

KITTITAS COUNTY
DEPARTMENT OF PUBLIC WORKS

AGENDA STAFF REPORT

AGENDA DATE: April 1, 2014

ACTION REQUESTED: Approve & Sign Lease Addendum with
Midstate Aviation for County Property located
in the Airport Industrial Area.

BACKGROUND: On October 27, 1998, Midstate Aviation, Inc., entered into a 25-year lease with Kittitas County for land and the Main Hangar Building at Bowers Field. This lease is up for renegotiation for the next 5-year term. Rates were figured using the U.S. Department of Labor CPI Index.

Land Lease(s) - We are proposing an increase to \$. 067 per square foot.

Main Hangar – We are proposing an increase from \$2.30 per square foot to \$2.354 per square foot.

Fuel Tank Rental – Shall remain at \$4,000.00 per year.

Fuel Flowage Fees – We averaged the total gallons pumped and created a graduated scale for the fees.

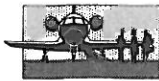
INTERACTION: Public Works

RECOMMENDATION: Approve & Sign Lease

HANDLING: Return 1 Original to Public Works

ATTACHMENTS: Lease; Previous Lease

LEAD STAFF: Kirk Holmes
Director of Public Works



THIS ADDENDUM TO LEASE is made and dated this ____ day of March, 2014, by and between **Kittitas County**, a municipal corporation in the State of Washington, hereinafter referred to as the **LESSOR**, and **MIDSTATE AVIATION INC.**, and hereinafter referred to as the **LESSEE**.

WITNESSETH:

WHEREAS, LESSOR and LESSEE entered into a Lease on October 27, 1998, a copy of which is attached hereto and by this reference incorporated herein; and

WHEREAS, according to Paragraph 3 "Adjustment of Rental", it states " After the fifth year, the Lessor shall have the right to re adjust the rent on or before November 1st of the fifth, tenth, fifteenth and twentieth year of this lease";

WHEREAS, it has been agreed between LESSOR and LESSEE that the following CPI Index will be used for future rental increases.

"CPI – All Cities-All Items Size Class D Under 50,000"

NOW, THEREFORE, IT IS HEREBY AGREED by and between the parties to a change in rental rates and contract terms as follows:

1) **"Paragraph #2 – Rent" – Rental Rates for 11/01/13 thru 10/31/18 Term.**

Land lease rate - 95,396 sq feet

<u>11/01/13-10/31/18</u> <u>Term</u>	Previous Rate Per Year	Rental Rate (\$.067 per Sq Ft) Not Including Leasehold Tax*
	\$6,200.74	
11/01/13-10/31/14		\$ 6,347.08
11/01/14-10/31/15		\$ 6,347.08
11/01/15-10/31/16		\$ 6,347.08
11/01/16-10/31/17		\$ 6,347.08
11/01/17-10/31/18		\$ 6,347.08
11/01/18		Renegotiate

**The current Leasehold Excise Tax Rate is 12.84%, as determined by the State of Washington and is subject to change.*

Fuel Tank Rental rate –

<u>11/01/13-10/31/18 Term</u>	<u>Previous Rate Per Year</u>	<u>Rental Rate Per Year Not Including Leasehold Tax*</u>
	N/A	
11/01/13-10/31/14		\$4,000.00
11/01/14-10/31/15		\$4,000.00
11/01/15-10/31/16		\$4,000.00
11/01/16-10/31/17		\$4,000.00
11/01/17-10/31/18		\$4,000.00
11/01/18		Renegotiate

*The current Leasehold Excise Tax Rate is 12.84%, as determined by the State of Washington and is subject to change.

Main hangar building lease (20,000 Sq Ft):

<u>11/01/13-10/31/18 Term</u>	<u>Previous Rate (\$2.30 per Sq. Ft.)</u>	<u>Rental Rate Per Year (\$2.354 per Sq. Ft) Not Including Leasehold Tax*</u>
	\$46,000.00	
11/01/13-10/31/14		\$ 47,085.60
11/01/14-10/31/15		\$ 47,085.60
11/01/15-10/31/16		\$ 47,085.60
11/01/16-10/31/17		\$ 47,085.60
11/01/17-10/31/18		\$ 47,085.60
11/01/18		Renegotiate

*The current Leasehold Excise Tax Rate is 12.84%, as determined by the State of Washington and is subject to change.

Land lease for Moe building (6,534 sq ft):

<u>11/01/03-10/31/08 Term</u>	<u>Previous Rate (\$.065 per Sq Ft)</u>	<u>Rental Rate (\$.067 per Sq Ft) Not Including Leasehold Tax*</u>
	\$ 424.71	
11/01/13-10/31/14		\$ 434.73
11/01/14-10/31/15		\$ 434.73
11/01/15-10/31/16		\$ 434.73
11/01/16-10/31/17		\$ 434.73
11/01/17-10/31/18		\$ 434.73
11/01/018		Renegotiate

*The current Leasehold Excise Tax Rate is 12.84%, as determined by the State of Washington and is subject to change.

2) "Paragraph #8 – Sale of Aviation Fuels" – will read as follows:

The Lessee shall sell and dispense during reasonable business hours aviation fuels of the types and volumes required (and which are available for resale) by the users of the airport facilities. The Lessee shall collect a fuel flowage fee as follows:

GALLONS PUMPED	FUEL FLOWAGE FEE PER GALLON
0 to 50,000 Gal.	\$.06
50,001 – 75,000 Gal.	\$.04
75,001 or More Gal.	\$.02

3) "Paragraph #5 – Fire Protection Assessment" – will read as follows:

In addition to any rental herein provided, the Lessee shall pay a fee *which shall be in lieu of taxes for fire protection services*. The annual rate shall be based upon the annual fire assessment determined by the Kittitas County Assessor and Fire District #2 to be calculated on January 1st of the current year. The assessment shall be due and payable concurrently with the lease payment or through Personal Property Taxes.

All other terms and conditions of the aforementioned lease shall remain the same

IN WITNESS WHEREOF, the Lessor and Lessee have signed their names and affixed their seals the day and year first above written.

LESSOR:

BOARD OF COUNTY COMMISSIONERS
KITITAS COUNTY, WASHINGTON

ATTEST:

Clerk of the Board

Approved as to Form:

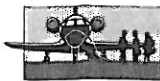
Prosecuting Attorney
WSBA # _____

Paul Jewell, Chairperson

Gary Berndt, Vice-Chair

Obie O'Brien, Commissioner**LESSEE:**

Ron Mitchell, Owner
Midstate Aviation



THIS ADDENDUM TO LEASE is made and dated this 1st day of November, 2008, by and between **Kittitas County**, a municipal corporation in the State of Washington, hereinafter referred to as the **LESSOR**, and **MIDSTATE AVIATION INC.**, and hereinafter referred to as the **LESSEE**.

WITNESSETH:

WHEREAS, LESSOR and LESSEE entered into a Lease on October 27, 1998, a copy of which is attached hereto and by this reference incorporated herein; and

WHEREAS, according to Paragraph 3 "Adjustment of Rental", it states " After the fifth year, the Lessor shall have the right to re adjust the rent on or before November 1st of the fifth, tenth, fifteenth and twentieth year of this lease";

WHEREAS, it has been agreed between LESSOR and LESSEE that the following CPI Index will be used for future rental increases.

"CPI – All Cities-All Items Size Class D Under 50,000"

NOW, THEREFORE, IT IS HEREBY AGREED by and between the parties to a change in rental rates and contract terms as follows:

1) **"Paragraph #2 – Rent" – Rental Rates for 11/01/08 thru 10/31/13 Term.**

Land lease rate - 95,396 sq feet

11/01/08-10/31/13 Term	Previous Rate Per Year	Rental Rate (\$.065 per Sq Ft)	Leasehold Tax	Total Per Year
11/01/08-10/31/09	\$ 6,009.95	\$ 6,200.74	\$ 796.18	\$ 6,996.92
11/01/09-10/31/10		\$ 6,200.74	\$ 796.18	\$ 6,996.92
11/01/10-10/31/11		\$ 6,200.74	\$ 796.18	\$ 6,996.92
11/01/11-10/31/12		\$ 6,200.74	\$ 796.18	\$ 6,996.92
11/01/12-10/31/13		\$ 6,200.74	\$ 796.18	\$ 6,996.92
11/01/13		Renegotiate	Renegotiate	Renegotiate

Fuel Tank Rental rate –

11/01/08-10/31/13 Term	Previous Rate Per Year	Rental Rate Per Year	Leasehold Tax	Total Per Year
11/01/03-10/31/04	N/A	\$4,000.00	\$ 513.60	\$ 4,513.60
11/01/04-10/31/05		\$4,000.00	\$ 513.60	\$ 4,513.60
11/01/05-10/31/06		\$4,000.00	\$ 513.60	\$ 4,513.60
11/01/06-10/31/07		\$4,000.00	\$ 513.60	\$ 4,513.60
11/01/07-10/31/08		\$4,000.00	\$ 513.60	\$ 4,513.60
10/31/08		Renegotiate	Renegotiate	Renegotiate

Main hangar building lease (20,000 Sq Ft):

11/01/08-10/31/13 Term	Previous Rate (\$2.22 per Sq Ft.)	Rental Rate (\$2.30 per Sq Ft)	Leasehold Tax	Total Per Year
11/01/08-10/31/09	\$ 44,400.00	\$ 46,000.00	\$ 5,906.40	\$ 51,906.40
11/01/09-10/31/10		\$ 46,000.00	\$ 5,906.40	\$ 51,906.40
11/01/10-10/31/11		\$ 46,000.00	\$ 5,906.40	\$ 51,906.40
11/01/11-10/31/12		\$ 46,000.00	\$ 5,906.40	\$ 51,906.40
11/01/12-10/31/13		\$ 46,000.00	\$ 5,906.40	\$ 51,906.40
11/01/13		Renegotiate	Renegotiate	Renegotiate

Land lease for Moe building (6,534 sq ft):

11/01/03-10/31/08 Term	Previous Rate (\$.063 per Sq Ft)	Rental Rate (\$.065 per Sq Ft)	Leasehold Tax	Total Per Year
11/01/03-10/31/04	\$ 411.64	\$ 424.71	\$ 54.53	\$ 479.24
11/01/04-10/31/05		\$ 424.71	\$ 54.53	\$ 479.24
11/01/05-10/31/06		\$ 424.71	\$ 54.53	\$ 479.24
11/01/06-10/31/07		\$ 424.71	\$ 54.53	\$ 479.24
11/01/07-10/31/08		\$ 424.71	\$ 54.53	\$ 479.24
10/31/08		Renegotiate	Renegotiate	Renegotiate

2) “Paragraph #8 – Sale of Aviation Fuels” – will read as follows:

The Lessee shall sell and dispense during reasonable business hours aviation fuels of the types and volumes required (and which are available for resale) by the users of the airport facilities. The Lessee shall collect a fuel flowage fee as follows:

GALLONS PUMPED	FUEL FLOWAGE FEE PER GALLON
0 to 50,000 Gal.	\$.06
50,001 – 75,000 Gal.	\$.04
75,001 or More Gal.	\$.02

3) "Paragraph #5 – Fire Protection Assessment" – will read as follows:

In addition to any rental herein provided, the Lessee shall pay a fee *which shall be in lieu of taxes for fire protection services*. The annual rate shall be based upon the annual fire assessment determined by the Kittitas County Assessor and Fire District #2 to be calculated on January 1st of the current year. The assessment shall be due and payable concurrently with the lease payment or through Personal Property Taxes.

All other terms and conditions of the aforementioned lease shall remain the same

IN WITNESS WHEREOF, the Lessor and Lessee have signed their names and affixed their seals the day and year first above written.



Jim R. Kjosvick
Clerk of the Board

LESSOR:

BOARD OF COUNTY COMMISSIONERS
KITTITAS COUNTY, WASHINGTON

Mark McClain

Mark McClain, Chairperson

Approved as to Form:

Alan Crankovich
Alan Crankovich, Vice-Chair

Prosecuting Attorney
WSBA # _____

Linda K. Huber
Linda K. Huber, Commissioner

LESSEE:

Ron Mitchell
Ron Mitchell, Owner
Midstate Aviation



ADDENDUM TO LEASE

THIS ADDENDUM TO LEASE is made and dated this 18th day of November, 2003, by and between Kittitas County, a municipal corporation in the State of Washington, hereinafter referred to as the LESSOR, and MIDSTATE AVIATION INC., and hereinafter referred to as the LESSEE.

WITNESSETH:

WHEREAS, LESSOR and LESSEE entered into a Lease on October 27, 1998, a copy of which is attached hereto and by this reference incorporated herein; and

WHEREAS, according to Paragraph 3 "Adjustment of Rental", it states " After the fifth year, the Lessor shall have the right to re adjust the rent on or before November 1st of the fifth, tenth, fifteenth and twentieth year of this lease";

WHEREAS, it has been agreed between LESSOR and LESSEE that the following CPI Index will be used for future rental increases.

"CPI - All Cities-All Items Size Class D Under 50,000"

NOW, THEREFORE, IT IS HEREBY AGREED by and between the parties to a change in rental rates and contract terms as follows:

- 1) "Paragraph #2 - Rent" - Rental Rates for 11/01/03 thru 10/31/08 Term.

Land lease rate - 95,396 sq feet

11/01/03-10/31/08 Term	Previous Rate Per Year	Rental Rate (\$.063 per Sq Ft)	Leasehold Tax	Total Per Year
11/01/03-10/31/04	\$ 5,724.00	\$ 6,009.95	\$ 771.68	\$ 6,781.63
11/01/04-10/31/05		\$ 6,009.95	\$ 771.68	\$ 6,781.63
11/01/05-10/31/06		\$ 6,009.95	\$ 771.68	\$ 6,781.63
11/01/06-10/31/07		\$ 6,009.95	\$ 771.68	\$ 6,781.63
11/01/07-10/31/08		\$ 6,009.95	\$ 771.68	\$ 6,781.63
10/31/08		Renegotiate	Renegotiate	Renegotiate

Fuel Tank Rental rate –

11/01/03-10/31/08 Term	Previous Rate Per Year	Rental Rate Per Year	Leasehold Tax	Total Per Year
11/01/03-10/31/04	N/A	\$4,000.00	\$ 513.60	\$ 4,513.60
11/01/04-10/31/05		\$4,000.00	\$ 513.60	\$ 4,513.60
11/01/05-10/31/06		\$4,000.00	\$ 513.60	\$ 4,513.60
11/01/06-10/31/07		\$4,000.00	\$ 513.60	\$ 4,513.60
11/01/07-10/31/08		\$4,000.00	\$ 513.60	\$ 4,513.60
10/31/08		Renegotiate	Renegotiate	Renegotiate

Main hangar building lease:

11/01/03-10/31/08 Term	Previous Rate (\$2.00 per Sq Ft.)	Rental Rate (\$2.22 per Sq Ft)	Leasehold Tax	Total Per Year
11/01/03-10/31/04	\$ 40,000	\$ 44,400.00	\$ 5,700.96	\$ 50,100.96
11/01/04-10/31/05		\$ 44,400.00	\$ 5,700.96	\$ 50,100.96
11/01/05-10/31/06		\$ 44,400.00	\$ 5,700.96	\$ 50,100.96
11/01/06-10/31/07		\$ 44,400.00	\$ 5,700.96	\$ 50,100.96
11/01/07-10/31/08		\$ 44,400.00	\$ 5,700.96	\$ 50,100.96
10/31/08		Renegotiate	Renegotiate	Renegotiate

Land lease for Moe building (6,534 sq ft):

11/01/03-10/31/08 Term	Previous Rate (\$.06 per Sq Ft)	Rental Rate (\$.063 per Sq Ft)	Leasehold Tax	Total Per Year
11/01/03-10/31/04	\$ 392.00	\$ 411.64	\$ 52.85	\$ 464.49
11/01/04-10/31/05		\$ 411.64	\$ 52.85	\$ 464.49
11/01/05-10/31/06		\$ 411.64	\$ 52.85	\$ 464.49
11/01/06-10/31/07		\$ 411.64	\$ 52.85	\$ 464.49
11/01/07-10/31/08		\$ 411.64	\$ 52.85	\$ 464.49
10/31/08		Renegotiate	Renegotiate	Renegotiate

2) “Paragraph #8 – Sale of Aviation Fuels” – will read as follows:

The Lessee shall sell and dispense during reasonable business hours aviation fuels of the types and volumes required (and which are available for resale) by the users of the airport facilities. The Lessee shall collect a fuel flowage fee as follows:

GALLONS PUMPED	FUEL FLOWAGE FEE PER GALLON
0 to 50,000 Gal.	\$.06
50,001 – 75,000 Gal.	\$.04
75,001 or More Gal.	\$.02

3) "Paragraph #5 – Fire Protection Assessment" – will read as follows:

In addition to any rental herein provided, the Lessee shall pay a fee *which shall be in lieu of taxes for fire protection services*. The annual rate shall be based upon the annual fire assessment determined by the Kittitas County Assessor and Fire District #2 to be calculated on January 1st of the current year. The assessment shall be due and payable concurrently with the lease payment or through Personal Property Taxes.

All other terms and conditions of the aforementioned lease shall remain the same

IN WITNESS WHEREOF, the Lessor and Lessee have signed their names and affixed their seals the day and year first above written.

LESSOR:

BOARD OF COUNTY COMMISSIONERS
KITTITAS COUNTY, WASHINGTON



Clerk of the Board

Max A. Golladay, Chairperson

Approved as to Form:

Perry D. Huston, Vice-Chair

Prosecuting Attorney
WSBA # 12686

Bruce Coe, Commissioner

LESSEE:

Ron Mitchell, Owner
Midstate Aviation



LEASE

THIS LEASE made and entered into this 27th day of October, 1998, by and between **Kittitas County**, a municipal corporation in the State of Washington, hereinafter referred to as the **LESSOR**, and **MIDSTATE AVIATION, INC.**, a Washington corporation, hereinafter referred to as the **LESSEE**.

WITNESSETH:

The Lessor hereby agrees to lease to the Lessee, and the Lessee hereby agrees to lease from the Lessor, the real property described as follows:

See Exhibit "A" attached hereto.

Containing 95,396 square feet, more or less

This lease is made in accordance with RCW 36.34.

TERM: The term of this lease shall be for twenty-five (25) years and will commence on the 1st day of November, 1998, and terminate on the last day of October, 2023, except as provided hereunder.

RENT: Rent shall be paid in advance on a monthly basis, with the first payment due on or before the 1st day of November of each year beginning with November 1, 1998, and continuing thereafter until termination of this lease. The rental for each year shall be as follows:

11/01/98 – 10/31/04

Land lease rate - 95,396 sq feet @ 6 cents pr sq ft = \$ 5,724 per year

11/01/98 – 10/31/04

Main hangar building lease rate @ \$2.00 per sq ft = \$40,000 per year

11/01/98 – 10/31/04 (6,534 sq ft)

Land lease for Moe building site @ 6 cent pr sq ft = \$ 392 per year

INVESTMENT CREDIT (20 YEARS)

11/01/98 – 10/31/99

= [\$ 10,000]

11/01/99 - 10/31/00

= [\$ 10,000]

11/01/00 – 10/31/01

= [\$ 7,500]

11/01/01 - 10/31/18

= [\$ 7,500] per year

(This credit represents the investment Midstate Aviation paid for improvements into the new main hangar construction)

CREDIT FOR FBO SERVICES

A credit of not less than \$20,000.00 per year shall be given to Lessee as long as Lessee provides the current level of services described in Exhibit "B" attached hereto. The credit shall be reviewed each year. If Lessee fails to perform all or a portion of the services, the credit shall be prorated to reflect the actual services performed for that year.

ADJUSTMENT OF RENTAL

After the fifth year, the Lessor shall have the right to readjust the rent on or before November 1 of the fifth, tenth, fifteenth and twentieth year of this lease for each following five year period; provided, however that any increase shall NOT EXCEED THE CUMULATIVE EFFECT OF THE CPI INDEX OVER THE PREVIOUS FIVE YEARS.

If the Lessee does not agree with the rental, the Lessee may request arbitration. If the Lessee elects to arbitrate, the Lessee shall select one arbitrator and the County shall select one arbitrator and the two so chosen shall select a third arbitrator. The arbitrators shall have the authority to increase the rent or continue the previous rental and both parties shall be bound by the decision of the arbitrators. The cost of arbitration shall be borne by the Lessee.

LEASEHOLD TAX: In addition to any rental herein provided, the Lessee shall pay to the Lessor the leasehold tax as set forth by the State of Washington in Chapter 61, Laws of 1976, Second Executive Session (R.C.W. 82.29A) or as amended. The tax shall be due and payable at the same time the rental charged herein is due and payable.

FIRE PROTECTION ASSESSMENT: In addition to any rental herein provided, the Lessee shall pay an annual fee which shall be in lieu of taxes for fire protection services, a sum equal to \$1.00 (plus any special levies of the Fire District which has received voter approval) per \$1,000.00 of appraised value of land and improvements of the leased premises. The value of the leased premises shall be determined by the Kittitas County Assessor. This fee shall be due annually each and every year during the term and shall be due and payable on the 1st day of March of each year.

UTILITIES: The Lessee shall pay for extension of and all utility services supplied to the premises. Any such extensions shall be subject to the advance review of the Lessor.

PURPOSE: The Lessee shall utilize the premises for the rental of aircraft, flying lessons, providing fuel and repair services to aircraft and any other approved aviation related activities.

SALE OF AVIATION FUELS: The Lessee shall sell and dispense during reasonable business hours aviation fuels of the types and volumes required (and which are available for resale) by the users of the airport facilities. The Lessee shall collect a fuel flowage fee as established by the County and shall remit all fees collected to the County on a quarterly basis. The County shall have the right to audit the fuel sales and use. The County shall notify the Lessee of any ordinances or resolutions which may periodically change the fuel flowage fee.

The Lessor shall be responsible for the repair and maintenance of the fuel facility equipment.

The Lessee shall be responsible for the day-to-day operations of the fuel facility equipment.

RULES AND REGULATIONS: The Lessee agrees to comply with all pertinent rules and regulations of the federal, state and local governments, as well as the rules, regulations, ordinances, and minimum standards of the Kittitas County Airport (Bowers Field), as are presently in effect and may in the future be adopted. The rules, regulations, ordinances and minimum standards of the Kittitas County Airport (Bowers Field) are made a part of this Agreement and shall have the same effect as though written herein. A copy of the Kittitas County Airport Standards is on file in the office of the Kittitas County Department of Public Works.

LESSEE'S BUILDINGS. The County hereby acknowledges that the Lessee owns the original Midstate Aviation office building (purchased from Ellensburg Flying Service. 40' x 55' office building) and the trailers on the previous Midstate Aviation lease. At the end of the term (including any accelerated termination) of this lease, the Lessee shall remove said buildings from the premises within 30 thirty days. Failure to remove shall cause said improvements to become the property of the Lessor. All costs for such removal, including costs to remove debris from the site, repair any damages, and provide tie offs for utility connections to the satisfaction of the Lessor, shall be the sole responsibility of the Lessee

CONSTRUCTION: Any new proposed structures or improvements shall conform to required minimum setbacks as determined by the Kittitas County Building Department. Prior to construction, the Lessee shall submit a written plan and specifications for the construction work, including any proposed extension of utilities, and said improvements shall not be constructed without said plans having first been approved, in writing, by the Lessor's Director of Public Works and the Director of the Building Department.

Any future improvements upon the leased premises shall belong to the Lessee and shall be removed within thirty (30) days at the expiration of the term of this lease or any subsequent term of this lease..

In the event the Lessee is directed to remove said building and improvements, the work shall be completed within thirty (30) days of the termination of the lease. The Lessor shall provide the Lessee notice in writing at least 30 days prior to the termination of the Lessor's intent for such removal. In the event notice is not given, or the Lessee fails to complete such removal within the prescribed time limits, the building and other

improvements shall become the property of the Lessor and any removal costs shall be assessed the Lessee.

COUNTY MAIN HANGAR REPAIRS: The maintenance and repair of the proposed hangar structure and other improvements shall be the responsibility of the Lessor, including utilities within the leased area.

MAINTENANCE: The Lessee agrees that it will not commit waste and that it will keep said premises in a safe, sanitary, neat, presentable, and otherwise good condition, and in general shall comply with all the applicable governmental rules, ordinances and regulations as may be required or imposed by such authorities on said premises and shall comply with any direction pursuant to law of any public officer or officers who shall be empowered to enforce local, state and federal rules, regulations and ordinances upon the Lessee with respect to the said premises or the use, occupancy, or control thereof and shall not suffer any improper or offensive use of said premises.

AREA MAINTENANCE: Lessee shall, during the term of this lease, maintain the area between the building and boundary line of said lease to the satisfaction of the Lessor. The area shall be kept free of all debris, weeds and brush for the term of this lease. Lessee shall reimburse the Kittitas County Weed Authority or Kittitas County Department of Public Works for any costs incurred in the event that the County Weed Authority or Kittitas County Department of Public Works undertakes noxious weed or vegetation control measures.

INSURANCE: The Lessee shall obtain and maintain in force during the term of this agreement a liability insurance policy, which provides protection for bodily injury (including death) and property damage. Said insurance shall provide coverage by the Lessee to any employees or permittees of the Lessee, and shall name the Lessor as coinsured.

Pursuant to Resolution No. 88-73, or as may be amended hereafter, liability insurance policy shall have the following provisions, at a minimum:

1. Premises and leased area liability coverage in an amount not less than \$1,000,000.00.
2. Provide for not less than thirty (30) days advance written notice to Kittitas County regarding any material change for termination of the policy.

Lessee hereby releases Lessor of and from every and all right, claim and demand that Lessee may hereafter have against Lessor, its successors or assigns, arising out of or in connection with any loss or losses occasioned by fire and such items as are included under the normal extended coverage clauses of insurance policies, and does hereby waive all rights of subrogation in favor of insurance carriers against Lessor arising out of any losses occasioned by fire and such items as are included under the normal extended coverage clauses of fire insurance policies, and sustained by Lessee in or to the said premises and leased area.

The Lessee shall provide the Lessor with a copy of said policy.

AIRPORT TRAFFIC: It is understood and agreed that the Lessee's use of said premises and leased area shall not in any manner interfere or restrict the use of aircraft landings, take-offs, or storage of aircraft as the airport is presently constructed. Lessee shall comply with all rules and regulations of the Federal Aviation Administration, Washington State Department of Transportation Aeronautics Division, and the Kittitas County Airport Standards.

HUNTING: Hunting or discharging of firearms will not be permitted on or from said premises or leased area.

NOTICES: Any notice given by one party to the other in connection with this agreement shall be in writing and shall be sent by certified or registered mail, return receipt requested as follows:

1. If to Lessor, addressed to:

Kittitas County Department of Public Works
205 W. Fifth, Room 108
Ellensburg, Washington 98926

2. If to Lessee, addressed to:

Midstate Aviation, Inc.
1101 Bowers Road
Ellensburg, WA 98926

Notice shall be deemed to have been received on the date of receipt as shown on the return receipt.

Notice need be sent to but one Lessee where the Lessee is more than one person.

ATTORNEY FEES: In case Lessor shall bring suit to recover any rent due hereunder, or for breach of any provision of this lease, or to recover possession of the leased premises, or if Lessee shall bring any action for any relief against Lessor, declaratory or otherwise, arising out of this lease, the prevailing party shall recover reasonable attorney fees which shall be determined and taxed by the court as part of the costs of such action.

RIGHTS OF THE U.S. GOVERNMENT: The Lessor holds title to the property herein leased, partially by virtue of a deed from the United States Government. A copy of said deed is available for inspection at the office of the Kittitas County Department of Public Works, hereto and made a part of this instrument as though fully set forth herein. Lessee agrees that it will do nothing which will cause the Lessor to be in violation of the terms of said deed. Lessee furthermore agrees that it has had ample opportunity to review said deed and is aware of all of the terms and conditions therein.

AFFIRMATIVE ACTION: The Lessee assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E., to insure that no person shall, on the grounds of race, creed, color, national origin or sex, be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. The Lessee assures that no person shall be excluded on these grounds from participating in, or receiving the services or benefits of, any program or activity covered by this subpart. The Lessee assures it will require that its covered suborganizations provide assurance to the Lessor that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations as required by 14 CFR Part 152, Subpart E, to the same effect.

ASSIGNMENT: The Lessee shall not assign this lease nor sublet any portion thereof without first obtaining the written consent of the Lessor, which written consent will be evidenced by passage of a resolution assigning the lease.

HOLD HARMLESS: The Lessee hereby agrees to indemnify and hold harmless the Lessor from any and all claims or demands whatsoever arising out of any loss, damage, or injury to persons or property resulting from the Lessee's use or occupancy of said premises and leased area, or caused by the acts or neglect of the Lessee, his agents or employees.

BANKRUPTCY: It is further agreed and understood that in case of the insolvency or bankruptcy of the Lessee, or any assignment for the benefit of creditors or the appointment of a receiver for the Lessee, this lease shall be immediately forfeited and shall be of no further force and effect, and that the Trustee in Bankruptcy, Receiver, or Assignee for the benefit of creditors shall not have any rights whatsoever in the demised premises.

DEFAULT: In the event the Lessee shall fail to comply with any of Lessee's commitments, duties or responsibilities under this lease, or any of its conditions or terms as herein stated, the Lessor may terminate this lease by giving thirty (30) days written notice of the conditions or terms being violated. If said failures are not corrected within the thirty (30) day period, this lease may be terminated and the Lessor shall be entitled to peaceably retake possession of the premises, provided the Lessee shall have the right to remove improvements as herein provided.

WAIVER: No assent, express or implied, by the Lessor to any breach of any of Lessee's covenants, agreements, conditions or terms hereof shall be deemed or taken to be a waiver of any succeeding breach of any covenant, agreement, condition or term hereof.

VENUE. In the event of any litigation between lessor and lessee arising out of this lease, the venue for such action shall lie in Kittitas County, notwithstanding any contrary provision of the Revised Code of Washington.

APPLICABILITY The covenants, agreements, terms and conditions contained in this lease shall apply to and be binding upon Lessor and Lessee and their respective heirs, executors, administrators, successor and assigns.

IN WITNESS WHEREOF, the Lessor and Lessee have signed their names and affixed their seals the day and year first above written.

LESSOR:

BOARD OF COUNTY COMMISSIONERS
KITTITAS COUNTY, WASHINGTON

Mary Seubert
Chairperson



Approved as to form:

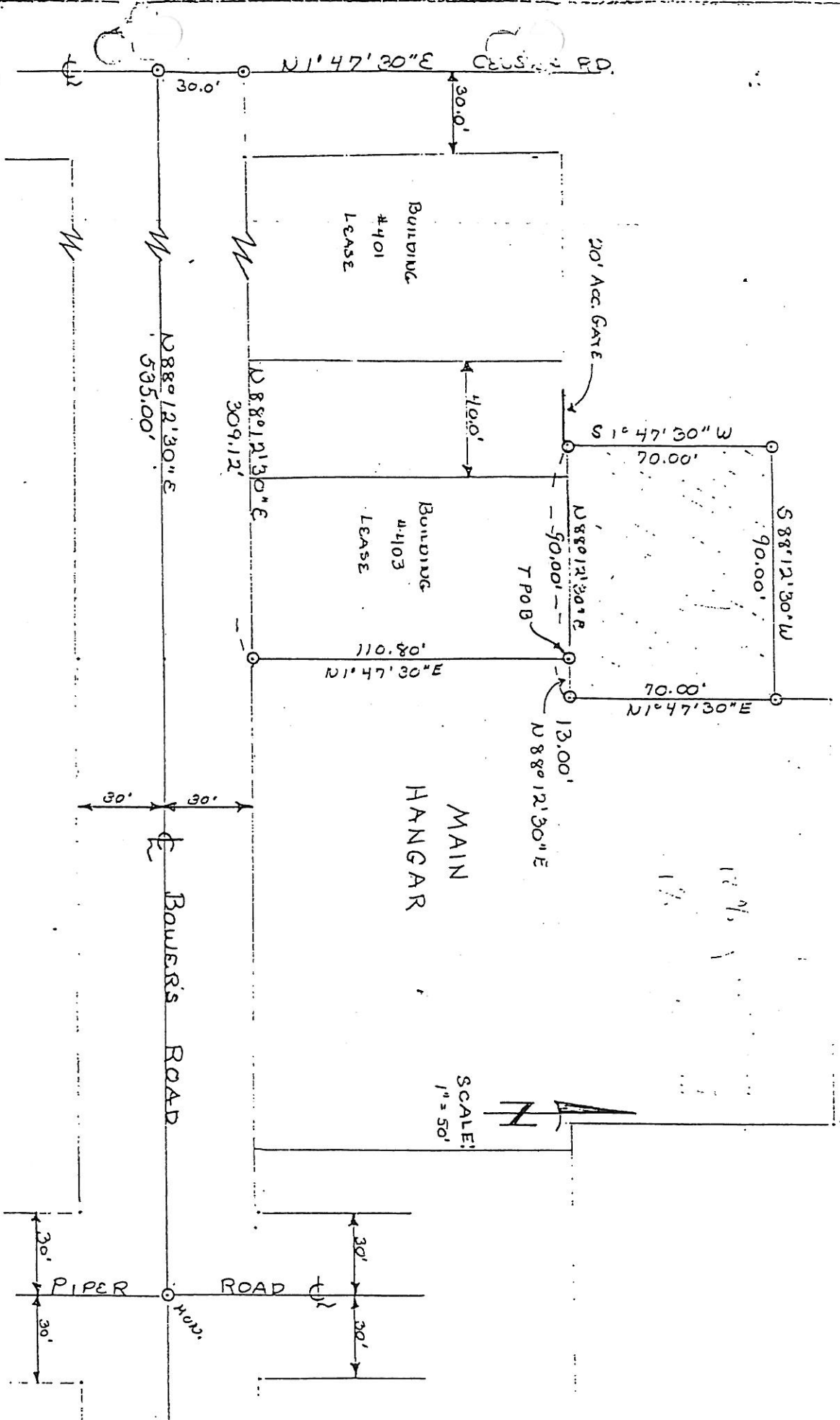
[Signature]
Prosecuting Attorney
WSBA # 4125

LESSEE:

MIDSTATE AVIATION, INC.

[Signature]
Ron Mitchell

TAXIWAY



Beginning at the intersection of Bowers and Cessna Road; thence $N. 1^{\circ} 47' 30'' E.$ 30.00 feet to the intersection with the north right-of-way line of Bowers Road; thence $N. 88^{\circ} 12' 30'' E.$ 309.12 feet along said north right-of-way line; thence $N. 1^{\circ} 47' 30'' E.$ 110.80 feet to the True Point of Beginning; thence from the True Point of Beginning $N. 88^{\circ} 12' 30'' E.$ 13.00 feet; thence $N. 1^{\circ} 47' 30'' E.$ 70.00 feet; thence $S. 88^{\circ} 12' 30'' W.$ 90.00 feet; thence $S. 1^{\circ} 47' 30'' W.$ 70.00 feet; thence $N. 88^{\circ} 12' 30'' E.$ 77.00 feet to the True Point of Beginning and the termination of this description, situated in Section 24, Twp. 18 N., Rge. 18 E., W.M., Kittitas County, Washington, containing 0.15 acres, more or less.

KITTITAS County Airport

Bowers Field

PARCEL No. 0400-003

EXHIBIT "B"

Management of tie-down area

Maintain office space to adequately house FBO office, pilot's lounge, restrooms, open to the public 7 days per week.

Management of the fuel facilities, provide personnel for fueler for local and transient traffic during normal working hours, 7 days per week.

Provide facility for weather service information, open to public, normal working hours, 7 days per week.

Provide aircraft airframe, engine and accessory repair and maintenance, mechanic available, FAA certified airframe and power plant mechanic, 8 hours per day, 5 days per week.

Provide aircraft charter service

Provide for an aircraft maintenance hangar

NOTAM responsibility

Aircraft parts & sales service