



King County

Budget and Fiscal Management Committee

STAFF REPORT

Agenda Item:	7	Name:	Mike Alvine
Proposed No.:	2011-0475	Date:	February 7, 2012

SUBJECT: An ordinance authorizing the King County executive to enter into a long-term lease agreement with Gateway USA, LLC dba Clay Lacy Aviation, for a portion of the King County international airport located in council district 8.

SUMMARY:

The ordinance would approve a 35-year lease with Gateway USA, LLC that describes the demolition of an old hangar, the construction of a new hangar and office complex on a 9.74 acre parcel at King County International Airport (KCIA).

BACKGROUND:

King County code clearly delineates the conditions under which the County can lease its land and buildings. The code provisions for leasing are identified below.

KCC 4.56.010 and KCC 4.56.160 require that leases to commercial entities be at “fair market value” as determined by an appraisal. An appraisal is conducted every three years for all properties at KCIA except those leased by The Boeing Company, which are appraised every five years. The most recent appraisal was completed in November 2011 and determined that the fair market rent for a ground lease for this site is \$1.28 per square foot per year.

KCC 4.56.160 also requires that in general, properties available for lease be competitively bid. However, that same section of code does allow for a negotiated lease when it is in the County’s interest. The relevant section of code is quoted below with the reference to the negotiated lease provision underlined (emphasis added).

...the manager of the facilities management division shall determine whether the new lease, or renewal of an existing lease, is to be awarded by competitive bidding or by negotiation with interested parties without bidding. New leases shall be awarded by competitive bidding unless the manager of the facilities management division determines it is advantageous to the county to negotiate without bidding. In the event the county negotiates the award of lease contracts,

the facilities management division shall submit to the executive the reasons for recommending award through negotiation rather than competitive bidding. At the option of the executive, competitive bidding may be required. The county shall give notice of its intention to execute a lease by publishing a notice in a legal newspaper at least once a week for the term of two weeks.

The Executive agreed with the recommendation of the Manager of the Facilities Management Division that a negotiated lease would be in the best interest of the County. The rationale for the decision will be discussed in the Analysis section of this report. As required by the code sections above, a public notice of intent to negotiate a lease was published in the Seattle Times on July 28, 2011 and August 4, 2011. (Attachment 4 is the affidavit of publication.)

KCC 4.56.170 requires the lessee to make a deposit. The proposed lease requires a deposit equal to two months of regular lease payments and excise tax.

KCC 4.56.180 allows the County to lease property for a term of 35 years if the lessee constructs or has constructed site improvements at least equal to the value of the property. The parcel is approximately 9.74 acres. The most recent appraisal values the property at \$6.8 million. This would represent the minimum investment the lessee would need to make in order to qualify for a 35-year lease.

ANALYSIS:

The analysis will first identify the key provisions of the lease agreement and then compare them to see if they meet the relevant provisions of King County code. The lease calls for Gateway USA to:

1. Demolish and remove the debris from an old 25,000 square foot hangar on the site. (An aerial photo of the site is provided as Attachment 5 to this report.)
2. Construct a new 40,000 square foot airplane hangar and a 7,600 square foot office complex. (At the end of the lease term, the hangar and all facilities become the property of King County.)
3. Pay approximately \$90,000 in environmental clean-up costs related to the site.
4. The value of all the improvements listed above is approximately \$11 million. This represents approximately \$4.2 million in excess investment in the property, exceeding the requirement of KCC 4.56.180.

Gateway has already made these improvements. Attachment 6 to this report provides a list of actions undertaken by Gateway with the associated costs.

There appear to be two primary considerations for evaluating the proposed lease. The first is whether or not it is in the County's interest to negotiate the lease rather than having a public bidding process. The second is whether or not all the provisions of code have been met.

Bid versus Negotiation of Lease

The following paragraphs describe and analyze the factors that lead the Director of the Facilities Management Division and the Executive to recommend a negotiated lease.

Benefits

Gateway has been doing business as Clay Lacy Aviation on Boeing Field since 2003 when it purchased a leasehold from FlightCraft. Gateway is one of three Fixed Based Operators (FBO) that serve fixed wing aircraft at KCIA with hangars and offices located on the airfield. As an FBO, Gateway provides services for corporate jet travelers including aircraft sales and chartering, parking, fueling, maintenance, food, offices and ground transportation.

Gateway employs 43 people and maintains an extensive customer base, including serving as the primary flight department for the Boeing Executive Fleet with two on-site. Boeing has extended its contract with Gateway for another three years. The firm has also held a military contract for the last seven years, serving as the personnel portal for charter military flights.

Table 1 - Total County Benefits

Action	Benefit
43 Employees	Payroll
FBO Services since 2003	Services to tenants and transient aircraft
Total Facility Investment	\$11 million
Excess site improvement value	\$4.2 million
Annual Lease Payment & Leasehold Tax	\$613,000

Executive staff believes it is unlikely a public bid for the lease would have provided this level of benefit for King County.

Code Provisions

The lease appears to meet all relevant code provisions as identified in the Background section of this report including fair market value, level of investment, term of lease, rental deposit and public notice published in a newspaper for two consecutive weeks.

FISCAL NOTE:

The fiscal note identifies annual lease payments of approximately \$543,000 plus approximately \$70,000 in annual Leasehold Excise Tax payments for each of the next three years. As noted earlier, rents are adjusted every three years based on an outside appraisal.

AMENDMENT:

The Council's legal counsel suggested that the findings in the ordinance be strengthened and that the non-discrimination language in the lease did not reflect the most recent change to County Code. Staff has prepared an amendment for the Committee's consideration which strengthens the findings and provides a substitute lease that conforms to the non-discrimination provision of code.

INVITED:

- Tom Paine, Real Estate Agent, Real Estate Services, FMD, DES
- Ian Taylor, Senior Deputy Prosecuting Attorney, King County
- Brad Wollen, General Manager, Clay Lacy Aviation

ATTACHMENTS:

1. Proposed Ordinance 2011-0475
2. Striking Amendment S1
3. Transmittal letter received November 8, 2011
4. Fiscal Note
5. Affidavit of Publication
6. Aerial Photo of Lease Site
7. List of site improvements and costs



KING COUNTY
Signature Report

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

February 6, 2012

Ordinance

Proposed No. 2011-0475.1

Sponsors Lambert

1 AN ORDINANCE authorizing the King County executive
2 to enter into a long-term lease agreement with Gateway
3 USA, LLC dba Clay Lacy Aviation, for a portion of the
4 King County international airport located in council district
5 8.

6 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

7 SECTION 1. Findings: In accordance with K.C.C. 4.56.150, 4.56.160, 4.56.180
8 and chapter 15.72, the council may adopt an ordinance permitting the county to lease its
9 property for a term of years not to exceed thirty-five years if the value of the leasehold
10 improvements is or will be at least equal to the value of the property to be leased.

11 SECTION 2. The appropriate county officials, agents and employees are hereby
12 authorized to take all actions necessary to implement the lease and all actions up to now
13 taken by county officials, agent and employees consistent with the terms and purposes of
14 the lease agreement are hereby ratified, confirmed and approved.

15 SECTION 3. If any one or more of the covenants or agreements provided in this
16 ordinance to be performed on the part of the county is declared by any court of competent
17 jurisdiction to be contrary to law, then such covenant or covenants, agreement or
18 agreements are null and void and shall be deemed separable from the remaining

19 covenants and agreements of this ordinance and in no way affect the validity of the other
20 provisions of this ordinance or of the lease.

21 SECTION 4. The King County executive is hereby authorized to execute a long-
22 term lease agreement, in substantially the form attached to this ordinance, with Gateway
23 USA, LLC dba Clay Lacy Aviation.

24

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Larry Gossett, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this ____ day of _____, ____.

Dow Constantine, County Executive

Attachments: A. King County International Airport Lease Agreement



February 7, 2012

ma

Sponsor: _____

Proposed No.: 2011-0475

1 **STRIKING AMENDMENT TO PROPOSED ORDINANCE 2011-0475, VERSION 1**

2 On page 1, beginning on line 6, strike everything through page 2, line 23, and insert:

3 "BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

4 **SECTION 1. Findings:** In accordance with K.C.C. 4.56.150, 4.56.160, 4.56.180

5 and chapter 15.72, the council may adopt an ordinance permitting the county to lease its

6 property for a term of years not to exceed thirty-five years if, among other requirements:

7 A. The value of the leasehold improvements is or will be at least equal to the
8 value of the property to be leased;

9 B. The value of the parcel to be leased has been appraised at six million eight
10 hundred thousand dollars as of November 2011; and

11 C. The value of tenant improvements to the leased parcel is eleven million
12 dollars.

13 **SECTION 2.** The King County executive is hereby authorized to execute a long-
14 term lease agreement, in substantially the form attached to this ordinance, with Gateway
15 USA, LLC dba Clay Lacy Aviation."

16 Delete Attachment A, King County International Airport Lease Agreement, and insert
17 Attachment A, King County International Airport Lease Agreement, dated February 7,
18 2012.

19 **EFFECT: Strengthens and clarifies the Findings of the ordinance and makes the**
20 **text of the lease agreement in Attachment A conform to the updated King County**
21 **Code as it relates to antidiscrimination.**

KING COUNTY INTERNATIONAL AIRPORT (Feb 7, 2012)

7277 Perimeter Road South
Seattle, Washington 98108
(206) 296-7380

LEASE AGREEMENT

THIS LEASE is made effective as of the _____ day of _____, 2011 (the "Effective Date"), between King County, a political subdivision of the State of Washington (sometimes referred to herein as the "County"), and GATEWAY USA, LLC, a Washington limited liability company ("Lessee").

RECITALS

1. King County and Flightcraft, Inc., as Lessee, entered into two leases at King County International Airport ("KCIA"). The first lease, effective August 15, 1977, was subsequently amended to include a total of approximately 289,459 square feet. The second lease, effective January 23, 1980, was subsequently amended to include a total of approximately 135,237 square feet. The two leases cover the property known as 8285-8403 Perimeter Road South. The current square footage is agreed to by the parties as being 424,218 square feet.
2. In 1986 King County consented to assignment of the two leases from Flightcraft, Inc., to Papé Properties, Inc. and entered into an Agreement and Amendment of Lease, effective August 15, 1987, consolidating both agreements into one leasehold covering approximately 424,696 square feet (the "Premises"). The term of the consolidated lease (together with all amendments, the "Old Lease") expires on August 14, 2012.
3. King County consented to the assignment of the Lease from Papé Properties, Inc./Flight Properties, Inc. to McCaw Flight Operations, Inc. and additional provisions were added to the Lease by Consent to Assignment and Amendment of Lease dated April 3, 1995.
4. King County consented to the assignment of the Lease from Flight Operations, Inc. (formerly known as McCaw Flight Operations, Inc.) to Gateway USA, LLC by Consent to Assignment dated February 23, 2003.
5. King County and Lessee desire to enter into a new Lease for the Premises, legally described on Exhibit A, attached hereto and incorporated herein, which lease will have a new 35-year term as described in Section II "Term" herein. ("New Lease").
6. The Old Lease required prior written approval from King County for any new improvements on the Premises, which has been provided, and, with King County's consent, Lessee has removed, at its own expense, the existing hangar at 8403 Perimeter Road South and constructed on the Premises a 40,000 square foot (approx.) hangar and 7,600 square foot (approx.) office complex in excess of the minimum cost of \$8,500,000.00. All such improvements are referred to herein as the "New Improvements."

7. Further in connection with its construction of the New Improvements, Lessee undertook and completed certain environmental clean-up of the Premises and incurred \$180,055.00 in clean-up costs for which it is seeking reimbursement from the County, of which King County has agreed to pay one half as set forth herein below (the " Environmental Reimbursement")

WITNESSETH:

THEREFORE, King County and Lessee do hereby mutually agree to the New Lease as follows:

I. LEASED PREMISES. King County hereby leases to Lessee and Lessee leases from King County the Premises in King County, Washington, legally described on EXHIBIT A attached hereto and incorporated herein by reference.

II. TERM. This Lease creates a tenancy for the term of thirty-five (35) years commencing twenty (20) days after an ordinance approving this lease has been signed by the King County Council (the "Commencement Date"). On commencement of this New Lease, the Old Lease shall be terminated per Section XI below.

III. RENT. The parties agree that the Fair Market Rental Value, for the term beginning on the Commencement Date, shall be a \$ 1.28 per foot per year unless the Commencement Date occurs after January 1, 2012, in which case the rate shall be set by the updated airport appraisal scheduled to be completed prior to January 1, 2012.

IV. USE OF PREMISES. Lessee will use the Premises in accordance with the following list of permitted uses:

- (a) Aircraft sales (new and used);
- (b) Aircraft fuel sales and fuel storage;
- (c) Aircraft maintenance service, including engine and accessory overhaul;
- (d) Flight training;
- (e) Air taxi, charter and cargo operations;
- (f) Aircraft parts and accessory sales;
- (g) Transient aircraft service;
- (h) Tie-down and hangar rental;
- (i) Avionics sales and service;
- (j) Aviation business related office space rental;
- (k) Any other items in the future that may develop as a function of general aviation business, except that each usage must be approved by King County; and
- (l) Personal or general services to aircraft customers, including snack bar

Airport Director
King County International Airport
7277 Perimeter Road South
Seattle, WA 98108-3844

TO LESSEE: Brad Wollen
GATEWAY USA, LLC
8285 Perimeter Road South
Seattle, Washington 98108

or to such other respective addresses as either party hereto may hereafter from time to time designate in writing. Notices sent by mail shall be deemed to have been given when properly mailed, and the postmark affixed by the United States Post Office shall be conclusive evidence of the date of mailing.

VIII. LEASEHOLD MORTGAGE ADDENDUM. The Leasehold Mortgage Addendum (“Addendum”) attached hereto as Exhibit C is hereby incorporated herein by this reference and forms a part hereof. To the extent of any inconsistency between the Addendum and the provisions of this Lease, the Addendum shall control.

IX. GENERAL TERMS AND CONDITIONS. Attached hereto as Exhibit B and incorporated herein by reference are King County General Terms and Conditions.

X. ENTIRE AGREEMENT AMENDMENTS. This printed Lease with the attached General Terms and Conditions and any and all exhibits expressly incorporated herein by reference and attached hereto shall constitute the whole agreement between the parties. There are no terms, current or past representations, obligations, covenants or conditions other than those contained herein. No modification or amendment of this Lease shall be valid or effective unless evidenced by an agreement in writing signed by both parties.

XI. PAYMENT OF ENVIRONMENTAL REIMBURSEMENT BY KING COUNTY, PAYMENT OF BACK RENT BY LESSEE, AND TERMINATION OF OLD LEASE. Prior to the Commencement Date the County shall pay to Lessee the amount of \$91,527.50, for the Environmental Reimbursement. On such payment and the full effectiveness of this Lease the Old Lease will terminate and the security deposit held by King County, returned to Lessee. Notwithstanding the foregoing termination, Lessee shall continue to pay its obligation for back rent to King County, until paid in full.

XII. SECURITY AND DAMAGE DEPOSITS. On the Commencement Date of the Lease, Lessee shall pay the first (1st) month’s rent and leasehold tax. In addition, the Lessee shall deposit with King County the sum of \$102,120.02 as a security deposit for the payment of rent and tax. The security deposit is the only sum to be credited toward payment of the last month’s rent upon Lessee’s termination of the Lease. The return of this deposit, or any portion of it, shall be conditioned on the performance of all the Lessee’s duties herein. Within (60) days after termination of the tenancy and vacation of the premises King County will return any sum due the Lessee from this deposit retained by King County. Furthermore, the Lessee understands and agrees that all rents, late charges and utility bills owing, unless paid by the Lessee, may be

deducted from the deposit for damage and cleaning at the time of Lessee's vacation of the Premises if any amount remains in that fund after subtraction of damage and cleaning costs. The deposits need not be held in any special account and no interest will be paid thereon.

IN WITNESS WHEREOF, this Lease is executed in triplicate on behalf of King County by the County Executive and on behalf of the Lessee by its duly authorized officer(s).

LESSEE:

LESSOR:

GATEWAY USA, LLC.,
a Washington limited liability company

KING COUNTY, a political subdivision of the
State of Washington

By: CLAY LACY AVIATION INC,
a California Corporation, Member

BY: _____
Stephen L. Salyer, Manager
Real Estate Services Section

DATE: _____

BY: _____
Clay Lacy, President

DATE: _____

CONSENT:

**KING COUNTY INTERNATIONAL
AIRPORT**

BY: _____
Joe Clark, Member

BY: _____
Robert I. Burke, AAE, Director

DATE: _____

DATE: _____

APPROVED AS TO FORM:

BY: _____
Ian Taylor, Senior Deputy Prosecuting
Attorney

DATE: _____

STATE OF WASHINGTON)
) ss
COUNTY OF KING)

On this _____ day of _____, 2011, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Stephen L. Salyer, to me known to be the Manager of the Real Estate Services Section, King County, a political subdivision of the State of Washington, who executed the foregoing instrument and acknowledge the said instrument to be the free and voluntary act and deed of King County, for the uses and purposes therein mentioned, and on oath stated that said person was authorized to execute said instrument on behalf of King County.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

Printed Name: _____
NOTARY PUBLIC in and for the State of
Washington, residing at _____
My Commission Expires: _____

STATE OF _____)
) ss
COUNTY OF _____)

On this _____ day of _____, 2011, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Clay Lacy, to me known to be the President of Clay Lacy Aviation, Inc., a member of Gateway USA, LLC, a limited liability company, who executed the foregoing instrument and acknowledge the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that said person was authorized to execute said instrument on behalf of Clay Lacy Aviation, Inc., as a member of Gateway USA, LLC.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

Printed Name: _____
NOTARY PUBLIC in and for the State of _____,
residing at _____
My Commission Expires: _____

STATE OF _____)
) ss
COUNTY OF _____)

On this _____ day of _____, 2011, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Joe Clark, to me known to be a member of Gateway USA, LLC, a limited liability company, who executed the foregoing instrument and acknowledge the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that said person was authorized to execute said instrument on behalf of Gateway USA, LLC.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

Printed Name: _____
NOTARY PUBLIC in and for the State of _____,
residing at _____
My Commission Expires: _____

EXHIBIT A
LEGAL DESCRIPTION OF PREMISES UNDER LEASE

PARCEL 1:

AN IRREGULAR SHAPED TRACT OF LAND IN THE NORTHEAST QUARTER OF SECTION 33, TOWNSHIP 24 NORTH, RANGE 4 EAST WILLAMETTE MERIDIAN, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTH QUARTER CORNER OF SECTION 33;
THENCE SOUTH 89°17'40" EAST ALONG THE NORTH LINE OF SECTION 33 A DISTANCE OF 768.44 FEET TO A POINT ON THE EASTERLY MARGIN OF SOUTHEAST APRON NO. 1;
THENCE SOUTH 29°52'38" EAST ALONG: THE EASTERLY MARGIN OF SAID SOUTHEAST APRON NO. 1, A DISTANCE OF 1,834.00 FEET TO THE TRUE POINT OF BEGINNING;
THENCE SOUTH 60°07'22" WEST A DISTANCE OF 212.50 FEET;
THENCE NORTH 29°52'38" WEST A DISTANCE OP 440.30 FEET;
THENCE NORTH 60°07'22" EAST A DISTANCE OF 367.63 FEET TO A POINT THAT IS 15 FEET MEASURED AT RIGHT ANGLES TO THE CENTERLINE OF PERIMETER ROAD;
THENCE SOUTH 16°13'08" EAST ALONG THE WESTERLY MARGIN OF SAID PERIMETER ROAD, A DISTANCE OF 147.30 FEET TO THE START OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 4,750 FEET, AN ARC LENGTH OF 200.01 FEET AND A CHORD OF 199.99 FEET BEARING SOUTH 17°25'30.75" EAST,
THENCE SOUTH 18°37'53.5" EAST A DISTANCE OF 165.03 FEET;
THENCE SOUTH 60°07'22" WEST ALONG THE FORMER COMMON LEASE LINE OF ITEL, INC. A DISTANCE OF 45.25 FEET TO A POINT ON THE EASTERLY MARGIN OF SOUTHEAST APRON NO. 1;
THENCE NORTH 29°52'38" WEST ALONG SAID APRON A DISTANCE OF 60.00 FEET, MORE OR LESS, TO THE TRUE POINT OF BEGINNING.

PARCEL 2:

AN IRREGULAR SHAPED TRACT OF LAND IN THE NORTHEAST QUARTER OF SECTION 33, TOWNSHIP 24 NORTH, RANGE 4 EAST WILLAMETTE MERIDIAN, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTH QUARTER CORNER OF SECTION 33;
THENCE SOUTH 89°17'40" EAST ALONG THE NORTH LINE OF SECTION 33 A DISTANCE OF 768.44 FEET TO A POINT ON THE EASTERLY MARGIN OF SOUTHEAST APRON NO. 1;
THENCE SOUTH 29°52'38" EAST ALONG THE EASTERLY MARGIN OF SAID SOUTHEAST APRON NO. 1, A DISTANCE OF 1,393.7 FEET;
THENCE SOUTH 60°07'22" WEST 212.5 FEET TO THE TRUE POINT OF BEGINNING;
THENCE SOUTH 29°52'38" EAST 500.3 FEET;
THENCE SOUTH 60°07'22" WEST 300.00 FEET TO A POINT ON THE APRON LIMIT LINE, SAID LINE IS 150 FEET FROM THE CENTERLINE OF THE SOUTHEAST TAXIWAY;
THENCE ALONG SAID LINE NORTH 29°52'38" WEST 401.15 FEET;
THENCE FOLLOWING A CURVE TO THE RIGHT 39.04 FEET, SAID CURVE HAS A RADIUS OF 50 FEET AND A CHORD OF 38.05 FEET BEARING NORTH 7°30'38" EAST;
THENCE NORTH 14°51'22" EAST 90.04 FEET;
THENCE NORTH 60°07'22" EAST 222.15 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL 3:

AN IRREGULAR SHAPED TRACT OF LAND IN THE NORTHEAST QUARTER OF SECTION 33, TOWNSHIP 24 NORTH, RANGE 4 EAST WILLAMETTE MERIDIAN, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTH QUARTER CORNER OF SECTION 33;

THENCE SOUTH 89°17'40" EAST 768.44 FEET TO A POINT ON THE EASTERLY MARGIN OF SOUTHEAST APRON NO. 1;
THENCE SOUTH 29°52'38" EAST ALONG THE EASTERLY MARGIN OF SAID SOUTHEAST APRON NO. 1, A DISTANCE OF 1,834.00 FEET TO THE TRUE POINT OF BEGINNING;
THENCE CONTINUING SOUTH 29°52'38" EAST 60 FEET;
THENCE NORTH 60°07'22" EAST 45.25 FEET TO A POINT 15.00 FEET MEASURED AT RIGHT ANGLES FROM THE CENTERLINE OF PERIMETER ROAD;
THENCE SOUTH 17°13'09" EAST ALONG SAID ROAD 235.46 FEET;
THENCE SOUTH 60°07'22" WEST ALONG THE COMMON LEASE LINE OF WINGS ALOFT LEASING LLC (FORMERLY AVIATION ASSOCIATES) 394.85 FEET;
THENCE NORTH 29°52'38" WEST 230 FEET;
THENCE NORTH 60°07'22" EAST 187.5 FEET;
THENCE NORTH 29°52'38" WEST 60 FEET;
THENCE NORTH 60°07'22" EAST ALONG THE FORMER COMMON LEASE LINE WITH FLIGHTCRAFT, INC. 212.5 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL 4:

AN IRREGULAR SHAPED TRACT OF LAND IN THE NORTHEAST QUARTER OF SECTION 33, TOWNSHIP 24 NORTH, RANGE 4 EAST WILLAMETTE MERIDIAN, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTH QUARTER CORNER OF SECTION 33;
THENCE SOUTH 89°17'40" EAST ALONG THE NORTH LINE OF SECTION 33 A DISTANCE OF 768.44 FEET TO A POINT ON THE EASTERLY MARGIN OF SOUTHEAST APRON NO. 1;
THENCE SOUTH 29°52'38" EAST ALONG THE EASTERLY MARGIN OF SAID SOUTHEAST APRON NO. 1, A DISTANCE OF 1,393.7 FEET;
THENCE SOUTH 60°07'22" WEST 212.5 FEET;
THENCE SOUTH 29°52'38" EAST 500.3 FEET;
THENCE SOUTH 60°07'22" WEST 187.5 FEET TO THE TRUE POINT OF BEGINNING;
THENCE SOUTH 29°52'38" EAST 230 FEET;
THENCE SOUTH 60°07'22" WEST 112.5 FEET TO A POINT ON THE APRON LIMIT LINE, SAID LINE IS 150 FEET FROM THE CENTERLINE OF THE SOUTHEAST TAXIWAY;
THENCE ALONG SAID LINE NORTH 29°52'38" WEST 230 FEET;
THENCE NORTH 60°07'22" EAST 112.5 FEET TO THE TRUE POINT OF BEGINNING.

EXHIBIT B
KING COUNTY INTERNATIONAL AIRPORT (KCIA) GENERAL TERMS AND
CONDITIONS

1. LATE PAYMENT, TAXES, LICENSES, FEES AND ASSESSMENTS.

- A. **LATE PAYMENTS.** Lessee acknowledges that the late payment by Lessee to King County of any rent or other sums due under this Lease will cause King County to incur administrative, collection, processing and accounting costs and expenses not contemplated under this Lease, the exact amounts of which are extremely difficult and impractical to fix. Therefore, if any rent or other sum due under this Lease is not received by King County from Lessee by the tenth calendar day of the month in which said rent or other sum is due (**the "Delinquency Date"**), Lessee shall immediately on the Delinquency Date pay to King County a late charge equal to the greater of (i) five percent (5%) of the amount of such rent or other sum, or (ii) Fifty Dollars (\$50.00). King County and Lessee agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to King County for its loss caused by Lessee's nonpayment. Should Lessee pay said late charge but fail to pay contemporaneously therewith all unpaid amounts of rent or other sums due under this Lease, King County's acceptance of this late charge shall not constitute a waiver of Lessee's default with respect to Lessee's nonpayment or prevent King County from exercising all other rights and remedies available to King County under this Lease or under law. Additionally, all such delinquent rent or other sums, and all late charges not paid when due, shall bear interest for each day following their Delinquency Date until paid at a percentage rate equal to the lesser of (i) one and one-half percent (1.5%) per month or (ii) the maximum rate permitted under applicable laws. Waiver of the late charge or interest with respect to any delinquent payment will not be deemed to constitute a waiver of the late charge or interest with respect to any subsequent delinquent payment. Any payments of any kind returned for insufficient funds will be subject to an additional charge of \$25.00 payable by Lessee to King County. In addition, if payments are received by check or draft from Lessee, and two (2) or more of such checks or drafts are dishonored by the bank or other financial institution they were drawn upon in any twelve (12) month period, King County may thereafter require all rent and other payments due hereunder from Lessee to King County to be made by bank cashier's or bank certified check or other similar means of payment and King County shall not be required to accept any checks or drafts of Lessee which do not comply with such requirements.
- B. **LEASEHOLD TAX.** A Leasehold Excise Tax, if applicable, is levied pursuant to the Revised Code of Washington (R.C.W.) Chapter 82.29A. The Lessee agrees to pay this tax to King County. If the State of Washington changes the Leasehold Excise Tax or if King County receives authorization to levy this tax, the tax payable shall be correspondingly changed.
- C. **LICENSE, TAXES AND FEES.** Throughout the term of this Lease, Lessee shall pay all applicable taxes and all license and excise and other applicable fees including, but not limited to, fuel flowage fees and landing fees, covering the business conducted on the Premises as provided for in King County Code Title 15 as now existing and as it may be amended.

D. MITIGATION ASSESSMENTS.

- 1) KCIA is developing for future implementation a plan for mitigation of existing noise, surface and groundwater, safety, and traffic conditions. This plan, subject to King County Council adoption, will be financed from mitigation fees which will be assessed to all Boeing Field users in proportion to their contribution to the condition and/or circumstance which is being mitigated and/or their proportionate use of the improvement requiring mitigation investment.
- 2) Lessee shall pay any mitigation assessments now in effect, or hereafter established by the County according to King County Council Motion #9523 dated March 28, 1995. This Lease shall be considered a "new lease" for purposes of said Motion #9523, and Lessee shall pay all such mitigation assessments commencing with the effective date of such assessments as promulgated by the County.

E. OTHER CONSIDERATION. No offset, reduction, or credit toward rent shall be allowed unless it is in writing and signed by the Manager of the Property Services Division of King County.

2. RENT ADJUSTMENT. To ensure a fair rent based upon the Fair Market Rental value of the Premises, King County shall adjust the rent to the then current Fair Market Value every three (3) years. However, the first adjustment will occur on the anniversary date of the Commencement Date in 2012 if the Lease commences prior to January 1, 2012. Subsequent adjustments will take effect on the third anniversary of the previous adjustment. The date on which a rent adjustment becomes effective is referred to hereafter as "**the Rent Adjustment Date**". The three year period commencing on the Rent Adjustment Date is referred to hereafter as "**the Succeeding Period**".

A. FAIR MARKET RENTAL VALUE DEFINED. For all purposes required under this Lease, "**Fair Market Rental Value**" is defined as: An amount in the competitive market that a well-informed and willing lessor, who desires but is not required to lease, would accept, and which a well-informed and willing lessee, who desires but is not required to lease, would pay for the use of the Premises, after due consideration of all the elements reasonably affecting value.

B. NOTICE OF RENTAL ADJUSTMENT. King County will give Lessee at least thirty days written notice of the adjusted rent for the Succeeding Period. The rent as adjusted shall take effect on the Rent Adjustment Date specified in the notice. Unless Lessee, within thirty days following receipt of notice from King County, gives King County written notice of its rejection of the adjusted rent together with Lessee's statement of the amount Lessee considers to be the Fair Market Rental Value, the rent as adjusted by King County will become the rent for the Succeeding Period. If Lessee so notifies King County of its rejection of the adjusted rent, the parties will negotiate in good faith in an attempt to agree upon the rent adjustment.

C. ARBITRATION.

- 1) If, thirty days after King County receives Lessee's notice of its rejection of the rent as adjusted by King County, Lessee and King County cannot agree upon the rent adjustment, the rent for the Succeeding Period will be adjusted by arbitration. Lessee and King County will each select one disinterested arbitrator, and the two selected arbitrators will select a third.

2) King County will give Lessee written notice of the name and address of its selected arbitrator and his or her qualifications. Unless otherwise agreed in writing by King County, Lessee shall give King County written notice of the name and address of Lessee's selected arbitrator and his or her qualifications within thirty days after Lessee's receipt of King County's notice. If Lessee fails to so provide its written notice to King County, Lessee shall be deemed to waive its right to arbitration, the arbitration shall not proceed, and the rent as adjusted by King County shall become the rent for the Succeeding Period.

3) If the two arbitrators have not selected a third arbitrator within thirty days after the selection of the last selected of the two, either Lessee or King County will apply to the Presiding Judge of the Superior Court in King County for the appointment of a third arbitrator.

4) Each arbitrator will be a member of the American Institute of Real Estate Appraisers, the Society of Real Estate Appraisers, or other appraisal society or association having equivalent ethical and professional standards. If, in the future, a licensing requirement for real estate appraisers is imposed by any legislative body with jurisdiction, each arbitrator shall also be licensed. The arbitrators shall not only be impartial, but also shall not have been an employee of, or retained under contract by, either party for a period of one year before the arbitration, and shall have no financial interest in the subject of the arbitration. Each party shall have the right to disqualify any arbitrator who does not meet the requirements of this section by sending a written notice to the other party and to all the arbitrators stating the grounds for disqualification. If the disqualified arbitrator is a party-appointed arbitrator, then that party shall, within fourteen days after its receipt of the other party's notice of disqualification, appoint another arbitrator who meets the requirements of this section to serve in place of the party's disqualified arbitrator. If the disqualified arbitrator is the third arbitrator, then the two party-appointed arbitrators shall, within fourteen days after their receipt of a party's notice of disqualification, select a third arbitrator who meets the requirements of this section to serve in place of the disqualified arbitrator.

5) The arbitrators shall give the parties sixty days notice in writing of the date on which the arbitration is to commence. Unless otherwise agreed in writing by King County and Lessee, each party shall, no later than thirty days before the arbitration is scheduled to commence, provide the other party with a copy of an appraisal report prepared by a member of the American Institute of Real Estate Appraisers, the Society of Real Estate Appraisers, or other appraisal society or association having equivalent ethical and professional standards, that supports that party's claim of Fair Market Rental Value. If Lessee fails to so provide a copy of its appraisal report to the County, Lessee shall be deemed to waive its right to arbitration, the arbitration shall not proceed, and the rent as adjusted by King County shall become the rent for the Succeeding Period.

6) The three arbitrators will determine a fair rent for the premises for the Succeeding Period based upon the Fair Market Rental Value as defined in King County Code 4.56.010. The decision of a majority of the arbitrators will bind both Lessee and King County. Both King County and the Lessee agree that all non-mandatory provisions of RCW 7.04A are waived and that, unless requested by a majority of the arbitration panel,

no formal hearing will be held, no witnesses will testify, and no attorneys will participate in the arbitration. At the conclusion of the arbitration, the arbitrators will submit a written report in counterpart copies to Lessee and King County, which shall state their determination of the rent to be paid by Lessee for the Succeeding Period. The report shall contain all pertinent evidence that led to their conclusion together with an explanation of their reasoning for such conclusion.

D. **COST OF ARBITRATION.** Each party shall pay for its appraisal and shall bear the expense of its own counsel, and any other of its representatives and/or experts that may be required to prepare for or, in the event it is requested by the arbitration panel, participate in the arbitration. Each party shall also pay the fees and expenses of its selected arbitrator. The fees and expenses of the third arbitrator and all other costs of the arbitration will be divided equally between Lessee and King County.

E. **RENT PENDING ADJUSTMENT AND RETROACTIVITY.** In the event resolution of the rental adjustment is not completed either by negotiation or arbitration prior to the Rent Adjustment Date:

- 1) Lessee shall, pending resolution of such rent adjustment, continue to pay King County the rent then in effect;
- 2) The adjusted rent, as determined either by negotiation or arbitration, shall be retroactive to the Rent Adjustment Date; and
- 3) Lessee will pay interest up to a maximum of twelve percent per annum commencing on the Rent Adjustment Date on any sum due as a result of a retroactive increase.

3. **COMPLIANCE WITH ALL LAWS AND REGULATIONS.** In using the Premises, Lessee will comply with all applicable laws, ordinances, and regulations from any and all authorities having jurisdiction. The Lessee specifically agrees to comply and pay all costs associated with achieving such compliance without any notice from King County, and further agrees that King County does not waive this section by giving notice of demand for compliance in any instance.

4. **UTILITIES.** Lessee shall pay for all costs, expenses, fees, services, and charges of all kinds for heat, light, water, gas, and telephone, and for all other public utilities used on said Premises so that the same shall not become a lien against the Premises.

5. **IMPROVEMENTS AND ALTERATIONS.**

A. Lessee shall make no alterations or improvements to or upon the Premises, or install any fixtures (other than trade fixtures which can be removed without injury to the Premises) without first obtaining prior written approval from King County, which approval shall not be unreasonably withheld.

B. Unless otherwise stipulated, all improvements or alterations erected or made on the Premises shall, upon expiration or earlier termination of this Lease, belong to King County without compensation to the Lessee; however, King County shall have the option, to be exercised on expiration or earlier termination of the Lease, to require the Lessee, at Lessee's expense, to remove any or all such improvements or alterations. Removal of improvements required by

King County shall be completed by Lessee no later than 60 days after the expiration or early termination of the Lease.

6. CONDITION OF PREMISES.

- A. Lessee has inspected and knows the condition of the Premises, and accepts the Premises as is.
- B. Lessee acknowledges that the Premises may contain Hazardous Materials, as defined in Section 30 of these General Terms and Conditions, and Lessee accepts the Premises “AS IS”, including, without limitation, the presence of any Hazardous Materials, underground storage tanks or contaminated soil, or the actual or threatened release, deposit, seepage, migration or escape of Hazardous Materials at, from or into the Premises, and the compliance or noncompliance of the Premises with applicable federal, state, county and local laws and regulations including, without limitation, the Environmental Laws as defined in Section 30 of these General Terms and Conditions.
- C. KING COUNTY DOES NOT MAKE AND SPECIFICALLY DISCLAIMS ANY WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE PREMISES, AND NO OFFICIAL, EMPLOYEE, REPRESENTATIVE OR AGENT OF KING COUNTY IS AUTHORIZED OTHERWISE. WITHOUT LIMITATION, THE FOREGOING SPECIFICALLY EXCLUDES WARRANTIES WITH RESPECT TO THE CONDITION OF THE PREMISES FOR DEVELOPMENT AND/OR USE BY LESSEE, THE PRESENCE OF ANY HAZARDOUS MATERIALS, UNDERGROUND STORAGE TANKS OR CONTAMINATED SOIL, OR THE ACTUAL OR THREATENED RELEASE, DEPOSIT, SEEPAGE, MIGRATION OR ESCAPE OF HAZARDOUS MATERIALS AT, FROM OR INTO THE PREMISES, AND THE COMPLIANCE OR NONCOMPLIANCE OF THE PREMISES WITH APPLICABLE FEDERAL, STATE, COUNTY AND LOCAL LAWS AND REGULATIONS, INCLUDING, WITHOUT LIMITATION, THE ENVIRONMENTAL LAWS.
- D. King County shall not have any obligation to make any changes or improvements, or to incur any expenses whatsoever for the maintenance, monitoring, repair or remediation of the Premises, unless mandated by applicable Environmental Law.
- E. Lessee acknowledges and agrees that King County shall have no liability for, and that Lessee shall have no recourse against King County for, any defect or deficiency of any kind whatsoever in the Premises without regard to whether such defect or deficiency was discoverable by Lessee or King County.

7. CONSTRUCTION DEFECTS. King County shall not be liable to the Lessee for claims or damages arising from any defect in the construction of or the present condition of the Premises, whether known or unknown, or for damage by storm, rain, or leakage or any other occurrence.

8. MAINTENANCE.

- A. Throughout the term of this Lease, Lessee shall, without cost or expense to King County, keep and maintain the Premises and all improvements, landscaping, fixtures and equipment which

may now or hereafter exist thereon, in a neat, clean, and sanitary condition and shall, except for reasonable wear and tear, at all times preserve the Premises in good and safe repair. Upon the expiration or sooner termination of the Lease, Lessee shall forthwith return the same in as good condition as existed at the commencement of occupancy (ordinary wear and tear excepted).

- B. If, after thirty (30) days' notice from King County, Lessee fails to maintain or repair any part of the Premises or any improvement, landscaping, fixtures or equipment thereon, King County may, but shall not be obligated to, enter upon the Premises and perform such maintenance or repair, and Lessee agrees to pay the costs thereof to King County upon receipt of a written demand. Any unpaid sums under this paragraph shall be payable as additional rent on the next rent payment date due following the written demand and will bear interest at a percentage rate equal to the lesser of (i) one and one-half percent (1.5%) per month or (ii) the maximum rate permitted under applicable laws.

9. INDEMNITY AND HOLD HARMLESS. The Lessee agrees to indemnify and hold King County harmless as provided herein to the maximum extent possible under law. Accordingly, the Lessee agrees for itself, its agents, successors, and assigns, to defend, indemnify, and hold harmless King County, its appointed and elected officials, and its employees and agents, from and against liability for all claims, demands, suits, and judgments, including costs of defense and attorney fees thereof, for injury to persons, death, or property damage which is caused by, arises out of, or is incidental to Lessee's exercise of rights and privileges granted by this Lease, except to the extent such matters arise due to King County's sole negligence. The Lessee's obligations under this section shall include:

- A. The duty to promptly accept tender of defense and provide defense to the County at the Lessee's own expense, including attorney fees;
- B. Indemnification of claims made by the Lessee's own employees or agents; and,
- C. Waiver of the Lessee's immunity under the industrial insurance provisions of Title 51 R.C.W. but only to the extent necessary to indemnify King County, which waiver has been mutually negotiated by the parties.

In the event it is necessary for the County to incur attorney's fees, legal expenses or other costs to enforce the provisions of this section, all such fees, expenses and costs shall be recoverable from the Lessee.

In the event it is determined that R.C.W. 4.24.115 applies to this Lease, the Lessee agrees to defend, hold harmless, and indemnify King County to the maximum extent permitted thereunder. Further, Lessee agrees to defend, indemnify, and hold the County harmless for claims by Lessee's employees and agrees to waive, as respects the County only, its immunity under Title 51 R.C.W., which waiver has been mutually negotiated by the parties.

The provisions of this Section 9, Indemnity and Hold Harmless, shall survive the expiration or termination of this Lease with respect to any event that occurs prior to, or on the date of, such expiration or termination.

Nothing contained within this provision shall affect and/or alter the application of any other provision contained within this Lease.

10. PROPERTY INSURANCE.

A. BUILDINGS/STRUCTURES/FACILITIES

The Lessee will carry "All Risk" property insurance including business interruption coverage to provide for the continuing expense of rent to the owner, in an amount equal to the full replacement value of all improvements, structures, and buildings located on the Premises and rental coverage equal to twelve months rental. The policy shall include King County as a Loss Payee as its interests appear. A certificate of insurance and endorsement evidencing the above must be provided to King County. King County will not carry insurance on Lessee's property.

B. BUILDINGS/STRUCTURES/FACILITIES UNDER CONSTRUCTION

Prior to commencement of any construction **and until construction is complete** and accepted by the Lessee, the Lessee shall cause the construction contractor(s) to procure and maintain insurance against claims for injuries to persons or damages to property which may arise from, or in connection with the activities related to said construction. The Lessee and King County shall be included as an insured or added as an additional insured on all policies. The cost of such insurance shall be paid by the Lessee and/or any of the Lessee's contractors.

For All Coverages: Each insurance policy shall be written on an "Occurrence" form.

1. Minimum Scope Of Insurance.

Coverage shall be at least as broad as:

- a) General Liability: Insurance Services Office form number (CG 00 01 Ed. 11-88) covering COMMERCIAL GENERAL LIABILITY:
- b) Products and Completed Operations: The General Liability Policy required in this section shall include Products and Completed Operations coverage.
- c) Automobile Liability: Insurance Services Office form number (CA 0001 ed. 12-90) covering BUSINESS AUTO COVERAGE, symbol 1 "any auto"; or the combination of symbols 2, 8, and 9. This policy shall include coverage provided by the MCS-90 endorsement.
- d) Professional Liability, Errors and Omissions Coverage: In the event that services delivered pursuant to construction either directly or indirectly involve or require professional services, Professional Liability, Errors and Omissions coverage shall be provided by those entities providing Professional Services. "Professional Services" for the purposes of this section shall mean any services provided by a licensed professional.
- e) Builder's Risk Insurance: The Licensee will obtain, or cause to be obtained, an all risk builder's risk policy (Insurance Services Offices form number (CP-00 02 Ed. 10-90) BUILDER'S RISK COVERAGE FORM) and CAUSES OF LOSS – SPECIAL FORM

(CP 10 30 Ed. 10 90) covering 100% of the replacement value of the building/structures.

- f) Worker's Compensation: Workers' Compensation coverage, as required by the Industrial Insurance Act of the State of Washington.
- g) Stop Gap, Employers Contingent Liability.

2. Minimum Limits Of Insurance.

Limits shall be not less than, for:

- a) General Liability: \$2,000,000 combined single limit per occurrence for injuries to persons and property damage.
- b) Products and Completed Operations: \$2,000,000.
- c) Automobile Liability: \$2,000,000 combined single limit per accident for bodily injury and property damage.
- d) Professional Liability, Errors & Omissions: \$1,000,000.
- e) Builder's Risk Insurance: 100% replacement cost value.
- f) Workers Compensation: Statutory requirements of the State of residency.
- g) Stop gap employers liability \$1,000,000.

3. The insurance requirements of this section shall be subject to the provisions of Section 11C through H inclusive.

C. PROPERTY RECONSTRUCTION FOLLOWING CASUALTY

In the event of any partial destruction the repair or replacement of which is equal to or less than \$100,000 during the term hereof Lessee shall to the extent of insurance proceeds promptly undertake and diligently prosecute to completion all work necessary (a) to repair and restore the building and/or improvements on the premises damaged by the casualty to their former condition, or (b) to replace said building and/or improvements with a new building and/or improvements on the premises of a like quality and usefulness of the building and/or improvements which were damaged.

In the event of any partial destruction the repair or replacement of which is equal to or greater than \$100,000 by casualty or otherwise of the building, structures, or facilities currently on the Premises or subsequently constructed by the Lessee or in the event of the total destruction of such facilities, arising in any lease year other than the last Five (5) lease years, Lessee shall to the extent of insurance proceeds promptly undertake and diligently prosecute to completion all work necessary (a) to repair and restore the building and/or improvements on the premises damaged by the casualty to their former condition, or (b) to replace said building and/or improvements with a

new building and/or improvements on the premises of a like quality and usefulness of the building and/or improvements which were damaged.

In the event of any partial destruction over \$100,000, or in the event of total destruction of such facilities, arising during the last five (5) years of the Lease term, Lessee shall have the option but not the obligation, to reconstruct such facilities to their former condition and usability and to proceed with reasonable diligence to prepare plans and specifications for and carry out, all work necessary (a) to repair and restore the building and/or improvements on the premises damaged by the casualty to their former condition, or (b) to replace said building and/or improvements with a new building and/or improvements on the premises of a like quality and usefulness of the building and/or improvements which were damaged. In the event Tenant decides to so restore Landlord shall cooperate and make all insurance proceeds paid as a result of such casualty available for the reconstruction. In the event Lessee decides to not so restore, Lessor shall have the right to terminate this Lease, subject to the provisions hereof, and Tenant shall cooperate and make all insurance proceeds paid as a result of such casualty available to Lessor. Further, the rent shall be adjusted from the date of such casualty until the earlier of completion of the repair or termination of the Lease, in proportion to the restrictions placed on the Premises by such casualty.

11. **INSURANCE REQUIREMENTS.** Except as otherwise provided herein, by the date of execution of this Lease, the Lessee shall procure and maintain for the duration of this Lease, insurance against claims for injuries to persons or damages to property which may arise from, or in connection with exercise of the rights and privileges granted by this Lease, by the Lessee, its agents, representatives, employees/subcontractors. The cost of such insurance shall be paid by the Lessee. If there is any inconsistency between the minimum insurance requirements set forth below in this Lease and the insurance required by King County in any other Airport agreement to which the Lessee is a party, the Lessee shall maintain the most stringent insurance required.

In consideration of the duration of this Lease, the parties agree that the Insurance Requirements Section herein, at the discretion of the King County Risk Manager, may be reviewed and adjusted with each amendment and within ninety (90) days of the end of the first 3 year period of the Lease Term and the end of each successive three (3) year period thereafter.

Any adjustments made as determined by the King County Risk Manager, shall be in accordance with reasonably prudent risk management practices and aviation insurance industry standards and shall be effective on the first day of each successive three (3) year period.

Adjustment, if any, in insurance premium(s) shall be the responsibility of the Lessee. Any failure by the County to exercise the right to review and adjust at any of the aforementioned timings shall not constitute a waiver of future review and adjustment timings.

For all coverage's: Each insurance policy shall be written on an "Occurrence" form.

A. Minimum Scope of Insurance

Coverage shall be at least as broad as:

- (1) General Liability:
Coverage shall include but not be limited to the following: General liability for bodily injury, death, property damage (including explosion, collapse and underground), contractual, personal injury, liquor liability (if alcoholic beverages are sold or distributed), products/completed operations.
- (2) Aircraft Liability (Owned, Leased and Non-owned Aircraft)
Aircraft liability for bodily injury, death, property damage, contractual and passenger liability.
- (3) Automobile Liability:
Insurance Services Office form number (CA 00 01 ed. 12-90) covering BUSINESS AUTO COVERAGE, symbol 1 "any auto"; or the combination of symbols 2, 8, and 9. Coverage endorsements to include MCS-90.
- (4) Workers Compensation:
Workers Compensation coverage, as required by the Industrial Insurance Act of the State of Washington.
- (5) Employers Liability or "Stop Gap";
The protection provided by the Workers Compensation policy Part 2 (Employers Liability) or, in states with monopolistic state funds, the protection provided by the "Stop Gap" endorsement to the General Liability policy.
- (6) HangerKeepers Liability
Bailees coverage for non-owned aircraft held in the Lessees care, custody and control.
- (7) Environmental Impairment
Pollution coverage for all clean-up and remediation costs and expenses arising out of Lessee use of leased Premises.

B. Minimum Limits of Insurance

The Lessee shall maintain limits no less than, for:

- (1) General Liability
\$1,000,000 Combined single limit Bodily Injury and Property Damage Per Occurrence \$ 2,000,000 Aggregate
- (2) Aircraft Liability (combined single-limit per occurrence other than passenger liability in accordance with the following table)

Maximum Gross Take-off Weight	Minimum Requirement: (each Occurrence)
Over 15,000 lbs.	\$15,000,000
10,001 - 15,000 lbs.	\$10,000,000
5,000 - 10,001 lbs.	\$5,000,000
Under 5,000 lbs.	\$1,000,000

- (3) Automobile liability: \$5,000,000 combined single limit.
- (4) Workers Compensation: Statutory limits
- (5) Employers Liability or "Stop Gap": \$1,000,000
- (6) Hangerkeepers Liability: \$ 1,000,000
- (7) Environmental Impairment: \$ 500,000 Leased Premises

C. Deductibles and Self-insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by King County. The deductible and or self-insured retention of the policies shall not limit or apply to the Lessee's liability to the County and shall be the sole responsibility of the Lessee.

D. Other Insurance Provisions

The insurance policies required in this Lease are to contain or be endorsed to contain the following provisions:

- (1) General Liability, Aviation Liability, Hanger keepers, Automobile and Environmental Impairment Liability
 - a. The County, its officers, officials, employees and agents are to be covered as additional insureds as respects liability arising out of activities performed by or on behalf of the Lessee in connection with this Lease.
 - b. The Lessee's insurance coverage shall be primary insurance as respects the County, its officers, officials, employees and agents. Any insurance and/or self-insurance maintained by the County, its officers, officials, employees or agents shall not contribute with the Lessee's insurance or benefit the Lessee in any way.
 - c. The Lessee's insurance shall apply separately to each insured against whom a claim is made and/or lawsuit is brought, except with respect to the limits of the insurer's liability.
- (2) All Policies:
 - a. Coverage shall not be suspended, voided, canceled, reduced in coverage or in limits, except by the reduction of the applicable aggregate limit by claims paid, until after forty-five (45) days prior written notice has been given to the County.

E. Acceptability of Insurers

Insurance is to be placed with insurers with a Bests' rating of no less than A:VIII, or if not rated with Bests' with minimum surpluses, the equivalent of Bests' surplus size VIII. If at any time, any of the foregoing policies shall be or become unsatisfactory to the County, as to form or substance, or if a company issuing any such policy shall be or become unsatisfactory to the County, the Lessee shall, upon notice to that effect from the County, promptly obtain a new policy, and shall submit the same to the County, with the appropriate certificates and endorsements for approval.

F. Verification of Coverage

Lessee shall furnish the County with certificate(s) of insurance and endorsement(s) required by this Lease. The certificate(s) and endorsement(s) for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements for each insurance policy are to be on forms approved by the County and are to be received and approved by the County prior to the commencement of activities associated with the Lease. The County reserves the right to require complete certified copies of all required insurance policies at any time.

G. By requiring such minimum insurance coverage, the County shall not be deemed or construed to have assessed the risks that may be applicable to the Lessee under this Lease. The Lessee shall assess its own risks and, if it deems appropriate and/or prudent, maintain greater limits and/or broader coverage.

H. Nothing contained within these insurance requirements shall be deemed to limit the scope, application and/or limits of the coverage afforded, which coverage will apply to each insured to the full extent provided by the terms and conditions of the policy(s). Nothing contained within this provision shall affect and/or alter the application of any other provision contained within this Lease.

12. SURRENDER OF PREMISES. At the expiration or earlier termination of this Lease, Lessee shall promptly surrender possession of the Premises to King County, and shall deliver to King County all keys that it may have to any and all parts of the Premises.

13. DEFAULT AND RE-ENTRY. If any rents above reserved or other obligations provided herein, or any part thereof shall be and remain unpaid when the same shall become due, or if Lessee shall violate or default on any of the covenants and agreements herein contained, and if Lessee does not cure the defaults within ten (10) days of written notice by Lessor to Lessee for monetary defaults and 30 days of written notice by Lessor to Lessee for non-monetary defaults then King County may terminate this Lease upon giving ten (10) days notice for monetary defaults and thirty (30) days notice for non-monetary defaults and re-enter said Premises using such force as may be required. Notwithstanding such re-entry by King County, the liability of the Lessee for the rent provided for herein shall not be extinguished for the balance of the term of this Lease, and Lessee covenants and agrees to make good to King County any deficiency arising from a re-entry and reletting of the Premises at a lesser rental than agreed to herein. The Lessee shall pay such deficiency each month as the amount thereof is ascertained by King County. In the event it becomes reasonably necessary to make any changes, alterations, or

additions to the Premises or any part thereof for the purpose of reletting said Premises or any part thereof, Lessee shall also be responsible for such cost.

14. ASSURANCE OF PERFORMANCE. In the event a default in the performance of any obligation under this Lease which remains uncured for more than ten (10) days after demand, King County may request and the Lessee shall provide adequate assurance of the future performance of all obligations under this Lease. The adequacy of any assurance shall be determined according to commercially reasonable standards for lessors of real property in the County of King, State of Washington. Adequate assurance shall include, but not be limited to, a deposit in escrow, a guarantee by a third party acceptable to King County, a surety bond, or a letter of credit. Lessee's failure to provide adequate assurance within twenty (20) days of receipt of a request shall constitute a material breach and King County may in its discretion terminate this Lease.

15. ADVANCES BY KING COUNTY FOR LESSEE. If Lessee fails to pay any fees or perform any of its obligations under this Lease other than payment of rent, King County will mail notice to Lessee of its failure to pay or perform. Twenty (20) days after mailing notice, if Lessee's obligation remains unpaid or unperformed, King County may, but is not obligated to, pay or perform these obligations at Lessee's expense. Upon written notification to Lessee of any costs incurred by King County under this paragraph, Lessee will reimburse King County within twenty (20) days.

16. NON-WAIVER. It is hereby agreed that no waiver of any condition or covenant in this Lease or any breach thereof, shall be taken to constitute waiver of any subsequent breach.

17. SIGNS. No sign, advertisement, notice, or other lettering will be exhibited, inscribed, painted, or affixed by Lessee on any part of the outside of the Premises without the prior written consent of King County, provided that such consent shall not be unreasonably withheld. If Lessee violates this provision, King County may remove the sign without any liability and may charge the expense incurred by such removal to the Lessee; provided, however, King County shall give Lessee written notice of Lessee's violation of this provision and Lessee shall have forty-eight (48) hours after receiving said notice to comply with the terms of this provision. All signs erected or installed by Lessee shall be subject to any federal, state or local statutes, ordinances or regulations applicable to signs.

18. INSPECTION AND "FOR RENT" SIGNS. King County reserves the right to inspect the Premises at any and all reasonable times throughout the term of this Lease, provided that King County shall not interfere unduly with Lessee's operations. The right of inspection reserved to King County hereunder shall impose no obligation on King County to make inspections to ascertain the condition of the Premises, and shall impose no liability upon King County for failure to make such inspections. King County shall have the right to place and maintain "For Rent" signs in conspicuous places on the Premises for thirty (30) days prior to the expiration or sooner termination of this Lease.

19. LIENS. Lessee shall keep the Premises free from any liens created by or through Lessee. Lessee shall indemnify and hold County harmless from liability from any such liens. If a lien is filed against the Premises by any person claiming by, through or under Lessee, Lessee shall, upon request of King County, and at Lessee's expense, immediately furnish to the County a bond in form and amount and issued by surety satisfactory to King County, indemnifying King County and the Premises against all liabilities, costs and expenses, including attorney's fees, which King County could reasonably incur as a result of such lien(s).

20. ASSIGNMENTS.

A. Lessee shall not assign or transfer this Lease or any interest therein, nor grant an option for such an assignment or transfer for the whole or any part of the Premises, nor shall this Lease or any interest hereunder be assignable or transferable by operation of law, or by any process or proceeding of any court or otherwise without the prior written consent of King County, which consent shall not be unreasonably withheld, conditioned or delayed. If Lessee is a corporation, partnership, limited liability company or other entity, Lessee further agrees that if at any time during the term of this Lease one-half (1/2) or more of the outstanding shares of any class of stock, partnership interests, membership interests or other equity interests of Lessee's corporation, partnership, limited liability company or other form of entity shall belong to any stockholders, partners, members or other owners, as the case may be, other than a person or entity who individually, or collectively with others, owns one-half (1/2) or more of the outstanding shares of that class of stock, partnership interests, membership interests or other equity interests at the time of the execution of this Lease, such change in the ownership shall be deemed an assignment of this Lease within the meaning of this paragraph.

- 1) The foregoing notwithstanding, the following (each, an "Exempt Transfer") shall not be deemed an assignment for purposes of Paragraph 20.A and shall not require King County's consent: (a) a transfer of stock, partnership interests, membership interests or other equity interests in Lessee (i) by reason of the death of the person holding such interests or (ii) to any member or members of the immediate family of a person holding such interests or to trusts for their benefit; (b) a transfer of stock or other equity interests that are publicly traded on a recognized exchange; (c) an assignment of the Lease or transfers of stock, partnership interests, membership interests or other equity interests in Lessee to any entity that controls, is controlled by or is under common control with Lessee (as "control" is defined in subparagraph 20.A(2) below); (d) an assignment of the Lease or transfer of stock or other equity interests in Lessee in connection with the acquisition, by purchase of equity interests or assets, merger or otherwise, of the principal business engaged in by Lessee and the other entities that control, are controlled by or are under common control with Lessee; (e) an assignment of the Lease for collateral purposes to a recognized lending institution in connection with the financing of King County-approved redevelopment of the Premises or the lending institution's subsequent realization on such collateral assignment in keeping with the Leasehold Mortgage Addendum attached to this Lease; or (f) an assignment of stock or other equity interests in Lessee for collateral purposes to a recognized lending institution in connection with the acquisition, by purchase of equity interests or assets, merger or otherwise, of the principal business engaged in by Lessee and the other entities that control, are controlled by or are under common control with Lessee or the lending institution's subsequent realization on such collateral assignment.
- 2) As used in this Section 20, "control" (and derivatives thereof) shall mean either or both of (a) the direct or indirect ownership of more than fifty percent (50%) of the issued and outstanding voting equity interests in an entity and/or (b) the right to direct the affairs of an entity, whether through contractual arrangements, being or, directly or indirectly owning one hundred percent (100%) of the outstanding equity interests of, the general partner or manager of such entity (if such entity is, respectively, a partnership or limited liability company), holding the right to appoint a majority of the board of directors (if such entity is a corporation) or otherwise.

- 3) If King County shall give its consent to any assignment or transfer, this paragraph shall nevertheless continue in full force and effect and no further assignment or transfer shall be made without the County's consent.
- B. If Lessee desires to assign or transfer, or grant an option for assignment or transfer, for the whole or part of the Premises, or any portion of this Lease or any interest herein, and such assignment or transfer requires King County's consent under Section 20.A above, Lessee shall notify King County in writing of said desire and the details of the proposed agreement at least sixty (60) days prior to the proposed date of assignment or transfer, or grant of an option therefore, to a third party. The notification shall include but not be limited to a financial statement of the third party, including but not limited to a full disclosure of the monetary payment or any other consideration involved, and an affidavit from the third party stating it has examined this Lease, and, understanding this Lease, agrees to assume and be bound by all of the Lessee's obligations and covenants under this Lease, the same as if it were the original Lessee hereunder, and the proposed date of assignment, transfer or grant of an option therefore. Lessee shall also provide any financial or other information regarding the proposed assignment or the assignee reasonably requested by King County.
- C. King County reserves the right of first refusal in the event Lessee attempts to assign or transfer this Lease or any interest herein, or grant an option therefore, in a transaction that, under Section 20.A above requires King County's consent. If King County exercises the right of first refusal, Lessee shall assign or transfer to King County, and King County shall acquire, the Lease or the interest therein, or the option therefore, on and subject to all of the terms and conditions of the proposed assignment or transfer or option therefore.
- D. If Lessee assigns or transfers its interest, other than in an Exempt Transfer, Lessee (Assignor) shall pay King County seventy-five percent (75%) of the Assignment Premium derived from that assignment or transfer. "**Assignment Premium**" shall mean (1) all rent, additional rent, and/or other moneys, property, and other consideration of every kind whatsoever received by Lessee (Assignor) from the assignee/transferee for, or by reason of, the assignment or transfer (excluding all amounts received by Lessee (Assignor) for any Included Property), less the total of (1) the rent paid or to be paid by the Lessee hereunder, and (2) the credits detailed in Section F of this Paragraph 20. "**Included Property**" means only the leasehold improvements and fixtures and all machinery, equipment, furniture, furnishings, supplies, inventory and other personal property, tangible and intangible, owned by the Lessee that are transferred to the assignee or transferee as part of the transaction. Lessee shall pay the Assignment Premium to King County as and when Lessee receives payment from such assignee or transferee.
- E. Credits. The following shall be subtracted from the consideration that otherwise would be included in the calculation of the Assignment Premium:
- 1) Any transactional costs, fees or commissions actually paid by Lessee (Assignor) to procure the assignment or transfer, including, without limitation, fees and commissions paid to attorneys, professionals and other consultants (such as real estate advisors, aviation industry experts, environmental consultants, surveyors, certified public accountants, civil and other engineers and architects) and licensed real estate brokers, together with Lessee's actual internal costs and expenses reasonably allocable to the transaction in accordance with sound

accounting practices, as itemized in a written report thereof provided by a certified public accountant in form and substance reasonably satisfactory to King County;

- 2) The actual cost of alterations and leasehold improvements undertaken by Lessee, or undertaken by the transferee or assignee to the extent paid for or reimbursed by Lessee, solely to prepare the space for the assignee or transferee, including, without limitation, costs of planning, design, permitting and construction, including labor, materials and Washington state sales and use taxes, (amortized, if the consideration for the assignment or transfer is to be paid in installments, over the period of payment, commencing with the date on which the assignment or transfer commences);
 - 3) The greater of either: a) the unamortized cost of the Included Property determined on a straight-line basis over the original term of the Lease as certified to King County by Lessee's independent certified public accountant; or b) the fair market value of the Included Property as determined by an appraisal conducted by an independent and certified appraiser. Lessee shall pay the cost of such certification or appraisal and may deduct such costs from the Assignment Premium. If King County disputes the unamortized cost or fair market value of the Included Property as determined by the certified public accountant or appraiser, the procedures set forth in Section 2.C., Arbitration, of these General Terms and Conditions, shall be followed to determine the appropriate cost or fair market value, with the exception that the determination shall be as to the fair market value of the Included Property;
 - 4) The unamortized transactional costs, fees or commissions, determined on a straight-line basis over the original term of the Lease, actually paid by Lessee (Assignor) to procure the Lease itself (or, if only an interest in the Lease is being assigned or transferred, a ratable portion of such costs, fees and commissions), including, without limitation and without duplicating any of the costs included in Paragraph 20.E(3) above, fees and commissions paid to attorneys, professionals and other consultants (such as real estate advisors, aviation industry experts, environmental consultants, surveyors, certified public accountants, civil and other engineers and architects) and licensed real estate brokers, together with Lessee's actual internal costs and expenses reasonably allocable to the transaction in accordance with sound accounting practices, as itemized in a written report thereof provided by a certified public accountant in form and substance reasonably satisfactory to King County; and
 - 5) The "Goodwill Value" or Going Concern Value" of any business being sold or transferred as a part of the assignment. Unless otherwise agreed to by Lessee and King County, "Goodwill Value" or "Going Concern Value" shall be determined by a qualified valuation expert employing standard and generally recognized methods of business valuation. Lessee shall pay the cost of such valuation and may deduct such costs from the Assignment Premium.
- F. Once King County has received all necessary information and documentation pursuant to this Section 20 of this Lease, King County will review the request and respond with either an approval or disapproval of the request (or, if King County so elects, King County's exercise of the right of first refusal provided for in Paragraph 20.C above) not later than ten (10) days prior to the proposed date of the assignment or transfer. Disapproval of any such request shall be final and binding on the Lessee and not subject to any arbitration, provided that any approval will not be unreasonably withheld and Lessee may in good faith dispute the reasonableness of King County's disapproval of a request. King County shall charge to the Lessee a reasonable fee for

administrative costs in reviewing and processing any requests for assignment or transfer pursuant to this section, not to exceed, however, \$1500.00.

21. SUBLEASES.

- A. Unless the sublease sought to be entered into is to an entity that controls, is controlled by or is under common control with Lessee (an “Exempt Sublease”), Lessee shall not sublet the whole or any part of the Premises, nor grant an option for sublease for the whole or any part of the Premises without the prior written consent of King County, which consent shall not be unreasonably withheld, conditioned or delayed. King County shall not withhold its consent to a proposed sublease or grant of an option for sublease on the ground of the subtenant’s proposed use if such use is identified as a permitted use in Section 4 of the Master Lease. If King County shall give its consent to any sublease, this paragraph shall nevertheless continue in full force and effect and no further sublease shall be made without the County's consent.
- B. Except with respect to an Exempt Sublease, if Lessee desires to sublease, or grant an option for sublease, for the whole or part of the Premises, or any portion of this Lease or any interest therein, Lessee shall notify King County in writing of said desire and the details of the proposed agreement at least sixty (60) days prior to the proposed date of sublease, or grant of an option therefore, to a third party. The notification shall include but not be limited to a financial statement of the third party, including but not limited to a full disclosure of the monetary payment or any other considerations involved, the proposed date of the sublease, and a copy of the sublease agreement between the Lessee and new tenant. Lessee shall also provide any financial or other information regarding the proposed sublease or the sublessee reasonably requested by King County.
- C. Anything in Paragraphs 21.A or 21.B to the contrary notwithstanding, if King County shall consent to a sublease to a subtenant that engages in the business of letting office space, hangar space and/or tiedown spaces to third parties, no further notice to or consent from King County shall be required in connection with any such lettings, but Lessee shall provide or cause such subtenant to provide King County upon request with the names and addresses of the third parties to which such subtenant is then letting office space, hangar space and/or tiedown space.
- D King County reserves the right of first refusal in the event Lessee attempts to sublease, or grant an option therefore, any unimproved portion of the Premises to any party other than in an Exempt Sublease. A sublease of an unimproved portion of the Premises that is not an Exempt Sublease is hereinafter referred to as a “Ground Sublease.”
- E. If lessee subleases all or any portion of the Premises in a Ground Sublease, Lessee shall pay King County seventy-five percent (75%) of the Sublease Premium derived from that sublease. "**Sublease Premium**" shall mean (1) all rent, additional rent, and/or other moneys, property, and other consideration of every kind whatsoever received by Lessee from the sublessee for, or by reason of, the sublease (excluding all amounts received by Lessee for any Included Property) less (1) the rent paid or to be paid by Lessee , and (2) the credits detailed in Section 21.F below. Lessee shall pay the Sublease Premium to King County as and when Lessee receives payment from such sublessee.

F. Credits. The following shall be subtracted from what otherwise would be included in the consideration used to calculate the Sublease Premium:

- 1) Any costs, fees or commissions actually paid by Lessee (Sublessor) to procure the sublease, including, without limitation, fees and commissions paid to attorneys, professionals and other consultants (such as real estate advisors, aviation industry experts, environmental consultants, surveyors, certified public accountants, civil and other engineers and architects) and licensed real estate brokers, together with Lessee's actual internal costs and expenses reasonably allocable to procuring the sublease in accordance with sound accounting practices, as itemized in a written report thereof provided by a certified public accountant in form and substance reasonably satisfactory to King County;
- 2) An allocable portion (based on the square footage subject to the proposed Ground Sublease as compared to the square footage of the entire Premises) of the unamortized transactional costs, fees or commissions, determined on a straight-line basis over the original term of the Lease, actually paid by Lessee (Assignor) to procure the Lease itself, including, without limitation, fees and commissions paid to attorneys, professionals and other consultants (such as real estate advisors, aviation industry experts, environmental consultants, surveyors, certified public accountants, civil and other engineers and architects) and licensed real estate brokers, together with Lessee's actual internal costs and expenses reasonably allocable to the transaction in accordance with sound accounting practices, as itemized in a written report thereof provided by a certified public accountant in form and substance reasonably satisfactory to King County; and
- 3) The Base Rent, other amounts payable under the Lease as rent and leasehold excise tax allocable to the space covered by such Ground Sublease (as reasonably determined by King County) and paid by Lessee to King County after the date of such Ground Sublease.

G. Once King County has received all necessary information and documentation pursuant to this Section 21 of this Lease, King County will review the request and respond with either an approval or disapproval of the request not later than ten (10) days prior to the proposed date of the sublease. Disapproval of any such request shall be final and binding on the Lessee and not subject to any arbitration, provided that any approval will not be unreasonably withheld and Lessee may in good faith dispute the reasonableness of King County's disapproval of a request. King County shall charge to the Lessee a reasonable fee for administrative costs in reviewing and processing any sublease, or grant of an option therefore, not to exceed \$1500.00.

22. CONDEMNATION.

- A. King County and Lessee will immediately notify the other in writing of the receipt of notice of any proceedings with respect to a condemnation or intent of any authority to exercise the power of eminent domain.
- B. If all of the Premises are taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this Lease, this Lease terminates as of the date condemnor takes possession, and Lessee will have no claim or interest in or to any award of just compensation except that the Lessee will be entitled to an amount equal to the fair market value of the Lessee's leasehold interest in any improvement taken by the

condemnor made to the Premises by the Lessee, but not to exceed the amount of that part, if any, of the award attributable to the value of the improvements.

- C. If part of the Premises is taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this Lease, King County or Lessee may choose to terminate this Lease as of the date the condemnor takes possession. If neither King County nor Lessee elects to terminate this Lease, the rent will be reduced in the same proportion that the value of the portion of the Premises to be taken bears to the value of the entire Premises as of the date condemnor takes possession. Lessee will have no claim or interest in or to any award of just compensation or damages except that the Lessee will be entitled to an amount equal to the fair market value of the Lessee's leasehold interest, including the Included Property, in the part taken by the condemnor of any improvements made to the Premises by the Lessee, but not to exceed the amount of that part, if any, of the award attributable to the value of the improvements.
- D. If temporary use of all or a portion of the Premises is taken by any lawful authority for a period which would reduce the leasehold and, consequently, would cause the Premises to be untenable for the use by Lessee for the purposes set forth in the section of this Lease titled "Use," then, at Lessee's determination, King County or Lessee may choose to terminate this Lease. If King County or Lessee elect to terminate the Lease, the Lease will terminate the date the condemnor takes possession and Lessee will have no claim or interest in or to any award of just compensation except that the Lessee will be entitled to an amount equal to the fair market value of the Lessee's leasehold interest in any improvements made to the Premises, included in the Included Property, by the Lessee. If neither King County nor Lessee elects to terminate this Lease, the Lease will continue in full force and Lessee will be entitled to receive any award from the condemnor for the use of all or part of the Premises, EXCEPT that Lessee may elect to have the rents reduced by the amount proportionally attributable to any partial temporary taking, in which event Lessee shall not be entitled to any portion of the award attributable to said use.
- E. It is understood and agreed that Lessee shall not be party to any negotiation or proceedings at law wherein King County claims compensation other than that which is defined statutorily as constituting "just compensation."

23. TERMINATION BY KING COUNTY. King County reserves the right to terminate this Lease upon twelve (12) months notice in writing to the Lessee or the persons in possession of the Premises if the Premises are required by King County for the improvement or development of KCIA for public airport uses and purposes, and under such termination the Lessee or persons in possession of Premises shall be reimbursed by King County for the fair market value, as defined in Section 2A of this document, together with the additional market value of the Included Property as well as any other improvements placed on the Premises by the Lessee in accordance with the terms of this Lease. In the event that King County and Lessee cannot agree upon the value of said improvements, King County and Lessee shall submit to have the fair market value adjusted by arbitration in the manner described in Section 2C, with the exception that the determination shall be as to the fair market value of the Included Property.

24. NON-DISCRIMINATION.

- A. Lessee shall not discriminate against any person on the basis of race, color, marital status, national origin, religious affiliation, disability, sexual orientation, gender identity or expressions, age (except by minimum age and retirement provisions), or presence of any sensory, mental or physical disability in the employment or application for employment or in the administration or delivery of services or any other benefits, unless based upon a bona fide occupational qualification. The Lessee shall comply fully with all applicable federal, state, and local laws, ordinances, executive orders and regulations which prohibit such discrimination. These laws include, but are not limited to, Chapter 49.60 of the Revised Code of Washington, and Titles VI and VII of the Civil Rights Act of 1964 and King County Code 12.16.125.
- B. The Lessee, for itself, its heirs, personal representatives, successors in interest and assigns, as part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this Lease for a purpose for which a U.S. Department of Transportation (“DOT”) program or activity is extended or for another purpose involving the provision of similar services or benefits, the Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.
- C. The Lessee, for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that: (1) no person shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities on the grounds of race, color, marital status, national origin, religious affiliation, disability, sexual orientation, gender identity or expressions, age (except by minimum age and retirement provisions), or presence of any sensory, mental or physical disability in the employment or application for employment or in the administration or delivery of services or any other benefits, unless based upon a bona fide occupational qualification, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereof, no person or entity shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination on the basis of race, color, marital status, national origin, religious affiliation, disability, sexual orientation, gender identity or expressions, age (except by minimum age and retirement provisions), or presence of any sensory, mental or physical disability in the employment or application for employment or in the administration or delivery of services or any other benefits, unless based upon a bona fide occupational qualification, (3) that the Lessee shall use the Premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended and King County Code 12.16.125.
- D. The Lessee assures that it will comply with pertinent statutes, Executive Orders and such rules as are promulgated to assure that no person shall, on the grounds of race, color, marital status, national origin, religious affiliation, disability, sexual orientation, gender identity or expressions, age (except by minimum age and retirement provisions), or presence of any sensory, mental or physical disability in the employment or application for employment or in the administration or delivery of services or any other benefits, unless based upon a bona fide occupational

qualification, be excluded from participating in any activity conducted with or benefiting from Federal assistance, unless based upon a bona fide occupation qualification. This provision obligates the Lessee or its transferee for the period during which Federal assistance is extended to the airport program, except where Federal assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon. In these cases, the provision obligates the party or any transferee for the longer of the following periods: (a) the period during which the property is used by the sponsor or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (b) the period during which the airport sponsor or any transferee retains ownership or possession of the property

- E. In addition, this Lease is subject to certain grant assurances resulting from King County's receipt of funding from the federal government. In accordance with those grant assurances, in furnishing services to the public at the Airport, the Lessee shall furnish said services on a reasonable and not unjustly discriminatory basis to all users of the Airport and shall charge reasonable and not unjustly discriminatory prices for each unit or service; provided that Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.
- F. Lessee will include the provisions of this Section 24, Non-Discrimination, in all subleases of all or part of the Premises, and in all agreements at any tier for the use of all or part of the Premises.
- G. Any violation of this Section 24, Non-Discrimination, shall be considered a default of this Lease and, in addition to any other remedies available to the County, shall be grounds for termination of this Lease by the County, and may result in ineligibility for further County agreements.

25. HEIRS, AGENTS, AND ASSIGNS. Without limiting any provisions of this Lease pertaining to assignment, transfer and subletting, the provisions of this Lease bind the heirs, successors, agents and assigns of the parties to this Lease.

26. CAPTIONS. The captions in this Lease are for convenience only and do not in any way limit or amplify the provisions of this Lease.

27. TIME IS OF THE ESSENCE. Time is of the essence of this Lease, and in the event of the failure of Lessee to pay any charges at the time in the manner herein specified, or to keep any of the covenants or agreements herein set forth, the Lessee shall be in default.

28. CUMULATIVE REMEDIES. No provision of this Lease precludes either party from pursuing any other remedies for the other party's failure to perform their obligations.

29. ATTORNEY'S FEES/DEFAULT CHARGE. In the event legal action is brought by either party to enforce any of the terms, conditions, or provisions of this Lease, the prevailing party shall recover against the other party in addition to the costs allowed by law, its litigation expenses and such sum as the court may adjudge to be a reasonable attorney's fee. In addition to all other charges, Lessee shall pay a charge of \$150.00 to King County for preparation of a notice of default.

30. HOLDING OVER. If the Lessee holds over after the expiration or earlier termination of this Lease, Lessee shall become a tenant from month-to-month at a rental rate agreed to by the parties. If the

parties cannot agree, then the monthly rental rate will convert to an amount to be determined by King County, but not to exceed one hundred-fifty percent (150%) of the rent in effect upon the date of such expiration or termination, and otherwise subject to the terms, covenants, and conditions of this Lease, except those clearly inapplicable to the month-to-month tenancy. Acceptance by King County of rent after such expiration or earlier termination shall not result in a renewal of this Lease, nor affect King County's right of re-entry or any rights of King County hereunder or as otherwise provided by law. If Lessee fails to surrender the Premises upon the expiration of this Lease despite demand to do so by King County, Lessee shall indemnify and hold King County harmless from all loss or liability including, without limitation, any claim made by any succeeding Lessee founded on or resulting from such failure to surrender, together with interest, reasonable attorney's fees, costs, and expenses.

31. HAZARDOUS MATERIALS AND ENVIRONMENTAL COMPLIANCE.

A. Definitions. "Hazardous Materials" as used herein shall mean:

- (1) Any toxic substances or waste, sewage, petroleum products, radioactive substances, heavy metals, medical, corrosive, noxious, acidic, bacteriological or disease-producing substances; or
- (2) Any dangerous waste or hazardous waste as defined in:
 - a. Washington Hazardous Waste Management Act as now existing or hereafter amended (RCW Ch. 70.105); or
 - b. Washington Model Toxics Control Act as now existing or hereafter amended (RCW Ch. 70.105D); or
 - c. Resource Conservation and Recovery Act as now existing or hereafter amended (42 U.S.C. Sec. 6901 et seq.); or
- (3) Any hazardous substance as defined in:
 - a. Comprehensive Environmental Response, Compensation and Liability Act as now existing or hereafter amended (42 U.S.C. Sec. 9601 et seq.); or
 - b. Washington Model Toxics Control Act as now existing or hereafter amended (RCW Ch. 70.105D); or
- (4) Any pollutants, contaminants, or substances posing a danger or threat to public health, safety or welfare, or the environment, which are regulated or controlled as such by any applicable federal, state or local laws, ordinances or regulations as now existing or hereafter amended.

B. Environmental Compliance.

- (1) In the conduct of its business at the Airport, and in its use and occupancy of the Premises and the areas of the Airport outside the Premises that are available for use by the Lessee and others (“**the Public Areas**”), the Lessee shall, at the Lessee's own expense, comply

with all federal, state and local laws, ordinances and regulations now or hereafter in effect related to Hazardous Materials and the environment, including, but not limited to, laws and regulations pertaining to stormwater discharges as set by the U.S. Environmental Protection Agency and the Washington Department of Ecology, as well as such rules concerning environmental matters as may be promulgated by the Airport Manager ("**the Environmental Laws**"). The Lessee warrants that its business and all its activities to be conducted or performed in, on, or about the Premises and the Public Areas shall comply with all of the Environmental Laws. The Lessee agrees to change, reduce, or stop any non-complying activity, or install necessary equipment, safety devices, pollution control systems, or other installations as may be necessary at any time during the term of this Lease to comply with the Environmental Laws.

(2) The Lessee shall not without first obtaining the County's prior written approval use, generate, release, handle, spill, store, treat, deposit, transport, sell or dispose of any Hazardous Materials in, on, or about the Premises or the Public Areas. In the event, and only in the event, that the County approves any of the foregoing, the Lessee agrees that such activity shall occur safely and in compliance with the Environmental Laws.

(3) The Lessee shall not cause or permit to occur any violation of the Environmental Laws on, under, or about the Premises and the Public Areas, or arising from the Lessee's use or occupancy of the Premises and the Public Areas.

(4) The Lessee shall, in a timely manner and at the Lessee's own expense, make all submissions to, provide all information required by, and comply with all requirements of all governmental or regulatory authorities ("**the Authorities**" or "**Authority**") with jurisdiction under the Environmental Laws. If the Lessee fails to fulfill any duty imposed under this paragraph within the time specified by applicable law, or if no time is specified within a reasonable time, the County may take action; and in such case, the Lessee shall cooperate with the County in order to prepare all documents the County deems necessary or appropriate to determine the applicability of the Environmental Laws to the Premises and/or the Public Areas and the Lessee's use thereof, and for compliance with the Environmental Laws, and the Lessee shall execute all documents promptly upon the County's request. No such action by the County and no attempt made by the County to mitigate damages shall constitute a waiver of any of the Lessee's obligations under this Section 30, Hazardous Materials and Environmental Compliance.

(5) Should any Authority demand that a cleanup or remediation plan be prepared and that a cleanup or remediation be undertaken because of any deposit, spill, discharge or other release of Hazardous Materials that occurs during the term of this Lease at or from the Premises, or which arises at any time from the Lessee's use or occupancy of the Premises and/or the Public Areas, then the Lessee shall, in a timely manner and at the Lessee's own expense, prepare and submit the required plans and all related bonds and other financial assurances; and the Lessee shall carry out all such cleanup or remediation plans. Any such cleanup or remediation plans are subject to the County's prior written approval. Although the County reserves the right to review and approve such cleanup or remediation plans, the County assumes no responsibility for such plans or their compliance with the Environmental Laws.

(6) If King County determines in its sole discretion that an emergency exists because of the deposit, spill, discharge or other release of Hazardous Materials at or from the Premises or which arises from the Lessee's use or occupancy of the Premises and/or the Public Areas, King

County will take such action as King County, in its sole discretion, considers reasonable to contact the Lessee and advise it of the emergency situation. If the Lessee is unreachable, or is unwilling to take immediate action, King County may, but is not required to, take immediate action to address the emergency situation, and Lessee will reimburse the County for all of its costs and expenses related thereto. The fact that King County takes immediate action shall not relieve Lessee of any of its responsibilities under this Lease and the Environmental Laws including, without limitation, Lessee's responsibility for complying with reporting requirements.

C. Indemnification.

(1) The Lessee shall be fully and completely liable to the County for any and all cleanup and/or remediation costs and expenses, and any and all other charges, expenses, fees, penalties (civil and criminal) imposed by any Authority arising out of the Lessee's use, disposal, transportation, generation, release, handling, spillage, storage, treatment, deposit and/or sale of Hazardous Materials in or about the Premises or the Public Areas. The Lessee shall indemnify, defend, and hold the County harmless from any and all of the costs, expenses, fees, penalties, and charges assessed against or imposed upon the County (as well as the County's reasonable attorney's fees, costs and expenses) by any Authority as a result of the Lessee's use, disposal, transportation, generation, release, handling, spillage, storage, treatment, deposit and/or sale of Hazardous Materials, or from the Lessee's failure to provide all information, make all submissions, and/or take all steps required by all Authorities under the Environmental Laws.

(2) The Lessee shall indemnify and hold the County harmless from any and all claims, liabilities, lawsuits, damages, costs and expenses, including reasonable attorney's fees, for injuries to persons or death, property damage, loss or costs caused by or arising from: (a) the use, disposal, transportation, generation, release, handling, spillage, storage, treatment, deposit and/or sale of Hazardous Materials by the Lessee or any of its agents, representatives or employees in, on, or about the Premises or the Public Areas, and (b) King County's immediate emergency action as described in Section 30.B(6) above.

D. Reporting Requirements. The Lessee shall comply with the Environmental Laws requiring the submission, reporting, or filing of information concerning Hazardous Materials with the Authorities, and shall provide to the County a full copy of any such submission, filing or report as submitted within 15 days of such submission.

E. Right to Check on the Lessee's Environmental Compliance. The County expressly reserves the right to conduct, and the Lessee shall fully cooperate in allowing, from time to time, such examinations, tests, inspections, and reviews of the Premises as the County, in its sole and absolute discretion, shall determine to be advisable in order to evaluate any potential environmental problems.

F. Remedies. Upon any default by the Lessee under this Section 30, Hazardous Materials and Environmental Compliance, the County shall be entitled to the following rights and remedies in addition to any other rights and remedies that may be available to the County:

(1) At the County's option, to terminate this Lease immediately; and/or,

(2) At the County's option, to perform such response, remediation and/or cleanup as is required to bring the Premises and any other areas of the Airport affected by the Lessee's default into compliance with the Environmental Laws and to recover from the Lessee all of the County's costs and expenses in connection therewith; and/or

(3) To recover from the Lessee any and all damages associated with the default, including but not limited to, response, remediation and cleanup costs, expenses and charges, civil and criminal penalties and fees, adverse impacts on marketing the Premises or any other areas of the Airport, loss of business and sales by the County and other lessees of property at the Airport, diminution of value of the Premises and/or other areas of the Airport, the loss of or restriction of useful space in the Premises and/or other areas of the Airport, and any and all damages and claims asserted by third parties, and the County's reasonable attorneys' fees, costs and expenses.

G. Remediation on Termination of Lease. Upon the expiration or termination of this Lease, the Lessee shall remove, remediate or clean up any Hazardous Materials on, or emanating from, the Premises caused by Lessee as required by applicable laws, and the Lessee shall undertake whatever other action which may be necessary to bring the Premises into full compliance with the Environmental Laws ("**Termination Cleanup**"). The process for such Termination Cleanup is subject to the County's prior written approval. Although the County reserves the right to review and approve the Termination Cleanup process, the County assumes no responsibility for it or its compliance with the Environmental Laws.

If the Lessee fails or refuses to commence the Termination Cleanup process, or fails to reasonably proceed toward completion of such process, within the time specified by law or within a reasonable time if no time is specified, the County may elect to perform such Termination Cleanup after providing the Lessee with written notice of the County's intent to commence Termination Cleanup, and after providing the Lessee a reasonable opportunity, which shall not be less than ninety (90) days after such notice (unless the County is given notice by a government or regulatory agency with jurisdiction over such matter that Termination Cleanup must commence within a shorter time), to commence or resume the Termination Cleanup process. If the County performs such Termination Cleanup after said notice and the Lessee's failure to perform same, the Lessee shall pay all of the County's costs and expenses.

H. Survival. The Lessee's and Lessor's obligations and liabilities under this Section 30, Hazardous Materials and Environmental Compliance, shall survive the expiration or termination of this Lease.

32. PUBLIC USE AIRPORT. The Premises and KCIA are subject to the terms of certain sponsor's assurances made to guarantee the public use of the public airport area of KCIA as incidental to grant agreements between King County and the United States of America; provided, that in the event at any time during the term of this Lease the terms of such assurances should effectively prohibit Lessee's use of the Premises in the general manner contemplated by the parties to this Lease, then such effective prohibition shall be considered as taking by the public and the Lessee or person or persons in lawful possession of the Premises may, upon thirty (30) days prior written notice given to King County, terminate this Lease.

33. RIGHT OF FLIGHT. There is hereby reserved to King County, its successors and assigns, for the use and benefit of King County and the public a right of flight for the passage of aircraft in the air-space

above the surface of the Premises herein leased, together with the right to cause in said air-space such noise as may be inherent in the operation of aircraft, now known or hereafter used for navigation of or flight in the air, using said air-space or landing at, taking off from and operating aircraft on or over KCIA all in accordance with applicable safety and operating regulations of said Airport and the Federal Aviation Administration.

34. EMPLOYEE CONDUCT. Lessee shall require and be responsible for the full compliance by its officers, agents, employees, customers and guests with the rules and regulations of the Federal Aviation Administration and KCIA.

35. SEVERABILITY. If any term or provision of this Lease or the application of any term or provision to any person or circumstance is invalid or unenforceable, the remainder of this Lease, or the application of the term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected and will continue in full force.

36. GOVERNING LAW/VENUE. This Lease shall be governed by, and construed and enforced in accordance with, the laws of the State of Washington. Venue for any legal proceeding shall be exclusively in King County Superior Court, Seattle, Washington.

END OF GENERAL TERMS AND CONDITIONS

EXHIBIT C
LEASEHOLD MORTGAGE ADDENDUM

This Leasehold Mortgage Addendum (this “Addendum”) is a part of that certain Lease (the “Lease”) dated as of _____, 2011, between KING COUNTY, a political subdivision of the State of Washington, as “Lessor” and GATEWAY USA, LLC, a Washington limited liability company as “Lessee.” Capitalized terms used but not defined in this Addendum have the same meanings as those terms have in the Lease.

1. Leasehold Mortgages.

1.1 Notwithstanding the provisions set forth in Section 20 of the Lease regarding any assignment of the Lease, but subject to the provisions of this Addendum, Lessee shall have the right at any time and from time to time to encumber the leasehold estate created by the Lease and any improvements on the Premises by mortgage, deed of trust or other security instrument to secure repayment of a loan (and associated obligations) made to Lessee by an Institutional Investor (as defined below) for the purpose of financing the construction of any improvements made pursuant to the terms of the Lease (“Improvements”) or for the long-term financing of any such Improvements. Lessee shall deliver to Lessor promptly after execution by Lessee a true and verified copy of any Leasehold Mortgage (as defined below), and any amendment, modification or extension thereof, together with the name and address of the owner and holder thereof.

1.2 For purposes of this Addendum: “Institutional Investor” shall mean any national bank organized under the laws of the United States or any commercial bank licensed in the state of Washington, or any savings and loan association, savings bank, trust company or insurance company organized under the laws of the United States or any state of the United States, or any pension, retirement or welfare trust or fund supervised by the United States or any government authority of any state of the United States; “Leasehold Mortgage” shall mean a mortgage, deed of trust or other security instrument, including, without limitation, an assignment of the rents, issues and profits, which constitutes a lien on the leasehold estate created by the Lease and on the fee interest of Lessee in any Improvements during the term of the Lease; and “Lender” shall mean an Institutional Investor who is the owner and holder of the Leasehold Mortgage having superior lien priority over all other Leasehold Mortgages, provided, however, that Lessor shall have no duty or obligation whatsoever to determine independently the relative priorities of any Leasehold Mortgages, but shall be entitled to rely absolutely upon a preliminary title report current as of the time of any determination of such priorities and prepared by a generally-recognized title insurance company doing business in the state of Washington.

1.3 During the continuance of any Leasehold Mortgage until such time as the lien of any Leasehold Mortgage has been extinguished, and if a true and verified copy of such Leasehold Mortgage shall have been delivered to Lessor together with a written notice of the name and address of the owner and holder thereof as provided in Section 1.1 of this Addendum:

(a) Lessor shall not agree to any mutual termination nor accept any surrender of the Lease (except upon the expiration of the term of the Lease) without the prior written consent of Lender, nor shall Lessor consent to any material amendment or modification of the Lease without the prior written consent of Lender, which shall not be unreasonably withheld or delayed.

(b) Notwithstanding any default by Lessee in the performance or observance of any covenant, condition or agreement of the Lease on the part of Lessee to be performed or observed, Lessor shall have no right to terminate the Lease even though a default under the Lease shall have occurred and be continuing, unless and until Lessor shall have given Lender written notice of such default and Lender shall have failed to remedy such default or to acquire Lessee's leasehold estate created hereby or to commence foreclosure or other appropriate proceedings in the nature thereof, all as set forth in, and within the time specified by, this Addendum.

(c) Lender shall have the right, but not the obligation, at any time prior to termination of the Lease and without payment of any penalty, to pay all of the rents due hereunder, to provide any insurance, to pay any taxes and make any other payments, to make any repairs and improvements and do any other act or thing required of Lessee under the Lease, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the covenants, conditions and agreements of the Lease in order to prevent the termination of the Lease. All payments so made and all things so done and performed by Lender shall be as effective to prevent a termination of the Lease as the same would have been if made, done and performed by Lessee instead of by Lender.

(d) Should any default under the Lease occur which default is not cured within any applicable grace period or cure period under the Lease, Lender shall have thirty (30) days after receipt of notice from Lessor setting forth the nature of such default, and, if the default is such that possession of the Premises under the Lease may be reasonably necessary to remedy the default, a reasonable time after the expiration of such thirty (30) day period, within which to remedy such default; provided that (i) Lender shall have fully cured any default in the payment of any monetary obligations of Lessee under the Lease within such thirty (30) day period and shall continue to pay currently such monetary obligations as and when the same are due, and (ii) Lender shall have acquired Lessee's leasehold estate created hereby or commenced foreclosure or other appropriate proceedings in the nature thereof within such thirty (30) day period or prior thereto, and shall be diligently and continuously prosecuting any such proceedings to completion. All rights of Lessor to terminate the Lease as the result of the occurrence of any such default shall be subject to and conditioned upon Lessor having first given Lender written notice of such default and Lender having failed to remedy such default or acquire Lessee's leasehold estate created hereby or commence foreclosure or other appropriate proceedings in the nature thereof as set forth in and within the time period specified by this subparagraph (d).

entitled to receive the benefit of this Addendum and any other provisions of the Lease intended for the benefit of the holder of a Leasehold Mortgage.

(i) Should Lessor terminate the Lease by reason of any default by Lessee hereunder, Lessor shall, upon written request by Lender to Lessor received within sixty (60) days after such termination, execute and deliver a new lease of the Premises to Lender for the remainder of the term of the Lease with the same covenants, conditions and agreements (except for any requirements which have been satisfied by Lessee prior to termination) as are contained herein; provided, however, that Lessor's execution and delivery of such new lease of the Premises shall be made without representation or warranty of any kind or nature whatsoever, either express or implied, including, without limitation, any representation or warranty regarding title to the Premises or any Improvements or the priority of such new lease. Together with the execution and delivery of such new lease of the Premises, Lessor shall convey to Lender title to any Improvements by quitclaim deed for the term of such new lease. Lessor's delivery of any Improvements to Lender pursuant to such new lease shall be made without representation or warranty of any kind or nature whatsoever, either express or implied; and Lender shall take any Improvements "as-is" in their then current condition. Upon execution and delivery of such new lease, Lender, at its sole cost and expense, shall be responsible for taking such action as shall be necessary to cancel and discharge the Lease and to remove Lessee named herein and any other occupant from the Premises. Lessor's obligation to enter into such new lease of the Premises with Lender shall be conditioned as follows: (i) Lender has remedied and cured all monetary defaults hereunder and has remedied and cured or has commenced and is diligently completing the cure of all nonmonetary defaults of Lessee susceptible to cure by any party other than by the original Lessee, (ii) that if more than one holder of a Leasehold Mortgage requests such new lease Lessor shall have no duty or obligation whatsoever to determine the relative priority of such Leasehold Mortgages, and, in the event of any dispute between or among the holders thereof, Lessor shall have no obligation to enter into any such new lease if such dispute is not resolved to the sole satisfaction of Lessor within ninety (90) days after the date of termination of the Lease, and (iii) that Lender pays all costs and expenses of Lessor, including, without limitation, reasonable attorneys' fees, real property transfer taxes and any escrow fees and recording charges, incurred in connection with the preparation and execution of such new lease and any conveyances related thereto.

(j) Notwithstanding the provisions of Section XIV of the Lease, Lessor will not require any assurance of performance under such Section XIV so long as Lender cures any monetary default by Lessee under the Lease within the time period given Lender under this Addendum.

1.4 Lessor and Lessee shall cooperate in including in the Lease by suitable amendment from time to time any provision which may be requested by any proposed Lender, or may otherwise be reasonably necessary, to implement the provisions of this Addendum; provided, however, that any such amendment shall not in any way affect the term hereby demised nor affect adversely in any material respect any rights of Lessor under the Lease.

1.5 Nothing contained herein or in any Leasehold Mortgage shall be deemed or construed to relieve Lessee from the full and faithful observance and performance of its covenants, conditions and agreements contained herein, or from any liability for the non-observance or non-performance thereof, or to require or provide for the subordination to the lien of such Leasehold Mortgage of any estate, right, title or interest of Lessor in or to the Premises or the Lease.

(e) A default under the Lease which in the nature thereof cannot be remedied by Lender shall be deemed to be remedied if (i) within sixty (60) days after receiving written notice from Lessor setting forth the nature of such default, Lender shall have acquired Lessee's leasehold estate created hereby or commenced foreclosure or other appropriate proceedings in the nature thereof, (ii) Lender shall diligently and continuously prosecute any such proceedings to completion, (iii) Lender shall have fully cured any default in the payment of any monetary obligations of Lessee under the Lease which do not require possession of the Premises within such thirty (30) days after receipt of such written notice and shall thereafter continue to faithfully perform all such monetary obligations which do not require possession of the Premises, and (iv) after gaining possession of the Premises, Lender shall perform all of the obligations of Lessee hereunder as and when the same are due.

(f) If Lender is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy, debtor rehabilitation or insolvency proceedings involving Lessee from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, the times specified in subparagraphs (d) and (e) above for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; provided that Lender shall have fully cured any default in the payment of any monetary obligations of Lessee under the Lease and shall continue to pay currently such monetary obligations as and when the same fall due, and provided that Lender shall diligently attempt to remove any such prohibition.

(g) Lessor shall deliver to Lender by reliable overnight courier a duplicate copy of any and all notices of default, or any notice of any fact or circumstance, which, with the passage of time or failure to heed, would constitute a default under the Lease, which Lessor may from time to time give to or serve upon Lessee pursuant to the provisions of the Lease; and no notice by Lessor to Lessee hereunder shall be deemed to have been given unless and until a copy thereof has been delivered to Lender.

(h) Foreclosure of a Leasehold Mortgage or any sale there under, whether by judicial proceedings or by virtue of any power of sale contained in the Leasehold Mortgage, or any conveyance of the leasehold estate created hereby from Lessee to Lender by virtue or in lieu of foreclosure or other appropriate proceedings in the nature thereof, shall not require the consent of Lessor or constitute a breach of any provision of or a default under the Lease. Upon such foreclosure, sale or conveyance, Lessor shall recognize Lender, or any other foreclosure sale purchaser, as Lessee hereunder; provided, however, that in the event there are two or more Leasehold Mortgages or foreclosure sale purchasers (whether of the same or different Leasehold Mortgages), Lessor shall have no duty or obligation whatsoever to determine the relative priorities of such Leasehold Mortgages or the rights of the different holders thereof and/or foreclosure sale purchasers. In the event Lender becomes Lessee under the Lease or under any new lease obtained pursuant to subparagraph (i) below, Lender shall be liable for the obligations of Lessee under the Lease or such new lease only for the period of time that Lender is the lessee under the Lease or the new lease, as applicable. In the event Lender subsequently assigns or transfers its interest under the Lease after acquiring the same by foreclosure or by an acceptance of a deed in lieu of foreclosure or subsequently assigns or transfers its interest under any such new lease, and in connection with any such assignment or transfer Lender takes back a mortgage or deed of trust encumbering such leasehold interest to secure a portion of the purchase price given to Lender for such assignment or transfer, then such mortgage or deed of trust shall be considered a Leasehold Mortgage as contemplated under this Addendum and Lender shall be

1.6 No foreclosure of any Leasehold Mortgage shall trigger any right of first refusal granted to Lessor under the Lease.

1.7 Any demand or notice made or to be given hereunder by either party shall be effective on the earlier of (a) three (3) days after being mailed by registered or certified mail, return receipt requested, or dispatched by public or private courier service to the address of the other as set forth above or to the address at which Tenant customarily or last communicated with Landlord, or (b) when delivered personally to the other's agent for receipt of such notices.

2. Lessor Estoppel Certificate. At the written request of Lessee in connection with the execution of any Leasehold Mortgage by Lessee, Lessor will execute in favor of any Leasehold Mortgagee, an estoppel certificate in form required by the Leasehold Mortgagee and reasonably acceptable to Lessor, which certificate shall include the following provisions (if and to the extent then true):

2.1 Representations and Warranties. Lessor represents and warrants to Lender the following:

(a) Lease. A true, correct and complete copy of the Lease is attached hereto, and the Lease has not been amended or modified except as may be shown on the copy of the Lease attached hereto. The Lease is in full force and effect and constitutes the entire agreement between Lessor and Lessee with respect to the Premises and the Lease. The Lease constitutes the legal, valid and binding obligation of Lessor, enforceable against Lessor in accordance with its terms.

(b) Ownership. Lessor is the sole record owner of the fee interest in the Premises, and holder of the landlord's interest in, to and under the Lease.

(c) Rent. The minimum rent payable under the Lease currently is described in Section III "Rent" of the Lease.

(d) Term. The current term of the Lease expires as described in Section II "Term" of the Lease.

(e) Defaults; Offsets. Neither Lessor nor, to the actual knowledge of Lessor, Lessee is in default under the Lease. Lessor has no knowledge of the existence of any event which, with the giving of notice, the passage of time, or both, would constitute a default by Lessor or, to the actual knowledge of Lessor, Lessee under the Lease. To the actual knowledge of Lessor, Lessee has no offsets, counterclaims, defenses, deductions or credits with respect to the Lease. To Lessor's actual knowledge, all monetary obligations due from Lessee under the Lease to date have been fully and currently paid.

(f) No Mortgages on Fee Interest. Lessor has not assigned, transferred, sold, encumbered or mortgaged its interest in the Lease or the Premises (or any part thereof), and there currently are no mortgages, deeds of trust or other security interests encumbering Lessor's fee interest in the Premises (or any part thereof). Premises. Lessor has not received written notice that it or the Premises is in violation of any laws applicable to it or the Premises or its operation thereon, including, without limitation, any environmental laws.

(h) Construction of Improvements. All obligations of Lessee regarding construction of any improvements on the Premises have been fully performed.

(g) Eminent Domain; Violations of Law. Lessor has not received written notice of any pending eminent domain proceedings or other governmental actions or any judicial actions of any kind against Lessee's or Lessor's interest in the Premises. Lessor has not received written notice that it or the Premises is in violation of any laws applicable to it or the Premises or its operation thereon, including, without limitation, any environmental laws.

(h) Construction of Improvements. All obligations of Lessee regarding construction of any improvements on the Premises have been fully performed.

LESSEE:

GATEWAY USA, LLC.,
a Washington limited liability company

By: CLAY LACY AVIATION INC,
a California Corporation, Member

BY: _____
Clay Lacy, President

DATE: _____

BY: _____
Joe Clark, Member

DATE: _____

LESSOR:

KING COUNTY, a political subdivision of the
State of Washington

BY: _____
Stephen L. Salyer, Manager
Real Estate Services Section

DATE: _____

CONSENT:

KING COUNTY INTERNATIONAL
AIRPORT

BY: _____
Robert I. Burke, AAE, Director

DATE: _____

APPROVED AS TO FORM:

BY: _____
Ian Taylor, Senior Deputy Prosecuting
Attorney

DATE: _____

STATE OF _____)
) ss
COUNTY OF _____)

On this _____ day of _____, 2011, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Clay Lacy, to me known to be the President of Clay Lacy Aviation, Inc., a member of Gateway USA, LLC, a limited liability company, who executed the foregoing instrument and acknowledge the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that said person was authorized to execute said instrument on behalf of Clay Lacy Aviation, Inc., as a member of Gateway USA, LLC.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

Printed Name: _____
NOTARY PUBLIC in and for the State of _____,
residing at _____
My Commission Expires: _____

STATE OF _____)
) ss
COUNTY OF _____)

On this _____ day of _____, 2011, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Joe Clark, to me known to be a member of Gateway USA, LLC, a limited liability company, who executed the foregoing instrument and acknowledge the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that said person was authorized to execute said instrument on behalf of Gateway USA, LLC.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

Printed Name: _____
NOTARY PUBLIC in and for the State of _____,
residing at _____
My Commission Expires: _____

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November 8, 2011

The Honorable Larry Gossett
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Gossett:

I am pleased to transmit a Lease Agreement for Gateway USA, LLC dba Clay Lacy Aviation (Clay Lacy) at King County International Airport (KCIA). The agreement describes the construction of a new hangar and office complex on this 9.74 acre leasehold. The proposed new lease term is 35 years with ground rent based on fair market value starting at \$1.28 per square foot (\$543,000/per year) and adjusted every 3 years.

Clay Lacy has operated at KCIA since May of 2003 when they purchased an existing leasehold and facilities from FlightCraft. They are one of four Fixed Based Operators that serve fixed wing aircraft at KCIA with hangars and offices located at 8285 Perimeter Road South, Seattle. Clay Lacy is a service based company for corporate jet travelers providing aircraft chartering and sales, parking, fueling, maintenance, food, offices, ground transportation, and pilot training. They are one of the gateways to Seattle for musicians, sports figures, corporate executives and politicians.

Clay Lacy employs 43 individuals and maintains an extensive customer base, including serving as the primary flight department for Boeing with two on-site mechanics that troubleshoot and maintain the Boeing Executive Fleet. The Boeing contract has been extended for another three years. Clay Lacy has also held a military contract for the last seven years, serving as the personnel portal for charter military flights. The company has also leased the on-site catering facilities to Air Chef for another 2 years, improving the quality of catering services available at KCIA.

To qualify for the proposed 35 year lease term, King County Code section 4.56.180A2 requires a tenant to invest in leasehold improvements at least equal in value to the subject property, which is valued at an estimated \$8.5 million. To satisfy this investment requirement, Clay Lacy demolished an old 25,000 square foot hangar and constructed new

The Honorable Larry Gossett

November 8, 2011

Page 2

improvements valued at approximately \$11 million including approximately 40,000 sq ft of hanger space which will allow more flexibility in the types of aircraft they park in the hangar, and 15,000 square feet of new office and shop space. In addition, Clay Lacy is assuming approximately \$100,000 in environmental clean-up costs related to the site.

Direct negotiation to renew the Clay Lacy lease was approved by the Executive in conformance with KCC 4.56.160B and is supported by KCIA's policy of working with existing long-term tenants in good standing which are providing benefits to the airport beyond what potentially could be expected from an RFP process. The Clay Lacy lease is recommended by airport management as consistent with airport planning and a key ingredient to maintaining a healthy mix of services and competition at the airfield.

If you have any questions regarding this proposal, please call Kathy Brown, Facilities Management Division Director, at 206-296-0630.

Sincerely,

Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers

ATTN: Cindy Domingo, Acting Chief of Staff

Mark Melroy, Senior Principal Legislative Analyst, BFM Committee

Anne Noris, Clerk of the Council

Dwight Dively, Director, Office of Performance, Strategy and Budget

Carrie S. Cihak, Director of Policy and Strategic Initiatives, King County Executive Office

Harold Taniguchi, Director, Department of Transportation (DOT)

Robert Burke, Director, Airport Division, DOT

Caroline Whalen, County Administrative Officer, Department of Executive Services (DES)

Kathy Brown, Director, Facilities Management Division (FMD), DES

Ameer Faquir, Deputy Director, FMD, DES

Steve Salyer, Manager, Real Estate Services Section, FMD, DES

Bob Thompson, Leasing Supervisor, Real Estate Services, FMD, DES

FISCAL NOTE

Ordinance/Motion No.: 2011-

Title: Clay Lacy Lease (KCIA)

Affected Agencies: N/A

Note Prepared By: Bob Thompson

Note Reviewed By: Kent Sherburne

Impact of the above legislation on the fiscal affairs of King County is estimated to be:

Revenue to:

Fund Title	Fund Code	Revenue	2011	2012	2013	2014
Airport Operating	4290		180,982	542,999	542,999	542,999
TOTAL			180,982	542,999	542,999	542,999

Expenditures from:

Fund Title	Fund Code	Department	2011	2012	2013	2014
TOTAL						

Revenue/Expenditures by Categories:

			2011	2012	2013	2014
Base Rent			180,982	542,999	542,999	542,999
Exise Tax @ 12.84%			23,238	69,721	69,721	69,721
Operating Expense			0	0	0	0
TOTAL			204,220	612,720	612,720	612,720

1) Lease Summary:

Area 424218 sf.
Term 35 years
Base Rent PSF \$1.28

2) Footnotes: Rent- Lease term and the obligation to pay rent are estimated to commence September 1, 2011.

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seattletimes.com

PO Box 70, Seattle, WA 98111

KING COUNTY REAL ESTATE SERV
TOM PAINE
500 FOURTH AVE RM 500
SEATTLE, WA 98104

Re: Advertiser Account #22616016
Ad #: 798685400

Affidavit of Publication

4135355 / 2

STATE OF WASHINGTON
Counties of King and Snohomish

The undersigned, on oath states that he/she is an authorized representative of The Seattle Times Company, publisher of The Seattle Times of general circulation published daily in King and Snohomish Counties, State of Washington. The Seattle Times has been approved as a legal newspaper by orders of the Superior Court of King and Snohomish Counties.

The notice, in the exact form annexed, was published in the regular and entire issue of said paper or papers and distributed to its subscribers during all of the said period.

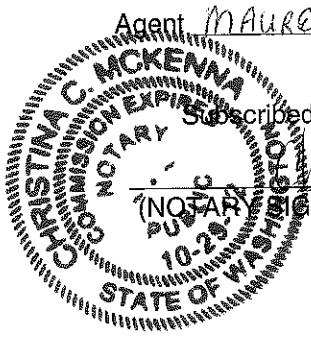
Newspaper	Publication Date
The Seattle Times	07/28/11, 08/04/11

Agent MAUREEN E. DUGGAN Signature Maureen E Duggan

Subscribed and sworn to before me on August 4, 2011
(DATE)

Christina C. McKenna
(NOTARY SIGNATURE) Notary Public in and for the State of Washington, residing at Seattle

Christina C. McKenna





seattletimes.com

Re Advertiser Account #22616016

Ad # 798685400

Ad TEXT: King County intends to execute a 35-year lease located at King County International Airport, and more specifically, at 8285-8403 Perimeter Road South. The parcel contains 424,218 square feet. A copy of the lease is available for public inspection at the Real Estate Services Section, King County Administration Building, 500 Fourth Avenue, Room 500, Seattle, Washington 98104.



Lease #7017 - Clay Lacy
 DATE: 07/18/2011 | SCALE: 1" = 100'

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King County

**King County International Airport
Boeing Field**

Department of Transportation
7277 Perimeter Road South
Seattle, WA 98108-3844
206-296-7380
206-296-0190 Fax
TTY Relay: 711
www.kingcount.gov/airport

August 31, 2010

Brad Wollen
General Manager and Vice-President Aircraft Sales
Clay Lacy
8285 Perimeter Road South
Seattle, WA 98108

Dear Brad:

I hope this will address the issues/questions put forward by you and Wayne during our meeting on Tuesday, August 24:

Environmental Clean Up Costs

During the lease negotiations that occurred in 2008/09, the Airport informally agreed to split the environmental remediation costs when those costs were estimated (by Clay Lacy) to be approximately \$80,000.00. The Airport was never advised that the costs had increased or that the scope of the clean up was larger than initially anticipated. Had that happened, we could have had a meaningful conversation about how to handle the unanticipated expenses. That disappointment notwithstanding, the Airport is prepared to split the clean-up cost with Clay Lacy under the following conditions:

- 1) King County Council approval of a mutually negotiated and executed new lease.
- 2) King County's ability to ascertain, pursuant to documentation provided by Clay Lacy, that the environmental clean up work has been vetted by the appropriate State/Federal agency and that no additional work is contemplated or required.

Past Due Rental Amounts

The Airport will allow Clay Lacy to amortize the past due rent over the period between October 1, 2010 and December 1, 2011. The amount owing will be divided in equal monthly payments over that period and must be paid by Clay Lacy with its normal rent.



COP Breakdown Summary

PROJECT NAME: Clay Lacy Aviation Hanger

Issue #. 1

Project No. J7001

PR #: _____

Work Description: Contaminated Soils

CCD #: _____

I. GC DIRECT WORK

COP #: _____

A. CRAFT LABOR COSTS

Date: 7/22/2008

<u>Direct Labor Costs Summary</u>	<u>HOURS</u>	<u>RATE</u>	<u>EXTENSION</u>
1. apprentice-class 1			
2. apprentice-class 2			
3. journeyman			

(See Attached COP Breakdown Attached) A. CRAFT LABOR COSTS \$4,429

B. MATERIALS COSTS

B. MATERIAL COSTS \$0

C. EQUIPMENT COSTS

C. EQUIPMENT COSTS \$2,567

I. SUBTOTAL DIRECT WORK \$6,996
(Total A, B, and C Above)

INSURANCE (.9%) \$63

B&O TAXES (.471%) \$33

I. SUB-TOTAL GC \$7,092

II. SUBCONTRACTOR WORK:

A. Northwest Construction \$44,233
B. Kane Environmental \$89,163

II. SUB-TOTAL SUBCONTRACTOR'S WORK \$133,396

INSURANCE (.9%) \$1,201

B&O TAXES (.471%) \$634

II. SUB-TOTAL SUBCONTRACTORS \$135,230

SUB-TOTAL GC & SUBCONTRACTORS \$142,322
(Total I & II)

III. Overhead & Profit A. Overhead and Profit

III. O & P \$25,618

IV. WASHINGTON STATE SALES TAX

A. Bond Excluded
B. Washington State Sales Tax

SUBTOTAL \$167,940

IV. WSST \$15,115

V. TOTAL

A. TOTAL (Total of Parts I thru VI Above)

V. TOTAL COST \$183,055

	2003-2004	2005	2006	2007	2008	2009	2010	TOTAL	McCarren/ Lagerquist	King County	JTM	AHBL	Redhawk Group	Dixon Hollinshead	Emerald Fire	Fisher & Sons	G&W Builders	Misc.	
4/15/09	Pete's Towing																		435
4/6/09	PSE					939		939											Pete's Towing
4/18/09	KPFF Consulting					743		743											939
4/18/09	GCH Landscaping					22,393		22,393											743
4/20/09	Paul Buckholz					1,920		1,920											22,393
4/20/09	King Co DDES					14,064		14,064											GCH Landscap
4/20/09	Simplex Grinnell					2,176		2,176											Buckholz
4/20/09	Emerald Fire LLC					22,899		22,899											2,176
4/23/09	Pacific Communications					19,008		19,008											22,899
4/30/09	McCarren Prop-Proj management					10,000		10,000	10,000										19,008
5/1/09	McCarren Prop-Proj management					10,000		10,000	10,000										10,000
5/7/09	Redhawk Group LLC					89,406		89,406											89,406
5/20/09	Redhawk Group LLC					212,504		212,504											212,504
5/21/09	Paul Buckholz					574		574											574
5/26/09	Pete's Towing					174		174											Buckholz
5/31/06	Key Bank chgs					132		132											Pete's Towing
6/29/09	Pete's Towing					82		82											132
6/30/09	Key Bank legal/lie					24,884		24,884											82
7/6/09	Redhawk Group LLC					244,623		244,623											24,884
7/6/09	Paul Buckholz					810		810											174
7/16/09	Redhawk Group LLC					334,779		334,779											82
7/27/09	Fisher & Sons					8,406		8,406											132
7/27/09	Group West					36,765		36,765											82
7/27/09	McCarren Prop					20,000		20,000	20,000										174
7/27/09	Ohio Rosenau					1,260		1,260											132
8/12/09	Custom Built Fences					5,475		5,475											82
8/12/09	Custom Built Fences					7,884		7,884											132
8/26/09	Paul Buckholz					945		945											82
9/1/09	G&W Builders					199,154		199,154											7,884
9/1/09	Redhawk Group LLC					57,971		57,971											945
9/1/09	CHG Builders					42,490		42,490											199,154
9/1/09	CHG Building Systems					35,017		35,017											57,971
9/1/09	G&W & DP Industries					14,139		14,139											42,490
9/1/09	Fisher & Sons					10,996		10,996											35,017
9/1/09	Group West					18,998		18,998											14,139
9/1/09	McCarren Properties					20,000		20,000	20,000										10,996
9/1/09	Carla Nichols Interior					4,574		4,574											18,998
9/1/09	Sustainable Floors					19,635		19,635											20,000
9/23/09	Pacific Communications					9,504		9,504											4,574
9/28/09	Va St Dept Ecology					454		454											19,635
10/2/09	Redhawk Group LLC					109,166		109,166											9,504
10/12/09	Home Depot					624		624											454
10/14/09	Automated Gates					28,151		28,151											624
10/14/09	Group West					5,026		5,026											28,151
10/14/09	McCarren Properties					10,000		10,000	10,000										5,026
10/14/09	Modular Space Corp					734		734											10,000
10/14/09	Neon Sign & Awning					4,965		4,965											734
10/14/09	Pacific Communications					9,504		9,504											4,965
10/14/09	Pepple Johnson Attorney					420		420											9,504
10/14/09	Carla Nichols Interior					5,269		5,269											420
10/30/09	Neon Sign & Awning					18,317		18,317											5,269
11/30/09	Buckholz					1,215		1,215											18,317
11/30/09	Carla Nichols Interior					8,206		8,206											1,215
11/30/09	Sustainable Floors					23,366		23,366											8,206
11/23/09	All City Fence-Stat grey					1,563		1,563											23,366
11/30/09	Pacific Communications					2,629		2,629											1,563
11/25/09	Redhawk Group LLC					74,292		74,292											2,629
12/4/09	Ang's Glass					696		696											74,292
12/4/09	GCH Landscaping					422		422											696
12/4/09	Group West					2,588		2,588											422
12/4/09	Neon Sign & Awning					18,722		18,722											2,588
12/4/09	McCarren Properties					10,000		10,000	10,000										18,722
12/11/09	Zones-wireless install					237		237											10,000
12/28/09	King Co Refund					(8,331)		(8,331)											237
12/28/09	Redhawk Group LLC					36,239		36,239											(8,331)
12/31/09	Hertz Rent a Lift					969		969											36,239
12/31/09	Neon Sign & Awning					10,971		10,971											969
12/31/09	Shamrock Landscaping					18,354		18,354											10,971
12/31/09	Watson Security					4,932		4,932											18,354
12/31/09	Pacific Communications					2,444		2,444											4,932
12/31/09	Redhawk Group LLC					62,229		62,229											2,444
12/31/09	Group West					7,425		7,425											62,229
12/31/09	First American Title					110		110											7,425
12/31/09	Buckholz					473		473											110
12/31/09	Const Interest FYE 2009					93,284		93,284											473
12/31/10	King Co refund-9/1/10/7					(11,818)		(11,818)											93,284
	Ending Balance	54,079	215,865	234,826	716,461	6,329,673	3,415,813	(11,818)	(11,818)	109,548,987	145,000	118,107	5,056,122	108,382	1,362,392	205,700	116,673	165,178	2,358,344
											1.32%	1.08%	46.15%	0.99%	12.44%	1.89%	1.07%	1.51%	21.53%
																			1,319,001
																			109,548,988
																			12.04%
																			100.00%

	2003-2004	2005	2006	2007	2008	2009	2010	TOTAL	McCarren/ Langerquist	King County	JTM	AHBL	Redhawk Group	Dixon Hollinshead	Emerald Fire	Fisher & Sons	G&W Builders	Misc.
	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid										
1/8/08	Fisher & Sons				4,956			4,956								4,956		
1/24/08	Hollinshead Const				14,000			14,000						14,000				4,850
1/30/08	Peppie Johnson, Cantu PLLC				4,850			4,850										
1/30/08	Fisher & Sons				906			906								906		
1/30/08	JTM				78,619			78,619										
2/6/08	Buckholz				2,108			2,108										2,108
2/11/08	Hollinshead				12,000			12,000						12,000				
2/21/08	JTM				180,004			180,004										
2/21/08	King Do DDES				245			245		245	180,004							
3/7/08	Hollinshead				12,000			12,000						12,000				
3/17/08	King Co DDES				215			215		215								
3/18/08	JTM				564,886			564,886										
4/3/08	Buckholz				945			945										945
4/16/08	JTM				769,339			769,339										
4/16/08	Hollinshead				18,000			18,000						18,000				
4/22/08	Emerald Fire LLC				18,163			18,163							18,163			
4/22/08	G&W Builders				64,845			64,845									64,845	
5/6/08	Hollinshead				20,000			20,000						20,000				
5/13/08	G&W Builders				2,838			2,838									2,838	
5/13/08	G&W Builders				6,056			6,056									6,056	
5/30/08	G&W Builders				521,287			521,287									521,287	
5/30/08	JTM				485,302			485,302						485,302				
6/3/08	Hollinshead				17,000			17,000						17,000				
6/15/08	G&W Builders				345,168			345,168									345,168	
6/15/08	JTM				411,623			411,623							411,623			
6/30/08	Hollinshead				17,000			17,000						17,000				
7/9/08	Buckholz				960			960										960
7/29/08	JTM				254,497			254,497										
7/29/08	G&W Builders				583,026			583,026									583,026	
8/4/08	Buckholz				848			848										848
8/7/08	Hollinshead				12,000			12,000						12,000				
8/19/08	KC DDES				972			972		972								
8/20/08	JTM				398,240			398,240										
8/27/08	Hollinshead				12,000			12,000						12,000				
8/30/08	KPFF Consulting				2,340			2,340									2,340	
8/30/08	J Langerquist				5,000			5,000									5,000	
9/6/08	G&W Builders				125,227			125,227									125,227	
9/16/08	Jlm Langerquist				5,000			5,000									5,000	
9/19/08	KPFF Consulting				465			465									465	
9/19/08	Emerald Fire LLC				54,538			54,538							54,538			
9/24/08	King Co Refund				(667)			(667)										
10/2/08	King Co Refund				(143)			(143)										
10/2/08	Jlm Langerquist				5,000			5,000									5,000	
10/2/08	JTM				230,000			230,000										
10/28/08	King Co water use				65			65										
10/28/08	Redford Corp				44,900			44,900									44,900	
11/21/08	JTM				336,905			336,905										
11/22/08	Redford Corp				35,920			35,920										
12/2/08	McCarren Prop-Proj management				10,000			10,000										
12/2/08	Emerald Fire LLC				21,072			21,072										
12/2/08	DKR & Associates-Cost est				808			808										
12/4/08	Buckholz				608			608										
12/15/08	G&W Builders				50,000			50,000										
12/19/08	McCarren Prop-Proj management				10,000			10,000										
12/15/08	Group West				21,844			21,844										
12/31/08	LemMaste Daniels-AJE-Prior Year adj				143,829			143,829										
1/8/09	Lemaster Daniels-AJE-Include Interest				269,667			269,667										
1/27/09	King Co Dept of Finance				140			140		140								
1/27/09	Vortex				1,527			1,527										
1/30/09	Redford Corp				8,980			8,980										
1/30/09	McCarren Prop-Proj management				10,000			10,000										
2/27/09	Automated Gates				11,223			11,223										
2/27/09	McCarren Prop-Proj management				10,000			10,000										
3/6/09	All Star Rent A Fence				352			352										
3/6/09	Paul Buckholz				1,013			1,013										
3/13/09	McCarren Prop-Proj management				10,000			10,000										
3/13/09	JTM				279,180			279,180										
3/13/09	JTM				128,639			128,639										
3/17/09	Group West				394,526			394,526										
3/25/09	Gateway-Pelets Towing				52,455			52,455										
3/25/09	Paul Buckholz				208			208										
4/1/09	Group West				1,114			1,114										
4/1/09	Fisher & Sons				30,492			30,492										
4/2/09	JTM				380,869			380,869										

Clay Lacy Seattle
Construction in Progress - Hangar

Account	2003-2004	2005	2006	2007	2008	2009	2010	TOTAL	McCarren/ Lagerquist	King County	JTM	AHBL	Redhawk Group	Dixon Hollinshead	Emerald Fire	Fisher & Sons	GAW Builders	Misc.	
Account 14000: Const in Progress																			
10/17/03 Dixon Hollinshead	6,900							6,900						6,900					
9/3/003 Bennett Engineering	960							960										960	Bennett
6/1/004 Western Geotech	10,704							10,704										10,704	Western Geote
1/22/004 Hangar permit review	22,616							22,616											
12/31/04 Dixon Hollingshead	12,899							12,899						12,899					
1/3/105 King Co-Permits		5,191						5,191											
2/15/05 Sierra Services		8,816						8,816											
2/15/05 AHBL, Inc.		70,000						70,000				70,000							8,816
2/22/05 AHBL, Inc.		15,015						15,015				15,015							
3/1/05 AHBL, Inc.		1,617						1,617				1,617							
3/3/105 King County DDES		6,342						6,342											
3/3/105 Sierra Services		7,193						7,193											
4/28/05 King Co DDES		3,880						3,880											
4/28/05 Melton & Assoc		5,726						5,726											
5/13/05 King County DDES		1,276						1,276											
5/13/05 Sierra Services		58,572						58,572											
6/1/05 AHBL, Inc.		7,841						7,841				7,841							
6/1/05 AHBL, Inc.		13,909						13,909				13,909							
6/16/05 King County DDES		341						341											
7/22/05 King County DDES		261						261											
8/10/05 Sierra Services		2,358						2,358											
8/20/05 Sierra Services		6,912						6,912											
9/2/05 King County DDES		332						332											
9/13/05 Hollinshead		284						284											
2/1/06 Hollinshead		4,166						4,166											
2/28/06 Hollinshead		15,345						15,345											
2/28/06 Hollinshead		19,399						19,399											
3/17/06 G & W Builders, Inc		81,000						81,000											
5/3/106 Fisher & Sons		31,042						31,042											
6/30/06 Fisher & Sons		20,143						20,143											
7/3/106 Fisher & Sons		8,674						8,674											
8/3/106 King Co DDES		17,231						17,231											
8/3/106 Fisher & Sons		5,734						5,734											
9/1/106 Williams Kastner-Attorney		950						950											950
9/30/06 Fisher & Sons		8,665						8,665											
9/30/06 Fisher & Sons		348						348											
10/15/06 G & W Builders, Inc		5,549						5,549											
12/1/06 Fisher & Sons		6,230						6,230											
12/10/06 G & W Builders, Inc		2,013						2,013											
12/12/06 King Co DDES		72						72											
12/13/06 Fisher & Sons		7,265						7,265											
1/15/07 Fisher & Sons		4,341						4,341											
1/31/07 Fisher & Sons		2,928						2,928											
2/28/207 Fisher & Sons		8,340						8,340											
3/9/07 Via St Dept Ecology-Permit		144						144											
6/12/07 King Co DDES		114						114											
7/25/07 King Co Bldg Dept-to be refunded		12,360						12,360											
7/31/07 King Co DDES		966						966											
7/12/07 1st Bank Appraisal		12,500						12,500											
7/31/07 State of WA		409						409											
7/31/07 King Co DDES		206						206											
8/29/07 King Co DDES		320						320											
7/31/07 King Co DDES		8,362						8,362											
8/3/07 Fisher & Sons		307						307											
9/19/207 Fisher & Sons		18,413						18,413											
9/19/207 Hollinshead Const		10,200						10,200											
9/20/07 G & W Builders, Inc		7,196						7,196											
9/11/07 King Co DDES		6,231						6,231											
9/11/07 King Co DDES		10,519						10,519											
9/11/07 King Co DDES		16,883						16,883											
9/12/07 Fisher & Sons		7,622						7,622											
10/1/07 G & W Builders, Inc		3,993						3,993											
10/15/07 Fisher & Sons		4,808						4,808											
10/30/07 G & W Builders, Inc		3,188						3,188											
10/30/07 Hollinshead Const		2,791						2,791											
1/11/07 JTM		37,071						37,071											
1/19/07 PBS Engineering		4,200						4,200											
1/11/207 JTM		14,579						14,579											
1/11/407 Fisher & Sons		1,377						1,377											
1/11/407 First Bank Appraisal		7,500						7,500											
1/12/007 G & W Builders, Inc(steal)		500,000						500,000											
1/22/007 King Co DDES		8,594						8,594											
1/8/08 JTM 1/5/2012		111,842						111,842											