LAKE CHELAN AIRPORT BOARD
May 14, 2015

1. Call to Order

2. Agenda Changes

3. Minutes
   A. Approve Minutes of the April 23, 2015 Airport Board Meeting (Gallucci)

4. Consent Agenda
   A. Approve Claim & Payroll Warrants (Reviewed by Higgins)
   B. Lyons Lease Termination for Airport Lots 371 and 372 (Schmidt) 2015A-05
   C. RJW Holdings, LLC Lease Agreement for Airport Lots 371 and 372 (Schmidt) 2015A-06

5. Action Items
   A. None.

6. Airport Manager Comments

7. Adjournment

MINUTES OF THE APRIL 23, 2015
AIRPORT BOARD MEETING
Chelan City Hall, 135 East Johnson Street, Chelan, Washington

1. **CALL TO ORDER**
The meeting was called to order at 6:03 p.m.

PRESENT
Airport Board President Goedde, Members Cooney, Harper, Higgins, Isenhart, McCardle, Morehouse, Steele, Manager Schmidt, and Secretary Gallucci.

2. **AGENDA CHANGES**
A. None.

3. **MINUTES**:
Mr. Cooney moved to approve the minutes as follows. Second by Ms. McCardle. Motion passed unanimously.

A. Minutes of the April 9, 2015 Airport Board Meeting

4. **CONSENT AGENDA**
Mr. Cooney moved to approve the consent agenda as follows. Second by Ms. Isenhart. Motion passed unanimously.

A. April 23, 2015 Claim Warrant No. 6064 – 6075 totaling $5,835.67 and Payroll Warrants No. 3026 - 3031 totaling $1777.62.

5. **ACTION ITEMS**
A. LAKE CHELAN AIRPORT LAND ACQUISITION FUNDS AVAILABILITY RESOLUTION RECOMMENDATION: Mr. Schmidt explained the City must guarantee match funds prior to applying for the land acquisition grant from FAA.

Ms. Isenhart moved to recommend the City approve Resolution No. 2015-1291 for Land Acquisition Funds Availability. Second by Mr. Morehouse. Motion passed unanimously.

6. **AIRPORT MANAGER COMMENTS**
A. None.

7. **ADJOURNMENT**
There being no further business, the meeting adjourned at 6:05 p.m.

Prepared by:	Attested to:	Date approved by Airport Board:
Peri Gallucci Airport Board Secretary	Robert R. Goedde Airport Board President	

DRAFT

AGENDA BILL NO. 2015A-05

BUSINESS OF THE LAKE CHELAN AIRPORT BOARD
CHELAN, WASHINGTON

SUBJECT:	Lyons Lease Termination for Airport Lots 371 and 372.	EXHIBITS 1. Lease Termination and Surrender of Tenancy
FOR AGENDA OF:	May 14, 2015	
ORIGINATOR:	Paul Schmidt Airport Manager	
APPROVED: Airport Manager:		
Reviewed by Attorney: Yes		

EXPENDITURE REQUIRED:	AMOUNT BUDGETED:	APPROPRIATION REQUIRED:	BOARD TREASURER:

AUTHORITY: RCW 14.08.120. Specific powers of municipalities operating airports. "…a municipality that has established or may hereafter establish airports…may hereafter acquire or set apart real property for that purpose… (5) Acting through its governing body…the municipal airport commission may lease any airport property for aircraft landings, takeoffs, or related aeronautic purposes…"

********** SUMMARY STATEMENT/ISSUES **********

Bonnie Lyons has sold the hangar built on Airport Lots 371 and 372 to RJW Holdings, LLC, Ray and Ulrika Wallitner, and is requesting the Airport Board terminate her lease so RJW Holdings, LLC may lease the lots.

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[ ] Public Hearing [X] Legislative Matter [ ] Other: _____

Suggested Motion:
I move to authorize the Airport Board President to sign the Lease Termination and Surrender of Tenancy Agreement with Bonnie Lyons for Airport Lots 371 and 372.

RETURN ADDRESS:
Lake Chelan Airport
PO Box 1407
Chelan WA 98816

The information contained in this boxed section is for recording purposes only pursuant to RCW 36.18 and RCW 65.04, and is not to be relied upon for any other purpose, and shall not affect the intent of or any warranty contained in the document itself.

Grantor(s): Lake Chelan Airport Board
Grantee(s): Bonnie Lyons
Reference Number(s) of Documents Assigned or Released: Chelan County Auditor's No. 2323396
Abbreviated Legal Description: Lake Chelan Airport Lots 371 and 372, Chelan County, Washington
Complete or Additional Legal Description on Page 1 of Document.
Assessor's Parcel Number(s): 272304410100

LEASE TERMINATION AND SURRENDER OF TENANCY AGREEMENT

THIS LEASE TERMINATION AND SURRENDER OF TENANCY AGREEMENT ("Agreement") made and entered into this date by and between Lake Chelan Airport Board ("Lessor") and Bonnie Lyons ("Lessee"), sometimes collectively referred to as the "Parties".

WHEREAS the Parties entered into a Lease Agreement ("Lease") on September 10, 2006 wherein Lessee rented Lots 371 and 372 at the Lake Chelan Airport for a term commencing on the 10th day of September, 2006 through December 31, 2019; and

WHEREAS Lessee now desires to terminate said lease and has requested that Lessor approve a lease termination and surrender of tenancy;

NOW, THEREFORE, the parties agree as follows:

1. **Incorporation by Reference**. The Recitals set forth above are hereby incorporated in this Agreement by this reference and are hereby binding commitments and representations.

2. **Termination and Cancellation**. The Lease identified above is hereby cancelled and such termination shall be effective on May 14, 2015.

3. **Property Description**. The Lease identified above is for the following described real property located at the Lake Chelan Airport in Chelan County, Washington:

Lots 371 and 372 as shown in that certain Binding Site Plan BSP-1997-01 CH and recorded under Auditor's No. 2323396, Chelan County, Washington.

4 **Surrender**. Lessee agrees to vacate and surrender the Premises to Lessor on or before the effective date hereof.

5. **Reimbursement**. Lessee is not entitled to any reimbursement of rent or other fees under the terms of the Lease.

6. **Attorney's Fees**. In the event it is necessary for either party to retain the services of an attorney to enforce the provisions of this Agreement, to pursue an unlawful detainer action, or in the event of litigation regarding the terms of this Agreement, the substantially prevailing party shall be entitled to recover from the other its costs and reasonable attorney's fees in addition to other relief.

DATED this 4 day of May, 2015.

LESSOR:

LAKE CHELAN AIRPORT BOARD

By: _____
Robert R. Goedde
Airport Board President

LESSEE(S):

Bonnie Lyons

_____

_____

STATE OF WASHINGTON)
)ss.
County of Chelan)

I certify that I know or have satisfactory evidence that Robert R. Goedde is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the President of the Lake Chelan Airport Board to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

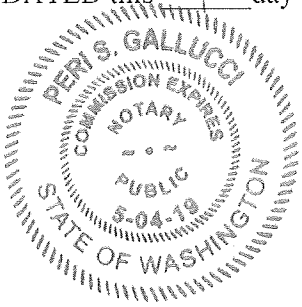
Dated this ____ day of _____, _____.

_____
NOTARY PUBLIC, State of Washington
My appointment expires _____

STATE OF WASHINGTON)
)ss
County of Chelan_____)

I certify that I know or have satisfactory evidence that Bonnie Lyons is the person who appeared before me, and said person acknowledged that he/she signed this instrument and acknowledged it as his/her free and voluntary act for the uses and purposes mentioned in the instrument.

DATED this 4 day of May, 2015,



Peri S. Gallucci

Peri S. Gallucci

NOTARY PUBLIC, State of Washington
My appointment expires 5/4/2019

STATE OF WASHINGTON)
)ss.
County of _____)

AGENDA BILL NO. 2015A-06

BUSINESS OF THE LAKE CHELAN AIRPORT BOARD
CHELAN, WASHINGTON

SUBJECT:	RJW Holdings, LLC Lease Agreement for Airport Lots 371 and 372.	EXHIBITS 1. Lease Agreement
FOR AGENDA OF:	May 14, 2015	
ORIGINATOR:	Paul Schmidt Airport Manager	
APPROVED: Airport Manager:		
Reviewed by Attorney:	Yes	

EXPENDITURE REQUIRED:	AMOUNT BUDGETED:	APPROPRIATION REQUIRED:	BOARD TREAUSRER:

AUTHORITY: RCW 14.08.120. Specific powers of municipalities operating airports. "…a municipality that has established or may hereafter establish airports…may hereafter acquire or set apart real property for that purpose… (5) Acting through its governing body…the municipal airport commission may lease any airport property for aircraft landings, takeoffs, or related aeronautic purposes…"

********** SUMMARY STATEMENT/ISSUES **********

RJW Holdings, LLC, Ray and Ulrika Wallitner, purchased the hangar on Airport Lots 371 and 372 from Bonnie Lyons and is requesting a lease agreement with the Lake Chelan Airport.

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[ ] Public Hearing [X] Legislative Matter [ ] Other: _____

Suggested Motion:
I move to authorize the Airport Board President to sign the Agreement with RJW Holdings, LLC for the lease of Airport Lots 371 and 372.

The information contained in this boxed section is for recording purposes only pursuant to RCW 36.18 and RCW 65.04, and is not to be relied upon for any other purpose, and shall not affect the intent of or any warranty contained in the document itself.	
Grantor:	Lake Chelan Airport Board
Grantee:	RJW Holdings, LLC
Reference Number(s) of Documents Assigned or Released: N/A	
Abbreviated Legal Description:	Lots 371 and 372, as shown in that certain Binding Site Plan BSP-1997-01 CH
Complete or Additional Legal Description on Page 1of Document.	
Assessor's Parcel Number(s):	272304410100

LAKE CHELAN AIRPORT LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") made and entered into this date by and between Lake Chelan Airport Board ("Lessor") and RJW Holdings, LLC ("Lessee"), and Raymond J. Wallitner and Ulrika A. Wallitner, husband and wife, ("Guarantor"), sometimes collectively referred to as the "Parties".

The Parties agree as follows:

1. Premises.

1.1 Lots. Lessor hereby leases to Lessee, and Lessee leases from Lessor, upon the terms and conditions included in this lease, that certain parcel of unimproved real property located at the Lake Chelan Airport situated in Chelan County, Washington, referred to herein as the "premises" and more particularly described as follows:

> Lots 371 and 372, as shown in that certain Binding Site Plan BSP-1997-01 CH as recorded under Auditor's No. 2019820, Book SP-15, Pages 33-37, Chelan County, Washington.

1.2 Common Areas. Lessee will have non-exclusive use of all common areas of the Lake Chelan Airport as designated by Lessor, including but not limited to common restroom facilities, landing field, roadways, runways, aprons, designated taxiways, floodlights, landing lights, beacons, control tower, signal radio aides. Lessee agrees to conform to Lessor's rules and regulations pertaining to the use of these common areas. When the context of this agreement calls for it, the use of the term "Leased Premises" includes the common areas.

Lessor has the right to modify the common areas so long as the Lessee continues to have reasonable access to the Leased Premises and reasonable use of the Lake Chelan Airport. Lessor shall not be subject to any liability and Lessee shall not be entitled to any compensation or abatement of rent and it shall not be deemed a constructive or actual eviction if the common areas or facilities are diminished or expanded.

In the event additional maintenance or clean-up to the Leased Premises or common areas beyond that provided for normal use is required as a result of the use by Lessee, its agents, employees or guests, which Lessee does not perform, Lessee shall immediately pay the Lessor the cost associated with the additional maintenance upon billing for such costs by the Lessor.

2. Term of Lease. The term of this Lease shall be for a period of twenty (20) years, commencing on the 15th day of May, 2015 through the 31st day of December 2034, subject to the option to renew the Lease as provided in Paragraph 3 herein.

3. Option To Renew. Lessee shall have the option to renew this Lease for up to three (3) consecutive additional five (5) year terms ("Renewal Term"). Failure to exercise this renewal option terminates the lease at the end of the then existing term. Notice of the renewal shall be given, in writing, by Lessee to Lessor, not less than ninety (90) days prior to the end of the existing lease term. Lessor shall not be obligated to renew this Lease, if at the time of the exercise of the option, or at the time the renewal term is to begin, Lessee is in default under this Lease. Unless otherwise agreed to by the Parties, each renewal term shall be on the same terms and conditions as set forth in the Lease, except that rent shall be adjusted as set forth in Paragraph 5 below.

4. Rent.

4.1 Amount. Subject to the adjustments set out in Paragraph 5, Lessee shall pay to Lessor rent ("Rent"), excluding leasehold tax, for each calendar year in the amount of Seven Hundred and Forty-Four Dollars & 25/100 ($744.25) ($372.125 per lot). The Parties acknowledge the Rent per lot is based upon a lot size of One Thousand Two Hundred & Fifty (1250) square feet. The first rental year shall begin on May 15, 2015 and end on December 31, 2015. Each rental year thereafter shall commence on January 1 and end on December 31 of the same year.

4.2 Due Date. Lessee shall pay the Rent on or before January 15 of each year during the Term of this Lease.

4.3 Late Charge and Costs. In the event Rent is not received within fifteen (15) days after the date it is due, Lessee shall pay a late charge of two percent (2%) of the Rent for each month the Rent remains unpaid. The late charge is due immediately and is in addition to all of Lessor's rights in this Lease.

4.4 Costs and Attorneys' Fees. Lessee shall pay Lessor's cost and attorneys' fees reasonably incurred in providing such notice of default in the payment of rent, and in otherwise enforcing the Lessor's rights under this Lease, in addition to the late charge and all other payments and obligations called for herein.

4.5 New Lease and Lease Transfer Fee. In addition to Rent, at the time of execution of this Lease, the Lessee shall pay to Lessor a "new lease fee" in an amount established by the Lessor, which fee is currently One Hundred Fifty and No/100 Dollars ($150.00) plus all legal fees associated with the preparation of the lease.

4.6 Leasehold Tax. In addition to all other charges called for in this Lease, including Rent, Lessee shall pay to Lessor such sums as may be required by law for payment of leasehold tax as required by the State of Washington or other tax entity, as such laws now exist or as they may hereafter be amended, such leasehold tax currently being 12.84% of the Rent.

5. Rent Adjustments. The Rent set out above shall be subject to the following adjustments for changes in the Consumer Price Index and changes in Market Value, except that in no event shall Rent decrease as a result of an adjustment. When changes in the Consumer Price Index and Market Value are measured and applied in any year, the adjustment to the Rent shall be based on the larger of the two changes.

5.1 Adjustment Based on Changes in the Consumer Price Index. Subject to the Adjustment described in section 5.2, beginning with the first day of the second calendar year after the effective date of this Lease, and continuing on the first day of each calendar year thereafter, including each year of any renewal term if the Lease is renewed, the Rent shall be adjusted by the percentage change in the Consumer Price Index for the year ending September 30 immediately preceding the year for which Rent is being adjusted.

5.1.1 The Consumer Price Index. For purposes of this section, the "Consumer Price Index" shall be the Consumer Price Index prepared by the Bureau of Labor Statistics, for All Urban Consumers, "West – B/C (Dec. 1996 = 100)."

5.1.2 Calculation -- Illustration. For purposes of illustration, if the change in the Consumer Price Index for the year ending September 30 of the year prior to an adjustment was 2.3%, the adjusted Rent is the product of the Rent for the year previous, multiplied by 1.023.

5.1.3 Substitute. If the Bureau of Labor Statistics discontinues the determination of the Consumer Price Index, then another index generally recognized as authoritative as measuring the change in consumer prices in the Chelan, Washington area shall be substituted by the Lessor, upon notice to the Lessee.

5.2 Adjustment Based on Changes in Market Value. In addition to the Adjustment described in section 5.1, beginning January 1 of 2015 (the 5th calendar year after the inception of the Lease), 2020 (the 10th calendar year after the inception of the Lease), 2025 (the 15th calendar year after the inception of the Lease), and at the beginning of each renewal term if the Lease is renewed, the Rent shall be adjusted so that it reflects the fair market value of the Premises, determined by an appraiser experienced in the valuation of property similar to the Premises, and without taking into account the value that may be contributed by the completion of improvements on the Premises by the Lessee.

5.3 No Waiver. Failure to calculate and apply the rental increase for one year shall not be considered a waiver of this Paragraph for any succeeding year.

6. Improvements.

6.1 The Lessee has constructed or will within one year from the date of execution of this Lease construct improvements on the Leased Premises for the purpose specified herein, otherwise this Lease shall, at the discretion of the Airport Board, immediately terminate. The design and type of new construction of improvements placed upon the property shall be in accordance with the Lake Chelan Municipal Airport Master Plan and the Lake Chelan Airport Rules and Regulations and must be approved in writing by the Lessor prior to Lessee's commencement of construction.

6.2 Any alterations or improvements made shall not affect the Lessee's obligation to pay rent. In making alterations, improvements and changes, and in performing other work on the premises, Lessee shall comply with all then applicable laws, ordinances, rules, and regulations of any proper authority including, but not limited to, the Lessor and shall indemnify and hold Lessor harmless from damage, loss, or expense incurred as a result of such work.

6.3 "Improvements" shall include, but are not limited to any permanent additions or fixtures upon the Leased Premises.

6.4 All improvements and fixtures constructed by Lessee on the Leased Premises shall remain on the property of Lessee throughout the term of this Lease, any extended period thereof and upon expiration of this Lease, subject to the terms and conditions of this Lease and as set forth hereinafter.

7. Termination. Upon the expiration of the initial or renewal term of this Lease, or upon sooner termination, unless Lessor has exercised its option to purchase as set forth in Paragraph 8, Lessee shall remove any improvements from the Leased Premises and restore the Leased Premises to the condition existing prior to the construction of any such improvements. Lessee's failure to remove any improvements prior to expiration of this Lease or any extension thereof, or upon sooner termination for any reason, shall vest title and ownership of those improvements in the Lessor. If this occurs, Lessor at its sole option may use the improvements for its own purposes or remove the same and restore the Leased Premises to its pre-lease condition and charge the costs of such activity to Lessee. Lessee shall pay the costs of removal activity, plus interest on this sum at the rate of 12% per annum from the date of the removal activity completion, together with any costs for collection of such sums from Lessee, including Lessor's reasonable attorney's fees.

8. First Right of Refusal. In the event Lessor determines to Lease the Leased Premises for airport hangar purposes upon the expiration of the term of this Lease or any renewal term, Lessor grants Lessee the first right to lease the Leased Premises on such terms as Lessor will be offering to Lease to third persons. In the event this Lease is terminated prior to expiration of the initial term or any renewal terms of the Lease, this right of first refusal shall terminate. This right of first refusal shall not be effective if Lessor intends to use the Leased Premises for purposes other than hangar purposes or as part of a project including other lands and other improvements on Lessor's other property, with the Leased Premises being only part of the whole. In the event Lessor determines to lease the Leased Premises for airport hangar purposes upon the expiration of the initial term or any renewal term thereof of this Lease, ninety (90) days prior to expiration of the initial term or any renewal term of this Lease, Lessor shall give Lessee written notice of the proposed terms and conditions for any new lease and Lessee shall have thirty (30) days following receipt of such notice to accept the terms and conditions as offered.

In the event Lessee is in default upon the expiration of the initial term or any renewal term of this Lease, Lessee shall not be entitled to a first right of refusal.

9. Option to Purchase. Upon written notice from Lessor to Lessee within one hundred twenty (120) days prior to the expiration of this Lease or expiration of any renewal term, the Lessor at its sole discretion shall have the option to purchase the existing improvements on the Leased Premises from the Lessee at their fair market value at the time of termination. Such fair market value shall be negotiated in good faith between the Parties and if agreement cannot be reached as to value, the Lessor has no obligation to purchase. If agreement can be reached as to purchase price, the purchase shall be closed by payment of the fair market value as specified herein within thirty (30) days of such value determination at the nearest office of Transamerica Title, or other closing agent agreed to by the Parties.

10. Use.

10.1 Unless otherwise agreed in writing by Lessor, Lessee shall use the premises primarily for an aircraft hangar facility.

10.2 The Lessee shall not use or permit the use of the Leased Premises for any unlawful or immoral activity, nor suffer nor permit on the property any nuisance or offensive object, matter or activity. Lessee shall maintain the Leased Premises in a neat and attractive condition.

11. Rules and Regulations.

11.1 The parties agree to be bound by all applicable ordinances, codes, laws, rules and regulations of the Lessor and applicable County, State and Federal Governments pertaining to the Leased Premises.

11.2 Lessee agrees to comply with all reasonable rules, regulations and protective covenants enacted by the Lessor, from and after the date of adoption, including but not limited to, restrictions as to storage, noise, and enclosure of the premises.

11.3 In regard to the Leased Premises, Lessee, at Lessee's sole expense, shall comply with all laws, orders and regulations of Federal, State and Municipal Authorities, and shall specifically comply with all health and safety codes applicable to the use of said leased property, and shall comply with any direction of any public officer, pursuant to law, which shall impose any duty upon the Lessor or the Lessee with respect to the Leased Premises. The Lessee, at Lessee's sole expense, shall obtain all licenses or permits which may be required for the conduct of Lessee's business within the terms of this Lease, or for the making of repairs, alterations, improvements, or additions, and the Lessor, at Lessee's expense and when necessary, will join the Lessee in applying for all such permits or licenses.

12. Lessee's Acceptance. At the commencement of the term, Lessee shall and hereby does accept the Leased Premises in its existing condition. No representation, statement or warranty, express or implied, has been made by or on behalf of the Lessor as to such condition. In no event shall the Lessor be liable for any defect in such property.

13. Right of Entry. The Lessor and its representatives may enter the Leased Premises, at a mutually agreeable time upon providing reasonable notice to Lessee, for the purpose of inspecting the Leased Premises, performing any work which the Lessor elects to undertake made necessary by reason of the Lessee's default under the terms of this Lease, exhibiting the Leased Premises for sale, lease or mortgage financing, or posting notices of nonresponsibility under any mechanic's lien law. In the event the parties cannot agree, the Lessor may enter the Leased Premises upon providing reasonable notice to Lessee.

In case of emergency or fire, Lessor may enter the Leased Premises at any time without notice to Lessee.

14. Utilities. Unless otherwise specified herein, Lessor shall not be required to furnish to Lessee any facilities or services of any kind. Lessee shall be solely responsible for the cost of all utilities and shall hold the Lessor harmless therefrom, including, without limitation, costs for installation and maintenance of appropriate sewage, water and electrical services.

15. Repair and Maintenance.

15.1 The Lessee shall, at its own expense, maintain the Leased Premises and any improvements thereon in accordance with all applicable zoning ordinances and restrictive covenants, and make all necessary repairs and replacements to the Leased Premises. Lessee shall keep the premises in a safe and well-maintained condition, and in conformity with the overall development of the Leased Premises and surrounding property.

15.2 Such repairs and replacements shall be made promptly as and when necessary. On default of the Lessee in making such repairs or replacements, Lessor may, but shall not be required to, make such repairs and replacements on the Lessee's account, and the expense thereof shall constitute and be collectible as additional rent. In the alternative, Lessor can declare Lessee to be in default of this Lease, and have its rights and remedies provided for herein.

15.3 Maintenance provided by Lessor shall include the following:

1. Snow removal for designated taxiways.
2. Lawn maintenance.
3. Common restroom facility upkeep.
4. Common area upkeep.

15.4 In the event snow removal maintenance of non-designated taxiways is necessary, Lessee may perform such maintenance. However, such maintenance shall be performed pursuant to rules and regulations adopted by the Lessor and subject to the hold harmless and indemnity provisions specified in Paragraph 19 herein.

16. Lessor's Rights. If the Leased Premises shall be deserted or vacated, or if proceedings are commenced against the Lessee in any court under the Bankruptcy Act or for the appointment of a trustee or receiver of the Lessee's property either before or after the commencement of the lease term, or if there shall be a default in payment of rent or any part thereof for more than ten (10) days after written notice of such default by Lessor, or if there shall be a default in the performance of any other covenant, agreement, condition, rule or regulation herein contained or hereafter established on the part of the Lessor for more than twenty (20) days after written notice of such default by the Lessor, this Lease (if the Lessor so elects) shall

thereupon become null and void, and the Lessor shall have the right to re-enter or repossess the Leased Premises, either by force, summary proceedings, surrender or otherwise, and dispossess and remove therefrom the Lessee, or other occupants thereof, and their effects, without being liable for any prosecution therefor. Improvements placed on the Leased Premises shall at Lessor's option become the property of Lessor if such default occurs. Otherwise Lessor may remove the improvements and collect costs of removal as set forth in Paragraph 7 herein.

17. Lessor's Cure of Lessee's Default. If the Lessee shall be in default hereunder, the Lessor may cure such default on behalf of the Lessee, in which event the Lessee shall reimburse the Lessor for all sums paid to affect such cure, together with interest at the rate of twelve percent (12%) per annum and reasonable attorney's fees. In order to collect such reimbursement the Lessor shall have all the remedies available under this Lease for a default in the payment of rent.

18. Damage or Destruction.

18.1 Subject to Paragraph 18.2 the provisions relating to hazardous and/or dangerous conditions, if the Leased Premises or any building or improvement thereon are destroyed or damaged by fire or any other casualty, the Lessee shall within a reasonable period of time not exceeding one (1) year, at Lessee's option:

18.1.1 Restore the Leased Premises to the condition the premises were in at the time of commencement of this Lease and provide written notice to Lessor of Lessee's intent to terminate this Lease; or

18.1.2 Repair the damage to the Leased Premises or improvements and continue to occupy the Leased Premises subject to the terms of this Lease as if no such fire or other casualty had occurred.

18.2 Any hazardous and/or dangerous condition occurring after said destruction or damage by fire or any other casualty, shall be mitigated by Lessee as soon as practicable and to the satisfaction of the City of Chelan Building Official. For example, such measures may include but are not limited to removal of dangerous debris and fencing dangerous areas. In the event Lessee fails to mitigate such dangerous or hazardous conditions, the Lessor may, but is not obligated to do so, and Lessee shall pay all mitigating costs. Said payment shall be made pursuant to the 10-day notice requirement, interest accrual provision and collection procedures including attorney's fees set forth in Paragraph 18.3 herein.

18.3 In the event the Lessee fails to select option 18.1.1 or 18.1.2 set forth above within a reasonable time not exceeding one (1) year of the occurrence of the damage, Lessor may terminate this Lease upon ten (10) days written notice to Lessee and at Lessor's option, either restore the Leased Premises to the condition existing on the date of commencement of this Lease or make whatever improvements deemed necessary by Lessor to repair the damage.

In either event, the lesser amount of restoration of the premises to the original condition or repair of the damages to the premises shall be paid for by Lessee. In the event Lessee fails to pay such amount within ten (10) days of the written demand of the Lessor, such amount shall accrue with interest at the rate of twelve percent (12%) per annum from the date Lessor provided Lessee written notice of such amount. In addition, Lessee shall pay Lessor all of Lessor's costs of collection, including but not limited to, reasonable attorney's fees.

19. Hold Harmless Indemnity and Insurance.

19.1 The Lessee shall indemnify the Lessor from and against any and all claims, demands, cause of actions, suit or judgments, including attorney's fees, costs and expenses incurred in connection therewith and in enforcing the indemnity, for deaths or injuries to persons or for loss of or damage to property arising out of or in connection with the condition, use occupancy or Lessee's maintenance of the Leased Premises or common areas or any improvements thereon; or by Lessee's non-observance or non-performance of any law, ordinance or regulation applicable to the Leased Premises; or incurred in obtaining possession of the Leased Premises after a default by the Lessee, or after the Lessee's default in surrendering possession upon expiration or earlier termination of the term of the Lease, or enforcement of any covenants in this Lease. This includes, without limitation, any liability for injury to the person or property of Lessee, its agents, officers, employees, or invitees. The Lessee specifically waives any immunity provided by Washington's Industrial Insurance Act. This indemnification covers claims by Lessee's own employees.

19.2 In the event of any claims made to, or suits filed against Lessor, for which the above indemnity applies, Lessor shall give Lessee prompt written notice thereof and Lessee shall defend or settle the same.

19.3 Lessee, as a material part of the consideration to be tendered to Lessor, waives all claims against Lessor for damages to goods, wares, merchandise and loss of business, in, upon or about the Leased Premises and for injury to Lessee, its agents, employees, invitees or their persons in or about the Leased Premises from any cause arising at any time, other than for Lessor's sole negligence or willful misconduct.

19.4 From and after the commencement date of the initial term of this Lease and continuing for the initial term and any extension of this Lease, Lessee shall insure the Leased Premises, at its sole cost and expense, against claims for personal injury and property damage under a policy of general liability insurance, with aggregate limits of $1,000,000 for bodily injury and property damage. Such policy shall name Lessor as an additional insured. Before taking possession of the Leased Premises, the Lessee shall furnish the Lessor with a certificate evidencing the aforesaid insurance coverage.

19.5 The aforementioned minimum limits of policies shall in no event limit the liability of Lessee hereunder. No policy of Lessee's insurance shall be cancelable or subject to

reduction of coverage or other modification except after thirty (30) days prior written notice to Lessor by the insurer. Lessee shall, at least thirty (30) days prior to the expiration of the policies, furnish Lessor with renewals or binders.

19.6 The insurance required shall be issued by carriers acceptable to the Lessor, and Lessor's approval shall not be unreasonably withheld.

19.7 The Lessee agrees that if Lessee does not purchase and maintain such insurance, Lessor may, but shall not be required to, procure such insurance on Lessee's behalf and charge Lessee the premiums together with a five percent (5%) handling charge, payable upon demand.

19.8 In the event a fire or other casualty loss results in destruction of the building to the extent that Lessee determines not to use insurance proceeds to repair or rebuild the hangar building, the proceeds of any insurance payment available to Lessee shall first be used to restore the premises to the condition they were in prior to construction of a building on the premises and the remaining insurance proceeds shall be the property of Lessee.

20. Encumbrance of Lessee's Interest.

20.1 The Lessee may encumber, by Mortgage, Deed of Trust, or other proper instrument, its leasehold interest and estate in the Leased Premises, together with all improvements placed thereon by Lessee, as security for any indebtedness of Lessee.

20.2 The execution of any such Mortgage, Deed of Trust, or other instrument, or the foreclosure or other proceedings thereunder, shall not relieve the Lessee from its liability and obligations under this Lease.

20.3 Any holder of Lessee's interest herein acquired through foreclosure or other proceedings shall acquire and possess only the rights and interests of Lessee herein and shall be subject and subordinate to the rights and interest of Lessor herein.

21. Right to Assign. The Lessee shall not assign or sublet the Leased Premises or any part thereof, without the prior written consent of the Lessor. Consent to assignment shall not be unreasonably withheld by Lessor, and is to be based upon the Lessor's determination the proposed assignee may adequately perform the duties of the Lessee herein. Any such assignment shall be subject to the adjustment of the Rent to the fair market rent for the premises, as set out in section 5.2. Upon receipt of the written consent of Lessor to assignment or sub-letting of the Leased Premises, Lessee may sell any improvements placed on the premises to the assignee or sub-tenant, but any assignee or sub-tenant to this Lease shall be subject to all terms and conditions of this Lease as if said assignee or sub-tenant were the original Lessee.

22. Presence and Use of Hazardous Substances.

22.1 All hazardous substances shall be stored in accordance with all legal regulations regarding storage of hazardous substances and Lessee shall store on or around the Leased Premises only those amounts of hazardous substances that are necessary for maintenance and operation of aircraft and in no case in amounts greater than permitted by any legal regulation. "Hazardous substances" shall include those substances designated as, or containing components designated as, hazardous, dangerous, toxic or harmful and/or which are subject to regulation by any federal, state or local law, regulation, statute or ordinance. For purposes of this Lease, all aircraft fuels shall be considered hazardous substances.

22.2 Hazardous substance. With respect to any hazardous substance, Lessee shall:

22.2.1 Comply promptly, timely and completely with all governmental requirements for reporting, keeping and submitting manifest, and obtaining and keeping current identification numbers;

22.2.2 Submit to Lessor true and correct copies of all reports, manifests and identification numbers at the same time as they are required to be and are submitted to the appropriate governmental authorities;

22.2.3 Within five (5) days of Lessor's request, submit written reports to Lessor regarding Lessee's use, storage, treatment, transportation, generation, disposal or sale of hazardous substances and provide evidence satisfactory to Lessor of Lessee's compliance with the applicable governmental regulations;

22.2.4 Allow Lessor or Lessor's agents or representatives to enter the Leased Premises, after reasonable notice, to check Lessee's compliance with all applicable governmental regulations regarding hazardous substances;

22.2.5 Comply with minimum levels, standards or other performance standards or requirements which may be set forth or established for certain hazardous substances (if minimum standards or levels are applicable to hazardous substances present on the Leased Premises, these levels or standards shall be established by an on-site inspection by the appropriate governmental authorities and shall be set forth as an addendum to this Lease);

22.2.6 Comply with all governmental rules, regulations and requirements regarding the proper and lawful use, sale, transportation, generation, treatment and disposal of Hazardous Substances.

22.2.7 Lessor shall have the right, at reasonable times and upon reasonable notice to Lessee, to inspect the Leased Premises to monitor Lessee's compliance with this section.

Lessee shall reimburse Lessor for any costs or expenses paid by Lessor to third parties (non-Lessor employees, including Lessor's retained inspectors or representatives of government entities). If an inspection reveals the use or presence of hazardous substances requiring clean-up or other action, then Lessee shall pay, as part of the clean-up costs incorporated in Paragraph 22.3 below, Lessor's actual costs, including reasonable attorney's fees and costs, incurred in making or providing for the clean-up required and any follow-up inspections.

22.3 Clean-up Costs, Default and Indemnification. With respect to any cleanup costs, default and indemnification, Lessee shall:

22.3.1 Be fully and completely liable to Lessor for any and all clean-up costs and any and all charges, fees, penalties (civil and criminal) imposed by any governmental authority with respect to Lessee's use, disposal, transportation, generation and/or sale of Hazardous Substances, in or about the Leased Premises.

22.3.2 Indemnify, defend and hold Lessor harmless from any and all costs, fees, penalties and charges assessed against or imposed upon Lessor including Lessor's reasonable attorney's fees and costs as a result of Lessee's use, disposal, transportation, generation and/or sale of hazardous substances.

22.3.3 Upon Lessee's default under this Article, in addition to the rights and remedies set forth elsewhere in this Lease, Lessor shall be entitled to the following rights and remedies.

22.3.3.1 At Lessor's option, to terminate this Lease immediately; and

22.3.3.2 To recover any and all damages associated with the default, including, but not limited to, clean-up costs and charges; civil and criminal penalties and fees; and loss of business, sales and rents by Lessor and any and all damages and claims asserted by third parties together with reasonable attorney's fees and costs.

23. Holdover. In the event the Lessee shall remain in possession of the Premises at the end of the Term of Lease, the Lessee shall pay the Lessor the following amounts:

23.1 Holdover with Lessor's Consent. If Lessee, with the implied or expressed consent of Lessor, shall holdover after the expiration of the term of this Lease or any renewal term, Lessee shall remain bound by all the terms and conditions of this Lease, except that the Rent shall be increased by fifty percent (50%) over the Rent for the last year of the immediately preceding term. For example, if Rent for the last year of the immediately preceding Term was $200, then the Rent for the holdover Term shall be $300 ($200 + ($200 x 50% = $100) = $300).

23.2 Holdover without Lessor's Consent. If the Lessee holds over beyond the term of this Lease or any renewal thereof without the Lessor's consent, the Lessee shall pay in

liquidated damages a sum equal to 15% of the amount of the Rent for the last year of the immediately preceding Term, for each month the Lessee holds over without Lessee's consent.

23.3 No Waiver. This paragraph shall not affect any of the Lessor's right to terminate the Lease Agreement and declare a forfeiture or to otherwise take possession of the premises.

24. Guaranty. Based on full and adequate consideration, the Guarantor unconditionally guarantees the full and prompt payment of all obligations of the Lessee pursuant to this Lease. The Guarantor declares that any forbearance by the City in making any demand or enforcing its rights under this Lease shall not constitute a waiver of the City's rights or the Guarantor's obligations under this Guaranty.

25. Successors and Assigns. The covenants and conditions herein contained, including the provision as to assignments, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.

26. Attorney's Fees. In the event it is necessary for either party to retain the services of an attorney to enforce the provisions of this contract, to pursue an unlawful detainer action, or in the event of litigation regarding the terms of this contract, the substantially prevailing party shall be entitled to recover from the other its costs and reasonable attorney's fees in addition to other relief.

27. Notices.

27.1 Notices from Lessor to Lessee of Lessor's intent to inspect the premises as provided in this Lease may be oral or in writing.

27.2 Any other notice under this Lease must be in writing and must be sent by registered or certified mail to the last known address of the party to whom the notice is to be given, as designated by such party in writing. The Lessor and Lessee hereby designate their addresses as follows:

Lessor: Lake Chelan Airport Board
c/o City of Chelan Administrator
P.O. Box 1669
Chelan, WA 98816

Lessee: RJW Holdings, LLC
15214 162nd Ave. SE
Renton, WA 98058

Guarantor: Raymond J. Wallitner and Ulrika A. Wallitner, husband & wife
15214 - 162nd Ave. SE
Renton, WA 98058

TIME. TIME IS OF THE ESSENCE IN THIS LEASE.

28. Interpretation. This contract has been submitted to the scrutiny of all parties and their counsel, if desired, and it shall be given a fair and reasonable interpretation in accordance with its words, without consideration to or weight given to its being drafted by any party or its counsel. Paragraph headings are for convenience only and shall not be considered when interpreting this contract. All words used in the singular shall include the plural; the present tense shall include the future tense; and the masculine gender shall include the feminine and neuter genders.

29. Non-Waiver of Covenants. The Lessor's failure to insist upon the strict performance of any provision of this Lease shall not be construed as depriving the Lessor the right to insist on strict performance of such provision in the future. The subsequent acceptance of rent, whether full or partial payment, by the Lessor shall not be deemed a waiver of any preceding breach by the Lessee of any term, covenant, or condition of this Lease, other than the failure of the Lessee to pay the particular part of the rent accepted, regardless of the Lessor's knowledge of the proceeding breach at the time of the acceptance of that part of the rent.

30. Savings. Nothing in this Lease shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provisions of this Lease and any statute, law, public regulation or ordinance, the latter shall prevail, but in such event, the provisions of this Lease affected shall be curtailed and limited only to the extent necessary to bring it within legal requirements.

31. Incorporation. This agreement represents the entire agreement of the parties. Unless set forth herein in writing, neither party shall be bound by any statements or representations made and each agrees that there are no such statements or representations being relied upon in making this Lease.

32. Non-Discrimination. The Lessee shall not discriminate against any person on the basis of race, creed, political ideology, color, national origin, sex, marital status, sexual orientation, age, or the presence of any sensory, mental or physical handicap or on any other basis prohibited by law.

33. Governing Law. This Lease shall be governed by the law of the State of Washington and venue for any action arising from this Lease shall be Chelan County, Washington.

34. Modifications. No alteration, changes or amendments to this Lease will be binding upon either party unless the same are written and executed by the parties.

DATED this _____ day of_____, 2015.

LESSOR:

LAKE CHELAN AIRPORT BOARD

By_____
Robert R. Goedde, President

LESSEE(S):

RJW Holdings, LLC

GUARANTORS:

By: _____
Raymond J. Wallitner

By:_____
Ulrika A. Wallitner

State of Washington
County of Chelan

I certify that I know or have satisfactory evidence that ROBERT R. GOEDDE is the person who appeared before me and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the President of the Lake Chelan Airport Board to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

Signature of Notary: _____

My Appointment Expires: _____

State of Washington
County of Chelan

I certify that I know or have satisfactory evidence that **Raymond J. Wallitner** is the person who appeared before me and said person acknowledged that he signed this instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: _____

Signature of Notary: _____

My appointment expires: _____

State of Washington
County of Chelan

I certify that I know or have satisfactory evidence that **Ulrika A. Wallitner** is the person who appeared before me and said person acknowledged that she signed this instrument and acknowledged it to be her free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: _____

Signature of Notary: _____

My appointment expires: _____