREOF.

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

Section 1. The following described personal property of the city of Chehalis, Washington, a municipal corporation, shall be, and the same hereby is, declared to be surplus and no longer of necessary use.

Chehalis Water Department:

1. Used water meters.
2. One (1) Stanley Breaker Hammer for backhoe - Model #MB-550, S/N 55467

Section 2. The personal property described herein shall be disposed of by the City Manager.

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 23rd day of February, 2015.

Mayor

Attest:

City Clerk

Approved as to form and content:

City Attorney

Memorandum

To: Merlin MacReynold, City of Chehalis
CC: contracts file
From: Mara Lake, Washington Military Department
Date: 2/6/2015
Re: Legal MOU Documents

Enclosed for your review and signature are two (2) copies of MOU agreement for Staging Area Use and required forms (Payee Form, W-9 Form, and Signature Authorization Form). If you already have a payee form on file with us, no need to resubmit.

Please sign both copies of the agreement, complete the required forms, and return to:

Attn: Mara Lake, Contracts
WA Military Department
1 Militia Drive / MS: TA-20
Camp Murray, WA 98430-5092

When the signature process is complete, you will receive a fully executed original copy by mail for your files.

If any questions please feel free to contact me at (253) 512-8411.

Thank you.
Mara Lake
Contracts Specialist

**MEMORANDUM OF UNDERSTANDING
STAGING AREA USE**

Washington Military Department
Emergency Management Division
Building #20, M.S. TA-20
Camp Murray, WA 98430-5122

AND

City of Chehalis
350 N. Market Boulevard, Rm. 101
Chehalis, WA 98532-2620

(253) 512-7055; FAX: (253) 512-7207
Contact Person: Mark Douglas
E-mail : mark.douglas@mil.wa.gov

(360) 345-1042 ext. 4 FAX: (360) 748-0651
Contact Person: Merlin MacReynold
E-mail : MMacReynold@ci.chehalis.wa.us

Beginning Date: **Upon Execution**

Expiration Date: **31 January 2020**

I. PURPOSE

- A. This Memorandum of Understanding (MOU) is made and entered into by and between the State of Washington, through the Washington State Military Department, Emergency Management Division (hereinafter referred to as the "Department"), and City of Chehalis, a political subdivision of the State of Washington (hereinafter referred to as "Owner"), owner of the property described in Exhibit A attached to this MOU (hereinafter referred to as the "Property"). The Department desires to obtain permission from the Owner to use the Property as necessary for a State Staging Area for emergency or disaster preparation, response and recovery activities as described herein.
- B. An emergency or disaster often results in a significant response of personnel and equipment. Staging Areas are needed for receiving, staging, repackaging and distributing lifesaving and life sustaining commodities, including but not limited to, water, food, ice and generators, in response to resource shortages. Large quantities of resources may be brought into the state or relocated within a geographic region within the state to satisfy these needs. Past disasters throughout the United States have proven that pre-planned staging areas contribute to the efficient receipt, sorting, storage, and distribution of resources until normal distribution channels are restored. Past practice has also demonstrated that preparation contributes to effective response and recovery activities.
- C. In consideration of the mutual covenants and promises contained below, the sufficiency of which is acknowledged, the Owner and the Department agree to the terms contained herein.

II. AUTHORITY

The Department has authority to enter into this MOU pursuant to RCW 38.52.005, RCW 38.52.020, RCW 38.52.030 and RCW 38.52.050. The Owner has authority to enter into this MOU pursuant to RCW 38.52.020, RCW 14.08.020 and RCW 14.08.120.

III. OBLIGATIONS OF THE OWNER

- A. The Owner agrees to allow the Department to use the Property as a Staging Area for emergency or disaster preparation, response and recovery activities as described herein; provided, however, that use of the Property after receipt of the Department's notification of intent to activate the Property as a Staging Area is subject to the following:

1. The parties reach agreement regarding the extent of the intended use of the Property, as described in Exhibit A and attached hereto, and the terms for payment by the Department of reasonable costs for use of the Property, if any, as described in Exhibit B and attached hereto; and
 2. The Owner may elect to refuse the Department access to the Property for use as a Staging Area due to unavailability, damage, conflict with commercial interest, or any other condition that renders the site unsuitable for Staging Area operations. Any such denial of access will not operate to terminate this MOU or otherwise apply to future notifications of intent to activate the Property as a Staging Area.
- B. If the Owner has agreed to allow the Department to activate the Property for use as a Staging Area, the Owner will ensure that the Department has access to the Property twenty-four (24) hours per day, seven (7) days per week during the period of that activation. The Owner will supply the Department with two (2) copies of all pertinent keys to the Property, and all pertinent access security codes.
- C. If the Owner has agreed to allow the Department to activate the Property for use as a Staging Area, the Owner will ensure that the Property is in good repair and all utilities are in good working order.
- D. If the Owner has agreed to allow the Department to activate the Property for use as a Staging Area, and if the parties have identified costs for use of the Property in attached Exhibit B, the Owner will submit monthly signed, approved invoice vouchers (state form A-19) that identify and document the charges billed in accordance with Exhibit B. These invoices should be submitted to Washington Military Department, Attention: Accounts Payable at Building 1, Camp Murray, WA 98430. A-19 forms will be available from the State Staging Area Manager on site and should include reference to this MOU by number.
- E. If the Owner has agreed to allow the Department to activate the Property for use as a Staging Area, the Owner will allow the Department to erect temporary facilities, utilities, telecommunications lines, security measures, make reasonable alterations as needed and other temporary measures necessary to operate the Staging Area, at the Department's expense.
- F. If the Owner has agreed to allow the Department to activate the Property for use as a Staging Area, the Owner will cooperate with the Department's reasonable efforts during de-activation to repair and/or restore the Property to substantially the same condition as it existed at the time of initial occupancy, at the Department's expense, reasonable wear and tear excepted. If the Owner is dissatisfied with the Department's efforts, the Owner may submit a written request for repairs to the Washington Military Department, State EOC Logistics Section, Building 20, MS: TA-20, Camp Murray, WA 98430-5122. If the Owner is dissatisfied with the response of the Department, the Owner may file a claim for damages with the Washington State Office of Financial Management pursuant to applicable state law.
- G. In the event the Owner sells or lists the Property for sale, the Owner agrees to notify the Department immediately.

IV. OBLIGATIONS OF THE DEPARTMENT

- A. If the Department desires to activate the Property as a Staging Area for purposes of emergency or disaster preparation, response or recovery, the Department will notify the Owner as soon as practicable.

- B. The Department's notification of intent to activate the Property as a Staging Area shall be in writing, unless impracticable, in which case the Department will provide oral notice with subsequent written confirmation of notice. The parties understand that while notification may be provided over seventy-two (72) hours prior to desired use, due to exigent need for the Property, such notice may also be provided less than twenty-four (24 hours) prior to desired use. The notice will include a projected timeline for use of the Property, including a requested start date and hour.
- C. After the Department's notification of intent to activate the Property for use as a Staging Area, the parties will use their best efforts to reach agreement regarding the extent of the intended use of the Property and the terms for payment by the Department of reasonable costs for use of the Property, if any. Such terms will be described in Exhibit B and attached hereto.
- D. If the Owner has agreed to allow the Department to activate the Property for use as a Staging Area, and if the parties have identified costs for use of the Property in attached Exhibit B, the Department will reimburse the Owner within thirty (30) days of receipt of signed, dated, and approved invoice vouchers (state form A-19), based upon adequate documentation of costs, as applicable and in accordance with Exhibit B.
- E. It is anticipated that the Department's use of the Property as a Staging Area will normally be for a period not to exceed 365 days from the Department's entry on to the Property.
- F. The Department will provide Owner written notice of its intent to vacate the Property at least seven (7) days in advance.
- G. If the Owner has agreed to allow the Department to activate the Property for use as a Staging Area, the Department will make reasonable efforts during de-activation to repair and/or restore the Property to substantially the same condition as it existed at the time of initial occupancy, at the Department's expense, reasonable wear and tear excepted. The Owner and Department will cooperate in these efforts. If the Owner is dissatisfied with the Department's efforts and submits a written request for repairs to the Department in accordance with Section III(F), the Department will review and make a good faith attempt to resolve any such request.
- H. The Department will assume financial responsibility for cost of operations, including building utilities and sanitation required for the Staging Area.
- I. The Department will be responsible for the cost of installation, maintenance, and removal of telecommunication equipment and lines installed for use and in support of the Staging Area.
- J. The Department will be responsible for providing security for the resources, personnel, and facilities in the Staging Area as necessary; which may include erecting temporary fencing.
- K. The Department retains ownership of all equipment brought by the Department to the Staging Area for operations.

V. POINTS OF CONTACT

- A. Owner's Point of Contact:
Airport Manager
Chehalis-Centralia Airport, 900 NW Airport Road
Chehalis, WA 98532-1306
Phone: 360.748.1230
Fax: 360.740.0954
- Merlin MacReynold
City Manager
Chehalis City Hall, 350 N. Market Blvd., Rm 101
Chehalis, WA 98532-2620
Phone: 360.345.1042 ext. 4
Fax: 360.748.0651
E-mail: MMacReynold@ci.chehalis.wa.us
- B. Washington State Emergency Management Division Point of Contact:
Mark Douglas
Emergency Logistician
Washington State Emergency Management Division
Building 20, MS: TA-20
Camp Murray, WA 98430-5122
Desk: 253.512.7055
Cell: 253.353.5171
FAX: 253.512.7200
E-mail: mark.douglas@mil.wa.gov
- C. FAA Safety and Standards Branch (for air usage questions):
Carol Suomi
Manager, Safety & Standard Branch (Airports Division)
Desk: 425.227.2606
Cell: 206.890.6274
E-mail: carol.suomi@faa.gov

VI. EFFECTIVE DATE, DURATION AND MODIFICATION

- A. The period of performance of this MOU shall commence as of the final dated signature of the parties to this MOU and end on January 31, 2020, approximately sixty (60) months from that start date. This MOU may be extended at any time by mutual written consent of both parties.
- B. This MOU may be amended at any time by mutual written amendment to this MOU. No alteration or variation of the terms of this MOU shall be valid unless made in writing and signed by the parties hereto, and any oral understanding or agreements not incorporated herein shall not be binding.

VII. TERMINATION

- A. Termination for Convenience. Either party may terminate this MOU by giving no less than thirty (30) calendar days' written notice to the other party.

- B. Termination for Cause. Either party may terminate this MOU for cause if the other party fails to comply with any of the terms and conditions of this MOU in a timely and acceptable manner, including failure to comply with all federal, state, and local health and safety laws and regulations. The terminating party shall notify the other party in writing of the need to take corrective action. If the default or violation is not corrected after ten (10) days or within a reasonable timeframe as determined by the terminating party, the MOU shall be deemed terminated. The terminating party reserves the right to suspend all or part of the MOU during investigation of the alleged compliance breach and pending corrective action by the terminating party or a decision by the terminating party to terminate the MOU. The rights and remedies of the parties provided for in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law.

- C. In the event this MOU is terminated, the Department will be given reasonable time and access to the Property to remove any equipment, cache, supplies or improvements.

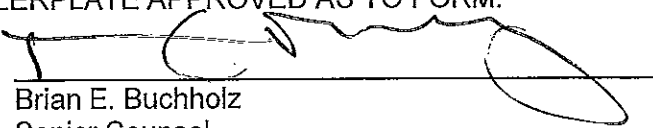
VIII. LEGAL RELATIONS

To the fullest extent permitted by law, each party to this Agreement shall be responsible for injury to persons or damage to property resulting from negligent acts or omissions on the part of itself, its employees, agents or officers. Each party shall defend, protect, and hold harmless the other party from and against all claims, actions, costs, damages, or expenses of any nature arising out of or incident to that party's negligent performance or failure to perform this agreement. Neither party assumes any responsibility to the other party for the consequences of any act or omission of any third party.

IN WITNESS HEREOF, the parties hereto have executed this Memorandum of Understanding the _____ day of _____, 2015.

By: _____ Date _____
Merlin G. MacReynold
City Manager
City of Chehalis

By: _____ Date _____
Bret D. Daugherty, Major General
The Adjutant General
Washington Military Department

BOILERPLATE APPROVED AS TO FORM:


Brian E. Buchholz
Senior Counsel
Assistant Attorney General
Date 7/2/15

Exhibit A
Site Details

| | |
|---|------------------------|
| Event: | |
| MOU Number: | Date: |
| Site Owner: | |
| Address: Chehalis-Centralia Airport, 900 NW Airport Road, Chehalis, WA 98532-1306 | |
| Beginning Date: | Estimated Ending Date: |

Narrative Description of Area to be Used

This site offers rotary aviation operations and limited fixed winged capabilities. Available areas and/or buildings will be identified upon an activation request. The Owner will conduct normal business practices and will attempt to satisfy the Department's request for space requirements upon an activation request, at that time, a new Exhibit "A" & "B" will be agreed upon and signed by both parties.

Site Map (Area to be Used is Highlighted)

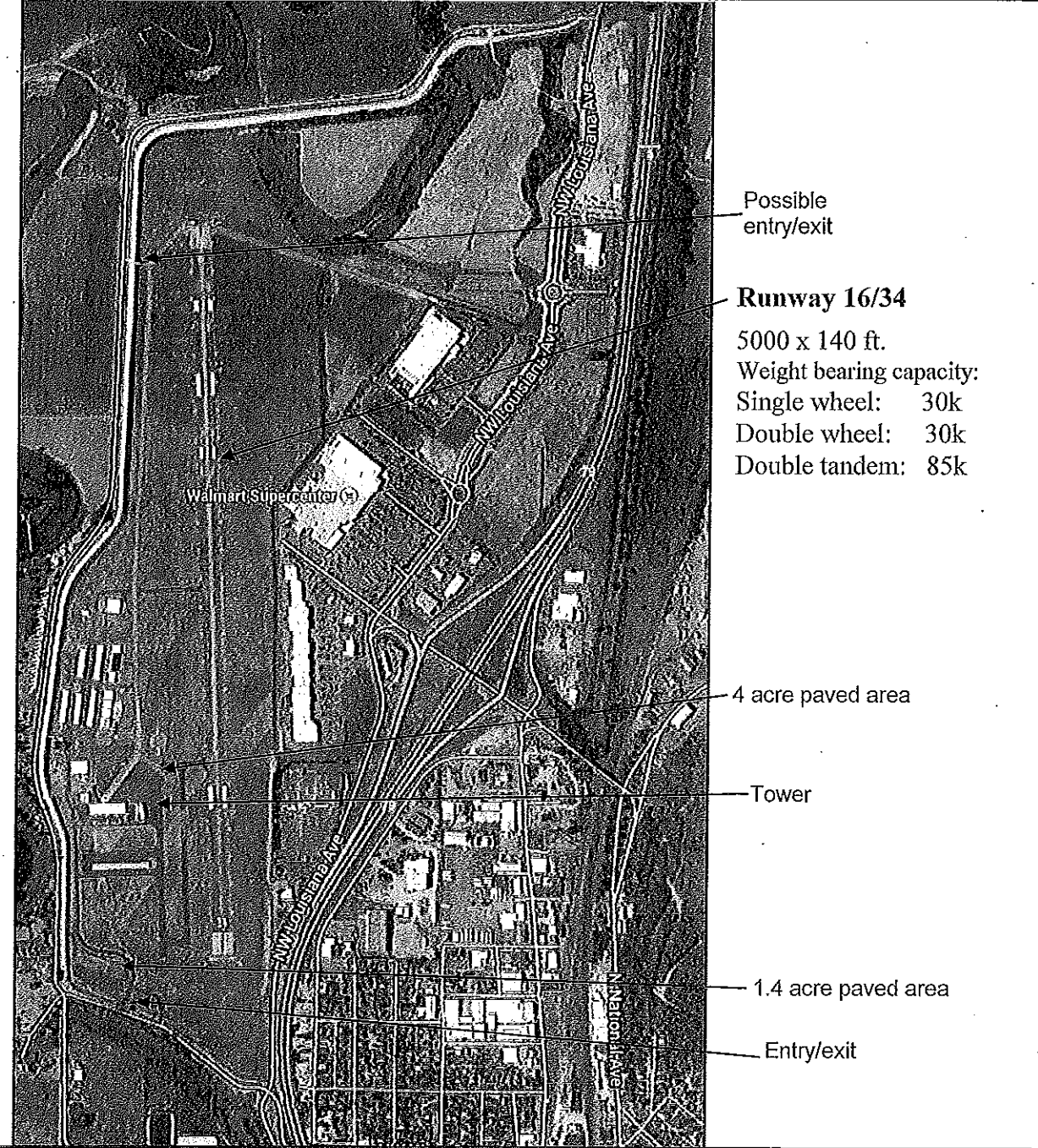


Exhibit B
Cost for Site Use as State Staging Area

| | |
|---|------------------------|
| Event: | |
| MOU Number: | Date: |
| Site Owner: | |
| Address: Chehalis-Centralia Airport, 900 NW Airport Road, Chehalis, WA 98532-1306 | |
| Beginning Date: | Estimated Ending Date: |

A. Utility Costs (Initial appropriate box(es)):

- Utility costs, if any, are included in the Cost per Square Foot listed below.
- The following utility costs will be billed for reimbursement by the Department
- Sewage Water Electric Gas Garbage Phone

B. Building Costs, If Any:

| Building # | Square Feet | Cost per Sq Ft | Total |
|-----------------------------|-------------|-------------------|---------|
| | 0 | Negotiated Charge | \$ 0.00 |
| | 0 | \$0.00 | \$ 0.00 |
| | 0 | \$0.00 | \$ 0.00 |
| Total Building Costs | | | \$ 0.00 |

C. Ramp Space Costs:

| Location | Square Feet | Cost per Sq Ft | Total |
|-------------------------------|-------------|-------------------|---------|
| | 0 | Negotiated Charge | \$ 0.00 |
| | 0 | \$0.00 | \$ 0.00 |
| | 0 | \$0.00 | \$ 0.00 |
| Total Open Space Costs | | | \$ 0.00 |

D. Cost of Equipment Available for Use, If Any:

| Type of Equipment | Cost | |
|------------------------------|--------|---------|
| | \$0.00 | |
| | \$0.00 | |
| | \$0.00 | |
| | \$0.00 | |
| Total Equipment Costs | | \$ 0.00 |

E. Other Costs (Explain in Remarks):

\$0.00

Grand Total

\$ 0.00

Remarks

Costs associated with any activation of the site will be a negotiated charge.

| | |
|---------------------------|------------|
| Accepted By (Owner): | Signature: |
| Title: | Date: |
| Accepted By (Department): | Signature: |
| Title: | Date: |

The Owner of the Property certifies that the totals for each category are correct and complete for use of the site by the Department as a Staging Area. Any additional costs shall be documented and submitted as a claim to be considered for reimbursement.

SIGNATURE AUTHORIZATION FORM

WASHINGTON STATE MILITARY DEPARTMENT
Camp Murray, Washington 98430-5122

Please read instructions on reverse side before completing this form.

| | |
|----------------------|-----------------|
| NAME OF ORGANIZATION | DATE SUBMITTED |
| PROJECT DESCRIPTION | CONTRACT NUMBER |

| | | |
|--------------------------|--------------------|----------------------|
| 1. AUTHORIZING AUTHORITY | | |
| SIGNATURE | PRINT OR TYPE NAME | TITLE/TERM OF OFFICE |
| | | |
| | | |
| | | |

| | | |
|---|--------------------|-------|
| 2. AUTHORIZED TO SIGN CONTRACTS/CONTRACT AMENDMENTS | | |
| SIGNATURE | PRINT OR TYPE NAME | TITLE |
| | | |
| | | |
| | | |

| | | |
|--|--------------------|-------|
| 3. AUTHORIZED TO SIGN REQUESTS FOR REIMBURSEMENT | | |
| SIGNATURE | PRINT OR TYPE NAME | TITLE |
| | | |
| | | |

INSTRUCTIONS FOR SIGNATURE AUTHORIZATION FORM

This form identifies the persons who have the authority to sign contracts, amendments, and requests for reimbursement. It is required for the management of your contract with the Military Department (MD). Please complete all sections. One copy with original signatures is to be sent to MD with the signed contract, and the other should be kept with your copy of the contract.

When a request for reimbursement is received, the signature is checked to verify that it matches the signature on file. **The payment can be delayed if the request is presented without the proper signature.** It is important that the signatures in MD's files are current. Changes in staffing or responsibilities will require a new signature authorization form.

1. **Authorizing Authority.** Generally, the person(s) signing in this box heads the governing body of the organization, such as the board chair or mayor. In some cases, the chief executive officer may have been delegated this authority.
2. **Authorized to Sign Contracts/Contract Amendments.** The person(s) with this authority should sign in this space. Usually, it is the county commissioner, mayor, executive director, city clerk, etc.
3. **Authorized to Sign Requests for Reimbursement.** Often the executive director, city clerk, treasurer, or administrative assistant have this authority. It is advisable to have more than one person authorized to sign reimbursement requests. **This will help prevent delays in processing a request if one person is temporarily unavailable.**

If you have any questions regarding this form or to request new forms, please call your MD Program Manager.

PLEASE
DO NOT
STAPLE

Statewide Payee Registration Washington State

STEP 1: Is this a NEW registration or CHANGE to an existing registration (check one)?

NEW REGISTRATION

CHANGE to EXISTING REGISTRATION – complete the ENTIRE form and check below what is updated:

Name/DBA Address Contact Information Email Payment Options Direct Deposit Additional Information

If you know your Statewide Vendor Number, enter it here: _____

STEP 2: Enter information about the payee and contact person

Legal Name of Payee as it appears on federal tax forms (see W-9)

SSN OR EIN

Business Name, if different from Legal Name above – e.g. Doing Business As (DBA) Name

Contact Person

() - Ext.

Mailing Address

Contact Telephone Number

() -

City, ST and Zip Code

Contact Fax Number

Email to receive Statewide Vendor Number and payment notifications

Agy#/Owner-Int./System/Identifier STATE USE ONLY

Type of Business

STEP 3: Select Payment Option

Direct Deposit to bank (recommended) or

Check in US mail (terminates any previous banking information on file)

STEP 4: For Direct Deposit, complete all fields below and sign

Financial Institution Name – must be a US institution

() -

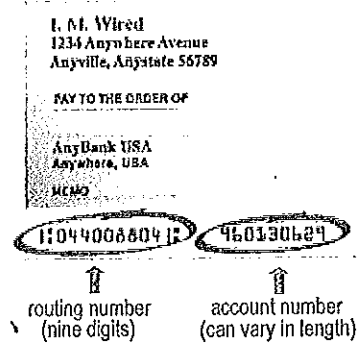
Financial Institution Phone Number

Routing Number – see example at right

Account Number – see example at right

In addition to providing your banking information on this form, you may also attach a voided check.

Account Type: Checking or Savings (Checking will be used if neither box is marked.)



Authorization for Direct Deposit:

I hereby authorize and request the Department of Enterprise Services (DES) and the Office of the State Treasurer (OST) to initiate credit entries for payee payments to the account indicated above, and the financial institution named above is authorized to credit such account. I agree to abide by the National Automated Clearing House Association (NACHA) rules with regard to these entries. Pursuant to the NACHA rules, DES and OST may initiate a reversing entry to recall a duplicate or erroneous entry that they previously initiated. I understand that, if a reversal action is required, DES will notify this office of the error and the reason for the reversal. This authority will continue until such time DES and OST have had a reasonable opportunity to act upon written request to terminate or change the direct deposit service initiated herein.

Authorized Representative (Please Print)

Title

SIGNATURE of Authorized Representative

Date

STEP 5: Complete and sign the Request for Taxpayer Identification Number (W-9)

| | |
|--|--|
| Substitute Form W-9 | Request for Taxpayer Identification Number and Certification |
| 1. Legal Name (as shown on your income tax return) | |
| 2. Business Name, if different from Legal Name above – e.g. Doing Business As (DBA) Name | |
| 3. Check ONLY ONE box below (see W-9 instructions for additional information) | |
| <input type="checkbox"/> Individual or Sole Proprietor <input type="checkbox"/> LLC filing as a sole proprietor <input type="checkbox"/> Partnership | <input type="checkbox"/> Corporation <input type="checkbox"/> S-Corp |
| <input type="checkbox"/> LLC filing as Corporation <input type="checkbox"/> LLC filing as Partnership <input type="checkbox"/> LLC filing as S-Corp | <input type="checkbox"/> Non Profit Organization <input type="checkbox"/> Volunteer <input type="checkbox"/> Board /Committee Member |
| <input type="checkbox"/> Local Government <input type="checkbox"/> State Government <input type="checkbox"/> Federal Government (including tribal) | <input type="checkbox"/> Tax-exempt organization <input type="checkbox"/> Trust/Estate |
| 4. For Corporation, S-Corp, Partnership or LLC, check one box below if applicable: <input type="checkbox"/> Medical <input type="checkbox"/> Attorney/Legal | |
| 5. If exempt from backup withholding, check here: <input type="checkbox"/> | |
| 6. Address (number, street, and apt. or suite no.) | For office use The Legal Name, Address and TIN must be filled in completely and the document signed for the forms to be accepted. |
| 7. City, state, and ZIP code | |
| 8. Taxpayer Identification Number (TIN) | |
| Enter your EIN <u>OR</u> SSN in the appropriate box to the right (do not enter both) | |
| For individuals, this is your social security number (SSN). | |
| For other entities, it is your employer identification number (EIN). | |
| <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Social security number</div> <div style="font-size: 24px; font-weight: bold; margin: 10px auto;">OR</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Employer identification number</div> | |
| NOTE: The EIN or SSN must match the Legal Name as reported to the IRS. For a resident alien, sole proprietor, or disregarded entity, or to find out how to get a Taxpayer Identification Number, see the W9 Instructions. If the account is in more than one name, see the W9 Instructions for guidelines on whose number to enter. | |
| 9. Certification | |
| Under penalty of perjury, I certify that: | |
| <ul style="list-style-type: none"> • The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and • I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and • I am a U.S. person (including a U.S. resident alien). | |
| SIGNATURE of U.S. PERSON | Date |

STEP 6: Submit

For fastest service, PRINT, SIGN, FAX to: 360-664-3363
 or mail to: Statewide Payee Desk, PO Box 41434, Olympia WA 98504-1434
<http://www.des.wa.gov/services/ContractingPurchasing/Business/VendorPay/Pages/default.aspx>

Request for Taxpayer Identification Number and Certification

Give Form to the
 requester. Do not
 send to the IRS.

| | | |
|--|---|---|
| Print or type See Specific Instructions on page 2. | 1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank. | |
| | 2 Business name/disregarded entity name, if different from above | |
| | 3 Check appropriate box for federal tax classification; check only one of the following seven boxes: <input type="checkbox"/> Individual/sole proprietor or single-member LLC <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____ Note. For a single-member LLC that is disregarded, do not check LLC; check the appropriate box in the line above for the tax classification of the single-member owner. <input type="checkbox"/> Other (see instructions) ▶ _____ | 4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____ <i>(Applies to accounts maintained outside the U.S.)</i> |
| | 5 Address (number, street, and apt. or suite no.) | Requester's name and address (optional) |
| | 6 City, state, and ZIP code | |
| | 7 List account number(s) here (optional) | |

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the instructions for line 1 and the chart on page 4 for guidelines on whose number to enter.

| | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Social security number | | | | | | | | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> </tr> </table> | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| OR | | | | | | | | | | | | | | |
| Employer identification number | | | | | | | | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> <td style="border: 1px solid black; width: 30px; height: 20px;"></td> </tr> </table> | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

| | | |
|------------------|----------------------------|--------|
| Sign Here | Signature of U.S. person ▶ | Date ▶ |
|------------------|----------------------------|--------|

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. Information about developments affecting Form W-9 (such as legislation enacted after we release it) is at www.irs.gov/ir9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following:

- Form 1099-INT (interest earned or paid)
- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)

- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See *What is backup withholding?* on page 2.

By signing the filled-out form, you:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct. See *What is FATCA reporting?* on page 2 for further information.

CITY OF CHEHALIS
AGENDA REPORT

DATE: February 18, 2015
TO: The Honorable Mayor and City Council
FROM: Patrick Wiltzius, Wastewater Superintendent
Rick Sahlin, Public Works Director
SUBJECT: Engineering Services for the Basin 1022 I&I Rehabilitation Project

ISSUE

Gibbs & Olson has submitted a proposed agreement for design services for the Basin 1022 I&I Rehabilitation Project. The administration is submitting the agreement for council review and consideration.

DISCUSSION

In 2011 the administration presented the City's I&I Strategic Plan to the council. It was prepared to provide a clear plan for future inflow and infiltration (I&I) work. To that end, the administration requested funding from the Department of Ecology (Ecology) to complete the first project titled as the "Basin 1022 I&I Rehabilitation Project". The project will consist of the rehabilitation of approximately 4,000 feet of 8-inch and 1,300 feet of 12-inch sewer pipe via trenchless methods along with rehabilitation of all associated manholes and side sewer stubs within the public right of way. Besides being a top priority in the plan, it was also chosen because it will have minimal impact to our citizens and the City's roads and streets. The project is located in the northern end of Chehalis and encompasses the sewer service area from Chamber Way on the east side of I-5 to the City's northern limits.

The project is estimated to cost \$1,410,000. To fund the project, the City was successful in obtaining a favorable funding package from Ecology. \$376,850 will be provided as a grant and forgivable principal and the remaining \$1,033,150 as a low interest loan (1.4% for 20 years & 1.0% administration fee).

Gibbs & Olson has submitted an engineering services contract to design the project for an amount not to exceed \$139,000. \$150,000 was allotted in the 2015 Wastewater Division budget for this design work.

RECOMMENDATION/COUNCIL ACTION DESIRED

The administration recommends that the city council authorize the city manager to execute the agreement for engineering services for the Basin 1022 I&I Rehabilitation Project to Gibbs & Olson for an amount not to exceed \$139,900.

SUGGESTED MOTION

I move that the council authorize the city manager to execute the agreement for engineering services for the Basin 1022 I&I Rehabilitation Project to Gibbs & Olson for an amount not to exceed \$139,900.

REVIEWED BY:  _____, CITY MANAGER



February 2, 2015

City Manager Merlin G. MacReynold
City of Chehalis
350 North Markey Blvd.
Chehalis, WA 98532

RE: Agreement for Engineering Services – Basin 1022 Infiltration and Inflow (I/I)
Rehabilitation Project

City Manager MacReynold:

We are pleased to submit this proposal for Engineering Services for the City's basin 1022 Inflow and Infiltration Rehabilitation Project. This letter Agreement, together with Exhibits A, B, C and D comprise our proposed Agreement for engineering services related to this project.

A G R E E M E N T

RELATIONSHIP

For purposes of this contract, the Client shall be the City of Chehalis, Washington and, the Engineer shall be Gibbs & Olson, Inc., Longview, Washington.

PROJECT DESCRIPTION

The *Chehalis, Napavine and Lewis County District No. 1 General Sewer Plan* prepared by Gibbs & Olson, Inc., dated February 2001 and approved by the Client, identified Basin 1022 as having excessive inflow and infiltration (I/I). In addition, the *Infiltration/Inflow Strategic Plan* prepared by Gibbs & Olson, Inc. dated December 2010 and approved by the Client ranked Basin 1022 as the highest priority basin for rehabilitation. This project is the first of two identified projects within Basin 1022 and will consist of replacing approximately 4,000 feet of 8-inch and 1,300 feet of 12-inch sewer main pipeline utilizing trenchless construction. All existing manholes and side sewer laterals from the main to the public right-of-way line will also be replaced as part of this project. Additionally, a forcemain replacement across the Salzer Creek Bridge will also be designed.

SCOPE OF WORK

The Engineer will provide engineering services required to complete the Scope of Work presented in Exhibit A - Scope of Work of this Agreement.

SCHEDULE

Final contract documents will be provided to the Client by December 31, 2015, with bidding and construction anticipated to occur in 2016 or 2017.

City Manager MacReynold
February 2, 2015
Page 2 of 2

BUDGET

The estimated budget for the identified Scope of Work is \$139,900 and is presented in detail in Exhibit B - Budget of this Agreement.

Any additional services beyond the identified Scope of Work which may be authorized by the Client will be billed by Engineer based on the Engineer's Standard Rate Schedule contained in Exhibit C of this Agreement.

Engineer will bill the Client monthly for services and project expenses in accordance with Article F in Exhibit D - Agreement General Conditions of this Agreement. Each progress billing will also include a progress report describing work completed during the billing period, work anticipated to be completed in the next billing period, information needed from the Client, and if any out of scope work has been identified or performed.

We propose that this letter, together with attached Exhibits A through D, be our Agreement for services for this project. If you have any questions or would like to discuss this further, please feel free to give us a call. If, however, it is agreeable, we would appreciate receiving a signed and dated copy for our file and we will begin work immediately.

Sincerely,
GIBBS & OLSON, INC.

By Richard G. Gushman
Richard Gushman, President

ACCEPTED AND AUTHORIZED THIS _____ DAY OF _____, 2015.

CITY OF Chehalis, WASHINGTON

By _____
Merlin G. MacReynold - City Manager

**EXHIBIT A
SCOPE OF WORK
CITY OF CHEHALIS, WASHINGTON
BASIN 1022 I/I SEWER REHABILITATION PROJECT**

PROJECT DESCRIPTION

The *Chehalis, Napavine and Lewis County District No. 1 General Sewer Plan* prepared by Gibbs & Olson, Inc., dated February 2001 and approved by the Client, identified Basin 1022 as having excessive inflow and infiltration (I/I). In addition, the *Infiltration/Inflow Strategic Plan* prepared by Gibbs & Olson, Inc. dated December 2010 and approved by the Client ranked Basin 1022 as the highest priority basin for rehabilitation. This project is the first of two identified projects within Basin 1022 and will consist of replacing approximately 4,000 feet of 8-inch and 1,300 feet of 12-inch sewer main pipeline utilizing trenchless construction. All existing manholes and side sewer laterals from the main to the public right-of-way line will also be replaced as part of this project. Additionally, a forcemain replacement across the Salzer Creek Bridge will also be designed.

DESIGN PHASE ENGINEERING SERVICES

Pre-Design Phase - Basic Engineering

During the Pre-Design Phase, the Engineer shall:

- a) Evaluate Client provided survey information for the sewer line along the Yard Birds alley and National Avenue to determine the feasibility of constructing a new pipeline between manhole (MH) 27 and MH 26 that continues up the Yard Birds alley and abandoning the existing pipeline between manhole (MH) 27 and MH 39 that passes through a wetland type area. Currently there is not a clear financial advantage of abandoning the existing pipeline between MH 27 and MH 39 if it is found to be structurally sound. Therefore, this scope of work assumes the existing pipeline will be rehabilitated using a cured-in-place pipe (CIPP) construction.
- b) Prepare environmental reports for cross cutters as required by the Washington State Department of Ecology.

Design Phase

During the Design Phase, the Engineer shall:

- a) Provide field topographic survey for preparation of drawings during design. Engineer will call for utility locates prior to performing field topographic survey work. Engineer will also set a minimum of two project benchmarks that can be utilized for construction staking. It is assumed that no easements will be required to be obtained and pipe replacement will follow existing Client right-of-ways. If any right-of-way or easement issues are identified during the survey work Client and Engineer agree that an amendment modifying this Agreement may need to be negotiated and executed.
- b) Contract with a pipeline video inspection company to perform a pipeline inspection and document the condition of existing pipeline through video recording. Video recording will also identify the condition and location of the existing side sewer laterals.

- c) Prepare final drawings to show the general scope, extent and character of the work to be furnished and performed by Contractor(s) hereinafter called Drawings and Specifications which will be prepared in conformance with WSDOT and APWA Standard Specification format. It is anticipated that construction requirements for the project can be shown on approximately 12 drawing sheets (measuring 22" x 34") and that the contract documents and specifications will be comprised of approximately 250 pages (8-1/2" x 11").
- d) Prepare for review and approval by Client, its legal counsel and other advisors contract agreement forms, general conditions and supplementary conditions, and bid forms, invitations to bid and instructions to bidders, and assist in the preparation of other related documents.
- e) Provide technical criteria, written descriptions and data for Client's use in filing applications for permits with or obtaining approvals of such governmental authorities as have jurisdiction to approve the design of the Project, and assist Client in consultations with appropriate authorities.
- f) Advise Client of any adjustments to the latest opinion of probable Total Project Costs caused by changes in general scope, extent or character or design requirements of the Project or Construction Costs. Furnish to Client a revised opinion of probable Total Project Costs based on the Drawings and Specifications.
- g) Provide Project Administration consisting of the following:
 1. Prepare monthly narrative progress reports and submit to the Client.
 2. Prepare a draft project schedule using Excel and review schedule with the Client, adjust as necessary and prepare a final schedule.
 3. Update the schedule as the project proceeds and provide copies of the schedule to the Client together with the monthly payment requests.
- h) Design Phase Deliverables include the following:
 1. Monthly progress reports
 2. Monthly schedule updates
 3. Meeting agendas
 4. Meeting notes from monthly project meetings
 5. 50% complete Drawings and Specifications
 6. Draft (90% complete) Drawings and Specifications
 7. Five (5) copies of Final (100% complete) Drawings and Specifications

BIDDING and CONSTRUCTION PHASE ENGINEERING SERVICES

Construction of this project is not anticipated to occur immediately upon completion of the design phase therefore, Bid Phase and Construction Phase Engineering Services are not included in this Agreement.

SCHEDULE:

Survey completed within 3 weeks, weather permitting, of Client issuing Notice to Proceed.
 Televising of sewer lines completed within 4 weeks, weather permitting, Client issuing Notice to proceed.

Submit 30% design drawings and contract documents for Client review within 8 weeks after surveying complete.

Submit 60% design drawings and contract documents for Client review within 8 weeks of Engineer receiving Client 30% review comments.

Submit 90% design drawings and contract documents for Client review within 6 weeks of Engineer receiving Client 60% review comments.

Submit 100% design drawings and contract documents to Client within 6 weeks of Engineer receiving Client 90% review comments.

Exhibit B - Budget
 City of Chehalis - Basin 1022 Rehabilitation Project
 Date Prepared: February 2, 2015

| Task No. | Task Description | Principal | Proj. Mgr. | Engineer V | Engineer I | 2 Man Survey Crew | 2 Man Survey Crew GPS | PLS | CAD | Word Processor | Subconsultant for TV Inspection | Cost |
|----------|---|-----------|------------|------------|------------|-------------------|-----------------------|-----|-----|----------------|---------------------------------|-----------|
| 1 | Gather and review background information/data | 1 | 4 | 4 | 2 | 0 | 0 | 0 | 0 | 0 | \$ - | \$1,631 |
| 2 | TV Inspection coordination and review | 1 | 4 | 8 | 8 | 0 | 0 | 0 | 0 | 0 | \$ 13,000.00 | \$15,709 |
| 3 | Survey | 0 | 2 | 2 | 0 | 24 | 60 | 16 | 8 | 2 | \$ - | \$18,282 |
| 4 | Meetings with the City | 0 | 12 | 6 | 2 | 0 | 0 | 0 | 0 | 0 | \$ - | \$5,134 |
| 5 | Prepare 50% Drawings and Specifications | 2 | 16 | 40 | 80 | 0 | 0 | 0 | 140 | 24 | \$ - | \$30,814 |
| 6 | Prepare 90% Drawings and Specifications | 2 | 16 | 40 | 80 | 0 | 0 | 0 | 120 | 24 | \$ - | \$28,874 |
| 7 | Prepare 100% Drawings and Specifications | 2 | 8 | 24 | 40 | 0 | 0 | 0 | 80 | 15 | \$ - | \$17,394 |
| 8 | Project Administration | 1 | 12 | 4 | 0 | 0 | 0 | 0 | 0 | 8 | \$ - | \$9,389 |
| 9 | Assist with permits | 0 | 4 | 4 | 8 | 0 | 0 | 0 | 8 | 8 | \$ - | \$3,248 |
| 10 | Environmental including cross cutters | 1 | 16 | 4 | 4 | 0 | 0 | 0 | 4 | 80 | \$ - | \$9,501 |
| 11 | New Salzer Creek bridge forremain | 1 | 4 | 4 | 8 | 0 | 4 | 2 | 16 | 4 | \$ - | \$4,933 |
| | Total Hours by Staff Position | 11 | 98 | 140 | 232 | 24 | 64 | 18 | 376 | 166 | | \$136,909 |
| | SUBTOTAL | | | | | | | | | | | \$200 |
| | Telephone | | | | | | | | | | | \$750 |
| | Mileage | | | | | | | | | | | \$500 |
| | Reproduction | | | | | | | | | | | \$1,300 |
| | Subconsultant Markup @ 10% | | | | | | | | | | | \$241 |
| | Miscellaneous Project Expenses | | | | | | | | | | | \$139,900 |
| | DESIGN Engineering Budget | | | | | | | | | | | |

**EXHIBIT C
GIBBS & OLSON
STANDARD FEE SCHEDULE
February 2015**

| | <u>RATE</u> |
|---|--------------------|
| Principal | \$ 189.00 |
| Project Manager | \$ 176.00 |
| Senior Engineer | \$ 162.00 |
| Engineer VI | \$ 158.00 |
| Engineer V | \$ 142.00 |
| Engineer IV | \$ 127.00 |
| Engineer III | \$ 112.00 |
| Engineer II | \$ 93.00 |
| Engineer I | \$ 85.00 |
| Sr Lic Land Surveyor | \$ 150.00 |
| Land Surveyor | \$ 120.00 |
| 1 Man Survey Crew with GPS | \$ 115.00 |
| 2 Man Survey Crew | \$ 155.00 |
| 2 Man Survey Crew with GPS | \$ 185.00 |
| 3 Man Survey Crew | \$ 210.00 |
| 3 Man Survey Crew with GPS | \$ 225.00 |
| Construction Representative III | \$ 102.00 |
| Construction Representative II | \$ 90.00 |
| Construction Representative I | \$ 68.00 |
| Senior Technician III | \$ 102.00 |
| Senior Technician II | \$ 90.00 |
| Senior Technician I | \$ 68.00 |
| Technician I | \$ 48.00 |
| CADD Specialist III | \$ 97.00 |
| CADD Specialist II | \$ 94.00 |
| Word Processor | \$ 65.00 |
| Mileage – At Current IRS Rate Per Mile | \$0.575/Mile |
| Job Expenses | Cost + 10% |
| Subconsultants (Soils, electrical, structural, laboratory, etc.) | Invoice + 10% |

Rates subject to change January 1, 2016

EXHIBIT D
AGREEMENT GENERAL CONDITIONS

A. STANDARD OF PRACTICE

Services performed by the Engineer under this Agreement will be conducted in a manner consistent with that level of care and skill ordinarily exercised by members of the profession currently practicing in the same locality and under similar conditions at the time the services are performed. No other representation, expressed or implied, and no warranty or guarantee is included or intended in this Agreement, or in any report, opinion, document or otherwise.

B. MAINTENANCE OF PROFESSIONAL STANDARDS AND ETHICS

The Client recognizes that the Engineer's services in all cases must be rendered in accordance with prevailing professional standards and ethics, as well as certain laws or regulations that apply specifically to the Engineer. If a situation emerges that causes the Engineer to believe compliance with the Client's wishes could result in the Engineer violating an applicable provision or aspect of professional standards or ethics, laws or regulations, the Engineer shall so advise the Client, and the Client and the Engineer shall immediately enter into discussions to arrive at a mutually satisfactory solution. Failing achievement of a solution, either party may terminate this Agreement in accordance with termination provisions stated herein.

C. ASSIGNMENT

The Engineer shall not assign this Agreement in whole or in part nor subcontract any portion of the work to be performed hereunder, except that the Engineer may use the services of persons and entities not in his or her employ, when it is appropriate and customary to do so. Such persons and entities include, but are not necessarily limited to, specialized consultants, and testing laboratories. The Engineer's use of others for additional services shall not be unreasonably restricted by the Client provided the Engineer notifies the Client in advance.

D. INSURANCE

The Engineer maintains: 1) worker's compensation and employer's liability insurance of a form and in an amount as required by state law; 2) comprehensive general liability and automotive liability insurance; and 3) professional liability insurance to cover negligent errors or omissions for which the Engineer becomes legally obligated to pay. Certificates of Insurance (COI) shall be provided to the Client upon request. The Client will be named as an additional insured if required on the comprehensive general liability and automotive liability insurance COI.

E. INDEMNIFICATION

The Engineer agrees, to the fullest extent permitted by law, to indemnify and hold harmless the Client, its officers, directors and employees (collectively, Client) against all damages, liabilities or costs, including reasonable attorneys' fees and defense costs, to the extent caused by the Engineer's negligent performance of professional services under this Agreement and that of its subconsultants or anyone for whom the Engineer is legally liable.

The Client agrees, to the fullest extent permitted by law, to indemnify and hold harmless the Engineer, its officers, directors, employees and subconsultants (collectively, Engineer) against all damages, liabilities or costs, including reasonable attorneys' fees and defense costs, to the extent caused by the Client's negligent acts in connection with the Project and the acts of its contractors, subcontractors or consultants or anyone for whom the Client is legally liable.

Neither the Client nor the Engineer shall be obligated to indemnify or defend the other party in any manner whatsoever for the other party's own negligence.

F. BILLING AND PAYMENT

1. BUDGET FOR SERVICES

The budget estimate included in this proposal is only for those services identified within the attached scope of work. The budget and proposed scope of work are based on information currently available to the Engineer. If conditions change, unforeseen circumstances are encountered, or work efforts are redirected, the budget estimate may require modification. Similarly, if the work efforts are completed quicker than the time estimated or direct expenses are less than estimated, the Engineer will bill the Client only for the time or expense encountered.

Monthly billings will be submitted on a time and materials basis but will not exceed the estimated budget without the Client's prior authorization. For projects that extend beyond the calendar year in which the contract was signed, the billing rates are subject to adjustment in January of each year.

2. REIMBURSABLE EXPENSES

Expenses incurred in connection with project tasks such as out-of-town subsistence, long distance telephone, reproduction costs and similar, will be invoiced at direct cost plus Ten (10%) percent. Mileage will be invoiced at the current IRS rate per mile.

3. SERVICES BY OTHERS

If this project requires the specialized services of consultants and other technical companies, then such services will be utilized only with the Client's written approval, with the cost of such services included at the invoice cost plus Ten (10%) percent.

4. INVOICES

The Engineer will submit invoices to Client on a monthly basis and a final bill upon completion of services. Payment is due upon receipt of the invoice unless otherwise agreed, and is past due Thirty (30) days from invoice date. Client agrees that the invoice balance is correct unless we are notified in writing within Fourteen (14) days of date of invoice. A service charge of 12% per annum (1% per month) will be added on all unpaid balances over Sixty (60) days old. If payment becomes delinquent, no further services will be performed until the account is brought current or until satisfactory written payment arrangements have been made. In the event of a disputed or contested billing, only that portion so contested will be withheld from payment, and the undisputed portion will be paid. The Client will exercise reasonableness in contesting any bill or portion thereof. No interest will accrue on any contested portion of the billing until it is mutually resolved.

G. CHANGES IN THE AGREEMENT

If during the course of performance of this Agreement, the Client requests additional services to be performed, or if conditions or circumstances are discovered which were not contemplated by the Engineer at the commencement of this Agreement, then the Engineer shall notify the Client in writing of the additional services to be performed or the newly discovered conditions or circumstances. The Client and Engineer shall renegotiate in good faith, the budget, schedule and other applicable conditions of this Agreement. Unless otherwise agreed to, the Client and Engineer shall have Thirty (30) days after the notice to reach agreement on the amended terms and conditions.

H. RIGHT OF ENTRY

The Client shall provide for right of entry to the project site. Such right of entry shall be for the Engineer and others, and necessary equipment in order for the Engineer to fulfill the scope of services indicated in this Agreement. While the Engineer will take all reasonable precautions to minimize damage to the property, the Client understands that in the normal course of work some damage may occur, the correction of which is not part of this Agreement.

I. CONSTRUCTION COST ESTIMATES

The Engineer shall submit to the Client an opinion of the probable cost required to construct work recommended, designed, or specified by the Engineer. The Engineer is not a construction cost estimator or construction contractor, nor should the Engineer's rendering an opinion of probable construction costs be considered equivalent to the nature and extent of service a construction cost estimator or construction contractor would provide. The Engineer's opinion will be based solely upon his or her own experience with construction. This requires the Engineer to make a number of assumptions as to actual conditions that will be encountered on site; the specific decisions of other design professionals engaged; the means and methods of construction the contractor will employ; the cost and extent of labor, equipment and materials the contractor will employ; contractor's techniques in determining prices and market conditions at the time, and other factors over which the Engineer has no control. Given the assumptions which must be made, the Engineer cannot guarantee the accuracy of his or her opinion of cost, and, in recognition of that fact, the Client waives any claim against the Engineer relative to the accuracy of the Engineer's opinion of probable construction cost.

J. DOCUMENTS

All reports, field data, field notes, test data, calculations, Drawings, specifications, estimates, computer files, and other documents prepared by the Engineer are instruments of service and shall remain the property of the Engineer. The Engineer agrees not to release any project documents to third parties without prior Client authorization unless the Engineer is required to do so by any applicable law, regulation, ordinance, or court order. The Engineer will retain all pertinent documents for a period of at least three years from the date of final invoice, during which time the records will be made available to Client at all reasonable times. Client shall assume all responsibility for use of the Engineer's instruments of service on other projects and for the completion of the Engineer's services on this project by others and shall release, defend, indemnify and hold Engineer harmless from all claims, demands or damages arising there from. The Client agrees that all work furnished to the Client, but which is not paid for per the terms of this Agreement, shall be returned upon demand and will not be used by the Client for any purpose whatsoever.

K. DISPUTES

In the event of a dispute arising under this Agreement and if the dispute cannot be settled through direct discussions, the parties agree to first attempt to settle the dispute by non-binding mediation before recourse to a judicial forum. If the dispute is settled by litigation, the substantially prevailing party shall be awarded its reasonable costs incurred, including staff time at current billing rates, court costs, expert witness fees, attorney's fees upon trial, or appeal, collection or lien fees, late payment charges and interest, and other claim related expenses. Venue for any litigation shall be the Superior Court of the County in which the project is located.

L. TERMINATION

The Client may terminate this Agreement by giving the Engineer Thirty (30) days written notice. The Client or the Engineer may terminate this Agreement for reasons identified elsewhere in the Agreement or for other reasons which may arise.

Either party may terminate this Agreement if either party fails substantially to perform through no fault of the other and does not commence correction of such nonperformance within Five (5) workdays of written notice and diligently complete the correction thereafter. If corrective action is not taken within Five (5) workdays, termination will become effective Fourteen (14) calendar days after receipt of the termination notice.

Irrespective of which party shall effect termination or the cause therefore, or if the Client suspends work on the project for more than three (3) months, the Client shall within Thirty (30) calendar days of termination or suspension remunerate the Engineer for services rendered and costs incurred, in accordance with the Engineer's prevailing fee schedule and expense reimbursement policy. Services shall include those rendered up to the time of termination or suspension, as well as those associated with termination or suspension itself, such as demobilizing, modifying schedules, reassigning personnel, and so on. Costs shall include those incurred up to the time of termination or suspension, as well as those associated with termination or suspension and post-termination or suspension activities.

M. GOVERNING LAW

Unless otherwise provided in an addendum, the laws of the state in which the project takes place will govern the validity of this Agreement, its interpretation and performance, and remedies for contract breach or any other claims related to the Agreement.

N. SEVERABILITY

The Client and the Engineer have entered into this Agreement of their own free will, to communicate to one another mutual understandings and responsibilities. Any element of this Agreement later held to violate a law or regulation shall be deemed void, and all remaining provisions shall continue in force. However, the Client and the Engineer will in good faith attempt to replace an invalid or unenforceable provision with one that is valid and enforceable, and which comes as close as possible to expressing or achieving the intent of the original provision.

O. INTEGRATION

This Agreement, including attachments incorporated herein by reference, comprises a final and complete repository of understandings between the Client and the Engineer. It supersedes all prior or contemporaneous communications, representations, or agreements, whether oral or written, relating to the subject matter of this Agreement. Each party has advised the other to read this document thoroughly before accepting it to help assure it accurately conveys meanings and intents. Acceptance of this Agreement as provided for signifies that each party has read the document thoroughly and has had any questions or concerns completely explained by independent counsel and is satisfied. The Client and the Engineer agree that modifications to this Agreement shall not be binding unless made in writing and signed by an authorized representative of each party.

P. AGREEMENT DOCUMENTS

Letter Contract signed by Client and Engineer
Exhibit A - Scope of Work
Exhibit B - Budget
Exhibit C - 2015 Standard Rate Schedule
Exhibit D - Agreement General Conditions

Q. LIMITATION OF LIABILITY:

Client agrees to require Engineer be named as an additional insured for all insurance policies carried by contractors, subcontractors and suppliers on which Client has been or will be named as an additional insured. Regardless of the presence or absence of coverage, Engineer shall not be liable for loss or damage occasioned by delays beyond Engineer's control, or for loss of earnings, loss of use or other incidental or consequential damages suffered by Client or others, however caused. Engineer's liability hereunder, whether in tort or in contract, for any cause of action shall be limited as follows: (a) for insured liabilities arising out of Engineer's negligence, to the lesser of 1) the amount of insurance then available to fund any settlement, award or verdict or 2) to one hundred percent (100%) of Engineer's fee; (b) for uninsured liabilities, to one hundred percent (100%) of the fee earned by Engineer under this Agreement.

To: The Honorable Mayor and Council
 Via: Merlin MacReynold, City Manager
 From: Judy Pectol, Finance Manager
 Prepared by: Betty Brooks, Payroll Accountant
 Date: February 17, 2015
 Subject: Monthly Financial Reports for January

City of Chehalis
 Comparative Financial Reports
 January 2014 and 2015

| GENERAL FUND (#001) REVENUES | A January 2014 | | B | | C=B/A | | D | | E | | F=E/D | | G | | H^A | | I=F/G | |
|--------------------------------------|--------------------|------------------|--------------------|------------------|--------------|--------------|--------------------|------------------|------------------------|------------------|--------------|--------------|-------------------|-------------|-------------------|--------------|---------------|--|
| | Budget | Actual | Budget | Actual | % Recd | % Recd | Budget | Actual | January 2015 Budget | Actual | % Recd | % Recd | Expected | % Recd | Expected | Variance | % Variance | |
| General Property Taxes | \$1,262,000 | \$5,538 | \$1,268,579 | \$11,050 | 0.4% | 0.9% | \$1,268,579 | \$11,050 | \$1,268,579 | \$11,050 | 0.9% | 0.9% | \$11,050 | 0.9% | (\$94,242) | -7.4% | | |
| EMS Property Taxes | 239,500 | 1,057 | 238,157 | 2,092 | 0.4% | 0.9% | 238,157 | 2,092 | 238,157 | 2,092 | 0.9% | 0.9% | (17,675) | 8.3% | (17,675) | -7.4% | | |
| Sales & Use Tax | 3,265,000 | 290,642 | 3,762,844 | 274,670 | 8.9% | 7.3% | 3,762,844 | 274,670 | 3,762,844 | 274,670 | 7.3% | 7.3% | (37,646) | 8.3% | (37,646) | -1.0% | | |
| Electricity Tax | 430,000 | 66,319 | 440,000 | 69,424 | 15.4% | 15.8% | 440,000 | 69,424 | 440,000 | 69,424 | 15.8% | 15.8% | 32,904 | 8.3% | 32,904 | 7.5% | | |
| Gas/Natural Gas Tax | 222,000 | 37,950 | 221,000 | 29,930 | 17.1% | 13.5% | 221,000 | 29,930 | 221,000 | 29,930 | 13.5% | 13.5% | 11,587 | 8.3% | 11,587 | 5.2% | | |
| Criminal Justice Tax | 91,000 | 7,777 | 110,000 | 7,763 | 8.5% | 7.1% | 110,000 | 7,763 | 110,000 | 7,763 | 7.1% | 7.1% | (1,367) | 8.3% | (1,367) | -1.2% | | |
| Water/Sewer Tax | 415,834 | 32,837 | 445,000 | 35,671 | 7.9% | 8.0% | 445,000 | 35,671 | 445,000 | 35,671 | 8.0% | 8.0% | (1,264) | 8.3% | (1,264) | -0.3% | | |
| Garbage Tax | 60,000 | 14,971 | 61,000 | 0 | 25.0% | 0.0% | 61,000 | 0 | 61,000 | 0 | 0.0% | 0.0% | (5,063) | 8.3% | (5,063) | -8.3% | | |
| Cable Tax | 94,000 | 24,808 | 104,000 | 25,694 | 26.4% | 24.7% | 104,000 | 25,694 | 104,000 | 25,694 | 24.7% | 24.7% | 17,062 | 8.3% | 17,062 | 16.4% | | |
| Telephone Tax | 318,000 | 15,860 | 270,500 | 18,798 | 5.0% | 6.9% | 270,500 | 18,798 | 270,500 | 18,798 | 6.9% | 6.9% | (3,654) | 8.3% | (3,654) | -1.4% | | |
| Leasehold Excise Tax | 38,000 | 0 | 39,500 | 0 | 0.0% | 0.0% | 39,500 | 0 | 39,500 | 0 | 0.0% | 0.0% | (3,279) | 8.3% | (3,279) | -8.3% | | |
| Timber Excise Tax | 40 | 0 | 40 | 0 | 0.0% | 0.0% | 40 | 0 | 40 | 0 | 0.0% | 0.0% | (3) | 8.3% | (3) | -8.3% | | |
| Total Tax Revenues | 6,435,374 | 497,759 | 6,960,620 | 475,092 | 7.7% | 6.8% | 6,960,620 | 475,092 | 6,960,620 | 475,092 | 6.8% | 6.8% | (102,639) | 8.3% | (102,639) | -1.5% | | |
| Licenses & Permits | 69,980 | (399) | 168,116 | 5,822 | -0.6% | 3.5% | 168,116 | 5,822 | 168,116 | 5,822 | 3.5% | 3.5% | (8,132) | 8.3% | (8,132) | -4.8% | | |
| Intergov't: Grants/Entitlements | 167,950 | 17,665 | 421,400 | 105,872 | 10.5% | 25.1% | 421,400 | 105,872 | 421,400 | 105,872 | 25.1% | 25.1% | 70,896 | 8.3% | 70,896 | 16.8% | | |
| Charges for Goods and Svcs. | 332,800 | 16,568 | 408,295 | 26,522 | 5.0% | 6.5% | 408,295 | 26,522 | 408,295 | 26,522 | 6.5% | 6.5% | (7,366) | 8.3% | (7,366) | -1.8% | | |
| Fines and Forfeitures | 151,875 | 10,232 | 163,739 | 10,241 | 6.7% | 6.3% | 163,739 | 10,241 | 163,739 | 10,241 | 6.3% | 6.3% | (3,349) | 8.3% | (3,349) | -2.0% | | |
| Interest Earnings | 11,760 | 656 | 9,990 | 1,551 | 5.6% | 15.5% | 9,990 | 1,551 | 9,990 | 1,551 | 15.5% | 15.5% | 722 | 8.3% | 722 | 7.2% | | |
| Rents & Royalties | 71,350 | 5,876 | 88,472 | 6,818 | 8.2% | 7.7% | 88,472 | 6,818 | 88,472 | 6,818 | 7.7% | 7.7% | (525) | 8.3% | (525) | -0.6% | | |
| Donations/Contributions | 40,475 | 1,339 | 0 | 0 | 3.3% | N/A | 0 | 0 | 0 | 0 | N/A | N/A | 0 | 8.3% | 0 | N/A | | |
| Misc. Revenue/Insurance | 11,850 | 89 | 11,850 | 36,071 | 0.8% | 304.4% | 11,850 | 36,071 | 11,850 | 36,071 | 304.4% | 304.4% | 35,087 | 8.3% | 35,087 | 296.1% | | |
| Non-Revenues | 4,225 | 239 | 4,225 | 237 | 5.7% | 5.6% | 4,225 | 237 | 4,225 | 237 | 5.6% | 5.6% | (114) | 8.3% | (114) | -2.7% | | |
| Total Non-Tax Revenues | 862,265 | 52,265 | 1,276,087 | 193,134 | 6.1% | 15.1% | 1,276,087 | 193,134 | 1,276,087 | 193,134 | 15.1% | 15.1% | 87,219 | 8.3% | 87,219 | 6.8% | | |
| Operating Transfers-In | 1,000,000 | 122,012 | 0 | 0 | 12.2% | N/A | 0 | 0 | 0 | 0 | N/A | N/A | 0 | 8.3% | 0 | N/A | | |
| Total Other Financing Sources | 1,000,000 | 122,012 | 0 | 0 | 12.2% | N/A | 0 | 0 | 0 | 0 | N/A | N/A | 0 | 8.3% | 0 | N/A | | |
| TOTALS | \$8,297,639 | \$672,036 | \$8,236,707 | \$668,226 | 8.1% | 8.1% | \$8,236,707 | \$668,226 | \$8,236,707 | \$668,226 | 8.1% | 8.1% | (\$15,421) | 8.3% | (\$15,421) | -0.2% | | |

Key:
 * The expected percentage is calculated as follows: since the report is for the 1st month of the year, 1 is divided by 12-the number of months in the year.
 ^To calculate the dollar variance between expected and actual expenditures, the following formula is used:
 H=(D*G) -E (i.e.(annual budgeted amount x expected % expended) - actual expenditures.)

City of Chehalis
Comparative Financial Reports
January 2014 and 2015

| GENERAL FUND (#001) EXPENDITURES | A January 2014 | | B Actual | C=B/A | | D January 2015 | | E Actual | F=E/D | | G Expected % Exp. | H [^] Variance from Expected | I=G-F % Variance |
|-------------------------------------|--------------------|------------------|-------------|--------------------|------------------|-------------------|---------|-------------|-------------|-------------|----------------------|--|---------------------|
| | Budget | Actual | | % Exp'd | Budget | Actual | % Exp'd | | | | | | |
| City Council | \$93,551 | \$6,443 | | \$111,811 | \$8,265 | 6.9% | | | 7.4% | 8.3% | \$1,015 | 0.9% | |
| Municipal Court | 340,304 | 24,571 | | 380,000 | 21,689 | 7.2% | | | 5.7% | 8.3% | 9,851 | 2.6% | |
| City Manager | 270,131 | 22,638 | | 266,410 | 28,364 | 8.4% | | | 10.6% | 8.3% | (6,252) | -2.3% | |
| Finance | 183,331 | 15,046 | | 203,500 | 56,985 | 8.2% | | | 28.0% | 8.3% | (40,095) | -19.7% | |
| City Clerk | 74,986 | 6,004 | | 78,816 | 7,742 | 8.0% | | | 9.8% | 8.3% | (1,200) | -1.5% | |
| Non-Departmental | 1,302,246 | 14,725 | | 461,773 | 27,174 | 1.1% | | | 5.9% | 8.3% | 11,153 | 2.4% | |
| Human Resources | 90,033 | 6,170 | | 85,969 | 9,960 | 6.9% | | | 11.6% | 8.3% | (2,825) | -3.3% | |
| Police | 2,573,370 | 187,064 | | 2,717,426 | 191,029 | 7.3% | | | 7.0% | 8.3% | 34,517 | 1.3% | |
| Fire | 1,632,938 | 144,738 | | 1,902,335 | 112,375 | 8.9% | | | 5.9% | 8.3% | 45,519 | 2.4% | |
| Public Works - Streets | 469,060 | 18,943 | | 731,360 | 41,327 | 4.0% | | | 5.7% | 8.3% | 19,376 | 2.6% | |
| Community Development | 1,228,727 | 81,302 | | 1,396,330 | 99,088 | 6.6% | | | 7.1% | 8.3% | 16,807 | 1.2% | |
| TOTALS | \$8,258,677 | \$527,644 | | \$8,335,730 | \$603,998 | 6.4% | | | 7.2% | 8.3% | \$87,868 | 1.1% | |

Net Budget/Income/Variance: \$38,962 \$144,392
(\$99,023) \$64,228

Key:
* The expected percentage is calculated as follows: since the report is for the 1st month of the year, 1 is divided by 12-the number of months in the year.
[^]To calculate the dollar variance between expected and actual expenditures, the following formula is used:
H=(D*G) -E (i.e.(annual budgeted amount x expected % expended) - actual expenditures.)

City of Chehalis
Comparative Financial Reports
January 2014 and 2015

| WASTEWATER FUND (#404) REVENUES | A January 2014 | | B Actual | C=B/A | | D January 2015 | | E Actual | F=E/D | | G Expected % Rec'd* | H^ Var'nc from Expected | | I=F-G % Variance |
|------------------------------------|--------------------|-------------|------------------|--------------------|-------------|-------------------|-------|-------------|----------------------|-------------|------------------------|----------------------------|--|---------------------|
| | Budget | % Rec'd | | Budget | % Rec'd | % Rec'd | Exp'd | | Var'nc from Expected | % | | | | |
| Wastewater Fees | \$4,364,408 | 8.3% | \$362,223 | \$4,968,202 | 7.8% | \$389,172 | 0 | 8.3% | 0.0% | 8.3% | -\$23,189 | -0.5% | | |
| Sewer Connection/Misc. Fees | 10,000 | 45.5% | 4,545 | 10,000 | 0.0% | 0 | 0 | 8.3% | 0.0% | 8.3% | (830) | -8.3% | | |
| Rentals | 3,323 | 0.0% | 0 | 3,545 | 0.0% | 0 | 0 | 8.3% | 0.0% | 8.3% | (294) | -8.3% | | |
| Misc. Revenues/Insurance | 3,300 | 68.7% | 2,268 | 4,000 | 8.6% | 344 | 344 | 8.3% | 8.6% | 8.3% | 12 | 0.3% | | |
| Interest Earnings | 300 | 8.3% | 25 | 985 | 0.0% | 0 | 0 | 8.3% | 0.0% | 8.3% | (82) | -8.3% | | |
| Totals: | \$4,381,331 | 8.4% | \$369,061 | \$4,986,732 | 7.8% | \$389,516 | | 8.3% | 7.8% | 8.3% | (\$24,383) | -0.5% | | |

| WASTEWATER FUND (#404) EXPENSES | A January 2014 | | B Actual | C=B/A | | D January 2015 | | E Actual | F=E/D | | G Expected % Exp* | H^ Var'nc from Expected | | I=G-F % Variance |
|------------------------------------|--------------------|-------------|------------------|--------------------|-------------|-------------------|-------|-------------|----------------------|-------------|----------------------|----------------------------|--|---------------------|
| | Budget | % Exp'd | | Budget | % Exp'd | % Exp'd | Exp'd | | Var'nc from Expected | % | | | | |
| Operating Expenses | \$2,550,559 | 5.4% | \$136,879 | \$2,666,292 | 5.8% | \$154,451 | 0 | 8.3% | 0.0% | 8.3% | \$66,851 | 2.5% | | |
| Capital Outlay | 67,000 | 0.0% | 0 | 253,000 | 0.0% | 0 | 0 | 8.3% | 0.0% | 8.3% | 20,999 | 8.3% | | |
| Debt Principal | 1,552,598 | 0.0% | 0 | 1,832,390 | 0.0% | 0 | 0 | 8.3% | 0.0% | 8.3% | 152,088 | 8.3% | | |
| Interest Expense | 27,480 | 0.0% | 0 | 24,524 | 0.0% | 0 | 0 | 8.3% | 0.0% | 8.3% | 2,035 | 8.3% | | |
| Interfund Loan Repayment | 83,332 | N/A | 0 | 83,784 | 0.0% | 0 | 0 | 8.3% | 0.0% | 8.3% | 6,954 | 8.3% | | |
| Totals: | \$4,280,969 | 3.2% | \$136,879 | \$4,859,990 | 3.2% | \$154,451 | | 8.3% | 3.2% | 8.3% | \$248,928 | 5.1% | | |

Net Budget/Income/Variance: \$100,362 \$232,182 \$126,742 \$235,065 \$224,545

Key:

* The expected percentage is calculated as follows: since the report is for the 1st month of the year, 1 is divided by 12-the number of months in the year.

^To calculate the dollar variance between expected and actual expenditures, the following formula is used:

H=(D*G) -E (i.e.(annual budgeted amount x expected % expended) - actual expenditures.)

City of Chehalis
Comparative Financial Reports
January 2014 and 2015

| WATER FUND (#405) REVENUES | A January 2014 | | B | | C=B/A | | D | | E | | F=E/D | | G | | H^ | | I=F-G | |
|-------------------------------|-------------------|-----------|-----------|-----------|------------|------------|-------------|-----------|------------------------|-----------|------------|-------------|-----------|-------------------------|------------|-----------|-------------------------|---------------|
| | Budget | Actual | Budget | Actual | % Rec'd | % Rec'd | Budget | Actual | January 2015 Budget | Actual | % Rec'd | % Rec'd* | Expected | Var'nc from Expected | % Exp'd | Expected | Var'nc from Expected | % Variance |
| Water Sales | 2,566,160 | 199,162 | 199,162 | 6,177 | 7.8% | 61.8% | 2,566,160 | 211,508 | 10,000 | 0 | 0.0% | 8.2% | (1,483) | 8.3% | 8.2% | (1,483) | -0.1% | |
| Water Connection/Misc. Fees | 10,000 | 6,177 | 6,177 | 0 | 61.8% | 0.0% | 10,000 | 0 | 10,000 | 0 | 0.0% | 0.0% | (830) | 8.3% | 0.0% | (830) | -8.3% | |
| Interfund Principal Repayment | 83,332 | 0 | 0 | 0 | 0.0% | 0.0% | 83,332 | 0 | 83,332 | 0 | 0.0% | 0.0% | (6,917) | 8.3% | 0.0% | (6,917) | -8.3% | |
| Misc. Revenues/Insurance | 1,000 | 393 | 393 | 598 | 100.0% | 5.4% | 1,000 | 4,896 | 1,000 | 15 | 0.1% | 489.6% | 4,813 | 8.3% | 0.1% | (904) | 481.3% | |
| Interest Earnings | 11,073 | 598 | 598 | 0 | 5.4% | 0.0% | 11,073 | 15 | 11,073 | 0 | 0.0% | 0.1% | (904) | 8.3% | 0.1% | (904) | -8.2% | |
| Totals: | \$2,671,565 | \$206,330 | \$206,330 | \$206,330 | 7.7% | 61.8% | \$2,671,565 | \$216,419 | \$2,671,565 | \$216,419 | 8.1% | 8.3% | (\$5,321) | 8.3% | 8.1% | (\$5,321) | -0.2% | |

| WATER FUND (#405) EXPENSES | A January 2014 | | B | | C=B/A | | D | | E | | F=E/D | | G | | H^ | | I=G-F | |
|-------------------------------|-------------------|-----------|-----------|-----------|------------|------------|-------------|-----------|------------------------|-----------|------------|-------------|----------|-------------------------|------------|----------|-------------------------|---------------|
| | Budget | Actual | Budget | Actual | % Exp'd | % Exp'd | Budget | Actual | January 2015 Budget | Actual | % Exp'd | % Exp'd* | Expected | Var'nc from Expected | % Exp'd | Expected | Var'nc from Expected | % Variance |
| Operating Expenses | \$1,834,545 | \$103,140 | \$103,140 | 0 | 5.6% | 0.0% | \$1,819,713 | \$113,686 | \$1,819,713 | \$113,686 | 6.2% | 8.3% | \$37,350 | 8.3% | 6.2% | \$37,350 | 2.1% | |
| Capital Outlay | 525,333 | 0 | 0 | 0 | 0.0% | 0.0% | 979,400 | 20,997 | 979,400 | 20,997 | 2.1% | 8.3% | 60,293 | 8.3% | 2.1% | 60,293 | 6.2% | |
| Debt Principal | 132,077 | 9,000 | 9,000 | 3,300 | 6.8% | 17.2% | 133,077 | 10,000 | 133,077 | 10,000 | 7.5% | 8.3% | 1,045 | 8.3% | 7.5% | 1,045 | 0.8% | |
| Interest Expense | 19,225 | 3,300 | 3,300 | 0 | 17.2% | N/A | 26,185 | 2,825 | 26,185 | 2,825 | 10.8% | 8.3% | (652) | 8.3% | 10.8% | (652) | -2.5% | |
| Transfers Out | 0 | 0 | 0 | 0 | N/A | N/A | 420,000 | 0 | 420,000 | 0 | 0.0% | 8.3% | 34,860 | 8.3% | 0.0% | 34,860 | 8.3% | |
| Totals: | \$2,511,180 | \$115,440 | \$115,440 | \$115,440 | 4.6% | 17.2% | \$3,378,375 | \$147,508 | \$3,378,375 | \$147,508 | 4.4% | 8.3% | \$98,037 | 8.3% | 4.4% | \$98,037 | 3.9% | |

Net Budget/Income/Variance: \$160,385 \$90,890 (\$706,810) \$68,911 \$92,716

Key:

* The expected percentage is calculated as follows: since the report is for the 1st month of the year, 1 is divided by 12-the number of months in the year.

^To calculate the dollar variance between expected and actual expenditures, the following formula is used:

H=(D*G) -E (i.e.(annual budgeted amount x expected % expended) - actual expenditures.)

City of Chehalis
Comparative Financial Reports
January 2014 and 2015

| STORM FUND (#406) REVENUES | A January 2014 | | B Actual | | C=B/A | | D January 2015 | | E Actual | | F=E/D | | G Expected | | H^ Var'nc from Expected | | I=F-G | |
|-------------------------------|-------------------|----------|-------------|-----------|----------|---------|-------------------|--------|-------------|----------|----------|---------|---------------|----------|----------------------------|--------|-------|--|
| | Budget | Actual | % Rec'd | Budget | Actual | % Rec'd | Budget | Actual | % Rec'd | % Rec'd* | Expected | % Rec'd | % Rec'd* | Expected | Variance | % | | |
| Storm & Surface Water Fees | \$470,284 | \$41,759 | 8.9% | \$506,772 | \$43,541 | 8.6% | \$43,541 | 8.6% | 8.3% | \$1,479 | 0.3% | 8.3% | \$1,479 | 0.3% | 8.3% | 100.0% | | |
| Storm Connection/Misc. Fees | 0 | 1,232 | 100.0% | 1,000 | 0 | 100.0% | 0 | 100.0% | N/A | (83) | 100.0% | 8.3% | (83) | 100.0% | 8.3% | 100.0% | | |
| Misc. Revenues/Insurance | 0 | 0 | 100.0% | 825 | 1,341 | 100.0% | 1,341 | N/A | 8.3% | 1,273 | 100.0% | 8.3% | 1,273 | 100.0% | 8.3% | 100.0% | | |
| Interest Earnings | 300 | 0 | 0.0% | 1,300 | 0 | 0.0% | 0 | 0.0% | 8.3% | (108) | -8.3% | 8.3% | (108) | -8.3% | 8.3% | -8.3% | | |
| Totals: | \$470,584 | \$42,991 | 9.1% | \$509,897 | \$44,882 | 8.8% | \$44,882 | 8.8% | 8.3% | \$2,561 | 0.5% | 8.3% | \$2,561 | 0.5% | 8.3% | 0.5% | | |

| STORM FUND (#406) EXPENSES | A January 2014 | | B Actual | | C=B/A | | D January 2015 | | E Actual | | F=E/D | | G Expected | | H^ Var'nc from Expected | | I=G-F | |
|-------------------------------|-------------------|----------|-------------|-----------|----------|---------|-------------------|--------|-------------|----------|----------|---------|---------------|----------|----------------------------|------|-------|--|
| | Budget | Actual | % Exp'd | Budget | Actual | % Exp'd | Budget | Actual | % Exp'd | % Exp* | Expected | % Exp'd | % Exp* | Expected | Variance | % | | |
| Operating Expenses | \$452,358 | \$26,958 | 6.0% | \$442,590 | \$24,864 | 5.6% | \$24,864 | 5.6% | 8.3% | \$11,871 | 2.7% | 8.3% | \$11,871 | 2.7% | 8.3% | N/A | | |
| Capital Outlay | 15,000 | 0 | N/A | 18,000 | 0 | N/A | 0 | N/A | 8.3% | 1,494 | N/A | 8.3% | 1,494 | N/A | 8.3% | N/A | | |
| Totals: | \$467,358 | \$26,958 | 5.8% | \$460,590 | \$24,864 | 5.4% | \$24,864 | 5.4% | 8.3% | \$13,365 | 2.9% | 8.3% | \$13,365 | 2.9% | 8.3% | 2.9% | | |

Net Budget/Income/Variance: \$3,226 \$16,033 \$49,307 \$20,018 \$15,926

Key:

* The expected percentage is calculated as follows: since the report is for the 1st month of the year, 1 is divided by 12-the number of months in the year.

^To calculate the dollar variance between expected and actual expenditures, the following formula is used:

H=(D*G) -E (i.e.(annual budgeted amount x expected % expended) - actual expenditures.)

City of Chehalis
Comparative Financial Reports
January 2014 and 2015

| AIRPORT FUND (#407) REVENUES | A | | B | | C=B/A | | D | | E | | F=E/D | | G | | H^ | | I=F-G | |
|---------------------------------|-------------|-----------|--------|--------|------------|------------|-------------|-----------|------------------------|------------|------------|------------|------------|----------------------|-------------------------|---------------|---------------|--|
| | Budget | Actual | Budget | Actual | % Rec'd | % Rec'd | Budget | Actual | January 2015 Actual | % Rec'd | % Rec'd | % Exp'd | % Exp'd | Expected % Rec'd* | Varinc from Expected | % Variance | % Variance | |
| Rental Car Tax | \$0 | \$0 | N/A | N/A | | | \$0 | \$0 | | N/A | N/A | | | 8.3% | \$0 | N/A | | |
| Intergovernmental Revenues | 265,000 | 0 | 0.0% | 0.0% | | | 800,000 | 0 | | 0.0% | 0.0% | | | 8.3% | (66,400) | -8.3% | | |
| Charges for Goods and Svcs. | 500,000 | 8,063 | 1.6% | 1.6% | | | 520,000 | 45,298 | | 8.7% | 8.7% | | | 8.3% | 2,138 | 0.4% | | |
| Interest Earnings | 8,000 | 0 | 0.0% | 0.0% | | | 15,085 | 0 | | 0.0% | 0.0% | | | 8.3% | (1,252) | -8.3% | | |
| Rents & Royalties | 73,203 | 6,360 | 8.7% | 8.7% | | | 96,000 | 6,443 | | 6.7% | 6.7% | | | 8.3% | (1,525) | -1.6% | | |
| Misc. Revenues/Insurance | 2,000 | 858 | 42.9% | 42.9% | | | 2,000 | 64 | | 3.2% | 3.2% | | | 8.3% | (102) | -5.1% | | |
| Capital Contribution - Airport | 1,672,724 | 164,142 | 9.8% | 9.8% | | | 879,651 | 67,101 | | N/A | N/A | | | 8.3% | 0 | N/A | | |
| Capital Lease Receipts | 821,918 | 67,114 | 8.2% | 8.2% | | | 420,000 | 0 | | 0.0% | 0.0% | | | 8.3% | (5,910) | -0.7% | | |
| Operating Transfers In | 0 | 0 | N/A | N/A | | | \$2,732,736 | \$118,906 | | 4.4% | 4.4% | | | 8.3% | (34,860) | -8.3% | | |
| Totals: | \$3,342,845 | \$246,537 | 7.4% | 7.4% | | | | | | | | | | 8.3% | (\$73,051) | -3.9% | | |

| AIRPORT FUND (#407) EXPENSES | A | | B | | C=B/A | | D | | E | | F=E/D | | G | | H^ | | I=G-F | |
|---------------------------------|-------------|----------|--------|--------|------------|------------|-------------|----------|------------------------|------------|------------|------------|------------|--------------------|-------------------------|---------------|---------------|--|
| | Budget | Actual | Budget | Actual | % Exp'd | % Exp'd | Budget | Actual | January 2015 Actual | % Exp'd | % Exp'd | % Exp'd | % Exp'd | Expected % Exp* | Varinc from Expected | % Variance | % Variance | |
| Operating Expenses | 941,045 | 44,802 | 4.8% | 4.8% | | | \$1,199,816 | \$53,649 | | 4.5% | 4.5% | | | 8.3% | \$45,936 | 3.8% | | |
| Capital Outlay | 398,500 | 1,865 | 0.5% | 0.5% | | | 1,455,000 | 293 | | 0.0% | 0.0% | | | 8.3% | 120,472 | 8.3% | | |
| Principal - G.O. Bonds | 222,285 | 0 | 0.0% | 0.0% | | | 231,992 | 0 | | 0.0% | 0.0% | | | 8.3% | 19,255 | 8.3% | | |
| Interest Expense | 93,921 | 0 | 0.0% | 0.0% | | | 84,215 | 0 | | 0.0% | 0.0% | | | 8.3% | 6,990 | 8.3% | | |
| Totals: | \$1,655,751 | \$46,667 | 2.8% | 2.8% | | | \$2,971,023 | \$53,942 | | 1.8% | 1.8% | | | 8.3% | \$192,653 | 6.5% | | |


Net Budget/Income/Variance: \$1,687,094 \$199,870 (\$238,287) \$64,964 \$119,602

Key:

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H=(D*G) -E (i.e.(annual budgeted amount x expected % expended) - actual expenditures.)

RECOMMENDATION/COUNCIL ACTION DESIRED

This report is for the Council's information only. No action is necessary.

Reviewed by  City Manager

CITY OF CHEHALIS
AGENDA REPORT

DATE: February 23, 2015
TO: The Honorable Mayor and City Council
FROM: Dennis Osborn, Community Development Director
SUBJECT: Airport Lease Agreement

ISSUE

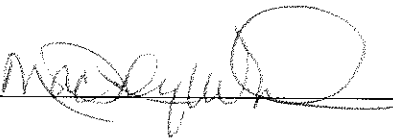
The Administration has negotiated a lease with SERJ Drive-Ins. The lease is attached for your review and consideration.

DISCUSSION

The lease is for the parcel on the new south east corner of the Arkansas Way extension and Louisiana Ave. The lease amount is consistent with the appraisal done on the site.

RECOMMENDATION/COUNCIL ACTION DESIRED

The Administration is recommending approval of the lease with SERJ Drive Ins as proposed in the attached lease agreement.

Reviewed:  _____, City Manager

AFTER RECORDING RETURN TO:

Mr. Merfin MacReynold
Chehalis-Centralia Airport
PO Box 1344
Chehalis, WA 98532

Parcel Number: 005605-082-004

**GROUND LEASE
(Chehalis, Washington)**

THIS GROUND LEASE ("Lease") is made and entered into as of the effective date set forth in Section 1 by and between CITY OF CHEHALIS, operator of the Chehalis-Centralia Airport ("Landlord"), and SERJ Drive-Ins Washington dba Sonic Drive Inn Restaurants ("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 1 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: SERJ Drive-Ins Washington dba Sonic Drive Inn and/or assigns.

Lease Term: Twenty-Five (25) years with three (3) ten (10) year option periods, as stated in Section 3.1

Rent: See Section 4

Title Insurance Liability Amount: Three Hundred Sixty Thousand Dollars (\$360,000.00) to be increased at the request of Tenant upon Reappraisal of the Property as provided in Section 4.3.

Deposit: \$15,230.70 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 42,471 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 its 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. In consideration of Tenant's work and installation of the Improvements, Landlord agrees as follows:

a. The existing Arkansas Way shall be extended and developed for traffic across the north east side of the Property, as indicated for development on the attached Exhibit "B," then, except as otherwise specified herein, Landlord shall pay for and shall install such curb cut and driveway on to the Property as the applicable government entities shall permit, pursuant to the terms of such permit as is submitted by Tenant and approved by such government entity, from that then developed (or under development) extension of Arkansas Way (as it then may be described, across the north east side of the Property) onto the Property.

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 twenty-fifth (25th) Lease Year, subject to rights to extend. Tenant shall have the right to extend the lease for three (3) additional ten (10) 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 fifteen thousand two

hundred thirty and 70/100 dollars (\$15,230.70) deposit which shall be credited towards payment of rent 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 annual amount ("Rent"), as described in Sections 4.2, 4.3 and 4.4 hereof.

4.2 Payment of Rent. Commencing on the date Tenant commences retail commercial use of any portion of the Property ("retail commercial use" defined as selling products on or from the Property), but not later than that date which is either: (i) eighteen (18) months after the Inspection Completion Date (defined in Section 8.2 herein) in the event that Tenant commencing filling the Property as described in Section 2.4 herein within twelve (12) month after the Inspection Completion Date; or (ii) in the event Tenant does not commence to fill the Property as described in Section 2.4 herein within twelve (12) months after the Inspection Completion Date then on that date which is twelve (12) months after the Inspection Completion Date (the "Rent Commencement Date"). 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.

\$36,000.00 / 12 months = \$3,000.00 per month, plus Leasehold Excise Tax

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 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 allotment 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 Sonic Franchisee without Landlord's consent. A Qualified Sonic Franchise is a person or entity that is authorized to own and operate a Sonic Franchise. **Notice of assignment shall be given to the Landlord 30 days prior to Assignment.**

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. All plans and specifications required by Accord, Inc., Tenant's franchisor, shall be deemed to be approved by Landlord. 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. All plans and specifications required by Accord, Inc., Tenant's franchisor, shall be deemed to be approved by Landlord.

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 and the coordination of shopping center development with Landlord and other tenants in the shopping center.

c. Signage. Tenant may install signage on the Property and on any shopping center 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 Shopping Center and adjacent Airport properties. The Term "Maintenance" as used herein shall also include any other maintenance typically provided for on shopping center 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, each Party shall be responsible for its own respective costs and expenses, including, but not limited to, all attorneys' fees and expenses 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 Mortgage.

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 Mortgage shall so provide; except that the Leasehold Mortgage 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 Mortgage 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 Mortgage 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: SERJ Drive-Ins Washington
Attn. Jasmin Patel
1500 E. Katella Ave. Suite #5
Orange, CA 92667

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 Harketstad 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: Mr. Merlin G. MacReynold
Its: City Manager
Date: _____

TENANT:

SERJ Drive-ins Washington dba Sonic Drive Inn.

By Jasmini Patel
Name: JASMINI PATEL
Its: President
Date: 02/11/15

ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Orange } SS.

On Feb 13 2015, before me, MI KYUNG KIM, Notary Public,

personally appeared Jasmine R Patel, who proved to me on the

basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.



WITNESS my hand and official seal.

Mi Kyung Kim
NOTARY'S SIGNATURE

PLACE NOTARY SEAL IN ABOVE SPACE

OPTIONAL INFORMATION

The information below is optional. However, it may prove valuable and could prevent fraudulent attachment of this form to an unauthorized document.

CAPACITY CLAIMED BY SIGNER (PRINCIPAL)

- INDIVIDUAL
- CORPORATE OFFICER President
TITLE(S)
- PARTNER(S)
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: _____

DESCRIPTION OF ATTACHED DOCUMENT

GROUND LEASE (Chehalis Wash 1970)
TITLE OR TYPE OF DOCUMENT

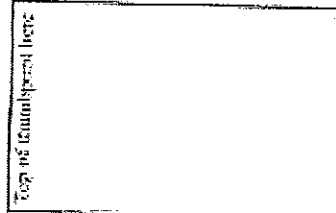
NUMBER OF PAGES _____

2-13-15
DATE OF DOCUMENT

SIGNER (PRINCIPAL) IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)

OTHER

RIGHT
THUMBPRINT
OF
SIGNER



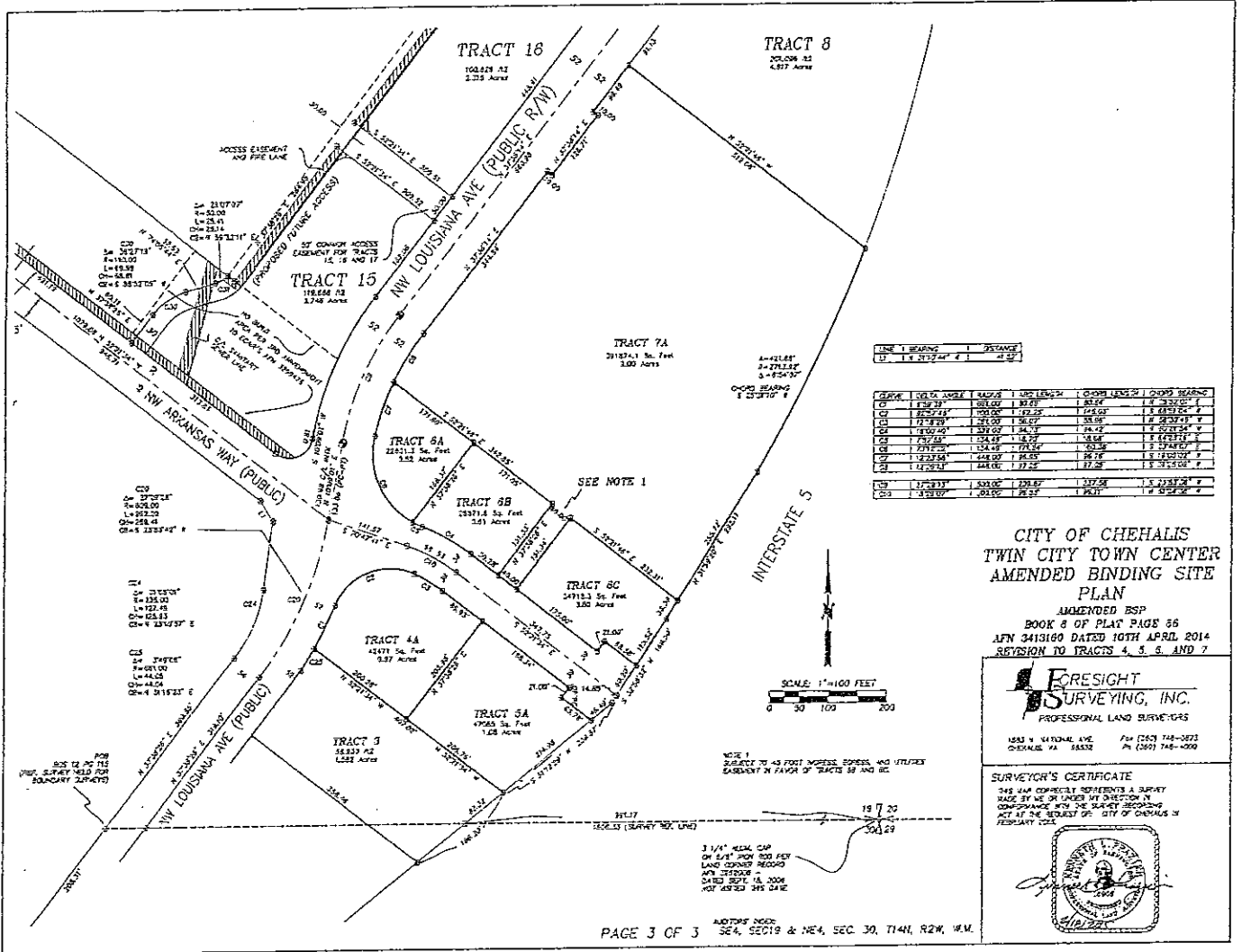
LIST OF EXHIBITS

- Exhibit A Legal Description of Property
- Exhibit B Site Plan
- Exhibit C Estoppel Certificate
- Exhibit D Compliance with Federal Aviation (FAAO Requirements

Exhibit A

Tract 4A (42,471 square feet) of the Chehalis Airport Binding Site Pan or as amended per future BSP amendments.

Exhibit B



LINE 1 BEARING DISTANCE

| | | |
|---|-----------------|--------|
| 1 | S 21° 24' 44" E | 41.52' |
|---|-----------------|--------|

| LINE | BEARING | DISTANCE | AREA | PERIMETER | PERCENTAGE | ADJUSTED BEARING |
|------|-----------------|----------|------|-----------|------------|------------------|
| 1 | S 21° 24' 44" E | 41.52' | 1.23 | 123.45 | 1.23 | S 21° 24' 44" E |
| 2 | S 21° 24' 44" E | 41.52' | 1.23 | 123.45 | 1.23 | S 21° 24' 44" E |
| 3 | S 21° 24' 44" E | 41.52' | 1.23 | 123.45 | 1.23 | S 21° 24' 44" E |
| 4 | S 21° 24' 44" E | 41.52' | 1.23 | 123.45 | 1.23 | S 21° 24' 44" E |
| 5 | S 21° 24' 44" E | 41.52' | 1.23 | 123.45 | 1.23 | S 21° 24' 44" E |
| 6 | S 21° 24' 44" E | 41.52' | 1.23 | 123.45 | 1.23 | S 21° 24' 44" E |
| 7 | S 21° 24' 44" E | 41.52' | 1.23 | 123.45 | 1.23 | S 21° 24' 44" E |
| 8 | S 21° 24' 44" E | 41.52' | 1.23 | 123.45 | 1.23 | S 21° 24' 44" E |
| 9 | S 21° 24' 44" E | 41.52' | 1.23 | 123.45 | 1.23 | S 21° 24' 44" E |
| 10 | S 21° 24' 44" E | 41.52' | 1.23 | 123.45 | 1.23 | S 21° 24' 44" E |

CITY OF CHEHALIS
 TWIN CITY TOWN CENTER
 AMENDED BINDING SITE
 PLAN
 AMENDED BSP
 BOOK 8 OF PLAT PAGE 55
 APN 3413180 DATED 10TH APRIL 2014
 REVISION TO TRACTS 4, 5, 6, AND 7

FRESIGHT SURVEYING, INC.
 PROFESSIONAL LAND SURVEYORS

1825 N. NATIONAL AVE. PO BOX 2503 TACOMA, WA 98402
 (253) 748-0273 PH (253) 748-4000

SURVEYOR'S CERTIFICATE
 THIS MAP CORRECTLY REPRESENTS A SURVEY MADE BY ME OR UNDER MY DIRECTION IN COMPLIANCE WITH THE SURVEY RECORDING ACT BY THE REQUEST OF THE CITY OF CHEHALIS IN FEBRUARY 2014.



NOTE 1
 SUBJECT TO 45 FOOT WIDE EGRESS AND UTILITY EASEMENTS IN FAVOR OF TRACTS 8B AND 8C.

3 1/4" MEAN CAP
 OR 3/4" FROM 300 FEET
 LAND CORNER RECORD
 APN 3413180
 DATED 02/15/14
 NOT LISTED THIS DATE

PAGE 3 OF 3
 ADTORS' NOTE:
 SEC 4, SEC 19 & ME 4, SEC 30, T14N, R2W, W.M.

Exhibit C

Date: _____

TO: _____

CHEHALIS-CENTRALIA AIRPORT GOVERNING BOARD ('Landlord'), and SERJ Drive-Ins Washington, L.L.C. dba Sonic 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 D

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.