

GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT is made and entered into this ____ day of _____, 201__, by and between Pangborn Memorial Airport, a joint venture of the Port of Chelan County and the Port of Douglas County, hereinafter referred to as "Landlord," and _____, hereinafter referred to as "Tenant." Landlord and Tenant are sometimes hereinafter individually referred to as "Party" and collectively as "Parties."

RECITALS

- A. Landlord operates Pangborn Memorial Airport ("Airport") airport and desires to enter into a Ground Lease Agreement for the use and occupancy of certain areas of the airport.
- B. Landlord desires to accommodate and promote general aviation at the Airport and the Tenant desires to construct a hangar building at the Airport, with no cost to the Landlord.

AGREEMENT

Now, therefore, the Parties hereto mutually agree as follows:

1. **Premises.** The Landlord hereby leases to Tenant the following described real estate located at Pangborn Memorial Airport in Douglas County, Washington:

The hangar sites described on Exhibit "A" (hereinafter the "Premises").

2. **Term.** The term of this Lease shall be five (5) years, from the ____ day of _____, 201__, through the ____ day of _____, 201____, subject to the option to extend under Paragraph 3.
3. **Option to Extend.** The Tenant shall have the option to extend this Lease for five (5) successive five (5) year terms (each an "extension term"), for a total cumulative extension period of 25 years beyond the original term of this Lease, provided that Tenant is not then in default under this Lease at the time of the termination of the original term or the applicable extension term. In order to exercise the option to renew this Lease, Tenant must provide Landlord written notice not more than 180 days and not less than 120 days prior to the expiration of the original term or the current extension term. Failure to timely provide the written notice may, at the option of the Landlord, result in the termination of the Lease at the end of the current term. Landlord shall not be obligated to accept Tenant's exercise of its option to renew the term of this Lease, if at the end of the then-expiring term of this Lease, (i) an event of default exists under this Lease, or (ii) an event has occurred or failed to occur or a condition exists, which with or without notice or the passage of time, or both, would constitute an event of default under this Lease.

4. Rent. The Tenant shall pay yearly base rent in the amount of _____ and No/100 Dollars (\$_____.00 US). Tenant shall also be responsible for payment of those costs and the leasehold excise tax described below. Rent shall be paid in advance on the 1st day of January of each year (except as set forth in Paragraph 4.3, below).

4.1 Annual Increase. On January 1st and on the same date each year thereafter, the annual rent shall increase by three percent (3%) over the rent for the previous year, except in years in which the annual rent is adjusted as set forth in Paragraph 4.2.

4.2 Property Reappraisal. Commencing January 1, 2015, the annual base rent set forth in Paragraph 4 of this Lease shall be reestablished on January 1 of every calendar year ending in a zero (0) or a five (5) ("reestablishment date") to the fair market rental rate of the Premises under the terms, conditions, and procedure set forth in this Paragraph 4.2.

4.2.1 The term "fair market rental rate" means the most probable annual lease rate in terms of money which the Premises, (which excludes those improvements owned by the Tenant), would bring if exposed for lease in the open market for similarly situated properties, with a reasonable time allowed to find a tenant, and with full knowledge of the highest and best use to which the Premises could be put consistent with the then most current Airport Master Plan, County Comprehensive Plan, and Federal Aviation Administration ("FAA") regulations.

4.2.2 Landlord shall obtain an independent appraisal of the Premises, and the amount determined by the appraisal shall be the fair market rental rate of the Premises. No later than three months prior to each reestablishment date (i.e. October 1st), Landlord shall notify Tenant of the reestablished annual base rent to be effective on the reestablishment date.

4.2.3 If the Tenant disputes the fair market rental rate set by the Landlord, the Tenant shall provide the Landlord with fifteen (15) days written notice of the dispute. The Parties shall thereafter have fifteen (15) days to agree upon the identity of a professional MAI real estate appraiser familiar with the commercial rental values at Pangborn Memorial Airport to determine the fair market rental value consistent with Paragraph 4.2.1. In the event that the Parties cannot agree upon an appraiser, then the appraiser shall be selected by the Superior Court Judge of Douglas County. The expense of the appraiser shall be shared equally by the Parties. In order to minimize expenses, said appraiser need only determine the fair market rental rate of the land and need not undertake a full-written appraisal. Further, the Landlord may rely on any appraisal undertaken for similarly situated property within the prior eight (8) months as the basis for determining the new rent. The appraiser shall determine only the new fair market rental rate. All other disputes shall be determined in a court of law.

4.2.4 The annual increase set forth in Paragraph 4.1 shall resume in the years following each reestablishment date and shall be based on the new base rent effective on each reestablishment date.

4.3 Pro Rata Rent. In the event the Lease term commences or terminates on a date that is not the first or last day of the calendar year, respectively, Tenant shall pay a pro-rated annual installment, in advance, on the first day of the Lease term (for the remainder of the calendar year) or the 1st day of January of the last year of the Lease term, respectively, at the then current rate, based on the number of days during the first or last year of the Lease term. If the Lease term is renewed and the renewal occurs after pro-rata rent has been paid on January 1st for the remainder of the then-existing term, Tenant agrees to pay Landlord, upon such renewal, rent for the balance of the calendar year in which the renewal occurs.

4.4 Additional Rent and Fees. Tenant shall pay to Landlord the following additional amounts prior to occupancy:

Key Deposit, if applicable	\$50.00
Extra Key Charge (beyond two keys)	\$25.00 each key
Reimbursement to Landlord for Landlord's cost to bring electrical utility capacity to Premises	\$_____

Note: Lost key charge will be \$25.00 per lost key.

4.5 No Waiver. Failure to calculate and apply the rental increase for any year shall not be considered a waiver of an increase for any succeeding year.

4.6 Acceptance of Late Rent. Landlord shall be entitled, at its sole and complete discretion, to either accept or reject a tender of payment of rent or any fee which is not paid within the time required by this Lease. In the event Landlord elects to accept a tender of payment of rent or fee after the time required by this Lease, Landlord may do so without thereby waiving Tenant's continuing obligation to make such payments when required under the terms of this Lease. Tenant hereby acknowledges that this constitutes a waiver by Tenant of any argument that by accepting a late payment of rent or fees, Landlord has waived any default which is based upon such late payment or has waived Tenant's continuing obligation to make such payments when and as required by the terms of this Lease.

4.7 Late Charge. If any payment required by this Lease is not received by the Landlord by the end of the 25th day after it is due, then Tenant agrees to pay the Landlord a late charge equal to ten percent (10%) of any such delinquent payment. In the event Landlord elects to provide written notice of delinquency or other violation of the Lease, Tenant agrees to pay Landlord's cost and attorneys' fees reasonably incurred in providing such notice in addition to the late charge and all other payments and obligations called for herein.

4.8 Leasehold Excise Tax. Tenant shall pay to the Landlord such sums as may be required by law for payment of leasehold or other tenant tax as required, imposed, assessed, or imputed by the state of Washington or other tax entity, as such laws now exist or may hereafter be amended (such leasehold tax currently being 12.84%). If leasehold tax is increased or decreased, the total amount payable to the Landlord shall increase or decrease, but the amount of rent, as adjusted herein, shall not be changed as a result of any change in the leasehold tax rate.

5. Purchase of Improvements by Landlord. If the Landlord determines, in the Landlord's discretion, that the Premises is necessary for the operation of the Airport, the Landlord shall have the option to terminate the Lease and to purchase any improvements on the Premises (including those improvements constructed by Tenant) from the Tenant at a purchase price equal to the fair market value of the improvements as determined by the Landlord. The Landlord shall provide the Tenant with ninety (90) days written notice of Landlord's intent to purchase under this Paragraph, or any greater notice that may be required under FAA regulations. This Lease shall terminate and Landlord shall be entitled to possession of the Premises at the end of the period stated in the notice.

Should the Tenant dispute the purchase price, the dispute shall be resolved, and the purchase price shall be determined by appraisal, pursuant to the terms and time frames described in Paragraph 4.2.3. Landlord shall pay Tenant the proposed purchase price at the end of the 90-day period.

6. Net Lease. It is the Parties' intention that the rent herein specified shall be net to the Landlord. The Tenant agrees to pay, indemnify, defend, and hold the Landlord harmless from all expenses and obligation of every kind, including leasehold excise tax, personal property tax, and all other taxes and fees which may be imposed by the state of Washington or other taxing authorities, insurance, maintenance and repair costs, and all other costs of any kind or nature incurred with respect to Tenant's use or occupancy of the Premises.

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

7. Security Deposit.

7.1 Simultaneously with signing this Lease, Tenant shall deposit with Landlord a security deposit in the amount of \$_____ (an amount equal to not less than one year's rent as provided by Title 53.08.085 of the Revised Code of Washington), in the form of cash or other deposit acceptable to Landlord. The security deposit shall be held by Landlord as security for the full and faithful performance by Tenant of each and every term, covenant and condition of the Lease. The security deposit shall be placed in an account of Landlord's choice and the interest, if any, that accrues on said account, shall belong to the Landlord.

7.2 If Tenant breaches any of the terms of this Lease, including the obligation to pay rent, Landlord may, at Landlord's option, make immediate demand upon such security, without notice to Tenant, and apply the proceeds thereof toward the damages or expenses incurred by Landlord pursuant to this Lease. Such demand and application of the security deposit shall not be deemed a cure of any breach of the Lease. Nothing herein shall prevent the Landlord from pursuing any and all available remedies for a breach of the Lease.

7.3 If Tenant seeks an extension of the Lease under Paragraph 3, the Tenant hereby authorizes the Landlord to seek and obtain a credit or similar reports from any credit reporting agency or bureau or other entity.

8. Use of Premises. Tenant shall use the Premises for the construction, installation, maintenance and operation of a hangar building, to be used for the parking, storage, servicing, repair or maintenance of aircraft. During the term of this Agreement, Tenant must use the hangar and Premises for these purposes and for no other purpose, unless the Landlord consents in writing. Tenant shall not use the Premises outside the hangar for storage or any other purpose without the express, written consent of Landlord.

Tenant acknowledges that the primary purpose of the Premises is to facilitate and support the operations of the Airport. The possession and use of the Premises is expressly conditioned upon there being no conflict between the Tenant's operations and the Airport operations. In the event of conflict, as determined by the Landlord in its sole discretion, the matter shall be resolved in favor of Airport operations. For example, conflicts may arise due to the application of Airport safety zones, and the laws and regulations adopted or administered by the Federal Aviation Administration. As a material part of the consideration to Landlord for entering this Lease, the Tenant hereby waives any and all claims arising from or associated with a conflict arising with the Airport operations.

8.1 Tenant Covenants. Unless otherwise agreed to in writing by Landlord, Tenant shall:

8.1.1 Not use the Premises for any purpose except that stated in this Agreement.

8.1.2 Conform to all applicable laws and regulations of any public authority affecting the Premises and the use, including but not limited to the Federal Aviation Administration and all rules promulgated by Landlord.

8.1.3 Refrain from any use which would be reasonably offensive to the Landlord, other tenants or owners or users of adjoining premises, or which would tend to create a nuisance or interfere with the use of the Airport for general aviation purpose.

8.1.4 Keep and maintain the Premises, improvements and any aircraft or other materials placed on the Premises in a safe, clean and orderly manner.

8.1.5 Operate in accordance with the obligations of the Landlord to the Federal government under the terms and restrictions contained in Landlord deed to part of the Airport property from the U.S. Government.

8.2 Reservation of Rights. Landlord reserves the right to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, together with the right to prevent the Tenant from erecting, or permitting to be erected, any building or other structures on the Airport which, in the opinion of the Landlord, would limit the usefulness of the

Airport or constitute a hazard to aircraft. Landlord reserves the right to develop or improve the Airport as it sees fit, without interference or hindrance on the part of the Tenant.

This Lease shall be subordinate to the provisions of any existing or future agreement entered into between the Landlord and the United States to obtain federal aid for the improvement or operation and maintenance of the Airport.

8.3 Common Areas.

8.3.1 Tenant and its invitees shall have the right to use, in common with others, (i) all public Airport facilities and improvements (“Airport Public Facilities”) and (ii) such public roads, ways and areas at the Airport as may be necessary for access to and from the Premises, which are now or hereafter provided by Landlord for public use. The Airport Public Facilities and other areas described in the previous sentence are referred to as the “Common Areas.” No aircraft, vehicle, equipment or machinery shall be left in an inoperable condition or stored in the Common Areas by Tenant, its invitees or contractors or suppliers, without the prior written consent of Landlord. Nothing stated in this Lease shall prohibit Landlord from banning from Landlord’s property any person or entity which fails to comply with applicable laws, ordinances and rules and regulations, including those adopted by Landlord.

8.3.2 In addition to any other right granted by law, Landlord, and its Director, or the Director’s designee, reserve the following specific rights with respect to the Common Areas:

- a. To establish reasonable rules and regulations for the use of the Common Areas;
- b. To use or permit the use of the Common Areas by others to whom Landlord may grant or may have granted such rights in such manner as Landlord may from time-to-time grant;
- c. To close, alter or relocate all or any portion of the Common Areas; to make repairs or changes to the Common Areas; to take any action prevent a dedication of the Common Areas or the accrual of any rights to any person or the public; and to take any action regarding the unpermitted use of the Common Areas;
- d. To construct additional buildings and to alter or remove buildings or other improvements in the Common Areas and to change the layout of such Common Areas, including the right to add to or subtract from their shape and size or to change their location;
- e. To exercise any of Landlord’s governmental or proprietary powers over the Common Areas.

f. The right to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, together with the right to prevent the Tenant from erecting, or permitting to be erected, any building or other structures on the Airport which, in the opinion of Landlord, would limit the usefulness of the Airport or constitute a hazard to aircraft.

g. The right to develop or improve the Airport as it sees fit, without interference or hindrance on the part of Tenant.

h. The sole right to determine the level, methods and schedules of any maintenance or improvements at the Airport; and shall have the right to close the Airport whenever Landlord deems it necessary for reasons of public safety or convenience.

9. Rules, Regulations and Restrictions.

9.1 Tenant shall comply with all laws and shall observe all applicable present or future ordinances, rules and regulations, including any rules and regulations adopted by the Landlord, and any future amendments thereto (which rules and regulations may include, without limitation, an Airport Security Plan, restrictions as to storage, noise, prohibited activities, and design standards), which are made part of this Lease agreement and shall have the same effect as though written herein. Tenant understands and agrees that Landlord may amend the rules and regulations applicable to Airport property (of which the Premises is a part), and that such amendments shall be binding upon Tenant. If there is a conflict between the rules, regulations, ordinances or minimum standards of the Landlord and this Lease, the rules, regulations, ordinances, or minimum standards shall control.

9.2 Specifically, and not by way of limitation, the Tenant shall also comply with the following rules and regulations pertaining to hangar storage:

9.2.1 The use of the Premises shall be limited solely to storage of aircraft and routine maintenance of the aircraft stored on the Premises.

9.2.2 Tenant shall not store gasoline, explosives, or hazardous substances as defined in Paragraph 22 in the Premises.

9.2.3 Tenant agrees to keep the Premises secured at all times when not in use.

9.2.4 Tenant shall keep the Premises clean and free of debris.

9.2.5 Tenant shall not park or leave an aircraft, vehicle, or other items of personal property on the pavement adjacent to the Premises, including taxilanes and areas of common use with other tenants of the Landlord.

9.2.6 Tenant shall not conduct any business from the Premises, including, but not limited to, charter, rental, repair, or instructional services, without the advance written consent of the Landlord.

9.2.7 Tenant must apply for and obtain complete an Airport Identification Badge and any other training reasonably required by the Airport prior to obtaining access to the Premises. Tenant must also successfully pass a Federal Security Threat Assessment (STA).

9.2.8 Tenant must keep all contact information and identification information of any aircraft kept in the hangar current with Landlord.

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

9.4 The access to the Premises may be shared and is non-exclusive. In addition, the Tenant agrees that the access may be gated at a location determined by the Landlord, which may be relocated by Landlord, as Landlord determines, so long as Tenant continues to have reasonable access to and from the Premises.

9.5 In order to comply with Homeland Security requirements, the Landlord may install fencing, which due to topography, or other practical considerations (which considerations are committed to the sole discretion of the Landlord), may encroach into the Premises or alter the current access to the Premises. As a material part of the consideration to Landlord for entering this Lease, the Tenant hereby waives any and all claims arising from or associated with the installation or future relocation of said fence.

10. Water and Septic Systems.

The Premises is not connected to water or septic system facilities.

The Premises is connected to water and septic systems facilities described as follows:

_____.

The Tenant shall obtain the advance written approval from the Landlord prior to installing, maintaining or repairing any water or septic facilities associated with the Premises, which approval the Landlord is not required to give. All costs, of any kind or nature, associated with any such present and future connection or improvement shall be the responsibility of the Tenant (including, but not limited to, construction, installation, connection fees or charges,

maintenance, repair, replacement, testing, etc.). The Tenant agrees to reimburse the Landlord for the actual engineering and legal costs incurred by Landlord in the review of any plans and the drafting of any documents necessary to memorialize an addendum to the Lease describing the additional improvements to the Premises. Any existing water or septic system facilities were installed by a prior tenant and the Landlord disclaims any responsibility or liability therefore, including compliance with applicable laws and regulations. As a material part of the consideration of this Lease, the Tenant hereby assumes all responsibility associated with said water and septic systems and the compliance with applicable laws and regulations, and hereby releases and waives any and all claims against the Landlord associated with said water and septic systems.

11. Future Sewer System. In the event a comprehensive sewer system is installed to provide sewer service to the hangers, the Landlord reserves the right to require those Tenants with existing water or septic facilities to connect to said sewer system, at Tenant's sole cost and expense. In the event the Tenant does not connect to the sewer system within 90 days of Landlord's notice, then Landlord reserves the right, but not the obligation, to make such connection and to charge the costs thereof to the Tenant as additional rent.

12. Construction and Repair. The Tenant agrees to maintain the Premises and any improvements thereon in good condition and repair. The Tenant shall maintain all portions of the Premises and adjoining areas in a clean and orderly condition, free of dirt, rubbish, and unlawful constructions, and according to the minimum standards and policies established by the Landlord from time to time.

In case of any dispute which may arise at any time between the Landlord and Tenant as to the standard of care and maintenance of the Premises, the standard and care of the Premises and the adjoining areas shall conclusively be determined by the Airport Director of the Pangborn Memorial Airport acting in good faith and exercising reasonable judgment. The Landlord, by its authorized representatives, shall have the right to enter upon the Premises at any reasonable time for the purposes of maintenance inspection conducted in a manner such that it will not unreasonably interfere with or disrupt Tenant's operation.

The Tenant may, from time to time, at its own expense, make such improvements in and about the Premises, whether structural or otherwise, and may install such machinery, equipment and facilities therein as may be considered proper and necessary in connection with the use and operation of the Premises, provided, however, that all such construction and improvements shall be done according to plans drawn up by a qualified architect or engineer and submitted in advance to the Airport Director of Pangborn Memorial Airport, which plans must have the advance written approval of the Airport Director and a building permit issued by the Douglas County Building Department prior to commencing any work. All costs incurred by Landlord in reviewing the plans or assisting the Tenant in complying with FAA regulations relating to the improvement, including without limitation, the Notice of Proposed Construction or Alteration, shall be reimbursed by Tenant upon ten (10) days notice from Landlord of the costs incurred. The exterior paint, trim, and exterior finish must be in accordance with the rules and regulations adopted from time to time by the Landlord. Tenant shall not demolish or alter any existing

buildings or improvements, or parts thereof, without the express prior written consent of the Landlord.

13. Title. The title to any such buildings or improvements placed on the Premises by the Tenant, without regard to their attachment to the underlying land, shall remain in the possession of the Tenant during the term of this Lease or any extensions thereof; provided, however, that the Tenant must comply with Paragraph 12, regarding alteration, construction or removal as to such buildings and improvements.

The Landlord and Tenant hereby agree that all personal property belonging to or placed by the Tenant on the Premises, whether such property consists of furniture, machinery, equipment, appliances, or trade fixtures shall be and remain the personal property belonging solely to the Tenant and remain subject to the Tenant's right of removal, provided, however, that the heating, plumbing, air conditioning, lighting, and other utility fixtures shall be considered real property and may not be removed by the Tenant without the Landlord's express prior written consent, and shall not entitle the Tenant to surrender possession of the Premises, terminate this Lease, violate any of its provisions, or cause any abatement in rent under the terms of this Lease.

14. Risk of Loss. The full risk of destruction or damage to any building, improvement, or personal property on the Premises by fire, windstorm or any other casualty rests solely with the Tenant.

15. Right of Entry. The Landlord and its representatives may enter the Premises, together with any buildings and improvements thereon, upon twenty-four (24) hours advance notice to Tenant, for the purpose of inspecting the Premises, performing any work which the Landlord elects to undertake (including but not limited to work made necessary by reason of the Tenant's default under the terms of this Lease), or exhibiting the Premises for sale or lease. In case of emergency (as determined by Landlord in its sole discretion), Landlord may enter the Premises at any time without notice to Tenant.

16. Casualty Destruction. In the event that any building or improvement on the Premises (including underground improvements not made by the Landlord) is damaged or destroyed during the term of this Lease, Tenant shall have the option to either promptly repair and restore the building or improvements (by complying within Paragraph 12, above) or terminate this Lease. If the Lease is terminated by reason of casualty destruction, the Tenant shall not be released from any obligation to pay Landlord any rent or other cost or fee provided herein accruing prior to the date of termination. For the purposes of this Paragraph, the date of termination shall be the date upon which Landlord receives written notification from Tenant of its intention not to repair and restore the damaged or destroyed building or improvements, or any date on which a default occurs, or the expiration of the Lease term, whichever first occurs.

17. Insurance. Tenant shall provide its own property damage insurance.

17.1 Tenant is responsible for insuring all property, personal property, inventory, and improvements and betterments made or owned by Tenant.

17.2 From and after the commencement date of the term of this Lease, Tenant shall insure the Premises, at its sole cost and expense, against claim for bodily injury and property damage under a policy of general liability insurance, with limits of \$1,000,000.00 per occurrence, and \$1,000,000.00 annual aggregate. Such policy shall name Landlord as an additional named insured. Before taking possession of the Premises, the Tenant shall furnish the Landlord with a certificate evidencing the aforesaid insurance coverage.

17.3 The aforementioned minimum limits of policies shall in no event limit the liability of Tenant hereunder. No policy of Tenant's insurance shall be cancelable or subject to reduction of coverage or other modification except after thirty (30) days prior written notice to Landlord by the insurer. Tenant shall, at least thirty (30) days prior to the expiration of the policies, furnish Landlord with renewals, certificates or binders.

17.4 Tenant shall insure the Premises to the full replacement value with an "all risk" or equivalent policy of property insurance, naming Landlord as insured.

17.5 The insurance shall be issued by carriers and on terms acceptable to the Landlord.

17.6 The Tenant agrees that if Tenant does not take out and maintain such insurance, Landlord may (but shall not be required to) procure such insurance on Tenant's behalf and charge Tenant the premiums together with a twenty-five percent (25%) handling charge, payable upon demand.

18. **Condemnation.** If all of or any part of the Premises shall be condemned for public use by any authority superior to the Landlord, such as the state of Washington, or the United States of America, this Lease shall terminate without liability of either Party to the other.

19. **Indemnity and Hold Harmless.** The Tenant shall indemnify the Landlord from and against any and all claims, demands, liens, penalties, 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 Tenant's maintenance of the Premises or common areas or any improvements thereon; or by Tenant's non-observance or non-performance of any law, ordinance or regulation applicable to the Premises; or incurred in obtaining possession of the Premises after a default by the Tenant, or after the Tenant'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 Tenant, its agents, officers, employees, or invitees and includes any claim, loss or liability which may be caused or contributed to by Landlord's own actions, omissions, or negligence, in which event the Tenant shall indemnify the Landlord as set forth above to the extent of Tenant's liability.

The Tenant specifically waives any immunity provided by Washington's Industrial Insurance Act. This indemnification covers claims by Tenant's own employees.

20. Assignment of Lease/Transfer of Improvements. The Tenant shall not assign this Lease nor sublet the whole or any part of the Premises without the express prior written consent of the Landlord. In the event of a sale or transfer of any improvements or buildings located on the Premises, the Landlord may assign this Lease or elect to negotiate the terms of a new lease directly with the buyer of the improvements.

21. Condition of Premises. Tenant agrees to accept the Premises and improvements thereon in their existing condition, and hereby acknowledges that Tenant has fully inspected the same. No representation or warranty, expressed or implied, has been made by or on behalf of the Landlord as to such condition, or as to the fitness of the Premises. The Landlord shall not be liable for any defect in the Premises or any limitation inherent in its use.

22. Presence and Use of Hazardous Substances.

22.1 Storage and Definition. All hazardous substances shall be stored in accordance with all legal regulations regarding storage of hazardous substances and Tenant shall store on or around the 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, Tenant 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 Landlord 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 Landlord's request, submit written reports to Landlord regarding Tenant's use, storage, treatment, transportation, generation, disposal or sale of hazardous substances and provide evidence satisfactory to Landlord of Tenant's compliance with the applicable governmental regulations;

22.2.4 Allow Landlord or Landlord's agents or representatives to enter the Premises, after reasonable notice, to check Tenant'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 Premises,

these levels or standards shall be established by an on-site inspection by the appropriate governmental authorities and shall be set forth in 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 Landlord shall have the right, at reasonable times and upon reasonable notice to Tenant, to inspect the Premises to monitor Tenant's compliance with this Paragraph . Tenant shall reimburse Landlord for any costs or expenses paid by Landlord to third parties (non-Landlord employees, including Landlord's retained inspectors, engineers, consultants, etc. or representatives of government entities). If an inspection reveals the use or presence of hazardous substances requiring clean-up or other action, then Tenant shall pay, as part of the clean-up costs incorporated in Paragraph 22.3 below, Landlord'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, Tenant shall:

22.3.1 Be fully and completely liable to Landlord 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 Tenant's use, disposal, transportation, generation and/or sale of Hazardous Substances, in or about the Premises.

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

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

a. At Landlord's option, to terminate this Lease immediately; and

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

23. Default. If the Tenant: (a) fails to timely pay any rent, payment, fee or money due hereunder; (b) fails to comply with any of the terms and covenants of this Lease in any manner whatsoever; or (c) becomes the subject of a filing in any court pursuant to any federal or state statute, of a petition in bankruptcy or insolvency, or for reorganization, or for the appointment of

a receiver or trustee of all or a portion of the Tenant's property, or an assignment of the Tenant for the benefit of creditors, then the Tenant shall be in default under this Lease. Upon default, the Landlord may, upon twenty (20) days written notice to Tenant:

23.1 Terminate the Lease and declare all Tenant's rights herein forfeited. Such notice of termination shall be given to the Tenant as set forth in Paragraph 26.1. Upon termination, the Landlord may immediately, without other notice of process of law, re-enter and take possession of the Premises using such force as may reasonably be necessary to move all persons and property therefrom. The Landlord shall not be liable for any damage or loss to property by reason of such forfeiture and re-entry. The Tenant agrees to pay to the Landlord a reasonable attorneys' fee and costs incurred for the purposes of enforcing any of the provision of this Lease. In addition, the Tenant shall be deemed to have forfeited its rental security or bond which shall be applied toward any damages incurred by Landlord for any such forfeiture or default.

23.2 Recover damages, immediately and, without waiting until the due date of any future rent or until the date fixed for expiration of the lease term, in the following amounts:

23.2.1 The unpaid rent and other charges due from Tenant to Landlord up to and including the date of termination; and

23.2.2 The reasonable costs of reentry and reletting including without limitation the cost of any clean up, refurbishing, removal of Tenant's property and fixtures, or any other expense occasioned by Tenant's failure to quit the Premises upon termination and to leave the Premises in the required condition, any remodeling costs, attorney fees, court costs, broker commissions, and advertising costs; and

23.2.3 All rent and charges that accrue as damages between the date of termination and the end of the term, or the relet, whichever occurs first, together with the difference between the rent and charges paid during the relet and the rent and charges that accrue as damages under this Lease.

The foregoing remedies shall be in addition to and shall not preclude any other remedy available to Landlord under applicable law.

24. Termination. Tenant covenants and agrees that upon the expiration of the Lease or any extension, or upon the termination of the Lease for any cause (including a termination prior to the end of the Term), Tenant shall at once peacefully surrender and deliver the Premises to the Landlord or the Landlord's agents or assigns. Provided Tenant is not in default at the time of termination, the Tenant shall have the election to remove any improvements, fixtures or buildings installed by the Tenant, subject to the provisions of Paragraph 13, and restore at its own expense, the Premises to the condition they were in at the inception of the Lease (including the clearing and grading of any building footings or concrete), together with the repair of any damage caused by the removal. If the Tenant does not remove the improvements, the Landlord shall have the election described in Paragraph 24.1, below

24.1 Reversion Upon Termination or Default and Landlord's Election Regarding Improvements. Upon the expiration or termination of this Lease for whatsoever reason (including a termination prior to the end of the Term), if the Tenant is then in default or if there is no default but Tenant does not remove all of the improvements under Paragraph 24, then at the Landlord's election, any building, fixtures, or improvements then existing on the Premises shall revert as part of the Premises to the Landlord, at the Landlord's option, including any improvements which the Tenant constructed. If the Landlord elects not to accept such buildings, fixtures or improvements, then the Tenant shall restore, at its own expense, the Premises to the condition they were in at the inception of the Lease (including the clearing and grading of any building footings or concrete), together with the repair of any damage caused by the removal. If the Landlord agrees to accept the buildings and improvements at the termination of this Lease due to default, the Tenant will turn over said improvements and buildings in good condition and repair, without offset or compensation.

25. TIME. TIME IS OF THE ESSENCE IN THIS LEASE.

26. Miscellaneous Provisions.

26.1 Notices. Any notice by either Party to the other Party shall be in writing and shall be deemed to be duly given upon mailing by certified mail in a postpaid envelope addressed to the Party at the address set forth next to their signature, below. ALTERNATIVELY, ANY NOTICE HEREIN TO BE PROVIDED BY LANDLORD SHALL BE DEEMED SERVED UPON POSTING THE NOTICE ON THE PREMISES. TENANT SHALL BE RESPONSIBLE FOR MAINTAINING CURRENT CONTACT INFORMATION (ADDRESS, PHONE, AND E-MAIL). FAILURE TO MAINTAIN CURRENT CONTACT INFORMATION SHALL BE A DEFAULT UNDER THIS LEASE.

26.2 No Limitation on Landlord's Authority. Nothing stated herein shall be construed as to limit in any way the general power and right of Landlord to exercise its governmental or proprietary powers in any way, including such as may affect the Airport, the Premises, the Common Areas, or any other area under the jurisdiction of Landlord.

26.3 Amendment. This Lease may be modified only upon the Parties' mutual written consent.

26.4 Severability. If any provision of this Lease shall be declared invalid or unenforceable, the remainder of the Lease shall continue in full force and effect.

26.5 Waiver. The waiver by any Party of a breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach of this Agreement.

26.6 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.

26.7 Governing Law; Attorney Fees; Venue. This Agreement shall be construed in accordance with the laws of the state of Washington. In the event of any action arising hereunder, the prevailing party shall be granted its attorney fees and court costs. Venue for such action shall lie in Douglas County, Washington.

26.8 Non-Discrimination. The Tenant agrees not to discriminate in its business dealings or hiring practices on the grounds of race, color, national origin or sex.

26.9 Entire Agreement. This Lease contains the entire agreement between the Parties.

LANDLORD:

TENANT:

PANGBORN MEMORIAL AIRPORT

By: _____

By: _____

Name: _____

Its: _____

Title: _____

Dated: _____

Dated: _____

Address for Notices:

Address for Notices:

Pangborn Memorial Airport
One Pangborn Drive
East Wenatchee, WA 98802-9233

Phone No: _____
E-mail Address: _____

