

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

Regular Meeting of Monday, June 22, 2015

5:00 p.m.

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
1. <u>Call to Order.</u> (Mayor)		
2. <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.		

SPECIAL BUSINESS		
3. <u>WellCity Award Presentation.</u> (Mayor)	---	
4. <u>Briefing on Community Farmers Market at Chehalis.</u> (Greater Lewis County Community Farmers Market Manager Rachael Reiton)	---	

CONSENT CALENDAR		
5. <u>Minutes of the Regular Meeting of June 8, 2015.</u> (City Clerk)	APPROVE	1
6. <u>Vouchers and Transfers.</u> (Finance Manager)	APPROVE	6
7. <u>Award Contract for Arkansas Way Road Extension to Sterling Breen Crushing, Inc., in the amount of \$973,329.48, and Authorize City Manager to Execute Contract Agreement.</u> (City Manager, Public Works Director, Street/Stormwater Superintendent, Water Superintendent)	AWARD CONTRACT TO STERLING BREEN CRUSHING, INC., FOR THE ARKANSAS WAY ROAD EXTENSION AND AUTHORIZE CITY MANAGER TO EXECUTE CONTRACT AGREEMENT	7
8. <u>Authorize City Manager to Execute Lease Agreement with Bass Enterprises, Inc., dba Dutch Bros. Coffee.</u> (City Manager, Community Development Director)	AUTHORIZE CITY MANAGER TO EXECUTE LEASE AGREEMENT WITH BASS ENTERPRISES, INC., DBA DUTCH BROS. COFFEE	17
9. <u>Authorize City Manager to Execute Lease Modification with CCA Retail, LLC.</u> (City Manager, Community Development Director)	AUTHORIZE CITY MANAGER TO EXECUTE LEASE MODIFICATION WITH CCA RETAIL, LLC	54

ADMINISTRATION AND CITY COUNCIL REPORTS		
10. <u>Administration Reports.</u>		
a. <u>May financial report.</u> (Finance Manager)	INFORMATION ONLY	102
11. <u>Council Reports.</u>		
a. Councilor reports. (City Council)	INFORMATION ONLY	
b. Council committee reports. (City Council)	INFORMATION ONLY	

NEW BUSINESS		
12. <u>Ordinance No. 942-B, First Reading – Revision of Sewer Rates for the City of Napavine and Lewis County Water & Sewer District #4.</u> (City Manager, Public Works Director, Wastewater Superintendent)	SUSPEND RULES AND PASS ON FIRST AND FINAL READING	108

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, JULY 13, 2015

June 8, 2015

The Chehalis city council met in regular session on Monday, June 8, 2015, in the Chehalis city hall. Mayor Dawes called the meeting to order at 5:00 p.m. with the following council members present: Terry Harris, Dr. Isaac Pope, Bob Spahr, Daryl Lund, Chad Taylor, and Tony Ketchum. Staff present included: Merlin MacReynold, City Manager; Bill Hillier, City Attorney; Judy Schave, City Clerk; Glenn Schaffer, Police Chief; Ken Cardinale, Fire Chief; Dennis Osborn, Community Development Director; Judy Pectol, Finance Manager; Peggy Hammer, Human Resources Administrator; Rick Sahlin, Public Works Director; Don Schmitt, Street/Stormwater Superintendent; and Dave Vasilauskas, Water Superintendent.

1. **Proclamations - W.F. West Girls Fastpitch Team.** Mayor Dawes presented the W.F. West High School girls fastpitch team with a proclamation declaring them the 2015 2A State Champions.

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

a. Minutes of the regular meeting of May 26, 2015;

b. Claim Vouchers No. 112588-112697 and Electronic Funds Transfer No. 52015 in the amount of \$980,890.87 dated May 29, 2015; and Payroll Vouchers No. 38081-38139, Direct Deposit Payroll Vouchers No. 6055-6143, and Electronic Federal Tax Payment No. 148 in the amount of \$680,113.14 dated May 29, 2015; and

c. Authorize city manager to execute a grant from the Washington State Department of Health (DOH) in an amount not to exceed \$30,000 to conduct a feasibility study on various funding and cost sharing options to consolidate several small water systems in the Hamilton Road area.

Councilor Lund seconded the motion.

Councilor Spahr asked for an explanation on the grant funding, so people understand this is not \$30,000 coming out of the city's budget.

Water Superintendent Dave Vasilauskas reported there are a number of smaller water systems along Hamilton Road and Bishop Road. He noted the nitrate levels have been going up, especially along Hamilton Road, and DOH and the Lewis County Health Department would like to have them get off of those systems and onto city water. Mr. Vasilauskas reported the grant will be used to look at options for extending the water main out to that area.

Councilor Taylor asked if they know what's causing the nitrate levels to go up. Mr. Vasilauskas stated they didn't.

Councilor Lund asked if the area they're looking at is outside the city's urban growth area (UGA).

Mr. Vasilauskas believed it's all within the city's UGA.

Councilor Spahr noted most of the water systems along Hamilton Road are independent wells.

Mr. Vasilauskas stated that is correct, noting there are several different wells, but they're all from the same aquifer.

The motion carried unanimously.

3. **Administration Reports.**

a. **Report on 2015 Street Oiling Program and Crack Sealing Locations.** Street/Stormwater Superintendent Don Schmitt reported the list is pretty extensive, noting the rotation has been neglected for a few years and they're trying to get it reestablished. He reported they'll continue with some crack sealing along N. Market Boulevard to 13th Street, and potentially further south on Market Boulevard if time allows.

Mayor Dawes asked if any pre-leveling would be done to the streets prior to chip sealing.

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Mr. Schmitt stated yes, adding they're in the process of cutting the shoulders and brush back and later this week they'll come through and do some pre-leveling.

Councilor Spahr asked what the approximate cost will be for the 10 lane miles they plan to do this year and what the total number of lane miles is for the city.

Mr. Schmitt reported it will probably cost about \$85,000 for the chip sealing and the associated rental costs will run between \$5,000 and \$10,000. He stated there are approximately 95 to 100 lane miles within the city, noting some are concrete and cannot be chip sealed. Mr. Schmitt reported the city has about 50 lane miles of surface that will be treated; however, some of the arterial streets will likely be overlaid at some point, rather than chip sealed.

Mayor Dawes reported the city dedicated a certain amount of sales tax revenue for street repairs starting in 2015. He inquired as to how much more will get done with the additional funding.

Mr. Schmitt reported the city buys its oil in 30 ton drops. He stated last year they put down 60 ton, noting a majority of that went to salvage Kresky Avenue. Mr. Schmitt reported they plan to do double what they did last year on the streets they typically identify for chip sealing.

b. **Research on Panhandling Ordinance.** Police Chief Glenn Schaffer provided the council with a copy of a letter he received from Twin City Town Center Property Manager Vivian Peterson, noting Ms. Peterson has been in contact regarding the panhandling problem on her property.

Police Chief Schaffer reported the city repealed its panhandling ordinance last year because it was unconstitutional and unenforceable. He stated some people believe this caused an increase in panhandling here in Chehalis, but noted that is simply not the case.

Police Chief Schaffer reported an individual's right to beg for money from others is protected speech under the First Amendment. He stated a city may not regulate the speech because of a disagreement of what the speech conveys; however, the city does have the right to enact reasonable time, place and manner restrictions, adding the restrictions need to serve a significant government interest and leave open sufficient alternative channels for communication of the speech.

Chief Schaffer reported council asked the administration to take a look at Centralia's ordinance and those similar. He stated, in a nut shell, Centralia's panhandling ordinance prohibits aggressive or coercive panhandling, panhandling from certain public locations, such as on-ramps and busy intersections, and panhandling from specific private locations, such as automated teller machines (ATMs), gas pumps, and places where people are conducting business.

Chief Schaffer indicated Centralia's ordinance does not prohibit panhandling from private property. He noted, according to the Centralia Police Department, they're using their trespassing ordinance to deal with it. Chief Schaffer stated Chehalis uses its trespassing ordinance as well; however, it's a very tedious process, it takes time and it's not full-proof.

Chief Schaffer reported he's seen an increase in panhandler activity over the past year, noting they've received approximately 20 complaints since January of this year. He stated all of them have taken place on private property, specifically at the Twin City Town Center, the Main Street Food Mart, and the Jack in the Box on Interstate Avenue.

Chief Schaffer reported the department hasn't received any official complaints regarding public property; however, there have been a number of comments, such as: they make me feel uncomfortable; and, can something be done about the trash they leave behind.

Chief Schaffer reported there are a number of jurisdictions in the state that have panhandling ordinances. He noted some deal specifically with public panhandling, while others address both public and private property. Chief Schaffer stated he took a look at Pierce County's private property ordinance, which states that it's unlawful for any person to solicit another person within 25 feet of ATMs, exterior public pay phones, self-service car washes, gas stations, and entrances to buildings, unless the solicitor has permission from the owner or occupant. The ordinance also states that it's unlawful for a person to solicit another person from private property, unless the solicitor has permission from the owner or occupant.

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Councilor Pope asked, "What protects a customer?"

Chief Schaffer stated, "Not much of anything," adding the ability for somebody to walk up to you and ask for money is covered under the constitutional speech that he referred to earlier.

After a brief discussion, City Manager MacReynold stated, "The point Chief Schaffer is trying to make is that he has a legal vehicle to prevent panhandling on private property, which is the Pierce County model."

Mayor Dawes stated there appeared to be interest on the part of the council to take it to the next step.

Councilor Harris asked if the city has authority to legislate what happens at the on and off ramps of I-5.

Chief Schaffer stated yes, adding it's still public property within the city limits, and it affects Chamber Way.

Councilor Spahr suggested perhaps they should be required to have a business license and pay an income tax based on an assumed amount that a panhandler is going to make.

Chief Schaffer thought that would open up a 'Pandora's Box' and suggested they not go there.

c. **Parking on 2nd Street.** Chief Schaffer reported there have been some complaints regarding parking along 2nd Street between Cascade Avenue and SW William Avenue. He noted most of the other streets that run parallel only have parking on one side because the streets are so narrow; however, 2nd Street, for whatever reason, still allows parking on both sides. Chief Schaffer reported residents are parking right across the road from each other, which doesn't leave any space for other vehicles to pass through. He stated the road is only 24 feet wide and a vehicle takes up eight to 10 feet for parking.

Chief Schaffer reported they plan to hand out notification letters to the residents to inform them that the south side of the street will be deemed 'No Parking.' He stated the public works department is going to work on posting signs, adding they'll give a one week grace period before they start doing any enforcement.

4. **Council Reports.**

a. **Update From Councilor Pope.** Councilor Pope reported he came across a document titled "WPPA Port Report – May 2015" that was prepared by Port of Chehalis Chief Executive Officer Randy Mueller. He didn't know if the Port Commissioners gave Mr. Mueller permission to make this report at a conference in Spokane, but he took offense to it and thought it was damaging to the community.

Mayor Dawes stated he would like to have a chance to take a look at it because he hadn't heard anything about it.

b. **Update From Councilor Taylor.** Councilor Taylor reported he visited his Aunt in Soap Lake, Washington, over the weekend to celebrate her 60th birthday. He noted his Aunt is on the city council and they recently completed a \$2 million street and sidewalk project to help revitalize their downtown area. Councilor Taylor reported, in order to get the project done, they had to let their streets deteriorate so bad that cars couldn't go down them anymore because the potholes were so big. He stated they were afraid if they did any work to them they wouldn't qualify for the grant funding. Councilor Taylor stated it was nice to see another small town get a project like that.

c. **Update From Councilor Ketchum.** Councilor Ketchum congratulated all of the other Lewis County teams that took state titles, including the Centralia Boys Baseball Team, the Adna Girls Softball Team, and the Adna Boys Baseball Team.

Councilor Spahr noted White Pass also took home a title and there was one local tennis player who placed in the top eight.

Mayor Dawes stated we have a lot of sports talent in this area.

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d. **Update From Mayor Dawes.** Mayor Dawes reported he received a letter from the Association of Washington Cities (AWC) confirming the city earned the 2015 AWC Benefit Trust WellCity Award for a second year. He noted the city has a hard-working Wellness Committee chaired by Court Administrator Becky Fox. Mayor Dawes stated the award helps the city get a two percent discount on medical premiums.

Mayor Dawes reported he met with Fire Chief Ken Cardinale and the Riverside Fire Authority (RFA) to get the Chief up to speed on where they're at with the RFA. He noted their next meeting is scheduled for Wednesday night.

Mayor Dawes reported he attended Corine Aiken's retirement party on May 28, adding they had a nice little send off for her at the Vernetta Smith Chehalis Timberland Library. He also attended a ribbon cutting at Rum Runners on Chehalis Avenue, a ribbon cutting at the Community Farmers Market at Chehalis, the Wellness Committee lunch on June 4, and the Mayors meeting on June 5.

e. **Update From Councilor Lund.** Councilor Lund stated he gets pretty upset when people say negative things about Chehalis. He noted after briefly looking at the WPPA Port Report that Councilor Pope provided earlier, if he were someone from the outside he sure wouldn't put any money into this town.

5. **Resolution No. 5-2015, First and Final Reading – Adopting the 2016-2021 Six-Year Transportation Improvement Plan.** Mr. Schmitt reported the city annually submits its Transportation Improvement Plan (TIP) to the Regional Transportation Authority and if any projects get funded they go to the Statewide Transportation Improvement Plan. He noted the city's TIP can be amended at any time during the year if funding is acquired for another project.

Councilor Spahr moved that the council adopt Resolution No. 5-2015 on first and final reading.

The motion was seconded by Councilor Pope and carried unanimously.

6. **Emergency Medical Services (EMS) Levy Proposal for November 3 General Election Ballot.** Fire Chief Cardinale reported the city's current six-year EMS levy is due to expire at the end of the year. He noted the money the city receives from the levy pays for two positions within the fire department, along with resupplying EMS equipment. Chief Cardinale recommended that this issue be brought back for council consideration on July 13, at which time Fire Captain Casey Beck will be available to answer any questions.

Councilor Harris reported the last time they went out for the EMS levy it stated they could take up to .50 cents per \$1,000, but according to the numbers provided by Lewis County it bounced between .36 and .39 cents per \$1,000. He inquired as to what amount they would be asking for with the new levy.

City Manager MacReynold reported it's a combination of things, noting people will be voting to collect a maximum of .50 per \$1,000. He stated if the levy passes the council can choose to either leave the amount the same, or to collect more. City Manager MacReynold stated the council has discretion each year through the budget process to look at it and make that determination. He noted, with regards to the last election, the council made a commitment to the voters that they would not raise the levy any more than what had been collected in the past.

City Manager MacReynold believed there was a real interest by the department and the administration to encourage the council to look at possibly raising it to .50 cents per \$1,000 because it's costing more to provide the services. He stated if the levy passes they will be coming to the council, through the budget process, with a request to fund it at a higher level.

Councilor Spahr moved that the council set the date and time of July 13, 2015, at 5:05 p.m., to conduct a public hearing on the EMS levy, and direct the city manager to prepare a resolution for council consideration on July 13, 2015, to place the EMS levy on the November 3, 2015 general election ballot.

Councilor Lund seconded the motion.

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Mayor Dawes stated the city has enjoyed very much success with the EMS levy in the past and hoped it would continue. He noted he's always a bit afraid of running a tax measure on the last available election date, but knew everyone would be working hard to get it passed.

The motion carried unanimously.

7. **WPPA Port Report.** Councilor Taylor asked if the WPPA Port Report was just an on-line document. Councilor Pope stated it was presented earlier this year at a Conference in Spokane.

City Manager MacReynold noted Mr. Mueller was in the audience and might be able to answer some of their questions.

Mayor Dawes stated he didn't know if he was prepared to ask any questions, or if Mr. Mueller was prepared to answer any at this time. He stated he would like to have a chance to read the report first.

There being no further business to come before the council, the meeting adjourned at 5:54 p.m.

Mayor

Attest:

City Clerk

SUGGESTED MOTION

I move that the council approve the minutes of the regular city council meeting of June 8, 2015.

CITY OF CHEHALIS AGENDA REPORT

DATE: June 15, 2015

TO: The Honorable Mayor and City Council

FROM: Judy Pectol, Finance Manager

PREPARED BY: Michelle White, Accounting Tech II

SUBJECT: Vouchers and Transfers

ISSUE

Council approval is requested of the following:

Claim Vouchers No. 112698 through 112872 and Electronic Funds Transfer No. 520151 in the amount of \$296,728.69 dated June 15, 2015 and the transfer of \$101,779.64 from the General Fund, \$1,082.78 from the Dedicated Street Fund - 4% Sales Tax, \$29,642.91 from the Automotive Equipment Reserve Fund, \$821.18 from the Garbage Fund, \$60,218.04 from the Wastewater Fund, \$46,306.34 from the Water Fund, \$10,876.69 from the Storm & Surface Water Utility Fund, \$40,511.11 from the Airport Fund and \$5,490.00 from the Firemen's Pension Fund.

RECOMMENDATION/COUNCIL ACTION DESIRED

The administration recommends that the council approve the June 15, 2015 Claim Vouchers No. 112698 through 112872 and Electronic Funds Transfer No. 520151 in the amount of \$296,728.69.

SUGGESTED MOTION

I move to approve the June 15, 2015 Claim Vouchers No. 112698 through 112872 and Electronic Funds Transfer No. 520151 in the amount of \$296,728.69.

Reviewed by:  City Manager

**CITY OF CHEHALIS
AGENDA REPORT**

DATE: June 12, 2015
TO: The Honorable Mayor and City Council
FROM: Rick Sahlin, Public Works Director
SUBJECT: Bid Award – Arkansas Way Street Extension

ISSUE

Bids for the Arkansas Way Street Extension were solicited and four bids were received. The administration seeks council's consideration to award the contract to the lowest responsible bidder.

DISCUSSION

The Public Works Department, RB Engineering and the City Clerk recently completed the bidding phase of the Arkansas Way Street Extension. The project includes a full road section curbs, gutters, sidewalks, street lighting and utilities. The new water main will be extended under I-5 and tied into the existing water system on N.W. State Avenue. This connection will provide additional flow as well as more reliable service to the commercial area on the west side of the freeway.

The project is being funded from a \$400,000 grant and \$400,000 loan the city received from the Distressed Counties Fund in 2014, and money the water division budgeted in the adopted 2015 budget for the waterline extension. Four bids were received during the phase. The high bid was \$1,397,385.00 and the low bidder for the project was Sterling Breen Crushing, Inc. of Centralia, Washington, with a bid amount of \$973,329.48 after the bids were tabulated. The engineers estimate for construction of the project was \$1,239,992.00. Attached is a letter from RB Engineering stating that they reviewed and tabulated the bids and concur that Sterling Breen Crushing, Inc. submitted the lowest responsible bid.

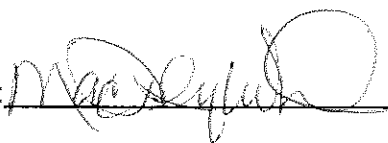
RECOMMENDATION/COUNCIL ACTION DESIRED

The administration recommends that the city council award the Arkansas Way Street Extension Project to Sterling Breen Crushing of Centralia, Washington, in the amount of \$973,329.48 and authorize the city manager to execute the contract agreement.

SUGGESTED MOTION

I move that the council award the Arkansas Way Street Extension Project to Sterling Breen Crushing, Inc., in the amount of \$973,329.48 and authorize the city manager to execute the contract agreement.

REVIEWED BY:



CITY MANAGER



June 11, 2015

Judith A. Schave
City of Chehalis City Clerk
350 N. Market Blvd.
Chehalis, WA 98532

Re: Arkansas Way Road Extension -- Bid Review and Recommendation
RBE No. 14069

Dear Judy:

We have completed our review of the four contractor bid packages and have determined that Sterling Breen Crushing Inc. (SBC) is the low bidder and has met all the requirements of the bid form. We reviewed the list of completed projects submitted by SBC that includes numerous road and utility projects for Lewis County which are similar in size and scope to the Arkansas Way Road Extension. Sterling Breen Crushing has constructed RB Engineering designed projects over the years and provided excellent communication and construction services on those projects. Based on their list of similar sized projects and our experience with SBC, we recommend that the Arkansas Way Road Extension contract be awarded to Sterling Breen Crushing Inc.

All but one bidding contractor met all the requirements of the bid form. Active Construction Inc. (ACI) did not acknowledge receipt of Addendum No. 1. ACI received the bid documents from a plan center and not our office. We sent the addendum to all plan holders on our list that included the plan centers that purchased a set of bid documents. It is each plan center's responsibility to notify their plan holders. The addendum did not have a significant price impact and would not have resulted in ACI becoming the apparent low bidder.

We also identified a mathematical error in the Nova Contractin Inc. bid amount. All four original bid amounts and the one corrected amount are listed below.

<u>Contractor</u>	<u>Original Bid Amount</u>	<u>Corrected Bid Amount</u>
Sterling Breen Crushing, Inc.	\$973,329.48	
Nova Contracting, Inc.	\$1,156,022.28	\$1,157,102.28
Active Construction, Inc.	\$1,226,250.14	
Conway Construction Co.	\$1,397,385.00	

Attached is the detailed bid summary for all four bidding contractors.

Sincerely,

Robert W. Balmelli PE
President

Cc: Project file
Rick Sahlin, Director and Nichole Paulis, Office Manager -- Chehalis Public Works
Dennis Osborn -- Chehalis Community Development Director
Nichole Paulis -- Chehalis Public Works Office Manager

Enclosure: Detailed Bid Summary Form

PO Box 923
1 SW 13th Street
Chehalis, WA 98532

Phone: (360) 740-8919
Fax: (360) 740-8912
www.RBEngineers.com
BillPros@RBEngineers.com

14069.bid.recommendation.ltr

City of Chehalis: Arkansas Way Road Extension

14069

Item	Description	Quantity	Units	Bidder #1 Unit Price Total Price	Nova Contracting Total Price	Bidder #2 Unit Price Total Price	Sterling Breen Crushing Total Price	Bidder #3 Unit Price Total Price	Conway Construction Total Price	Bidder #4 Unit Price Total Price	Active Construction Total Price
1	MOBILIZATION	1	LS	\$111,000.00	\$111,000.00	\$80,000.00	\$80,000.00	\$129,000.00	\$129,000.00	\$105,694.90	\$105,694.90
2	MINOR CHANGES	1	CALC	\$15,000.00	\$15,000.00	\$15,000.00	\$15,000.00	\$15,000.00	\$15,000.00	\$15,000.00	\$15,000.00
3	TEMPORARY TRAFFIC CONTROL	1	LS	\$21,000.00	\$21,000.00	\$18,000.00	\$18,000.00	\$55,000.00	\$55,000.00	\$50,000.00	\$50,000.00
4	CONSTRUCTION STAKING	1	LS	\$8,800.00	\$8,800.00	\$10,800.00	\$10,800.00	\$16,000.00	\$16,000.00	\$16,500.00	\$16,500.00
5	COMPACTION TESTING AND INSPECTIONS	1	LS	\$8,500.00	\$8,500.00	\$4,267.00	\$4,267.00	\$14,000.00	\$14,000.00	\$10,000.00	\$10,000.00
6	CLEARING AND GRUBBING	1.5	ACRE	\$8,500.00	\$12,750.00	\$11,193.00	\$16,789.50	\$30,000.00	\$45,000.00	\$15,000.00	\$22,500.00
7	REMOVAL OF STRUCTURES AND OBSTRUCTIONS	1	LS	\$15,000.00	\$15,000.00	\$25,000.00	\$25,000.00	\$10,000.00	\$10,000.00	\$5,500.00	\$5,500.00
8	SELECT BORROW INCL. HAUL	18,500	TON	\$17.00	\$314,500.00	\$9.50	\$175,750.00	\$14.00	\$259,000.00	\$16.73	\$309,505.00
9	DITCH EXCAVATION INCL. HAUL	140	CY	\$25.00	\$3,500.00	\$20.50	\$2,870.00	\$18.00	\$2,520.00	\$31.00	\$4,340.00
10	CATCH BASIN TYPE 1, FRAME AND GRATE	3	EA	\$1,400.00	\$4,200.00	\$1,330.00	\$3,990.00	\$1,500.00	\$4,500.00	\$1,175.00	\$3,525.00
11	CATCH BASIN TYPE 1L, FRAME AND GRATE	1	EA	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,600.00	\$1,600.00	\$1,365.00	\$1,365.00
12	SOLID WALL PVC	405	LF	\$60.00	\$24,300.00	\$20.00	\$8,100.00	\$35.00	\$14,175.00	\$38.85	\$15,734.25
13	CATCH BASIN TYPE 1L, FRAME AND GRATE	190	LF	\$70.00	\$13,300.00	\$42.00	\$7,980.00	\$60.00	\$11,400.00	\$52.60	\$9,994.00
14	MANHOLE 48 IN. DIAM. TYPE 2	2	EA	\$3,500.00	\$7,000.00	\$4,925.00	\$9,850.00	\$4,000.00	\$8,000.00	\$3,765.00	\$7,530.00
15	PVC SANITARY SEWER PIPE 6 IN. DIAM.	160	LF	\$45.00	\$7,200.00	\$17.00	\$2,720.00	\$50.00	\$8,000.00	\$75.00	\$12,000.00
16	PVC SANITARY SEWER PIPE 8 IN. DIAM.	440	LF	\$50.00	\$22,000.00	\$32.40	\$14,256.00	\$50.00	\$22,000.00	\$51.95	\$22,858.00
17	DUCTILE IRON WATER MAIN PIPE 12 IN. DIAM.	647	LF	\$80.00	\$51,760.00	\$104.00	\$67,288.00	\$100.00	\$64,700.00	\$82.70	\$53,506.90
18	DUCTILE IRON WATER MAIN PIPE 6 IN. DIAM.	220	LF	\$60.00	\$13,200.00	\$25.00	\$5,500.00	\$70.00	\$15,400.00	\$38.50	\$8,470.00
19	HYDRANT ASSEMBLY INCL. CONCRETE PAD	2	EA	\$5,000.00	\$10,000.00	\$3,300.00	\$6,600.00	\$3,700.00	\$7,400.00	\$5,600.00	\$11,200.00
20	GATE VALVE 12 IN. DIAM. INCL. VALVE BOX	3	EA	\$3,000.00	\$9,000.00	\$2,100.00	\$6,300.00	\$3,000.00	\$9,000.00	\$2,420.00	\$7,260.00
21	GATE VALVE 6 IN. DIAM. INCL. VALVE BOX	6	EA	\$950.00	\$5,700.00	\$920.00	\$5,520.00	\$14,000.00	\$84,000.00	\$1,230.00	\$7,380.00
22	DIRECTIONAL BORING INCL. 24" HDPE CASING AND 16" HDPE CARRIER PIPE	310	LF	\$341.00	\$105,710.00	\$460.00	\$142,600.00	\$600.00	\$186,000.00	\$440.00	\$136,400.00
23	CRUSHED SURFACING BASE COURSE	300	TON	\$30.00	\$9,000.00	\$12.00	\$3,600.00	\$30.00	\$9,000.00	\$25.30	\$7,590.00
24	CRUSHED SURFACING TOP COURSE	760	TON	\$34.00	\$25,840.00	\$12.00	\$9,120.00	\$30.00	\$22,800.00	\$27.50	\$20,900.00
25	PLANING BITUMINUS PAVEMENT	780	SY	\$10.20	\$7,956.00	\$9.00	\$7,020.00	\$12.00	\$9,360.00	\$10.00	\$7,800.00
26	HMA CLASS 1/2 INCH	690	TON	\$117.50	\$81,075.00	\$100.00	\$69,000.00	\$120.00	\$82,800.00	\$105.75	\$72,967.50
27	EROSION CONTROL AND PLANTING	1	LS	\$3,500.00	\$3,500.00	\$15,000.00	\$15,000.00	\$20,000.00	\$20,000.00	\$25,000.00	\$25,000.00
28	PERMANENT SIGNING AND STRIPING	1	LS	\$18,500.00	\$18,500.00	\$19,550.00	\$19,550.00	\$25,000.00	\$25,000.00	\$18,350.00	\$18,350.00
29	CONCRETE CURBING	1	LS	\$30,000.00	\$30,000.00	\$30,204.00	\$30,204.00	\$35,000.00	\$35,000.00	\$31,100.00	\$31,100.00
30	CEMENT CONCRETE SIDEWALK AND TRAFFIC ISLAND	755	SY	\$60.00	\$45,300.00	\$54.30	\$40,996.50	\$44.00	\$33,220.00	\$44.75	\$33,786.25
31	CEMENT CONCRETE SIDEWALK RAMPS	12	EA	\$1,500.00	\$18,000.00	\$2,580.00	\$30,960.00	\$1,000.00	\$12,000.00	\$1,500.00	\$18,000.00
32	STREET ILLUMINATION SYSTEM	1	LS	\$36,800.00	\$36,800.00	\$27,100.00	\$27,100.00	\$45,000.00	\$45,000.00	\$36,000.00	\$36,000.00
33	CONDUIT 4 IN. DIAM. SCHEDULE 40	3000	LF	\$3.50	\$10,500.00	\$6.00	\$18,000.00	\$6.00	\$18,000.00	\$9.22	\$27,660.00
Sales Tax - 8%				SubTotal	\$1,071,391.00	\$901,231.00	\$901,231.00	\$1,293,875.00	\$1,293,875.00	\$1,135,416.80	\$1,135,416.80
				Sales Tax	\$85,711.28	\$72,098.48	\$72,098.48	\$103,510.00	\$103,510.00	\$80,833.34	\$80,833.34
				Total	\$1,157,102.28	\$973,329.48	\$973,329.48	\$1,397,385.00	\$1,397,385.00	\$1,216,250.14	\$1,216,250.14

Contract Agreement

THIS AGREEMENT is by and
between:

City of Chehalis
(Owner)

(Contractor)

Owner and Contractor, in consideration of the mutual covenants set forth herein, agree as follows:

WORK

Contractor shall complete all Work as specified or indicated in the Contract Documents. The Work is generally described as follows:

Work will include constructing approximately 475 linear feet of new commercial collector public road way and associated sewer main, storm main, water main and curb, gutter, sidewalk and street lighting. Project also includes a Horizontal Directional Bore under Interstate 5 to install approximately 310 linear feet of 24" HDPE casing and 16" HDPE water main line. Approximately 18,500 Ton of structural fill will be required to construct the new public road.

ENGINEER

The Project has been designed by:

RB Engineering Inc.
PO Box 923
91 SW13th Street
Chehalls, WA 98532
360.740.8919
360.740.8912 Fax

(Engineer), who is to act as Owner's representative, assume all duties and responsibilities, and have the rights and authority assigned to Engineer in the Contract Documents in connection with the completion of the Work in accordance with the Contract Documents.

CONTRACT TIMES

Time of the Essence

A. All time limits for Milestones, if any, Substantial Completion, and completion and readiness for final payment as stated in the Contract Documents are of the essence of the Contract.

Days to Achieve Substantial Completion and Final Payment

A. The Work will be substantially completed within 90 working days after the date when the Contract Times commence to run, and completed and ready for final payment within 14 working days after the date of substantial completion is established.

CONTRACT PRICE

ITEM NO.	ITEM DESCRIPTION	PLAN QUANTITY	UNITS	UNIT PRICE DOLLARS CENTS	AMOUNT DOLLARS CENTS
1	MOBILIZATION	1	LS	\$80,000.00	\$80,000.00
2	MINOR CHANGES	1	CALC	\$15,000.00	\$15,000.00
3	TEMPORARY TRAFFIC CONTROL	1	LS	\$18,000.00	\$18,000.00
4	CONSTRUCTION STAKING	1	LS	\$10,800.00	\$10,800.00
5	COMPACTION TESTING AND INSPECTIONS	1	LS	\$4,267.00	\$4,267.00
6	CLEARING AND GRUBBING	1.5	ACRE	\$11,193.00	\$16,789.50
7	REMOVAL OF STRUCTURES AND OBSTRUCTIONS	1	LS	\$25,000.00	\$25,000.00
8	SELECT BORROW INCL. HAUL	18,500	TON	\$9.50	\$175,750.00
9	DITCH EXCAVATION INCL. HAUL	140	CY	\$20.50	\$2,870.00
10	CATCH BASIN TYPE 1, FRAME AND GRATE	3	EA	\$1,330.00	\$3,990.00
11	CATCH BASIN TYPE 1L, FRAME AND GRATE	1	EA	\$1,500.00	\$1,500.00
12	SOLID WALL PVC STORM SEWER PIPE 12 IN. DIAM.	405	LF	\$20.00	\$8,100.00
13	SOLID WALL PVC STORM SEWER PIPE 18 IN. DIAM.	190	LF	\$42.00	\$7,980.00
14	MANHOLE 48 IN. DIAM. TYPE 2	2	EA	\$4,925.00	\$9,850.00
15	PVC SANITARY SEWER PIPE 6 IN. DIAM.	160	LF	\$17.00	\$2,720.00
16	PVC SANITARY SEWER PIPE 8 IN. DIAM.	440	LF	\$32.40	\$14,256.00
17	DUCTILE IRON WATER MAIN PIPE 12 IN. DIAM.	647	LF	\$104.00	\$67,288.00
18	DUCTILE IRON WATER MAIN PIPE 6 IN. DIAM.	220	LF	\$25.00	\$5,500.00
19	HYDRANT ASSEMBLY INCL. CONCRETE PAD	2	EA	\$3,300.00	\$6,600.00
20	GATE VALVE 12 IN. DIAM. INCL. VALVE BOX	3	EA	\$2,100.00	\$6,300.00
21	GATE VALVE 6 IN. DIAM. INCL. VALVE BOX	6	EA	\$920.00	\$5,520.00
22	DIRECTIONAL BORING INCL. 24" HDPE CASING AND 16" HDPE CARRIER PIPE	310	LF	\$460.00	\$142,600.00
23	CRUSHED SURFACING BASE COURSE	300	TON	\$12.00	\$3,600.00
24	CRUSHED SURFACING TOP COURSE	760	TON	\$12.00	\$9,120.00
25	PLANING BITUMINUS PAVEMENT	780	SY	\$9.00	\$7,020.00
26	HMA CLASS 1/2 PG 64-22	690	TON	\$100.00	\$69,000.00
27	EROSION CONTROL AND PLANTING	1	LS	\$15,000.00	\$15,000.00
28	PERMANENT SIGNING AND STRIPING	1	LS	\$19,550.00	\$19,550.00
29	CONCRETE CURBING	1	LS	\$30,204.00	\$30,204.00
30	CEMENT CONCRETE SIDEWALK AND TRAFFIC ISLAND	755	SY	\$54.30	\$40,996.50
31	CEMENT CONCRETE SIDEWALK RAMPS	12	EA	\$2,580.00	\$30,960.00
32	STREET ILLUMINATION SYSTEM	1	LS	\$27,100.00	\$27,100.00
33	CONDUIT 4 IN. DIAM SCHEDULE 40	3000	LF	\$6.00	\$18,000.00
	SUBTOTAL CONTRACT AMOUNT				\$901,231.00
	WA STATE SALES TAX @ 8.0%			Sales Tax	\$72,098.48
				Total	\$973,329.48

Bidder acknowledges that estimated quantities are not guaranteed, and are solely for the purpose of comparison of Bids, and final payment for all Unit Price Bid items will be based on actual quantities, determined as provided in the Contract Documents.

E-verify

"Effective June 21st, 2010, all contracts with a value of $\geq \$100,000$ shall require that the awarded contractor register with the Department of Homeland Security E-Verify program. Contractors shall have sixty days after the execution of the contract to register and enter into a Memorandum of Understanding (MOU) with the Department of Homeland Security (DHS) E-Verify program. After completing the MOU the contractor shall have an additional sixty days to provide a written record on the authorized employment status of their employees and those of any sub-contractor(s) currently assigned to the contract. Employees hired during the execution of the contract and after submission of the initial verification will be verified to the county within 30 days of hire, as reported from the E-Verify program. The contractor will continue to update the County on all corrective actions required and changes made during the performance of the contract."

Bond

The Bidder's special attention is directed to the attached bond form, which the successful bidder will be required to execute and furnish the City. **NO OTHER BOND FORMS WILL BE ACCEPTED.** The bond shall be for the full amount of the contract.

CONTRACTOR'S REPRESENTATIONS

In order to induce Owner to enter into this Agreement Contractor makes the following representations:

A. Contractor has examined and carefully studied the Contract Documents and the other related data identified in the Bidding Documents.

B. Contractor has visited the Site and become familiar with and is satisfied as to the general, local, and Site conditions that may affect cost, progress, and performance of the Work.

C. Contractor is familiar with and is satisfied as to all federal, state, and local Laws and Regulations that may affect cost, progress, performance and furnishing of the Work.

D. Contractor has carefully studied all: (1) all drawings of physical conditions in or relating to existing surface or subsurface structures at or contiguous to the Site (except Underground Facilities) which have been identified in the Supplementary Conditions.

E. Contractor has obtained and carefully studied (or assumes responsibility for doing so) all examinations, investigations, explorations, tests, studies, and data concerning conditions (surface, subsurface, and Underground Facilities) at or contiguous to the Site which may affect cost, progress, or performance of the Work or which relate to any aspect of the means, methods, techniques, sequences, and procedures of construction to be employed by Contractor, including any specific means, methods, techniques, sequences, and procedures of construction expressly required by the Bidding Documents, and safety precautions and programs incident thereto.

F. Contractor does not consider that any further examinations, investigations, explorations, tests, studies, or data are necessary for the performance of the Work at the Contract Price, within the Contract Times, and in accordance with the other terms and conditions of the Contract Documents.

G. Contractor is aware of the general nature of work to be performed by Owner and others at the Site that relates to the Work as indicated in the Contract Documents.

H. Contractor has correlated the information known to Contractor, information and observations obtained from visits to the Site, reports and drawings identified in the Contract Documents, and all additional examinations, investigations, explorations, tests, studies, and data with the Contract Documents.

I. Contractor has given Engineer written notice of all conflicts, errors, ambiguities, or discrepancies that Contractor has discovered in the Contract Documents, and the written resolution thereof by Engineer is acceptable to Contractor.

IN WITNESS WHEREOF, Owner and Contractor have signed this Agreement in duplicate. One counterpart each has been delivered to Owner and Contractor. All portions of the Contract Documents have been signed or identified by Owner and Contractor or on their behalf.

This Agreement will be effective on _____, 2015 (which is the Effective Date of the Agreement).

OWNER:

City of Chehalis

By: _____

Title: City Manager

Attest: _____

Title: _____

Address: 350 N. Market Blvd.
Chehalis, WA 98532

CONTRACTOR:

By: _____

Title: _____

Attest: _____

Title: _____

Address: _____

(If Contractor is a Corporation or a partnership
Attach evidence of authority to sign)

Contract Bond

FOR:

City of Chehalis, Washington

Bond No. _____

WE, Sterling Breen Crushing, Inc.
(insert legal name of Contractor)

(hereinafter "Principal"), and _____ (hereinafter "Surety"), are held and firmly bound unto **City of Chehalis, Washington** (hereinafter "City"), as Obligor, in an amount (in lawful money of the United States of America) equal to the total compensation and expense reimbursement payable to Principal for satisfactory completion of Principal's work under Contract No. QG 04, Arkansas Way Road Extension between Principal and City of Chehalis, which total is initially Nine Hundred Seventy Three Thousand Three Hundred Twenty Nine Dollars and 48 Cents (\$ 973,329.48), for the payment of which sum Principal and Surety bind themselves, their executors, administrators, legal representatives, successors and assigns, jointly and severally, firmly by these presents.. Said contract (hereinafter referred to as "the Contract") is for the Arkansas Way Road Extension and is made a part hereof by this reference. The Contract includes the original agreement as well as all documents attached thereto or made a part thereof and amendments, change orders, and any other document modifying, adding to or deleting from said Contract any portion thereof.

This Bond is executed in accordance with the laws of the State of Washington, and is subject to all provisions thereof and the ordinances of City insofar as they are not in conflict therewith, and is entered into for the use and benefit of City, and all laborers, mechanics, subcontractors, and materialmen, and all persons who supply such person or persons, or subcontractors, with provisions or supplies for the carrying on of the work covered by Contract No. QG 04, between the below-named Contractor and City for the Arkansas Way Road Extension Project, a copy of which Contract, by this reference is made a part hereof and is hereinafter referred to as "the Contract." (The Contract as defined herein includes the aforesaid agreement together with all of the Contract documents including addenda, exhibits, attachments, modifications, alterations, and additions thereto, deletions there from, amendments and any other document or provision attached to or incorporated into the Contract)

THE CONDITION OF THIS OBLIGATION is such that if Contractor shall promptly and faithfully perform the Contract, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

THE PARTIES FURTHER ACKNOWLEDGE & AGREE AS FOLLOWS:

- (1) Surety hereby consents to, and waives notice of, any alteration, change order, or other modification of the Contract and any extension of time made by City, except that any single or cumulative change order amounting to more than twenty-five percent (25%) of the penal sum of this bond shall require Surety's written consent.
- (2) Surety recognizes that the Contract includes provisions for additions, deletions, and modifications to the work or Contract Time and the amounts payable to Contractor. Subject to the limitations contained in paragraph (1) above, no such change or any combination thereof, shall void or impair Surety's obligation hereunder.
- (3) Surety is subject to the provisions contained in Section 1-03.4, "Contract Bond," of the Washington State Department of Transportation (WSDOT) Standard Specifications for Road, Bridge, and Municipal Construction. And such provisions are incorporated by reference. A copy may be viewed at WSDOT's website www.wsdot.wa.gov/fasc/EngineeringPublications/Manuals/.
- (4) Whenever City has declared Contractor to be in default and City has given Surety written notice of such declaration, Surety shall promptly (in no event more than thirty [30] days following receipt of such notice), specify, in written notice to City, which of the following actions Surety intends to take to remedy such default, and thereafter shall:
 - (a) Remedy the default within fifteen (15) days after its notice to City, as stated in such notice; or
 - (b) Assume within fifteen (15) days following its notice to City, full responsibility for the completion of the Contract in accordance with all of its provisions, as stated in such notice, and become entitled to payment of the balance of the Contract sum as provided in the Contract; or
 - (c) Pay City upon completion of the Contract, in cash, the cost of completion together with all other reasonable costs and expenses incurred by City as a result of Contractor's default, including but not limited to those incurred by City to mitigate its losses, which may include but are not limited to attorneys' fees and the cost of efforts to complete the work prior to Surety's exercising any option available to it under this Bond; or

(d) Obtain a bid or bids for completing the Contract in accordance with its terms and conditions, and upon a determination by City and Surety jointly of the lowest responsible bidder, arrange for one or more agreements between such bidder and City, and make available as work progresses (even though there is a default or a succession of defaults under such agreement(s) for completion arranged for under this paragraph) sufficient funds to pay the cost of completion less the balance of the Contract price, but not exceeding, including other costs and damages for which Surety may be liable hereunder, the penal sum of this Bond. The term "balance of the Contract price," as used in this paragraph, shall mean the total amount payable by City to Contractor under the Contract, less the amount properly paid by City to Contractor.

(5) If City commences suit and obtains judgment against Surety for recovery hereunder, then Surety, in addition to such judgment, shall pay all costs and attorneys' fees incurred by City in enforcement of City's rights hereunder. The venue for any action arising out of or in connection with this bond shall be in City of Chehalis, Washington.

(6) No right or action shall accrue on this Bond to or for the use of any person or corporation other than City of Chehalis, except as herein provided.

(7) No rider, amendment or other document modifies this Bond except as follows, which by this reference is incorporated herein:

SURETY'S QUALIFICATIONS: Every Surety named on this bond must appear on the United States Treasury Department's most current list (Circular 570 as amended or superseded) and be authorized by the Washington State Insurance Commissioner to transact business as a surety in the State of Washington. In addition, the Surety must have a current rating of at least A-VII in A. M. Best's Key Rating Guide.

INSTRUCTIONS FOR SIGNATURES: This bond must be signed by the president or a vice-president of a corporation; the managing general partner of a partnership; managing joint venture of a joint venture; manager of a limited liability company or, if no manager has been designated, a member of such LLC; a general partner of a limited liability partnership; or the owner(s) of a sole proprietorship. If the bond is signed by any other representative, the Principal must attach currently-dated, written proof of that signer's authority to bind the Principal, identifying and quoting the provision in the corporate articles of incorporation, bylaws, Board resolution, partnership agreement, certificate of formation, or other document authorizing delegation of signature authority to such signer, and confirmation acceptable to the County that such delegation was in effect on the date the bond was signed. **A NOTARY PUBLIC MUST ACKNOWLEDGE EACH SIGNATURE BELOW.**

FOR THE SURETY:

By _____
(Signature of Attorney-In-Fact)

(Type or print name of Attorney-In-Fact)

(Type or print telephone number for Attorney-In-Fact)

FOR THE PRINCIPAL:

By: _____
(Signature of authorized signer for Contractor)

(Type or print name of signer for Contractor)

(Type or print title of signer for Contractor)

STATE OF _____ }
 COUNTY OF _____ } ss: **ACKNOWLEDGMENT FOR CONTRACTOR**

On this _____ day of _____, _____, before me a notary public in and for the State of _____, duly commissioned and sworn, personally appeared _____, the person described in and who executed the foregoing bond, and acknowledged to me that _____ signed and sealed said bond as the free and voluntary act and deed of the Contractor so identified in the foregoing bond for the uses and purposes therein mentioned, and on oath stated that _____ is authorized to execute said bond for the Contractor named therein. WITNESS my hand and official seal hereto affixed the day and year in this certificate first above written.

(Signature of Notary Public) _____
(Print or type name of Notary Public)
 Notary Public in and for the State of _____ residing at _____
 My commission expires _____ **SEAL →**

STATE OF _____
COUNTY OF _____

} ss: **ACKNOWLEDGMENT FOR SURETY**

On this _____ day of _____, _____, before me a notary public in and for the State of _____, duly commissioned and sworn, personally appeared _____, Attorney-in-Fact for the Surety that executed the foregoing bond, and acknowledged said bond to be the free and voluntary act and deed of the Surety for the uses and purposes therein mentioned, and on oath stated that _____ is authorized to execute said bond on behalf of the Surety, and that the seal affixed on said bond or the annexed Power of Attorney is the corporate seal of said Surety. WITNESS my hand and official seal hereto affixed the day and year in this certificate first above written.

(Signature of Notary Public)

(Print or type name of Notary Public)

Notary Public in and for the State of _____ residing at _____
My commission expires _____

SEAL →

CITY OF CHEHALIS

AGENDA REPORT

DATE: June 17, 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 Bass Enterprises, Inc., dba Dutch Bros. Coffee. The lease is attached for your review and consideration.

DISCUSSION

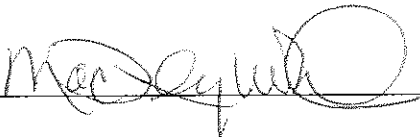
The lease is for the parcel on the new north east corner of the Arkansas Way extension at the hammerhead adjacent to I-5 right-of-way. The lease amount is consistent with the appraisal done on the site.

RECOMMENDATION/COUNCIL ACTION DESIRED

The administration recommends that the council approve and authorize the city manager to execute the lease agreement with Bass Enterprises, Inc., dba Dutch Bros. Coffee as proposed in the attached lease agreement.

SUGGESTED MOTION

I move that the council approve and authorize the city manager to execute the lease agreement with Bass Enterprises Inc., dba Dutch Bros. Coffee.

Reviewed:  _____, City Manager

AFTER RECORDING RETURN TO:

Mr. Merlin 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 I by and between **CITY OF CHEHALIS, operator of the Chehalis-Centralia Airport ("Landlord")**, and **BASS ENTERPRISES INC. dba Dutch Bros Coffee ("Tenant")**. Landlord and Tenant are sometimes hereinafter each singularly referred to as a **"Party"** and collectively referred to as the **"Parties."**

SECTION 1 - FUNDAMENTAL LEASE TERMS

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

Effective Date:	As stated in Section 21.19 below
Landlord:	City of Chehalis Chehalis-Centralia Airport P.O. Box 1344 Chehalis, Washington 98532
Tenant:	Bass Enterprises Inc. dba Dutch Bros Coffee and/or assigns.
Lease Term:	Twenty-Five (25) years with three (3) ten (10) year option periods, as stated in Section 3.1
Rent:	\$28,122 annually, paid in monthly installments of \$2,343 each ("Rent").
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:	\$11,249 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 34,718.3 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 is depicted on the site plan attached hereto as Exhibit "B" and incorporated herein by this reference ("Site Plan").

2.2 Access Easement. The Property is benefited by an access easement ("Easement") running between Tract 6B and Tract 6C (the Property) as shown and reserved on the Amended Binding Site Plan recorded in Book 8 of Page 86 on April 10, 2014. At Tenant's election, Tenant may either improve the Easement or allow the future tenant of parcel 6B or 7A or as amended make the improvements. Whoever undertakes the improvements shall be responsible for improving the Easement with paving, curbing, and other improvements and maintaining the Easement, but may seek reimbursement for said improvements from the future lessees of Tracts 6B or 7A or as amended lots (or Tenant if Tenant does not make the improvements). Landlord shall require the tenants of 6B and 7A to enter into a Road Access Agreement with Tenant as a condition to leasing said tracts to those lessees, which agreement shall require the lessees of Tracts 6B and 7A to reimburse Tenant (or vice versa) for the initial construction costs and provide a formula for the sharing of maintenance expenses. Initial improvement costs shall be reimbursed over a six month period and maintenance costs shall be billed as incurred and repaid within 30 days, unless otherwise agreed to by the parties. Tenant and the tenants of Tracts 6B and 7A shall equitably share the initial improvement and maintenance costs pro rata based on a percentage derived by dividing the respective square footage of each tenant's lot by the total square footage of all lots.

2.3 Development. Tenant is authorized to fill the Property and to construct one or more structures (to be used as a drive-thru coffee shop) and related improvements (herein, "Improvements") on the Property, at Tenant's sole cost and subject to the requirements imposed by Section 10.

2.4 Tenant's Work. Tenant shall plan, design and the Improvements 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, unless otherwise indicated herein.

2.5 Landlord's Work. In consideration of Tenant's work and installation of the Improvements, Landlord agrees as follows ("Landlord's Work"):

Landlord shall extend and improve the existing Arkansas Way, at its sole cost, 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. In addition, Landlord, at its sole cost, shall also extend water and sewer to the Property. power, phone, internet, and cable may be installed by Landlord and Tenant agrees to reimburse per a Latecomer's agreement over a 1 year period. If the Landlord chooses not to install power, phone, internet, and cable, the Tenant shall provide the services at Tenants expense. Landlord shall complete the extension and improvements, or elect not to, within one year from the Effective Date.

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 from the Rent Commencement Date (defined in Section 4.2), subject to Tenant's 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 eleven thousand two hundred forty nine and 00/100 dollars (\$11,249.00) 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 2.5 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 2.5 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.

\$28,122.00 / 12 months = \$2,343.00 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) annual 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) annual 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) annual anniversary of the Effective Date, 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. Tenant's failure to pay 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.

(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. 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 and cure provisions hereof) shall entitle Landlord to pursue all remedies specified in this Lease, including the right to terminate this Lease and thereafter pursue the remedies available pursuant to law.

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

5.6 Proration of Taxes.

(a) Tenant shall reimburse Landlord within thirty (30) days after Tenant receives from Landlord an invoice for the amount of all Real Estate Tax payments made by Landlord for which Tenant is liable

pursuant to Section 5.0 hereof. Each invoice shall be accompanied by a computation of the amount payable.

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

SECTION 6 - SUBLEASES

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

SECTION 7 - UTILITIES

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

SECTION 8 - POSSESSION AND USE

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

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

8.3 Permitted Use. The Property is leased to Tenant for the sole purpose of constructing, maintaining, and operating the Improvements referred to in Section 10 below, in the location depicted on the Site Plan as shown in Exhibit "B", attached and incorporated herein; and no improvements, fixtures or any other use, temporary or permanent, shall be made, constructed, or placed in areas designated on said Site Plan and the ECR for vehicle parking, ingress, and egress, without Landlord's prior written approval which shall not be unreasonably withheld, conditioned, or delayed. 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 or in the DB Franchising USA LLC ("Franchisor") Franchisor Lease Addendum, attached hereto and incorporated 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.

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 DB Franchising USA, LLC, Tenant's franchisor, shall be deemed to be approved by Landlord. Such changes and alterations 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 DB Franchising USA, LLC, 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. During the period of any construction, 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 with 90 days after 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.

d. Tennat agrees that any sublease will meet all parking requirements for the approved use without relief from the standrds.

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. 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. 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

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 building or 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 Rent, Taxes, and other amounts 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. Landlord has an affirmative duty to mitigate all damages.

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 will obtain a subordination and nondisturbance agreement ("SNDA") in a form acceptable to Tenant from any mortgagees or lienholders holding an interest in the Property prior to lease commencement. 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 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 and the Franchisor. From and after such notice has been given to a Leasehold Mortgagee and Franchisor, such Leasehold Mortgagee or Franchisor shall have an additional 15 days beyond the time allocated for Tenant to cure, 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 or Franchisor 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 and Franchisor 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 or Franchisor shall:

- (1) Notify Landlord of such Leasehold Mortgagee's or Franchisor'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 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 or Franchisor; provided, however, that such Leasehold Mortgagee or Franchisor 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 or mortgage ownership has been given to Landlord pursuant to Section 20.2(b). Notices to the Franchisor shall be sent according to the Franchisor Addendum.

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.

(h) If Landlord shall elect to terminate this Lease by reason of any default of Tenant, and the Franchisor shall have proceeded in the manner provided for by Section 20.6, then Franchisor may exercise the rights set forth in the Franchisor Addendum.

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. The Franchisor shall have a right to enter into a New Lease prior to any Leasehold Mortgagee.

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

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

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

20.13 Arbitration/Legal Proceedings. Landlord shall give each Leasehold Mortgagee and Franchisor prompt notice of any arbitration or legal proceedings between Landlord and Tenant involving obligations under this Lease. Each Leasehold Mortgagee or the Franchisor 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 and the Franchisor 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) or the Franchisor shall have an additional period of thirty (30) days after notice by Landlord that Tenant has failed to appoint such arbitrator to make such appointment, and the arbitrator so appointed shall thereupon be recognized in all respects as if he had been appointed by Tenant. In the event a Leasehold Mortgagee commences any judicial or nonjudicial action to foreclose its Leasehold Mortgagee or otherwise realize upon its security granted therein, written notice of such proceeding shall be provided to Landlord at the same time notice thereof is given to Tenant.

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

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

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

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

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

SECTION 21 – MISCELLANEOUS

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

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

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

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

mail service addressed to the other Party as follows:

If to Tenant: **Bass Enterprises Inc.**
c/o Jeffrey Bass
P.O. Box 1436
Centralia, WA 98531
jbass@duchbros.com

Copy to: Zupancic Rathbone Law Group, P.C.
c/o Paul Barton
4949 Meadows Rd., Suite 600
Lake Oswego, OR 97035

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.

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. 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 of Lease & Tenant's Right to Terminate. Notwithstanding any other provisions of this Lease, Tenant's obligations hereunder are conditioned upon satisfaction of the following conditions on or by the Inspection Completion Date or as indicated 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.
- (b) **Financing.** In the event Tenant is unable to obtain financing upon terms satisfactory to Tenant, in Tenant's sole discretion, to perform the Project or any other improvements to be constructed by Tenant, 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.

- (c) **Permitting & Approvals.** In the event Tenant is unable to obtain any consents, permits, or approvals upon terms and conditions satisfactory to Tenant, in Tenant's sole discretion, to perform the Project, Permitted Uses, or any other improvements to be constructed by Tenant, 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. The City will not provide indemnification for negligence on the Tenant's part during construction or occupying parcel. 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.

21.15(b) Landlord's Indemnity. Landlord shall indemnify, defend (with counsel selected by Tenant) and hold harmless Tenant, and its nominees, officers, directors, agents, employees, successors, assigns, affiliates, subsidiaries and parent companies (if any) (collectively, the "Indemnified Parties") from and against any and all liability arising from any and all claims, demands, litigation, consequential damages or governmental action relating to the presence of hazardous substances and/or wastes, toxic and nontoxic pollutants and contaminants including, but not limited to, petroleum products and asbestos on the Property, previously or now existing, or which may come to exist after the Commencement Date and prior to the expiration of the Initial Term as such Initial Term may have been extended, except to the extent caused by Tenant. Without limiting the generality of the foregoing, this indemnification shall specifically cover fines, penalties, sums paid in settlement of claims or litigation, fees for attorneys, consultants and experts (to be selected by Tenant) and costs for investigation, clean-up, testing, removal or restoration

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 Landlor, 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:

BASS ENTERPRISES INC. dba Dutch Bros Coffee

By gmb
Name: Jeffrey Bass
Its:
Date: 6/11/15

INSERT NOTARY

LIST OF EXHIBITS

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

Exhibit "A" – Legal Description

Tract 6 C of City of Chehlais Twin City Town Center Amended Binding Site Plan recorded under Auditors
File Number 3426967

EXHIBIT "B"
SITE PLAN

See attached

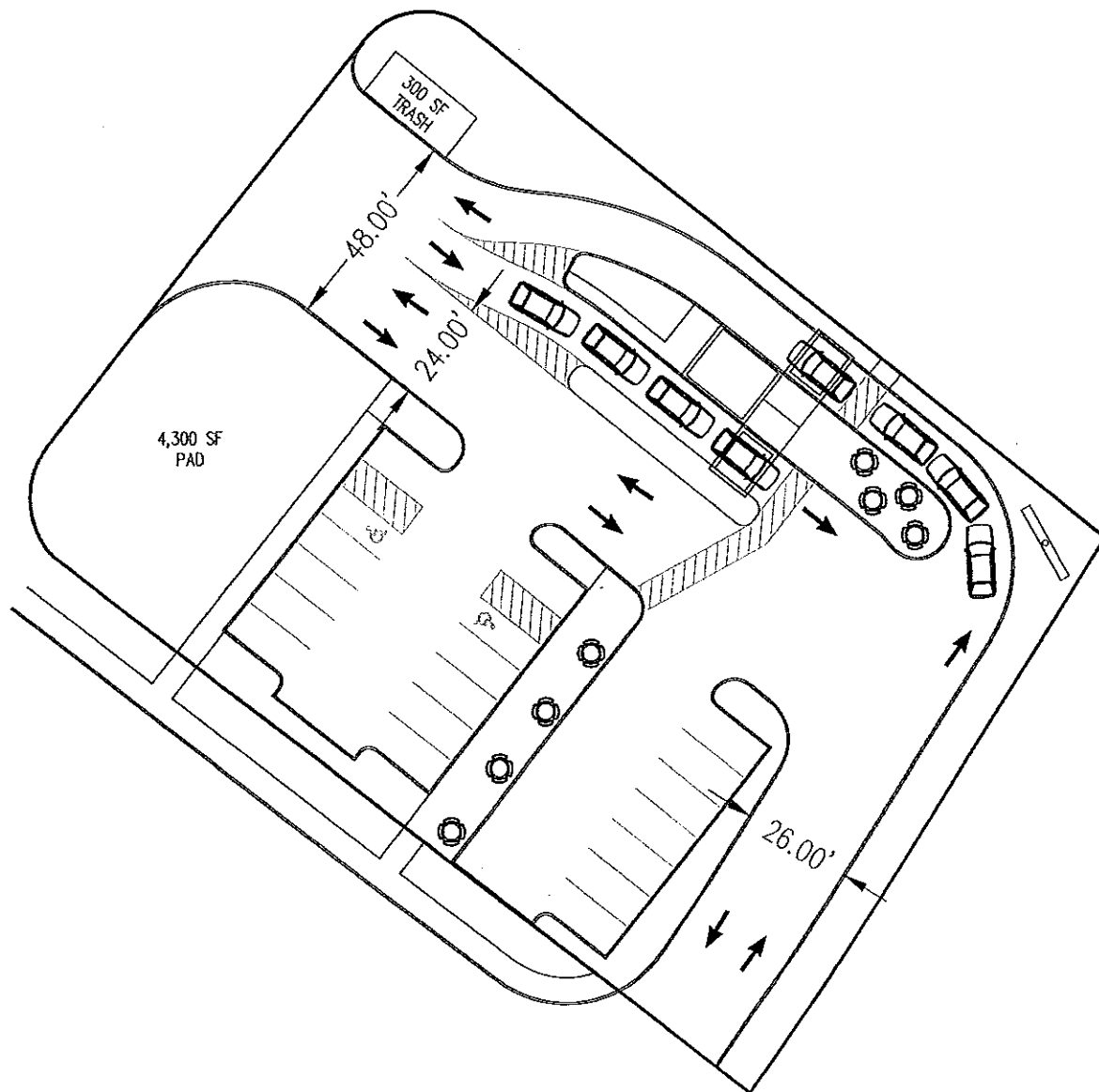


EXHIBIT "C"
Memorandum of Lease

MEMORANDUM OF LEASE

After recording return to:

*ATTN: General Manager
Patch Bros Coffee*

PO Box 1929

Grants Pass, OR 97528

(Space Above for Recorder's Use Only)

MEMORANDUM OF LEASE

This Memorandum of Lease is by and between the **CITY OF CHEHALIS** ("Landlord"), and **BASS ENTERPRISES INC.** ("Tenant"), pursuant to the terms and conditions of that certain lease ("Lease") (described below) by which Landlord has demised to Tenant, and Tenant has accepted such demise from Landlord, the Property (as hereinafter defined) upon the following terms:

Date of Lease: _____, 20____.

Description of Property: *[from Exhibit A of lease]*

Commencement Date: The Lease shall begin on _____.

Initial Term: 25 full consecutive years (plus the partial month in which the term commences, if any).

Extensions: three terms of ten consecutive years each.

The purpose of this Memorandum of Lease is to give record notice of the Lease and of the rights created thereby, all of which are hereby confirmed.

[signatures appear on following page]

IN WITNESS WHEREOF, Landlord has executed this Memorandum of Lease as of the dates set forth in their respective acknowledgments.

City of Chehalis

By: _____
Name: _____
Title: _____

STATE OF _____)
County of _____) ss.

The foregoing instrument was acknowledged before me on _____, 20__, by _____,
the _____ of _____, a _____, on behalf of the company.

Notary Public for the State of _____
Commission Expires: _____

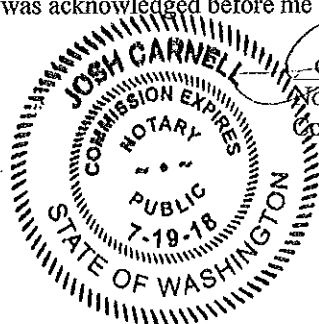
IN WITNESS WHEREOF, Tenant has executed this Memorandum of Lease as of the dates set forth in their respective acknowledgments.

BASS ENTERPRISES INC.

By: Jeffrey Bass
Its: Jeffrey Bass

STATE OF WA)
County of Lewis) ss.

The foregoing instrument was acknowledged before me on June 11th, 2015, by Brian Place, Josh Carnell



Josh Carnell
Notary Public for the State of WA
Commission Expires: 7-19-18

EXHIBIT "D"

Date: _____

TO: _____

CHEHALIS-CITY COUNCIL ("Landlord"), and Bass Enterprises, Inc. 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 President 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 Jeff B
Name: Jeffrey Biss
Title: President / Member / Tenant

TENANT

EXHIBIT "E"

COMPLIANCE WITH FEDERAL AVIATION ADMINISTRATION REQUIREMENTS

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

Exhibit F
Franchisor Lease Addendum

DB FRANCHISING USA, LLC
FRANCHISOR LEASE ADDENDUM

THIS FRANCHISOR LEASE ADDENDUM (this "Addendum") is made and entered into this 11 day of ~~February~~ ^{January}, 2015, by and among **CITY OF CHEHALIS, operator of the Chehalis-Centralia Airport** ("Landlord"), and Bass Enterprises Inc. d.b.a. Dutch Bros. Coffee ("Tenant"), and DB Franchising USA, LLC ("DB Franchising").

BACKGROUND

A. Landlord and Tenant are entering into a certain Lease Agreement dated as of February , 2015 (the "Lease") for the real property and improvements located at , as more fully described in the Lease (the "Property").

B. Tenant will use the Property to construct and operate a Dutch Bros. coffee outlet under a franchise agreement between DB Franchising and Tenant (the "Franchise Agreement"). In accordance with the terms of the Franchise Agreement, the Lease is required to contain certain terms and conditions. Landlord and Tenant desire to enter into this Addendum for the purpose of providing for such terms and conditions.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Assignment to DB Franchising.

(a) Landlord hereby consents to DB Franchising receiving an assignment of Tenant's interest under the Lease either during the term of, or upon termination or expiration of, the Franchise Agreement. Upon termination or expiration of the Franchise Agreement, DB Franchising shall have the right to receive such assignment by providing Landlord with written notice of exercise within 30 days of such termination or expiration. Landlord hereby agrees that such assignment shall occur immediately upon Landlord's receipt of such notice, without the need for further action or documentation. Notwithstanding any provision of the Lease, neither Tenant nor DB Franchising shall be required to deliver evidence of DB Franchising's creditworthiness, reputation or experience, or any other evidence or documentation, with respect to such assignment.

(b) DB Franchising shall be entitled to assign the Lease to an entity that will operate the Property as a Dutch Bros. coffee outlet under a franchise agreement between DB Franchising and the assignee, provided that Landlord's written consent shall be required, which consent will not be unreasonably withheld, conditioned or delayed.

(c) With respect to an assignment made under Section 1(a) or Section 1(b) above, Landlord agrees that (i) no assignment fee or similar charge will be applicable, (ii) the Lease will be assigned without change in rent or any other terms, (iii) Tenant (and its guarantor,

if applicable) shall remain solely liable for all obligations and liabilities under the Lease arising or accruing prior to the assignment to DB Franchising under Section 1(a), and DB Franchising shall have no liability for any such obligations or liabilities, and (iv) DB Franchising shall be liable for all obligations and liabilities arising or accruing under the Lease while DB Franchising holds the lessee interest under the Lease, but shall not be liable for any obligations or liabilities arising or accruing under the Lease after DB Franchising assigns the Lease under Section 1(b).

(d) To the extent the franchise agreement differs from the lease agreement, the lease agreement with the City of Chehalis shall control

2. Assignment to Franchisee of DB Franchising.

(a) Tenant shall be entitled to assign the Lease to an entity that will operate the Property as a Dutch Bros. coffee outlet under a franchise agreement between DB Franchising and the assignee, provided that Landlord's written consent shall be required, which consent will not be unreasonably withheld, conditioned or delayed. Landlord and Tenant acknowledge that in lieu of receiving a direct assignment of the Lease upon termination or expiration of the Franchise Agreement, DB Franchising may elect to have the Lease assigned to an entity, subject to the provisions in the immediately preceding sentence.

(b) With respect to an assignment made under Section 2(a) above, Landlord agrees that (i) no assignment fee or similar charge will be applicable, (ii) the Lease will be assigned without change in rent or any other terms, and (iii) Tenant (and its guarantor, if applicable) shall remain solely liable for all obligations and liabilities under the Lease or accruing prior to the assignment.

3. Vehicular Access. Landlord and Tenant agree that vehicular ingress and egress to the Property will not be modified or otherwise changed or materially impacted without the prior written consent of DB Franchising.

4. Sign Package; Trade Fixtures. The sign package approved under the Lease will not be changed in any material respect without the prior written consent of DB Franchising. Upon termination or expiration of the Lease, Landlord consents to Tenant (or DB Franchising, if Tenant fails to do so) entering the Property and removing (at the expense of Tenant or DB Franchising, as applicable) the exterior and interior signs and trade fixtures, provided that Tenant (or DB Franchising, if applicable) shall repair any damage caused by such removal.

5. Right to Enter. DB Franchising shall have the right to enter the Property to make any modifications or alterations permitted under the Lease, at its own cost, necessary (in the opinion of DB Franchising) to protect DB Franchising's franchise system and/or trademarks, and to cure, within the time periods provided by the Lease and this Addendum, any default under the Lease, all without being guilty of trespass or other tort.

6. Landlord Liens. All personal property of Tenant, its subtenants or assigns, located in or on the Premises, including but not limited to, movable or installed trade fixtures ("**Tenant's Property**"), shall remain the property of Tenant and may be removed by Tenant from the Premises at any time. Landlord hereby waives any claim of statutory or contractual landlord's lien on or security interest in Tenant's Property no matter how it may be affixed to the Premises.

7. Notice and Cure Rights. Landlord will provide to DB Franchising (at the same time and in the same manner as delivered to Tenant) a copy of all notices, letters, amendments, assignments and other documents relating to the Lease or the Property that are delivered to Tenant. Landlord and Tenant hereby acknowledge and agree that DB Franchising has the right, but is under no obligation, to cure any deficiency under or breach of the Lease, if Tenant should fail to do so, within 15 days after the expiration of Tenant's cure period (or if later, 15 days after the delivery of notice to DB Franchising under this Section 6). Notice to DB Franchising shall be sent to:

General Manager
PO Box 1929
Grants Pass, OR 97528

8. Use of Property. Landlord and Tenant agree that the Property will be used only for the operation of a Dutch Bros. coffee outlet during the entire term, and any extension(s), of the Lease.

9. Amendments. Landlord and Tenant will not amend or otherwise modify the Lease or this Addendum in any manner which would affect any of the foregoing requirements, the term of the Lease (including any renewals), or the use of the Property, nor shall the same have any effect, without DB Franchising's prior written consent.

10. Conflicts. To the extent that the Franchise agreement differs from the Lease Agreement, the Lease Agreement shall control.

11. Third Party Beneficiary. Landlord and Tenant acknowledge and agree that DB Franchising is an intended third party beneficiary of this Addendum, and shall be entitled to enforce the rights provided to it hereunder against Landlord and Tenant, as applicable.

12. Incorporation by Reference; No Further Amendments. This Addendum is hereby incorporated fully into the Lease by this reference. This Addendum amends the Lease. Except as provided herein, all other terms of the Lease shall remain unchanged.

DATED this _____ day of February, 2015.

LANDLORD:
CITY OF CHEHALIS, operator of the
Chehalis-Centralia Airport

By: _____
Name: _____
Its: _____

DB FRANCHISING:

By: _____
Name: _____
Title: _____

TENANT:

Bass Enterprises Inc.

By: Jeff Bass
Name: Jeffery Bass
Title: president / member / Tenant

CITY OF CHEHALIS

AGENDA REPORT

DATE: June 17, 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 modification with CCA Retail, LLC. CCA Retail is refinancing with their bank and part of their refinance package is to separate out a tract from the original lease. Please see attached map. The amended leases are attached for your review and consideration.

DISCUSSION

The attached leases are in need of a complete legal description. This is one item that is still being worked on by the surveyor. The legal and lease proposal is not for additional land, it is simply to segregate out a parcel from the original lease agreement. The administration and CCA Retail have been working together to get the lease revision completed before the bank deadline of July 1. The approval for the City Manager to execute the lease would be subject to the legal description being provided and reviewed by the City Attorney.

RECOMMENDATION/COUNCIL ACTION DESIRED

The administration is recommending approval of the lease modification with CCA Retail, LLC, as proposed in the attached lease agreements, subject to the legal description being received and approved by the City Attorney.

SUGGESTED MOTION

I move that the council approve and authorize the city manager to execute the lease modification with CCA Retail LLC as proposed in the attached lease agreements, subject to the legal description being received and approved by the City Attorney.

Reviewed:  _____, City Manager

FOURTH AMENDMENT TO GROUND LEASE
(TWIN CITY SHOPPING CENTER)

THIS FOURTH AMENDMENT, dated as of July 1, 2015, is made and entered by and between CITY OF CHEHALIS ("Landlord"), and CCA RETAIL, LLC, ("Tenant").

RECITALS

A. Landlord and Tenant are parties to a certain Ground Lease with an effective date of June 15, 2000, as amended by First Amendment to Ground Lease, executed as of October 23, 2000, a Ground Lease Amendment No. 1, dated as of July 14, 2003, and a Third Amendment to Ground Lease, dated as of October 24, 2011 (collectively, the "Lease").

B. Landlord and Tenant desire to amend the Lease to reduce the area of real property leased by Tenant pursuant to the Lease and to reduce the Base Rent on account of such reduction.

AGREEMENT

It is therefore agreed as follows:

1. Amendment of Leased Property. Exhibit A to the Lease is hereby deleted and in substitution thereof is the real property described in Exhibit A attached hereto.

2. Reduction in Base Rent. Commencing as of July 1, 2015, Section 4.3 of the Lease is hereby deleted and in substitution thereof is the following:

4.3 Payment of Base Rent. Tenant shall pay on the first day of each calendar month the following monthly amounts:

July 1, 2015 to June 30, 2018: \$ _____

July 1, 2018 to June 30, 2023: \$ _____

3. Full Force and Effect. The Lease, as amended herein, shall continue in full force and effect.

LANDLORD:

CITY OF CHEHALIS

By _____
Name: _____
Its: _____
Date: _____

TENANT:

CCA RETAIL, LLC

By Fredrick Peterson
Name: Fredrick Peterson
Its: Manager
Date: 6-17-15

STATE OF WASHINGTON

COUNTY OF KING

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On this _____ day of _____, 20____, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the _____ of City of Chehalis, the municipality that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said City, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

Notary Public in and for the state of
Washington, residing at _____
My name is (printed): _____
My appointment expires _____

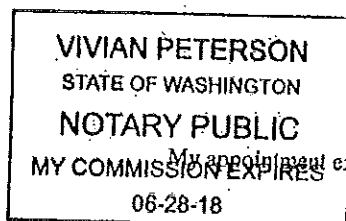
STATE OF WASHINGTON

COUNTY OF KING

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On this 17th day of June, 2015, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared FREDRICK PETERSON, to me known to be the Manager of CCA Retail, LLC, the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument and that the seal affixed is the corporate seal of said company.

WITNESS my hand and official seal hereto affixed the day and year first above written.



[Signature]
Notary Public in and for the state of
Washington residing at Belleview
My name is (printed): Vivian Peterson
My appointment expires 06-28-18

CCA THREE GROUND LEASE

(Chehalis, Washington)

THIS GROUND LEASE ("Lease") is made and entered into as of July 1, 2015 by and between **CITY OF CHEHALIS ("Landlord")**, and **CCA RETAIL THREE, LLC, ("Tenant")**. Landlord and Tenant are sometimes hereinafter each singularly referred to as a **"Party"** and collectively referred to as the **"Parties."**

SECTION I - FUNDAMENTAL LEASE TERMS

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

Effective Date:	July 1, 2015
Landlord:	City of Chehalis P. O. Box 1344 Chehalis, Washington 98532
Tenant:	CCA Retail Three, LLC 1299 156th Avenue N.E.; Suite 150 Bellevue, WA 98004
Lease Term:	Term commencing July 1, 2015 and expiring June 30, 2058
Base Rent:	As stated in Sections 4.2, 4.3, and 4.4 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 _____ (____) acres, 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 is depicted on the site plan attached hereto as Exhibit "B" and incorporated herein by this reference (**"Site Plan"**).

2.2 Easements With Covenants and Restrictions Affecting Land. Tenant acknowledges that the Property is burdened by that certain Easement With Covenants and Restrictions Affecting Land, dated February 14, 1994, between Landlord and Wal-Mart Stores, Inc., and recorded under Lewis County Auditor's No. 9403529 (herein, the "ECR").

2.3 Development. Tenant is authorized to construct one or more structures (herein, "Improvements") on the Property, provided that (a) the Improvement is constructed in compliance with all applicable codes and the ECR, and (b) Landlord has approved in writing the schematic drawings showing the dimensions and locations of the Improvement, such approval 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.

2.4 Tenant's Work. Tenant shall design each Improvement and obtain all required governmental permits and approvals. Furthermore, Tenant shall fill the site as required, connect and extend utilities, and shall pay all costs incurred in connection with the construction of any Improvement.

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 June 30, 2058. For purposes of this Lease, the term "Lease Year" shall mean each twelve (12) month period commencing on the Rent Commencement Date, as defined in Section 4.3 below, and each anniversary thereof.

SECTION 4 - RENT

4.1 Base Rent. For each Lease Year, 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 ("Base Rent"), as described in Sections 4.2, 4.3 and 4.4 hereof.

4.2 Payment of Base Rent. Commencing with July 1, 2003 (the "Rent Commencement Date"), Tenant shall pay on the first day of each calendar month the following monthly amounts of Base Rent:

July 1, 2015 to June 30, 2018 \$ _____

July 1, 2018 to June 30, 2023 \$ _____

4.3 Reappraisal. As of July 1, 2023 and July 1, 2043 (herein, the "Appraisal Dates") the Base Rent will be adjusted to fair market rental value based on the fair market value of the Property, as determined by appraisal, multiplied by Landlord's capitalization rate of ten percent (10%) to determine the annual Base Rent. It is understood by both parties that the appraisal will

be based upon vacant unimproved land exclusive of all Tenant owned improvements made to the Property and paid for by Tenant. Landlord shall engage an independent appraiser (MAI) to appraise the Property and to provide Landlord and Tenant with a written appraisal. If Tenant disagrees with the opinion 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 and apply the Landlord's capitalization rate of ten percent (10%), as provided above, 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 neither be less than the rent payable prior to an Appraisal Date nor greater than one hundred thirty five percent (135%) of 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 Base Rent After Appraisal. The Base Rent shall, commencing with July 1, 2028 and every fifth (5th) anniversary thereafter, be increased by ten percent (10%) of the Base Rent then in effect as of the adjustment date, until a new Base Rent, effective as of July 1, 2043, is determined by appraisal pursuant to the procedures set forth in Section 4.4 above. The Base Rent shall, commencing with July 1, 2048 and every fifth (5th) anniversary thereafter, be increased by ten percent (10%) of the Base Rent then in effect as of the adjustment date until the expiration of the term of the Lease.

SECTION 5 - TAXES

5.1 Leasehold Taxes. From the Rent Commencement Date, Tenant shall pay to Landlord, at the time Base 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.

(b) 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 rate specified herein. 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 5.1 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 will be subleasing the Property as the Property is developed. All subleases shall conform to and shall be subject to the terms and conditions of this master Lease, and shall conform to and be subject to the ECR. To the extent required by the FAA, all subleases are subject to FAA approval. Appropriate attornment and non disturbance agreements must be executed by the parties prior to occupancy by any subtenant. Tenant shall provide Landlord with a copy of its standard form sublease for approval, which approval shall not be unreasonably withheld.

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 has inspected the Property and accepts the Property in its present condition.

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 and no improvements, fixtures or any other use, temporary or permanent, shall be made, constructed, or placed in areas designated on 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. Tenant agrees the Property, including Tenant's buildings and other improvements, shall continue to contribute to the viability of the commercial retail shopping center throughout the Term of this Lease.

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. Tenant shall also not hypothecate or mortgage Tenant's interest in this Lease, except as authorized by Section 20 below.

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 235 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 locations approved by Landlord, such approval not to be unreasonably withheld and no temporary nor long term improvements will be constructed in the area that impairs the parking requirements imposed by the ECR. 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, and shall be subject to the following:

a. The plans or specifications for such changes or alterations, including amendments of such plans or specifications, shall be submitted to Landlord for its approval.

b. No such change or alteration shall be made except under the supervision of an architect or engineer selected by Tenant and approved in writing by Landlord.

c. If required by applicable law, 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 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 and update each plan to show all changes and modifications thereto.

10.2 Fixtures and Equipment.

a. In constructing the Project upon the Property, Tenant may place or install in the Project such trade fixtures and equipment as Tenant shall deem desirable for the conduct of business therein, and shall comply with the mandates of Subsection 10.4. Personal property, trade fixtures, and 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) 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. All other fixtures, equipment, and improvements (including but not limited to the Project and all fixtures and equipment necessary for its operation and maintenance) 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 trade fixtures 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 personal property and trade fixtures as abandoned and (i) retain the personal property and treat the trade fixtures as part of the Property, or (ii) have the personal property 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 the 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 of claims of all persons for work performed in or materials furnished for construction. If required by applicable 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. 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 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 therefor, and will make them available for inspection by Landlord or its representatives as requested.

10.6 Permits and Compliance With Codes. All building permits 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 and all directions and regulations of all governmental agencies and representatives of such agencies having jurisdiction. Tenant shall comply with the overall development plans of Airport property as approved by Landlord when such plans do not interfere with the intended development, use and occupancy of the 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 be removed by Tenant provided however that Tenant may elect to abandon such improvements, which improvements shall then become the property of Landlord, provided however that Landlord shall have the right, at its option, to elect by written notice to Tenant delivered within a reasonable time after the termination of this Lease to require Tenant to remove all improvements from the Property.

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 therefor, 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.

SECTION 11 - MAINTENANCE AND REPAIRS

11.1 Alterations and Repairs. Tenant shall have the right from time to time, in its sole discretion, to make interior, structural, and non-structural repairs, alterations, and additions to the Property and Improvements, including the right to relocate all exterior customer and loading doors and entryways in the Building, without obtaining Landlord's consent. Landlord agrees to execute any and all instruments necessary to obtain licenses and permits from the applicable governmental authorities in order to make such repairs and/or alterations.

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 satisfactory to Landlord (acting reasonably) 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 all 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, Two Million and no/100 Dollars (\$2,000,000.00) each occurrence, Five Million and no/100 Dollars (\$5,000,000.00) 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. Beginning on and after the first Appraisal Date of January 1, 2023, Tenant shall provide earthquake or the shifting or moving of the earth insurance. 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.

(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 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 or Trustee of Insurance, as defined in Section 12.8 below, except after thirty (30) days' prior written notice from insurance company to Landlord.

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

(d) Expressly provide that Landlord shall not be required to give notice of accidents or claims and that Landlord shall have no liability for premiums.

(e) Provide that all proceeds shall be paid jointly to Landlord and Tenant, or to the Trustee of Insurance, as defined in Section 12.8 below.

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 therefor, 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 Insurance Money and Other Funds Held in Trust. All insurance money shall be received by the Trustee of Insurance and shall be held in trust and, except as provided otherwise in Section 12.7, shall be applied in accordance with the provisions of this Lease.

12.7 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 Trustee of Insurance shall apply the proceeds of the insurance collected to the cost of such work upon certificate of progress and/or completion in form satisfactory to said Trustee 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.

12.8 Powers and Duties of Trustee of Insurance.

(a) **Trustee.** Trustee shall be an Institutional Investor, as defined in Section 20.3(a), doing business in the state of Washington with authority to hold escrow funds and acceptable to the Landlord and Tenant. The Trustee shall not be a Leasehold Mortgagee. The Trustee of Insurance shall retain in trust all policies of insurance or certificates thereof delivered to it as herein provided and shall not permit the withdrawal, termination, or discontinuance of any such policy without Landlord's consent, and upon request, shall exhibit such policies or certificates to Landlord, Tenant, or any authorized representative of said Landlord or Tenant. Said Trustee of Insurance shall receive in trust the proceeds of insurance and make disbursements thereof specifically limited to the proceeds of physical Property Damage Insurance described in Section 12.3, and shall make disbursements thereof as provided in Section 12.7 and, when applicable, in accordance with Section 12.7 hereof. Trustee of Insurance shall recognize that one of the primary objectives of the parties is to ensure that disbursements of funds held by the Trustee will be paid in a manner which will mitigate against the imposition of liens or encumbrances upon the Property or the Project. Receipt and disbursement of other types of insurance proceeds may be undertaken by the Trustee upon written agreement with Landlord and Tenant.

(b) **Trustee's Liability.** Neither Landlord nor Tenant shall hold said Trustee liable for any mistake or error in judgment in the discharge of its duties, but the Trustee shall be liable only for willful neglect or breach of duty; and said Trustee shall not be liable or responsible for the collection of any moneys or the failure or refusal of any insurance company or third person or corporation from whom money may be due to pay the same, but it shall be duties of such Trustee, in case of failure or refusal of any insurance company or third person or corporation to pay any policies or money due, to use all proper and legal means in conjunction and cooperation with Landlord and Tenant to recover the same, but at the expense of Tenant.

(c) **Trustee's Fees.** All fees and charges of such Trustee of Insurance shall be paid by Tenant. Trustee's fee shall be based on its then current annual minimum fee plus out-of-pocket expenses. Administrative time is to be charged at the then prevailing hourly rate for such service.

(d) **Trustee's Merger.** If Trustee of Insurance should merge into any other Institutional Investor or change its corporate name or should transfer its trust business to any other Institutional Investor, such successor institution shall succeed to all the powers, duties, and authority given to the Trustee of Insurance hereunder.

(e) **Trustee's Successors.** The Trustee of Insurance may resign upon giving sixty (60) days' notice in writing to Landlord and Tenant of its desire to resign. Upon receipt of such written notice, or if the Trustee of Insurance named herein refuses to serve, Landlord and Tenant shall promptly mutually agree upon a successor or alternate trustee and, in the event they are unable to agree upon a successor or alternate trustee during the said sixty (60) days, either Landlord or Tenant may apply to the Presiding Judge of the Superior Court of the state of Washington for Lewis County to name a successor or alternate trustee who shall be an Institutional Investor as defined in Section 20.3. The appointment of such successor or alternate trustee by said Judge in accordance herewith shall be binding upon both Landlord and Tenant, and such successor or alternate trustee shall be entitled to receive from the former Trustee all securities or moneys or policies held by it and shall be vested with all the rights and powers herein conferred upon Trustee herein originally appointed.

(f) **Investment of Proceeds.** Trustee of Insurance shall invest any insurance proceeds received as directed in writing jointly by Landlord and Tenant; provided, however, if Landlord and Tenant cannot agree to the investments to be made, Trustee of Insurance may invest such funds in one or more of the following types of bonds and securities:

- (1) Bills, certificates, notes, or bonds of the United States;
- (2) Other obligations of the United States or its agencies;
- (3) Obligations of any corporation wholly owned by the government of the United States;
- (4) Indebtedness of the Federal National Mortgage Association; and

(5) Time deposits in commercial banks insured by the Federal Deposit Insurance Corporation.

In making investments in one or more of said types of bonds and securities, Trustee of Insurance shall be mindful of the probable necessity of payments from time to time of portions of the insurance proceeds and shall select investments with appropriate maturities. Income from the investments shall be treated as part of the insurance proceeds held by Trustee of Insurance.

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 by the Trustee of Insurance to 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 held by the Trustee 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 hereinabove.

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 building 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, that 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 Base 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, 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; or if the breach pertains to the payment of rent, Tenant shall have thirty (30) days after receipt of the notice to cure the breach; 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, 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. Nothing contained herein shall limit or prejudice the right of Landlord to prove for and obtain as liquidated damages by reason of such default, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceeds in which, such damages are to be provided, whether or not such amount be greater, equal to, or less than the amount of the difference referred to above.

(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 hereinabove, 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 - TRANSFERS BY LANDLORD

[Intentionally deleted].

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 assign, hypothecate, mortgage, or otherwise pledge the leasehold estate created hereby with Landlord's express written consent, which consent may be withhold 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) savings and loan association; (iii) commercial bank; (iv) trust company; (v) credit union; (vi) insurance company; (vii) petroleum company; (viii) college; (ix) university; (x) real estate investment trust; or (xi) 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 Mortgage" as used in this Section 20 shall refer to the Institutional Investor which is the holder of a Leasehold Mortgage in respect to which the notice provided for by Section 20.2 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 or 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 Mortgage, 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 entered 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 therefor, 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 (but not such proceeds, if any, payable jointly to Landlord and Tenant, or payable to the Trustee of Insurance) 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 Sections 19 and 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 therefor 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 Base 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: CCA Retail Three, LLC
1299 156th Avenue N.E.; Suite 150
Bellevue, WA 98004

Copy to: Garvey, Schubert & Barer
1191 Second Avenue; Suite 1800
Seattle, Washington 98101
Attention: Mark Rowley

If to Landlord: City of Chehalis
P. O. Box 1344
Chehalis, Washington 98532

Copy to: Hillier & Scheibmeir, 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.

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. Landlord and Tenant each warrants and represents to the other that there are no brokers' or finders' fees or any real estate commissions due to any broker, agent, or other party in connection with the negotiation or execution of this Lease, or on behalf of either of them, other than the Broker identified in Article 1. Tenant shall pay all brokerage commissions and expenses to Broker pursuant to a separate agreement between Tenant and Broker. 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.

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 Reserved.

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 Hazardous, Toxic, or Harmful Substances. Tenant shall not cause or permit any hazardous material (has 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.

21.15 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 otherwise 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; explosion; war;

invasion; insurrection; riot; mob violence; sabotage; vandalism; inability to procure or general shortage of labor, equipment, facilities, materials, or supplies in the open market; failure of transportation; 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.

21.16 Estoppel Certificate. Tenant agrees within a reasonable period of time after request therefor 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 therefor from Tenant.

21.17 Approval. Any approval required from Landlord hereunder shall not be unreasonably withheld, delayed or conditioned. 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 therefor.

21.18 Access to Twin City Shopping Center. That portion of the Property labeled Parcel B on Exhibit A attached hereto currently provides access to the real property commonly known as the Twin City Shopping Center that is leased by an affiliate of Tenant, CCA Retail, LLC, from Landlord. Landlord and Tenant agree that Parcel B shall continue to provide access to the Twin City Shopping Center and an easement for ingress and egress over Parcel B is hereby declared by Landlord and Tenant to and for the benefit of the Twin City Shopping and its tenants, invitees, and licensees, which easement shall continue in full force and effect notwithstanding any amendment or termination of this Lease. Such easement shall be terminated and released only at such time as another access lane from Louisiana Avenue located to the south of Parcel B has been approved by Landlord, constructed by Tenant, and accepted by Landlord.

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**").

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

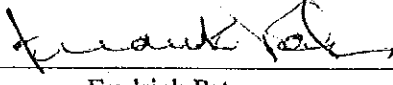
LANDLORD:

CITY OF CHEHALIS

By _____
Name: _____
Its: _____
Date: _____

TENANT:

CCA RETAIL THREE, LLC

By  _____
Name: Fredrick Peterson
Its: Manager
Date: 6-17-15

STATE OF WASHINGTON)
) :ss
COUNTY OF KING)

On this _____ day of _____, 20____, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the _____ of City of Chehalis, the municipality that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of the City, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument.

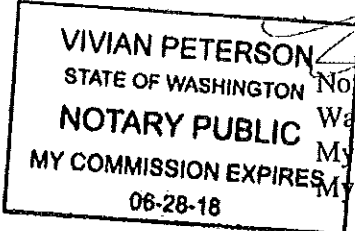
WITNESS my hand and official seal hereto affixed the day and year first above written.

Notary Public in and for the state of
Washington, residing at _____
My name is (printed): _____
My appointment expires _____

STATE OF WASHINGTON)
) :ss
COUNTY OF KING)

On this 17th day of June, 2015, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared FREDRICK PETERSON, to me known to be the Manager of CCA Retail Three, LLC, the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument and that the seal affixed is the corporate seal of said company.

WITNESS my hand and official seal hereto affixed the day and year first above written.

A rectangular notary seal stamp for Vivian Peterson, Notary Public, State of Washington. It includes the text "MY COMMISSION EXPIRES 06-28-18".

Notary Public in and for the state of
Washington residing at Bellevue
My name is (printed): Vivian Peterson
My appointment expires 6-28-18

LIST OF EXHIBITS

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

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

EXHIBIT "B"

SITE PLAN OF PROPERTY

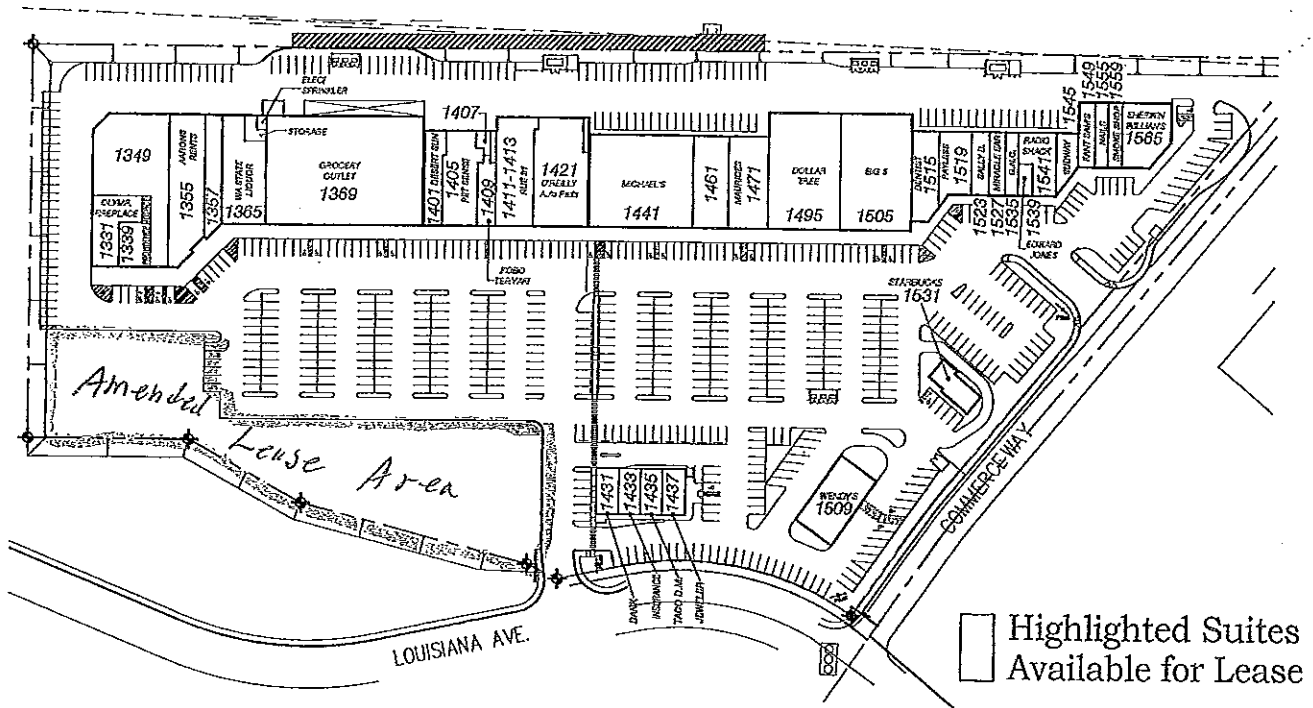


EXHIBIT "C"

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Re: Chehalis, Washington

(Space Above for Recorder's Use Only)

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE ("Memorandum") is made and entered into as of _____, 20____, by and between **CITY OF CHEHALIS ("Landlord")**, and **CCA RETAIL THREE, LLC ("Tenant")**.

1. **TERM AND PROPERTY.** For an initial lease term expiring June 30, 2058, and upon the provisions set forth in that certain written Lease of even date herewith from Landlord to Tenant ("Lease"), all of which provisions are specifically made a part hereof as though fully and completely set forth herein, Landlord leases to Tenant, and Tenant leases from Landlord, that certain real property consisting of land and improvements ("Property") located in the city of Chehalis, county of Lewis, state of Washington legally described in Exhibit "1" attached hereto, together with all rights of ingress and egress and all other rights appurtenant to said Property including, without limitation, the right to use the building constructed or to be constructed on the Property for the purposes contemplated in the Lease, all of which rights are more particularly described in the Lease.

2. **USE.** Reference is particularly made to Section 8 of the Lease wherein Tenant is granted the right to use the Property.

3. **PURPOSE OF MEMORANDUM OF LEASE.** This Memorandum is prepared for the purpose of providing for record notice of the Lease, and in no way modifies the express and particular provisions of the Lease.

4. **FOR THE BENEFIT OF THE PROPERTY.** Landlord and Tenant intend that the covenants, conditions, and restrictions described and referred to herein shall be both personal to Landlord and Tenant and binding on their successors and assigns. Each successive owner of the Property or of any portion thereof, and each person having any interest therein derived through any owner thereof, shall be bound by such covenants, conditions, and restrictions for the benefit of the Property.

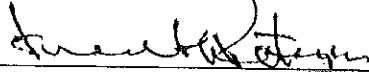
IN WITNESS WHEREOF, this Memorandum of Lease has been executed as of the date first above written.

CITY OF CHEHALIS

By _____
Name: _____
Title: _____

LANDLORD

CCA RETAIL THREE, LLC

By 
Name: Fredrick Peterson
Title: Manager

TENANT

STATE OF WASHINGTON)
) :ss
COUNTY OF KING)

On this _____ day of _____, 20____, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the _____ of City of Chehalis, the municipality that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of the City, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument.

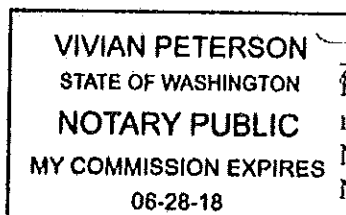
WITNESS my hand and official seal hereto affixed the day and year first above written.

Notary Public in and for the state of
Washington, residing at _____
My name is (printed): _____
My appointment expires _____

STATE OF WASHINGTON)
) :ss
COUNTY OF KING)

On this 17th day of June, 2015, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared FREDRICK PETERSON, to me known to be the Manager of CCA Retail, LLC, the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument and that the seal affixed is the corporate seal of said company.

WITNESS my hand and official seal hereto affixed the day and year first above written.



[Signature]
Notary Public in and for the State of Washington,
residing at Bellvue
My name is (printed): Vivian Peterson
My appointment expires: 6-28-18

EXHIBIT "1"

to

EXHIBIT "C"

LEGAL DESCRIPTION OF PROPERTY

EXHIBIT "D"

ESTOPPEL CERTIFICATE

Date: _____

TO: _____

CITY OF CHEHALIS ("Landlord"), and CCA RETAIL THREE, LLC, a limited liability company ("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.

- (1) Tenant has entered into occupancy of the Property described in the Lease;
- (2) The Lease is in full force and effect and has not been assigned, modified, supplemented, or amended in any way, except as follows:

- (3) The Rent Commencement Date of the Lease is _____, 20____;
- (4) The Lease Term shall expire on _____, 20____; provided, however, that Tenant has additional options to extend the Lease Term as provided therein;
- (5) Current annual Base Rent is _____;
- (6) All conditions precedent to Tenant's obligations as set forth in the Lease have been satisfied or waived;
- (7) 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;

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

(9) 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

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

EXECUTED as of the date first written above.

CCA RETAIL THREE, LLC

By *Fredrick Petersen*
Name: Fredrick Petersen
Title: Mgr

TENANT

EXHIBIT "1"

to

EXHIBIT "D"

LEGAL DESCRIPTION OF PROPERTY

[To be provided]

EXHIBIT "E"

COMPLIANCE WITH FEDERAL AVIATION ADMINISTRATION REQUIREMENTS

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

GSB:512762.9

To: The Honorable Mayor and Council
 Via: Merlin MacReynold, City Manager
 From: Judy Pectol, Finance Manager
 Prepared by: Betty Brooks, Payroll Accountant
 Date: June 16, 2015
 Subject: Monthly Financial Reports for May

City of Chehalis
Comparative Financial Reports
May 2014 and 2015

GENERAL FUND (#001) REVENUES	A		B		C=B/A		D		E		F=E/D		G		H^		I=F-G	
	Budget	May 2014	Actual		Rec'd	%	Budget	May 2015	Actual		Rec'd	%	Expected	% Rec'd	Varinc from Expected		Variance	%
General Property Taxes	\$1,262,000		\$551,720		43.7%		\$1,268,579		\$583,822		46.0%		41.7%		\$54,825		4.3%	
EMS Property Taxes	239,500		104,488		43.6%		238,157		109,746		46.1%		41.7%		10,435		4.4%	
Sales & Use Tax	3,265,000		1,408,192		43.1%		3,762,844		1,427,860		37.9%		41.7%		(141,446)		-3.8%	
Electricity Tax	430,000		135,772		31.6%		440,000		147,854		33.6%		41.7%		(35,626)		-8.1%	
Gas/Natural Gas Tax	222,000		125,913		56.7%		221,000		92,169		41.7%		41.7%		12		0.0%	
Criminal Justice Tax	91,000		39,896		43.8%		110,000		42,251		38.4%		41.7%		(3,619)		-3.3%	
Water/Sewer Tax	415,834		174,056		41.9%		445,000		173,713		39.0%		41.7%		(11,852)		-2.7%	
Garbage Tax	60,000		30,065		50.1%		61,000		31,362		51.4%		41.7%		5,925		9.7%	
Cable Tax	94,000		49,707		52.9%		104,000		51,510		49.5%		41.7%		8,142		7.8%	
Telephone Tax	318,000		124,288		39.1%		270,500		110,138		40.7%		41.7%		(2,661)		-1.0%	
Leasehold Excise Tax	38,000		9,046		23.8%		39,500		9,341		23.6%		41.7%		(7,131)		-18.1%	
Timber Excise Tax	40		0		0.0%		40		0		0.0%		41.7%		(17)		-41.7%	
Total Tax Revenues	6,435,374		2,753,143		42.8%		6,960,620		2,779,566		39.9%		41.7%		(123,013)		-1.8%	
Licenses & Permits	69,980		17,983		25.7%		168,116		74,994		44.6%		41.7%		4,890		2.9%	
Intergov't Grants/Entitlements	167,950		58,146		34.6%		421,400		230,107		54.6%		41.7%		54,383		12.9%	
Charges for Goods and Svcs.	332,800		132,658		39.9%		408,295		88,405		21.7%		41.7%		(81,854)		-20.0%	
Fines and Forfeitures	151,875		55,589		36.6%		163,739		64,290		39.3%		41.7%		(3,989)		-2.4%	
Interest Earnings	11,760		3,206		27.3%		9,990		7,897		79.0%		41.7%		3,731		37.3%	
Rents & Royalties	71,350		25,578		35.8%		88,472		25,791		29.2%		41.7%		(11,102)		-12.5%	
Donations/Contributions	40,475		6,056		15.0%		0		4,775		100.0%		41.7%		4,775		0.0%	
Misc. Revenue/Insurance	11,850		16,856		142.2%		11,850		99,085		836.2%		41.7%		94,144		794.5%	
Non-Revenues	4,225		1,362		32.2%		4,225		1,656		39.2%		41.7%		(106)		-2.5%	
Total Non-Tax Revenues	862,265		317,434		36.8%		1,276,087		597,000		46.8%		41.7%		64,872		5.1%	
Operating Transfers-In	1,000,000		122,012		12.2%		0		0		0.0%		41.7%		0		0.0%	
Total Other Financing Sources	1,000,000		122,012		12.2%		0		0		0.0%		41.7%		0		0.0%	
TOTALS	\$8,297,639		\$3,192,589		38.5%		\$8,236,707		\$3,376,566		41.0%		41.7%		(\$58,141)		-0.7%	

Key:

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City of Chehalis
Comparative Financial Reports
May 2014 and 2015

GENERAL FUND (#001) EXPENDITURES	A		B		C=B/A		D		E		F=E/D		G	H^	I=G-F
	Budget	May 2014	Actual	Exp'd	%	Budget	May 2015	Actual	Exp'd	%	Exp'd	% Exp*	Expected	Var'nc from Expected	% Variance
City Council	\$93,551	\$32,534		34.8%		\$111,811	\$46,764		41.8%		41.7%	41.7%	(\$139)	-0.1%	
Municipal Court	340,304	134,167		39.4%		380,000	147,692		38.9%		41.7%	41.7%	10,768	2.8%	
City Manager	270,131	110,287		40.8%		266,410	147,950		55.5%		41.7%	41.7%	(36,857)	-13.8%	
Finance	183,331	80,164		43.7%		203,500	154,844		76.1%		41.7%	41.7%	(69,985)	-34.4%	
City Clerk	74,986	30,887		41.2%		78,816	40,452		51.3%		41.7%	41.7%	(7,586)	-9.6%	
Non-Departmental	1,302,246	751,013		57.7%		461,773	156,535		33.9%		41.7%	41.7%	36,024	7.8%	
Human Resources	90,033	40,579		45.1%		85,969	52,550		61.1%		41.7%	41.7%	(16,701)	-19.4%	
Police	2,573,370	1,090,790		42.4%		2,717,426	1,101,952		40.6%		41.7%	41.7%	31,215	1.1%	
Fire	1,657,866	707,881		42.7%		1,902,335	752,229		39.5%		41.7%	41.7%	41,045	2.2%	
Public Works - Streets	469,060	141,937		30.3%		731,360	240,439		32.9%		41.7%	41.7%	64,538	8.8%	
Community Development	1,228,727	494,072		40.2%		1,396,330	627,051		44.9%		41.7%	41.7%	(44,781)	-3.2%	
TOTALS	\$8,283,605	\$3,614,311		43.6%		\$8,335,730	\$3,468,458		41.6%		41.7%	41.7%	\$7,541	0.1%	
Net Budget/Income/Variance:	\$14,034	(\$421,722)				(\$99,023)	(\$91,892)							(\$50,599)	

Key:

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City of Chehalis
Comparative Financial Reports
May 2014 and 2015

	A		B		C=B/A		D		E		F=E/D		G		H^		I=G-F	
WASTEWATER FUND (#404)	Budget	May 2014	Actual		%	Rec'd	Budget	May 2015	Actual		%	Rec'd	Expected % Rec'd*		Var'nc from Expected		%	Variance
REVENUES																		
Wastewater Fees	\$4,364,408	\$1,904,058	4,545		43.6%		\$4,968,202	\$1,946,035	22,119		39.2%		41.7%		-\$125,705		-2.5%	
Sewer Connection/Misc. Fees	10,000	4,545	3,545		45.5%		10,000	22,119	3,545		221.2%		41.7%		17,949		179.5%	
Rentals	3,323	3,545	3,545		106.7%		3,545	3,545	1,294		100.0%		41.7%		2,067		58.3%	
Misc. Revenues/Insurance	3,300	3,538	3,538		107.2%		4,000	1,294	1,342		32.4%		41.7%		(374)		-9.3%	
Proceeds of Long-Term Debt	0	0	0		0.0%		0	1,342	1,016		100.0%		41.7%		1,342		100.0%	
Interest Earnings	300	115	115		38.3%		985	1,016	1,016		103.1%		41.7%		605		61.4%	
Totals:	\$4,381,331	\$1,915,801			43.7%		\$4,986,732	\$1,975,351			39.6%		41.7%		(\$104,116)		-2.1%	

	A		B		C=B/A		D		E		F=E/D		G		H^		I=G-F	
WASTEWATER FUND (#404)	Budget	May 2014	Actual		%	Exp'd	Budget	May 2015	Actual		%	Exp'd	Expected % Exp*		Var'nc from Expected		%	Variance
EXPENSES																		
Operating Expenses	\$2,550,559	\$1,001,540	12,557		39.3%		\$2,666,292	\$960,873	25,464		36.0%		41.7%		\$150,971		5.7%	
Capital Outlay	67,000	12,557	914,688		18.7%		253,000	915,891	12,293		10.1%		41.7%		80,037		31.6%	
Debt Principal	1,552,598	914,688	13,496		58.9%		1,832,390	12,293	0		50.0%		41.7%		(151,784)		-8.3%	
Interest Expense	27,480	13,496	0		49.1%		24,524	0	83,784		50.1%		41.7%		(2,066)		-8.4%	
Interfund Loan Repayment	83,332	\$1,942,281	0		0.0%		83,784	\$1,914,521	0		0.0%		41.7%		34,938		41.7%	
Totals:	\$4,280,969	\$1,942,281			45.4%		\$4,859,990	\$1,914,521			39.4%		41.7%		\$112,095		2.3%	

Net Budget/Income/Variance: \$100,362 (\$26,450) \$126,742 \$60,830 \$7,979

Key:

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City of Chehalis
Comparative Financial Reports
May 2014 and 2015

WATER FUND (#405) REVENUES	A		B		C=B/A		D		E		F=E/D		G	H^	I=F-G
	Budget	May 2014 Actual	Budget	Actual	% Rec'd	Budget	May 2015 Actual	% Rec'd	Expected % Rec'd*	Expected % Rec'd	Var'nc from Expected	Variance			
Water Sales	2,566,160	1,010,593			39.4%	2,566,160	935,302	36.4%	41.7%	(134,787)	-5.3%				
Water Connection/Misc. Fees	10,000	6,177			61.8%	10,000	31,017	310.2%	41.7%	26,847	268.5%				
Interfund Principal Repayment	83,332	0			0.0%	83,332	0	0.0%	41.7%	(34,749)	-41.7%				
Misc. Revenues/Insurance	1,000	791			79.1%	1,000	5,597	559.7%	41.7%	5,180	518.0%				
Interest Earnings	11,073	3,182			28.7%	11,073	2,241	20.2%	41.7%	(2,376)	-21.5%				
Totals:	\$2,671,565	\$1,020,743			38.2%	\$2,671,565	\$974,157	36.5%	41.7%	(\$139,886)	-5.2%				

WATER FUND (#405) EXPENSES	A		B		C=B/A		D		E		F=E/D		G		H^		I=G-F	
	Budget	May 2014 Actual		Actual	% Exp'd		Budget	May 2015 Actual	% Exp'd		Exp'd	% Exp*		Expected % Exp	Var'nc from Expected	% Variance		
Operating Expenses	\$1,834,545	\$665,802			36.3%		\$1,819,713	\$716,456	39.4%			41.7%		41.7%	\$42,364	2.3%		
Capital Outlay	525,333	42,319			8.1%		979,400	164,119	16.8%			41.7%		41.7%	244,291	24.9%		
Debt Principal	132,077	9,000			6.8%		133,077	10,000	7.5%			41.7%		41.7%	45,493	34.2%		
Interest Expense	19,225	3,300			17.2%		26,185	2,825	10.8%			41.7%		41.7%	8,094	30.9%		
Transfers Out	0	0			0.0%		420,000	0	0.0%			41.7%		41.7%	175,140	41.7%		
Totals:	\$2,511,180	\$720,421			28.7%		\$3,378,375	\$893,400	26.4%			41.7%		41.7%	\$340,242	15.3%		

Net Budget/Income/Variance: \$160,385 \$300,322 (\$706,810) \$80,757

Key:

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City of Chehalis
Comparative Financial Reports
May 2014 and 2015

STORM FUND (#406) REVENUES	A		B		C=B/A		D		E		F=E/D		G		H^		I=F-G	
	Budget	May 2014	Actual		%	Rec'd	Budget	May 2015	Actual		%	Rec'd	Expected % Rec'd*		Var'nc from Expected		%	Variance
Storm & Surface Water Fees	\$470,284	0	\$198,240		42.2%		\$506,772	1,000	\$209,167		41.3%	391.2%	41.7%		-\$2,157		-0.4%	
Storm Connection/Misc. Fees	0	0	1,232		100.0%		1,000	825	3,912		391.2%	178.8%	41.7%		3,495		349.5%	
Misc. Revenues/Insurance	0	0	250		100.0%		825	1,300	1,475		175.0%	17.5%	41.7%		1,131		100.0%	
Interest Earnings	300	300	0		0.0%		1,300	227	227		17.5%	42.1%	41.7%		(315)		-24.2%	
Totals:	\$470,584	\$470,584	\$199,722		42.4%		\$509,897	\$214,781							\$2,154		0.4%	

STORM FUND (#406) EXPENSES	A		B		C=B/A		D		E		F=E/D		G		H^		I=G-F	
	Budget	May 2014	Actual		%	Exp'd	Budget	May 2015	Actual		%	Exp'd	Expected % Exp*		Var'nc from Expected		%	Variance
Operating Expenses	\$452,358	\$452,358	\$151,259		33.4%		\$442,590	18,000	\$127,356		28.8%	0.0%	41.7%		\$57,204		12.9%	
Capital Outlay	15,000	15,000	0		0.0%		18,000	0	0		0.0%	27.7%	41.7%		7,506		41.7%	
Totals:	\$467,358	\$467,358	\$151,259		32.4%		\$460,590	\$127,356							\$64,710		14.0%	

Net Budget/Income/Variance: \$3,226 \$48,463 \$49,307 \$87,425 \$66,864

Key:

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City of Chehalis
Comparative Financial Reports
May 2014 and 2015

AIRPORT FUND (#407) REVENUES	A		B		C=B/A		D		E		F=E/D		G		H ^A		I=F-G	
	Budget	May 2014	Actual		%	Rec'd	Budget	May 2015	Actual		%	Rec'd	Expected % Rec'd*		Var'nc from Expected		%	Variance
Intergovernmental Revenues	265,000		0		0.0%		800,000		722		0.1%		41.7%		(332,878)		-41.6%	
Charges for Goods and Svcs.	500,000		188,029		37.6%		520,000		242,127		46.6%		41.7%		25,287		4.9%	
Interest Earnings	8,000		109		1.4%		15,085		7,202		47.7%		41.7%		912		6.0%	
Rents & Royalties	73,203		29,117		39.8%		96,000		31,945		33.3%		41.7%		(8,087)		-8.4%	
Capital Lease Receipts	821,918		353,630		43.0%		879,651		356,902		40.6%		41.7%		(9,912)		0.0%	
Misc. Revenues/Insurance	2,000		1,147		57.4%		2,000		337		16.9%		41.7%		(497)		-24.8%	
Capital Contribution - Airport	1,672,724		164,314		9.8%		0		0		0.0%		41.7%		0		0.0%	
Non-Revenue Tax Receipts	0		0		0.0%		0		76		100.0%		41.7%		(175,140)		58.3%	
Operating Transfers In	0		0		0.0%		420,000		0		0.0%		41.7%		(\$325,176)		-41.7%	
Totals:	\$3,342,845		\$736,346		22.0%		\$2,732,736		\$639,311		23.4%		41.7%				-18.3%	

AIRPORT FUND (#407) EXPENSES	A		B		C=B/A		D		E		F=E/D		G		H ^A		I=G-F	
	Budget	May 2014	Actual		%	Exp'd	Budget	May 2015	Actual		%	Exp'd	Expected % Exp*		Var'nc from Expected		%	Variance
Operating Expenses	941,045		323,020		34.3%		\$1,199,816		\$419,686		35.0%		41.7%		\$80,637		6.7%	
Capital Outlay	398,500		12,410		3.1%		1,455,000		20,563		1.4%		41.7%		586,172		40.3%	
Principal - G.O. Bonds	222,285		109,955		49.5%		231,992		114,756		49.5%		41.7%		(18,015)		-7.8%	
Interest Expense	93,921		48,148		51.3%		84,215		43,347		51.5%		41.7%		(8,229)		-9.8%	
Totals:	\$1,655,751		\$493,533		29.8%		\$2,971,023		\$598,352		20.1%		41.7%		\$640,565		21.6%	

Net Budget/Income/Variance: \$1,687,094 \$242,813
(\$238,287) \$40,959
\$315,389

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: June 12, 2015

TO: The Honorable Mayor and City Council

FROM: Rick Sahlin, Public Works Director
Patrick Wiltzius, Wastewater Superintendent

SUBJECT: Revision of Sewer Rates for Napavine and Lewis County Water & Sewer District #4

ISSUE

Council directed the administration to review the way wholesale sewage treatment rates are developed for Napavine and Lewis County Water & Sewer District #4 (LCSD #4). The administration has worked with a consultant to develop a new rate structure. An interlocal agreement with Napavine and LCSD#4 has also been developed to implement the new rate structure. The new rate structure and interlocal agreement are being presented for council consideration.

DISCUSSION

The City has used the same methodology to develop rates for Napavine and LCSD#4 since 2002. Council has expressed concerns about various aspects of that methodology. As a result the administration enlisted the help of FCS Group to develop a new rate structure that addressed those concerns. A new rate setting methodology was developed in the context of three key policy objectives:

- Promote stable and predictable payments
- Recover costs equitably based on the level of service provided
- Simplify the process of administering and updating the rate structure

The methodology developed utilizes various data from the last five years to set rates for the next five years. It is calculated using a combination of fixed and variable costs derived from the Wastewater Division's budget, percent capacity ownership in the CRWRF and percent flow to the CRWRF. A 25% administration rate is also utilized to calculate the rate. The actual rate calculation is detailed in the attached interlocal agreement. The end result is a stable rate for both Napavine and LCSD#4 for the next five years. The new rates result in a substantial rate increase for Napavine and a slight rate decrease for LCSD#4. The Sewer Operating Board was convened to address concerns about the new rate structure among all the entities. After some negotiation the new rate was approved by all of the entities and an interlocal agreement developed to formalize the new rate structure.

The administration proposes to enact the new rates effective July 1, 2015. They are listed in the table below:

Monthly Wholesale Rate

	2014	July 2015- June 2020	\$ change	% change
Napavine	\$9,924	\$14,043	\$4,119	41.5%
LCSD	\$5,262	\$5,178	-\$84	-1.6%

As in the past, the difference in rates between Napavine and LCSD#4 are a result of different flow contributions to the CRWRF as well as different capacity ownership in the CRWRF.

The attached ordinance has been prepared repealing rates for 2014 and establishing rates for July 2015 – June 2020. The interlocal agreement developed between the City, Napavine and LCSD#4 is also attached for council consideration.

RECOMMENDATION/COUNCIL ACTION DESIRED

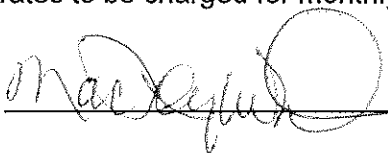
The administration recommends that the council suspend the rules requiring two readings of an ordinance and pass Ordinance No. 942-B on first and final reading, amending the sewer rates for the city of Napavine and Lewis County Water & Sewer District #4 and authorize the city manager to execute the Interlocal Agreement between the city of Chehalis, city of Napavine, and Lewis County Water & Sewer District #4 providing for rates to be charged for monthly sewage treatment services.

SUGGESTED MOTIONS

I move that the council suspend the rules requiring two readings of an ordinance.

I move that the council pass Ordinance No. 942-B on first and final reading, amending the sewer rates for the city of Napavine and Lewis County Water & Sewer District #4 and authorize the city manager to execute the Interlocal Agreement between the city of Chehalis, city of Napavine, and Lewis County Water & Sewer District #4 providing for rates to be charged for monthly sewage treatment services.

REVIEWED BY:



_____, CITY MANAGER

ORDINANCE NO. 942-B

**AN ORDINANCE OF THE CITY OF CHEHALIS,
WASHINGTON AMENDING SECTION 13.16.070, ORDINANCE
NO. 919-B, PASSED THE 9TH DAY OF DECEMBER, 2013, AS
CODIFIED IN THE CHEHALIS MUNICIPAL CODE.**

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

Section 1. Section 13.16.070 of the Chehalis Municipal Code shall be, and the same hereby is,
amended to read as follows:

13.16.070 Wastewater customers.

A. Rates charged to the city of Napavine and Lewis County Water & Sewer District #4 for the
operation and maintenance of the interceptor and related facilities shared with the city and for the
treatment of sewage by the city are as follows:

Monthly Wholesale Rates	July 1, 2015 – June 30, 2020
Napavine	\$14,043 / month
LCSD#4	\$5,178 / month

B. These rates shall be recalculated every five years and subject to negotiation per terms of the
Interlocal Agreement between the city of Chehalis, city of Napavine, and Lewis County Water and Sewer
District #4 regarding the sewer rates to be charged for monthly sewage treatment services.

Section 2. Effective date.

The effective date of this ordinance shall be the 1st day of July, 2015.

PASSED by the city council of the city of Chehalis, Washington, and **APPROVED** by its
mayor, at a regularly scheduled open public meeting thereof this 22nd day of June, 2015.

Mayor

Attest:

City Clerk

Approved as to form:

City Attorney

**INTERLOCAL AGREEMENT BETWEEN CITY OF CHEHALIS,
CITY OF NAPAINE, AND LEWIS COUNTY WATER & SEWER DISTRICT #4
REGARDING SEWER RATES TO BE CHARGED
FOR MONTHLY SEWAGE TREATMENT SERVICES**

This **INTERLOCAL AGREEMENT** is entered into this ____ day of ____ 2015, by and between the City of Chehalis, a municipal Corporation, herein called Chehalis, and the City of Napavine, a municipal Corporation, herein called Napavine, and Lewis County Water & Sewer District #4, a special purposes utility district, herein called LCSD#4, (collectively referred to as the "Associated Parties" or the "Parties") for the purposes of establishing rates and charges for the monthly treatment of sewage from Napavine and LCSD#4.

WHEREAS, the Associated Parties have established a Regional Sewer Treatment Facility in Chehalis referred to as the Chehalis Regional Water Reclamation Facility (the "Regional Water Reclamation Facility"); and

WHEREAS, the Associated Parties periodically update rates and charges for the treatment of sewage; and

WHEREAS, the Associated Parties desire to establish sewage disposal rates that reflect the cost of operation and maintenance of the Regional Water Reclamation Facility and Associated Facilities; and

WHEREAS, the Associated Parties desire to simplify the rate calculation and establish sewage disposal rates that are stable, predictable and recover costs equitably based upon the level of service; and

WHEREAS, the Associated Parties have updated the rate methodology and established new rates and charges for the treatment of sewage that shall be effective upon execution of this Agreement; and

WHEREAS, the parties to this Agreement are authorized under the Interlocal Cooperation Act to enter into a contract for the provision of sewage treatment for Napavine and LCSD#4;

NOW, THEREFORE Chehalis, Napavine and LCSD#4 do hereby mutually consent and agree to the following:

- 1. Purpose** — The purpose of this Agreement is to establish new monthly sewer rates for Napavine and LCSD#4 for the treatment of sewage at the Regional Water Reclamation Facility and Associated Facilities.

- 2. Effective Date and Terms of this Contract** — This Agreement shall be in full force and effect and binding upon its execution and filing pursuant to RCW 39.34.040. This Agreement shall continue in full force and effect for period of five (5) years beginning July 1, 2015 and ending June 30, 2020. If a new agreement has not been reached by June 30, 2020, this Agreement shall continue on a month-to-month basis until a new agreement is reached. During this extended period the Regional Water Reclamation Facility and Associated Facilities will continue to treat and dispose of sewage from the Associated Parties within this Agreement. This Agreement shall be renewed only upon written agreement between the parties.
- 3. Sewage Collection** — Each party hereto shall be responsible for sewage collection within their own service areas. The Regional Water Reclamation Facility and Associated Facilities will accept, treat and dispose of flow from each party in an amount not to exceed their respective ownership capacity. Flows in excess of ownership capacity shall trigger negotiation of an additional rate surcharge or purchase of additional capacity.
- 4. Flow Metering** — The Associated Parties agree to maintain their respective flow meters that measure flow from their respective systems to ensure accurate collection of data for use in future rate calculations. Chehalis shall be responsible for the reading of the flow meters on a periodic basis. In the event of a flow meter malfunction, Chehalis shall estimate the sewage flow discharged by the affected party by utilizing flow data from a similar period.
- 5. Prohibited Wastes** — Wastes prohibited by the U.S. Environmental Protection Agency or by the State Department of Ecology, wastes of unusual quantity or organic strength, waste containing toxic or deleterious matter incompatible with the waste treatment process, or that may be harmful to the treatment process or the quality of the receiving waters, shall not be discharged into the Regional Water Reclamation Facility and Associated Facilities by any of the entities within this Agreement. The Associated Parties shall ensure customers discharging to their systems abide by pre-treatment standards.
- 6. Infiltration / Inflow** — The Associated Parties shall make reasonable attempts to limit excessive infiltration / inflow into their respective sewage collection systems.

7. Monthly Sewer Rates — A sewage disposal rate for the operation and maintenance of the Regional Water Reclamation Facility and Associated Facilities has been established. The rate reflects the costs of service for Chehalis to treat and dispose of the sewage from all the parties within this Agreement. Monthly sewage disposal charges have been calculated utilizing the following:

Information / Data Utilized

- Most recent five (5) years of flow data from all parties
- Most recent five (5) years of applicable budget expenditure data from the Regional Water Reclamation Facility and Associated Facilities.
- % Ownership in shared sewer interceptor lines where Chehalis = (96.4%), Napavine = 2.45% and LCSD#4 = 1.15%
- % ownership capacity in The Chehalis Regional Water Reclamation Facility (CRWRF) where Napavine = 12% and LCSD#4 = 4%

Rate Calculation

The formula for calculating the rate is $\text{Rate} = (1+2+3+4+5)/12$ where

1. = (treatment plant and poplar tree plantation budget expenditures) — utility costs x % ownership in CRWRF
2. = (treatment plant and poplar tree plantation budget utility costs) x % flow contribution
3. = (collection system budget — utility cost) x % ownership of interceptor
4. = (collection system budget utility costs) x % of flow contributed to CRWRF
5. = 25% of 1+2+3+4 as administration costs

Utilizing the above calculation:

The rate for Napavine is set at \$14,043 per month.

The rate for LCSD#4 is set at \$5,178 per month.

The spreadsheet in Exhibit A details the values used to calculate the rate.

8. **Billing/Payments for Service** — Upon execution of the Agreement by all parties, Chehalis shall submit a one-time invoice listing the rate per month for Napavine and LCSD#4. The invoice shall serve as a billing statement and shall remain in effect until the rate is changed by mutual acceptance in writing by all parties within this Agreement. Napavine and LCSD#4 are responsible for the payment to Chehalis on or before the 10th of each month.
9. **Future and present Modifications** — Any future modifications that may be required shall be subject to review and negotiation by the parties prior to implementation. The parties agree to begin negotiation of a new interlocal agreement to succeed this one starting in January 2020. If the parties cannot agree to terms and approve a new interlocal agreement by December 31, 2020, Chehalis shall maintain the authority to establish and implement rates and charges for the monthly treatment of sewage from Napavine and LCSD#4.
10. **Integrated Agreement** — This Agreement is the full and complete understanding of the parties and there are no other Agreements, either verbal or written, which would alter the terms of this document. The Agreement may be modified or amended only by supplemental written Agreement hereafter negotiated by the parties.
11. **No Third Party Beneficiary** — The provisions of this Interlocal Agreement are not intended to create any third-party beneficiary contract rights, and therefore none should be deemed created by this Agreement. The Agreement between the parties is only intended to create rights and/or obligations as between the signatory parties.
12. **Governing Law** — This Agreement is entered into and shall be governed by the law of the State of Washington. In the event of dispute that has completed arbitration or has been held ineligible for arbitration, the venue shall lie in Lewis County, Washington.

13. Arbitration of Disputes — It is the intent of all parties to this Agreement that disputes, if any, between any of the parties hereto shall be resolved as informally and amicably as possible by settlement without the assistance of any outside professionals in dispute resolution. However, if such conciliation fails, the parties agree that mediation may be used. If the parties are unable to resolve the dispute through mediation, then an arbitrator shall be selected through the auspices of the American Arbitration Association, or any such entity providing arbitrators as the parties may agree upon. The arbitration shall proceed, however, with a single arbitrator and with the parties sharing the costs proportionately, depending upon how many of the parties are involved in the dispute. Only if arbitration is unsuccessful or declared to be inapplicable to the dispute shall the parties proceed to Superior Court.

14. Hold Harmless/Indemnification — Each of the parties which are signatories hereto, by executing this Agreement, are deemed to hold harmless and indemnify any and all other parties for any negligence, errors or omissions of the indemnifying party. The indemnification and hold harmless is mutual with respect to any of the negligence, errors and omissions of any of the other parties, with respect to their own negligence, errors and omissions. Each party therefore remains solely liable for their own sole negligence, errors or omissions. Such indemnification extends not only to the actual party, but all employees, agents, volunteers and parties acting on their behalf. The respective parties to the Interlocal Agreement are not deemed to be agents of each other for purposes of this Agreement.

15. Waiver of Breach — The failure of any party to this Agreement to insist upon strict performance of any of the covenants and agreements contained in this Agreement, or to exercise any option or right conferred by this Agreement, in any one or more instances shall not be construed to be a waiver or relinquishment of any such option or right or of any other covenants or agreements which shall all be and remain in full force and effect.

16. Industrial Insurance Waiver — With respect to the performance of this Agreement and as to claims against any of the parties, their officers, agents, and employees, each party expressly waives its immunity to the other parties only, under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees, and agrees that the obligation to indemnify, defend and hold harmless provided in this Agreement, extend to any claim brought by or on behalf of the any employee of the party. This waiver is mutually negotiated by the parties to this Agreement.

17. Notices - Any notices required or desired to be served, given or delivered hereunder shall be in writing and shall be deemed to have been validly served, given or delivered upon deposit in the United States mail registered or certified mail with proper postage prepaid and addressed to the party to be notified. Each party shall include the applicable address below the signature block hereof.

CITY OF CHEHALIS

City Manager

ATTEST:

City Clerk

Address for Notices:
350 N Market Blvd, Chehalis, WA 98532

CITY OF NAPAVALINE

Mayor

ATTEST:

City Clerk

Address for Notices:
PO Box 810, Napavine, WA 98565

LEWIS COUNTY WATER & SEWER DISTRICT #4

President

Commissioner

Commissioner

ATTEST:

Board Secretary

Address for Notices:
PO Box 1122, Chehalis, WA 98531

Treatment Component

Fixed Cost Share
Total WWTP Division Expenses (404.16)
Less: Public Utility Service (404.16)
Papier Tree Plantation Division Expenses (404.16)
Less: Public Utility Service (404.16)
Net Fixed Treatment Cost
Allocated Share of WWTP Capacity
Allocated Fixed Treatment Costs
Variable Cost Share
Public Utility Service (404.16)
Public Utility Service (404.16)
Total Variable Treatment Cost
Annual Flow at WWTP
Allocated Variable Treatment Costs
Total Allocated Treatment Costs

Collection Component

Fixed Cost Share
Total Collection Division Expenses (404.17)
Less: Public Utility Service (404.17)
Net Fixed Collection Cost
Allocated Share of Sewer Main Capacity
Allocated Fixed Collection Costs
Variable Cost Share
Public Utility Service (404.17)
Annual Flow at WWTP
Allocated Variable Collection Costs
Total Allocated Collection Costs

Administrative Component

Administrative Cost Markup
Total Administrative Division Expenses (404.11)
Less: Costs Excluded From Markup
External Taxes & Operating Assessments
Interfund Taxes & Operating Assessments
Interfund Engineering Services
Interfund Utility Billing Services
Debt Service (404.11, 502-592)
Capital (404.11, 594)
Administrative Costs Included In Markup
Direct Treatment & Collection Costs
Administrative Cost Markup as % of Direct Costs
Allocation of Costs Included In Markup
Allocation of Costs Excluded From Markup
Total Allocated Administrative Costs

Total Allocated Costs (Excluding Taxes)

EXHIBIT A

3/5/2015

Treatment Component	Repaid	LCD	Chehalis	Total
Fixed Cost Share				
Total WWTP Division Expenses (404.16)				\$ 389,461
Less: Public Utility Service (404.16)				(110,907)
Papier Tree Plantation Division Expenses (404.16)				132,907
Less: Public Utility Service (404.16)				(132,907)
Net Fixed Treatment Cost				\$ 132,907
Allocated Share of WWTP Capacity				\$ 132,907
Allocated Fixed Treatment Costs				\$ 132,907
Variable Cost Share				
Public Utility Service (404.16)				\$ 132,907
Public Utility Service (404.16)				\$ 132,907
Total Variable Treatment Cost				\$ 132,907
Annual Flow at WWTP				\$ 132,907
Allocated Variable Treatment Costs				\$ 132,907
Total Allocated Treatment Costs				\$ 265,814
Collection Component				
Fixed Cost Share				
Total Collection Division Expenses (404.17)				\$ 391,103
Less: Public Utility Service (404.17)				(130,085)
Net Fixed Collection Cost				\$ 261,018
Allocated Share of Sewer Main Capacity				\$ 261,018
Allocated Fixed Collection Costs				\$ 261,018
Variable Cost Share				
Public Utility Service (404.17)				\$ 261,018
Annual Flow at WWTP				\$ 261,018
Allocated Variable Collection Costs				\$ 261,018
Total Allocated Collection Costs				\$ 522,036
Administrative Component				
Administrative Cost Markup				
Total Administrative Division Expenses (404.11)				\$ 404,110
Less: Costs Excluded From Markup				(104,173)
External Taxes & Operating Assessments				(104,173)
Interfund Taxes & Operating Assessments				(104,173)
Interfund Engineering Services				(104,173)
Interfund Utility Billing Services				(104,173)
Debt Service (404.11, 502-592)				(104,173)
Capital (404.11, 594)				(104,173)
Administrative Costs Included In Markup				\$ 300,000
Direct Treatment & Collection Costs				\$ 300,000
Administrative Cost Markup as % of Direct Costs				\$ 300,000
Allocation of Costs Included In Markup				\$ 300,000
Allocation of Costs Excluded From Markup				\$ 300,000
Total Allocated Administrative Costs				\$ 300,000

City of Chehalis Wholesale Wastewater Rate Calculation

Summary of Cost Allocations - City of Napavine						
	2010	2011	2012	2013	2014	Average
Treatment Costs						
Collection Costs	\$ 122,573	\$ 118,064	\$ 123,239	\$ 121,325	\$ 136,476	\$ 124,335
Administrative Costs	9,617	10,127	11,056	9,824	11,769	10,479
Total	33,048	32,048	33,574	32,787	37,061	33,704
Markup for City Taxes	\$ 165,238	\$ 160,238	\$ 167,869	\$ 163,936	\$ 185,307	\$ 168,518
Adjusted Annual Allocation of Costs to Napavine	0.00%					
Monthly Rate - City of Napavine						
Actual Historical Payments - City of Napavine	\$ 10,454	\$ 8,482	\$ 10,720	\$ 9,979	\$ 9,924	\$ 12,025

Summary of Cost Allocations - LCSD						
	2010	2011	2012	2013	2014	Average
Treatment Costs						
Collection Costs	\$ 44,079	\$ 43,271	\$ 43,731	\$ 43,385	\$ 48,062	\$ 44,506
Administrative Costs	4,876	5,230	5,412	4,861	5,653	5,206
Total	12,239	12,125	12,286	12,061	13,429	12,428
Markup for City Taxes	\$ 61,193	\$ 60,627	\$ 61,428	\$ 60,307	\$ 67,144	\$ 62,140
Adjusted Annual Allocation of Costs to LCSD	0.00%					
Monthly Rate - LCSD						
Actual Historical Payments - LCSD	\$ 6,230	\$ 5,064	\$ 6,192	\$ 6,110	\$ 5,262	\$ 5,178