

**COLVILLE CITY COUNCIL AGENDA ITEM
BRIEFING SHEET**

Meeting Date: April 11, 2017

Contact: Logan Worley

Topic or Problem Statement: Terminating George Thomas' lease of the "Old Airport Lounge."

Type of Briefing:

Information Only Discussion Only Decision Needed

Background of Situation:

George Thomas signed a lease with the City of Colville for the space occupied by the Old Airport Lounge at the Colville Municipal Airport. The lease agreement requires that Mr. Thomas have liability insurance covering the building. Mr. Thomas is required to provide proof of insurance to the City. The city mailed notices to Mr. Thomas on April 21, 2015; May 27, 2015; August 31, 2015; and November 12, 2015. The City attorneys mailed a 90 day notice of default pursuant to the lease agreement on March 1, 2016.

Mr. Thomas still has not complied with the insurance provision in the lease. He was current on his rent for the premises as of January 2017. Mr. Thomas came to the city and said he would be unable to acquire the insurance.

The City must go through the process of bringing a suit to terminate the lease, and to obtain a court order requiring Mr. Thomas to remove the Old Airport Lounge and all other improvements.

The lawsuit is not covered under the City attorneys' contract.

Goals and Objectives: i.e., CFP, Comprehensive Plan, Safety, etc.

Safety and Liability issues to make sure there is adequate insurance in place to protect anyone that may be injured, and to protect the city.

To have Mr. Thomas Comply with the insurance provision of the lease or terminate the lease.

Evaluate Alternatives or Options/Consequences of Inaction:

Inaction leaves the city open to any claims that could arise from injuries at the "Old Airport Lounge."

Funding Needed and Recommended Source (BARS #):

The lawsuit is not covered under the City attorney contract. The City attorneys believe it would be a minimum of \$2,000 in attorneys' fees and costs to bring this suit. If Mr. Thomas were to respond and a trial were necessary costs would be substantially more, in the range of \$10,000 to \$20,000.

Attachments:

Letter from City Attorney to George Thomas dated March 1, 2016.
George Thomas Lease Agreement for Old Airport Lounge.

Recommended Action with Justification:

Take a vote to determine the will of Council on how to proceed in this matter.

McGRANE & SCHUERMAN, PLLC
ATTORNEYS AT LAW

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MAR - 2 2016

CITY OF COLVILLE
CITY CLERK

PO Box 6
301 East Clay, Room 107
Chewelah, WA 99109
(509) 935-8181
FAX (509) 935-6511
[] reply to Chewelah

March 1, 2016

Mr. George Thomas
3082 Thomas Road
Rice, WA 99167

City of Colville
Sent Via Certified Mail
Return Receipt Requested
No.
And First Class Mail

**NOTICE OF DEFAULT
NINETY (90) DAY CURE OR
CANCEL LEASE NOTICE**

**RE: NINETY (90) DAY CURE OR CANCEL LEASE NOTICE FOR FAILURE
TO ADEQUATELY INSURE "OLD AIRPORT LOUNGE" PROPERTY**

Dear Mr. Thomas,

This letter is to give notice that the City of Colville (hereinafter "City") has decided to exercise its right to cancel the Colville Municipal Airport Lease Agreement for the "Old Airport Lounge" (hereinafter "Lease") due to your failure to provide adequate insurance for the Airport Lounge which names the City of Colville as an additional insured as required under section VII of the lease. Enclosed for your reference is a copy of this Lease.

The City mailed letters to you asking for proof of insurance on April 21, 2015; May 27, 2015; August 31, 2015; and November 12, 2015. The City has not received a response from you. Enclosed with this letter are copies of the letters previously sent from the City of Colville.

Section VII of the Lease requires the City give you this ninety (90) day notice that the Lease will be cancelled, unless you cure the default. The City may, at its discretion,

March 1, 2016

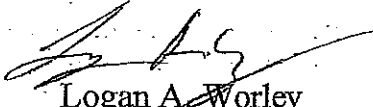
Page 2

acquire the adequate insurance required in section VII and charge you for the cost plus a 5% administrative fee and demand reimbursement from you. Whether or not the city exercises its right under the Lease to acquire insurance does not effect the City's ability to cancel the Lease agreement after ninety (90) days if you have not cured the default.

If the City does not receive the proof of insurance as required in the Lease before May 31, 2016 then the Lease will be cancelled, and you will be evicted from the leased premises.

Contact my office if you have any questions.

Regards,



Logan A. Worley

McGrane & Schuerman, PLLC

Attorneys' for the City of Colville

cc: City of Colville, w/enclosures

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APR 20 2015

**COLVILLE MUNICIPAL AIRPORT LEASE AGREEMENT FOR THE "OLD
AIRPORT LOUNGE"** **CITY OF COLVILLE
CITY CLERK**

THIS LEASE AGREEMENT (hereinafter referred to as "Lease" or "Agreement") is made and entered into, by and between the City of Colville, State of Washington, hereinafter referred to as "City" and George Thomas, hereinafter referred to as "Lessee."

WITNESS THAT

WHEREAS, THE CITY OF COLVILLE is the owner of certain described real estate, more fully described below; and

WHEREAS, THE LESSEE desires to lease the certain described property for the purpose described herein;

NOW, THEREFORE, for and in consideration of the premises provided herein and the mutual covenants and agreements hereinafter contained and other valuable consideration, the parties hereto agree, for themselves, their successors and assigns, as follows:

**I.
PREMISES**

The City of Colville hereby leases to Lessee the parcel of land shown in **Exhibit A** and described as 120 Hwy 20E., Bldg WB, "Old Airport Lounge," located at Colville Municipal Airport, Stevens County, Washington (hereinafter the "Premises" or "Leased Premises").

The City covenants and agrees that it is in lawful possession of the property, and has good and lawful authority to execute this Lease. The Lessee hereby warrants that it has inspected the Premises and City has not made any promises, warranties, or statements other than as contained herein. Lessee accepts the Premises as is.

The City reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or view of the Lessee, and without interference or hindrance.

The City reserves the right to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Lessee in this regard.

The City reserves the right to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, together with the right to prevent the Lessee from erecting, or permitting to be erected, any building or other structure on or adjacent to the Airport which would limit the usefulness of the Airport or constitute a hazard to aircraft.

II.
TERM, RENEWALS, RENTAL, AND INCREASES

The term of this Lease is for twenty years, commencing on the 21st day of April, 2015, and ending on the 31st day of December, 2035 unless otherwise terminated or cancelled as provided in this document and the Lessee is current in his rent and is not in written default in any of the other terms, covenants and conditions of this lease. There shall be an annual review to assure compliance with all provisions of this lease, and with the understanding that the lease fees may be adjusted annually by the Colville City Council.

The initial rental payment is an annual payment of ninety-eight Dollars (\$98) per year. This initial rent is based on twelve cents (\$.12) per square foot annually for the entire square footage rented from the City, whether within the "foot print" occupied by the Old Airport Lounge or other improvement or other non-improved but leased space. (The square footage of the Old Airport Lounge as of the signing of this document is 800 square feet).

The annual rent is for the period from January 1 through December 31 of the calendar year.

Annual rent is due by the 31st of January for the calendar year.

For leases that are "carry over" from an earlier lease with annual dates that are not from January 1 through December 31, then, at the end of the prior lease, there will be a new lease written for a partial year and then the full year from January 1 through December 31. Payment for the partial year shall be prorated and paid at the time of the signing of the prorated partial year lease. Payment for the next full year lease shall be due by January 31 of the full year calendar lease.

Fees may be adjusted annually by the Colville City Council. If there is a rental adjustment, the Landlord City shall send a written notice to the Lessee at the address provided on this lease by first class mail, postage prepaid. This notice of annual rental increase shall be postmarked no later than September 30 of the current lease year. This provides a 90 day period prior to the new annual renewal increase.

No demand for rent need be given at any time, but it shall be the duty of the Lessee to pay rentals, fees, charges and billings as required under the provisions of this lease.

Lessee shall keep all rental payments free from any claims, demands or set-offs of any nature or by any person, corporation or entity.

Installation, hook up and payment for utilities shall be the responsibility of the Lessee. Utilities are to be installed to the City's specifications and those of the utility service provider.

The City shall have the right to temporarily close the Airport or any of the facilities thereon for maintenance, improvement, or for the safety of the public.

III.
FAILURE TO COMPLY WITH FINANCIAL OBLIGATION

Failure to pay amounts due or comply with any other of the financial obligations to the City under this Agreement shall entitle the City to re-enter and take possession of the Premises upon giving Lessee ninety (90) days advance notice of intent to do so, if said monetary default has not been remedied within the ninety (90) day period after notice is sent. After this ninety (90) day period, if the rental payment has not been fully paid, this lease is terminated.

IV.
DISPOSITION OF BUILDING AND IMPROVEMENTS UPON LEASE EXPIRATION

At least ninety (90) days prior to the expiration of this twenty (20) year Lease or ninety (90) days prior to the annual review, Lessee shall notify the City regarding Lessee's intent with respect to lease renewal (or lease continuation) or disposition of building and improvement on the Leased Premises. Upon termination for reasons other than default, the City and Lessee shall agree upon one of the following three courses of action with respect to the disposition of Lessee's building and improvements located at Premises:

A. In the event that the Lessee desires to continue occupying the Leased Premises, the Lessee may request that the City grant a new lease agreement beyond this term of twenty (20) years. If the City desires to continue to lease the Leased Premises with the existing improvements, the City may concur with this request. Any such request concurred with by the City must be accompanied by the lease renewal request to lease the Leased Premises, then the Lessee shall be eligible for a new lease agreement for the Leased Premises provided the following conditions are met by the Lessee:

Good Repair: The Leased Premises and all improvements are in a state of good repair, including, without limitation, exterior paint, walls, roofs, doors, and any other items including those which are structural and/or aesthetic in nature.

Lessee is in compliance with all terms, covenants, and conditions of this Lease. The terms of the new lease agreement are subject to negotiation between the City and Lessee;
OR

B. At the end of the term of this Lease, twenty (20) years, or at the time of any annual review, the Lessee may peacefully surrender the Leased Premises in a fully restored condition, including the removal of all improvements. Restoration of Leased Premises shall also include fine grading to allow for proper drainage into the appropriate drainage system. All components of the improvement removed from the Leased Premises shall be completely removed from the site and disposed of off airport at the sole cost of Lessee. Removal of improvements and restoration of the Leased Premises shall be complete no later than thirty (30) calendar days after the expiration date of this Lease, unless the City agrees to an extension; OR

C. The City may agree to purchase the improvements from Lessee at a price to be determined by the City and Lessee. The City and Lessee may agree to have an appraisal of the improvements completed to aid the City and Lessee in their efforts to agree upon a purchase price. In the event the City and Lessee are unable to agree upon a purchase price, the City may require the Lessee to comply with Option B above.

If the City and Lessee are unable to agree upon any of the above three options, then Option B, namely the removal of all improvements and restoration of the site, shall, by default, apply upon termination of the Lease term.

Personal property left on the Leased Premises shall, at the option of the City, become exclusive property of the City, without liability for payment, if said personal property remains on the Leased Premises thirty (30) days after the termination of the Lease for any reason.

City, at its discretion, may extend the time period for resolution of these options. Lessee shall be deemed to be occupying the Premises as a month-to-month tenant during any such extended period.

V. HOLDING OVER

If Lessee, without the written consent of the City, shall hold over after the termination date or earlier termination of this Lease, Lessee shall be deemed to be occupying the Premises as a month-to-month tenant whose tenancy may be terminated as provided by the laws of the State of Washington. During any such tenancy, Lessee agrees to be bound by all of the terms, covenants, and conditions of this Lease, as far as they are applicable to a month-to-month tenancy and to pay monthly rent in the amount designated by the City in terms of agreement Lessee already had.

VI. USE OF PREMISES

Lessee agrees that the use of the Premises shall be limited to those airport-related activities authorized by the Airport Covenants, and Airport Rules and Regulations as are presently in effect and may in the future be adopted, or as may otherwise be agreed to by the parties.

VII. INDEMNIFICATION AND INSURANCE BY LESSEE

The Lessee shall indemnify the City, its employees, the Airport Board, and City elected and appointed officers, from and against any and all claims, demands, cause of actions, suits or judgments, including enforcing the indemnity, for deaths or injuries to persons or for loss of or damage to property arising out of or in connection with the condition, use occupancy or Lessee's maintenance of the Leased Premises or common areas or any improvements thereon; or by Lessee's non-observance or non-performance of any law, ordinance or regulation applicable

to the Leased Premises; or incurred in obtaining possession of the Leased Premises after a default by the Lessee, or after the Lessee's default in surrendering possession upon expiration or earlier termination of the Term of the Lease, or enforcement of any covenants in this Lease. This includes, without limitation, any liability for injury to the person or property of Lessee, its agents, officers, or invitees.

City shall indemnify Lessee, its members, employees, and agents from and against any and all claims, demands, causes of action, suits or judgments, including attorney fees, costs and expenses incurred in connection therewith and in enforcing the indemnity, for death or injury to persons or for loss of or damage to property caused by the City's breach of any term of this Lease or the negligence of the City.

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

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

From and after the commencement date of the initial term of this Lease and continuing for the initial term and any extension of this Lease, Lessee shall carry a premises liability policy to cover the leased premises with a minimum coverage of \$1,000,000 combined single limit for bodily injury and property damage. Such policy shall name City as an additional insured. Before taking possession of the Leased Premises, the Lessee shall furnish the City with a certificate evidencing the aforesaid insurance coverage. Further, annually, the Lessee shall provide the City with current insurance policy certificates each year evidencing the above insurance coverage. Failure to provide insurance, or failure to provide the insurance certificate as provided herein shall constitute a separate default and shall result in termination of the lease after ninety (90) days written notice as provided herein. The City may increase the insurance requirements each year.

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

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

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

Further, the city may procure insurance and then, at the City's option, also elect to terminate the lease as provided herein.

In the event a fire or other casualty loss results in destruction of the building to the extent that Lessee determines to use insurance proceeds to repair or rebuild the Old Airport Lounge building, the proceeds of any insurance payment available to Lessee shall first be used to restore the Premises to the condition they were in prior to construction of a building on the Leased Premises and the remaining insurance proceeds shall be the property of Lessee.

Lessee's construction contractor shall provide at least \$1,000,000 general liability insurance naming the City of Colville as an additional insured.

VIII. DAMAGE OR DESTRUCTION

If the improvements on the Premises are partially or totally damaged by fire or other casualty, the Lessee will repair or replace the damaged improvements (or similar) to meet existing building code at its sole expense within a reasonable period of time (not to exceed ninety (90) days from casualty or as weather and the permit process allow). All such construction shall be subject to the covenants, restrictions and approval procedures as defined by the City of Colville Building Department.

In the event Lessee decides not to rebuild within a reasonable time, Lessee shall restore the Leased Premises to a good and usable condition in conformity with the then current usage within ninety (90) days from the date that written notice to restore is received from the City.

City may, at its discretion, extend the period for rebuilding. Lessee shall remain responsible for payment of rent and leasehold tax and shall comply with all terms and conditions of this Lease during this extended period.

If the Lessee opts not to rebuild, upon payment of the remainder of the rent due under the Lease and removal of all improvements and restoration of the Leased Premises to the condition the Leased Premises were in at the time of commencement of this Lease, the City will agree to terminate the Lease.

IX. UTILITIES AND MAINTENANCE OF PREMISES

Lessee shall pay all charges for utility services furnished to their individual premises including, but not limited to, electricity, gas, telephone, water, sewage, garbage disposal, and janitorial services throughout the term of this Lease.

Lessee shall, at its sole expense, keep and maintain the Premises in good repair and tidy condition. While not all inclusive, particular attention shall be focused on foundations, structural

components, roofs, wall systems, doors, and electrical and water systems. Roofs and walls should be maintained to be free from leaks and damages and should be painted as necessary to maintain a tidy appearance.

In addition, Lessee shall:

- (a) Not allow trash, garbage, rubbish or refuse to collect on the interior or exterior of any building on the Premises;
- (b) Mow vegetation on Premises;
- (c) Keep Premises around building free from inoperable and junk equipment;
- (d) Not use Premises around Old Airport Lounge as long-term parking for vehicles or parking of equipment not being used for the operation of aircraft or maintenance of Premises.

X.

ADVERTISING, LIGHTING AND TRANSMISSIONS

A. The Lessee shall submit plans and obtain approval of the City before erecting, installing, or operating signs or other advertisements upon any portion of the Premises herein demised.

B. The installation or use on the Premises of any floodlights, neon lights, colored lights, or other means of lighting shall be subject to the express written approval of the Airport Board. Any use of lighting or signage that may potentially impair a pilot's ability to distinguish between airport lights and other lights, or that creates glare or distraction affecting pilot vision is prohibited. All lighting shall be shielded downward.

C. Any use that creates or causes interference with the operations of radio or electronic facilities at the airport or with radio or electronic communications shall be prohibited.

XI.

CITY'S RIGHT OF CANCELLATION

In addition to any conditions as specified herein and all other remedies available to the City, this agreement shall also be subject to cancellation by the City should any one or more of the following occur:

A. If Lessee shall file a voluntary petition in bankruptcy or proceedings in bankruptcy instituted against the Lessee are thereafter adjudicated, a bankruptcy pursuant to such proceedings, or a court shall take jurisdiction of the Lessee's property and its assets pursuant to proceedings brought under the provision of the Federal Reorganization or Bankruptcy Act, or a receiver for the Lessee's assets is appointed; or the Lessee is divested of its rights, powers, and privileges under this Lease by other operation of law.

B. If Lessee shall default, fail to perform, or breach any covenants, terms, or conditions of this Lease, the Lessee shall be given written notice to correct or cure such default,

failure to perform, or breach. If within ninety (90) days from the date of such notice, the default, breach, or complaint shall not have been corrected in a manner satisfactory to the City, the City shall have the right to immediately declare this Lease terminated and to proceed to evict Lessee and may require Lessee to remove all improvements to the Leased Premises or at the City's option keep or dispose of the improvements.

C. The permanent abandonment or discontinuance of use of the Airport as an airport.

D. The issuance of any order, rule or regulation by the Federal Aviation Administration or any other federal agency or by any court of competent jurisdiction of any injunction, materially restricting for a period of at least ninety (90) days, the use of the Airport for air transportation by Lessee.

E. The assumption of the United States Government, or any authorized agent of the same, of the operation, control or use of the Airport and its facilities in such manner as to substantially restrict the Lessee from conducting its business or activity, if such restriction be continued for a period of ninety (90) continuous days or more.

XII.

LESSEE'S RIGHT OF CANCELLATION

In addition to all other remedies available to the Lessee, this Lease shall be subject to cancellation by Lessee should any one or more of the following occur:

A. The permanent abandonment or discontinuance in use of the Airport as an airport.

B. The issuance of any order, rule or regulation by the Federal Aviation Administration or any other federal agency or by any court of competent jurisdiction of an injunction, materially restricting for a period of at least ninety (90) days, the use of the Airport for air transportation by Lessee.

C. The breach by the City of any covenants, terms, or conditions of this Lease to be kept, performed and observed by the City and the failure to remedy such breach for a period of ninety (90) days after written notice from Lessee of the existence of such breach.

D. The assumption of the United States Government, or any authorized agent of the same, of the operation, control or use of the Airport and its facilities in such manner as to substantially restrict the Lessee from conducting its business or activity, if such restriction be continued for a period of ninety (90) continuous days or more.

E. Upon the sale of the Old Airport Lounge.

F. The occurrence of any event or events beyond the reasonable control of the Lessee, including, but not limited to, any act of God or other supervening event which precludes the Lessee from the use of the property for the purposes enumerated herein, or from the use of the airport facilities.

XIII.
ASSIGNMENT & SUBLETTING

A. **ASSIGNMENT:** Except in the event of the death, disability, or incompetency adjudication of Lessee (including both husband and wife, if Lessee is a marital community), there shall be no right to assign this Lease. Any assignment of this Lease permitted by this provision shall contain a provision acknowledging that Lessee or Lessee's estate shall remain liable to the City for compliance with all of the terms and conditions of this Lease for the Term of this Lease.

B. **SUBLETTING:** Lessee shall obtain the prior approval of the City before any sublease shall be allowed. At least 45 days prior to any proposed sublease, Lessee shall provide the City with a copy of the entire proposed sublease and a notice of the Lessee's intent to request approval of the sublease by the City. The sublease agreement shall refer to and bind any sub lessee to all the terms of the lease and shall bind the sub lessee to the terms of this lease. Any sublease, even if approved, shall not relieve the Lessee of any responsibility to perform any provisions of this lease in the event Lessee's sub lessee fails to perform said provisions.

XIV.
NON-DISCRIMINATION

During the term of this Lease, Lessee, for itself, its personal representatives, and successors in interest, as a part of the consideration hereof, do hereby covenant and agree as follows:

No person, on the grounds of race, color, religion, sex, age, marital status, handicap, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination by Lessee in the Lessee's occupation, use, or construction upon the Leased Premises.

XV.
PAYMENT OF TAXES AND FEES

Lessee shall pay all license, excise fees, permits, and taxes covering any business conducted on the Premises, and any taxes on the leasehold interest created by this Lease. Lessee shall also be responsible for payment of any other statutory tax or other fiscal obligations imposed by applicable local, state or federal law with respect to the Lessee's agents, employees, property, or activities on the Premises.

XVI.
RIGHT TO ENTER PREMISES

The City reserves the right to inspect the Premises and any improvements at any reasonable time for the purpose of ensuring compliance with rules and regulations governing the use of the Premises. The City shall make reasonable attempts to contact Lessee first by

telephone, and if no answer, by certified mail (according to the current information provided by the Lessee) to arrange a convenient time for inspection. When immediate entry is deemed necessary for emergency purposes, if Lessee is not present to permit such entry, the City, its agents and employees shall be permitted to enter the Premises and any improvements. The City's agents or employees shall not be liable for any civil or criminal claim or cause of action for damages because of entering the Premises or improvements at reasonable times and in a reasonable manner.

XVII. LEGAL CLAIMS

Lessee shall promptly report to the City any claim or suit against Lessee arising out of or in connection with the Lessee's activities at the airport.

XVIII. LIENS AND ENCUMBRANCES

Lessee agrees that it shall pay, or cause to be paid, all costs and expenses for work done and materials delivered to the Premises and improvements, during the Term, for improvement to the Premises. Lessee shall keep the Premises free and clear of all liens. Lessee agrees to and shall indemnify, defend, and hold the City harmless from any liability, loss, damage, cost, attorney's fees, and all other expenses on account of claims of lien of laborers or material men, or others, for work performed or materials or supplies furnished to Lessee for use on the Premises.

XIX. LAWS, REGULATIONS, AND PERMITS

Lessee agrees that the use of the Premises, including construction thereon, shall conform at all times to any applicable federal, state, county, municipal laws, statutes, ordinances, or regulations, which may affect said property or the use thereof.

XX. HAZARDOUS SUBSTANCES

A. PRESENCE AND USE OF HAZARDOUS SUBSTANCES. Lessee shall identify and manage all hazardous substances and/or wastes according to all applicable local, city, county, state or federal laws, including but not limited to the Washington State Department of Ecology Hazardous Wastes and Toxics Reduction Program. Further, with respect to any such Hazardous Substances, Lessee shall:

1. Comply promptly, timely, and completely with all governmental requirements for reporting, keeping, and submitting manifests, and obtaining and keeping current identification numbers;

2. Submit to the City true and correct copies of all reports, manifests, and identification numbers at the same time as they are required to be and/or are submitted to the appropriate governmental authorities;

3. Within fifteen (15) days of the City's request, submit written reports to the City regarding Lessee use, storage, treatment, transportation, generation, disposal, or sale of Hazardous Substances, and provide evidence satisfactory to the City of Lessee compliance with the applicable government regulations;

4. Allow the City or the City's agent or representative to come on the Premises, pursuant to Article XVI to check Lessee compliance with all applicable governmental regulations regarding Hazardous Substances;

5. Comply with minimum levels, standards or other performance standards or requirement which may be set forth or established for certain Hazardous Substances (if minimum standards or levels are applicable to be established by an on-site inspection by the appropriate governmental authorities and shall be set forth in an addendum to this Lease); and,

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

Any and all costs incurred by the City and associated with the City's inspection of Lessee Premises and the City's monitoring of Lessee compliance with this Article, including the City's attorney fees and costs, shall be additional rent and shall be due and payable to the City immediately upon demand by the City.

B. CLEANUP COSTS, DEFAULT, AND INDEMNIFICATION

1. Lessee shall be fully and completely liable to the City and/or other regulatory agencies for any and all cleanup costs, and any and all other charges, fees, penalties (civil and criminal) imposed by any governmental authority with respect to Lessee use, disposal, transportation, generation, and/or sale of Hazardous Substances, in or about the Premises.

2. Lessee shall indemnify, defend, and hold the City harmless from any and all of the costs, fees, penalties, and charges assessed against, imposed upon, or incurred by the City (including but not limited to the City's actual attorneys' fees and costs) as a result of Lessee use, disposal, transportation, generation, and/or sale of Hazardous Substances.

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

a. At the City's option, to terminate this Lease immediately; and/or

b. To recover any and all damages associated with the default, including, but not limited to, cleanup costs and charges, civil and criminal penalties and fees, loss of business and sales by the City and tenants of the airport, any

and all damages claims asserted by third parties and the City's actual attorney fees and costs.

**XXI.
SEVERABILITY**

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

**XXII.
SUCCESSORS**

This Lease is binding upon and benefits the heirs and successors of the Lessee.

**XXIII.
CONFLICT RESOLUTION**

All claims, disputes and other matters in controversy (herein called "dispute") arising directly or indirectly out of or related to this Lease, or the breach thereof, whether contractual or non-contractual, and whether during the term of or after the termination of this Lease, shall be resolved exclusively according to the procedures set forth in this Article.

Mediation.

Neither party shall commence a proceeding in the Stevens County Superior Court pursuant to the provisions of this Article XXI unless such party shall first give a written notice (a "Dispute Notice") to the other party in the same manner otherwise provided for notice in this Lease, setting forth with reasonable specificity the nature of the dispute. The Dispute Notice shall constitute a notice and demand for mediation. The parties shall attempt in good faith to resolve the dispute by non-binding mediation. If the parties cannot agree on the selection of a mediator within fifteen (15) days after delivery of the Dispute Notice, the parties will engage a mutually agreed upon mediator from the Spokane area. If the dispute has not been resolved by mediation within sixty (60) days after delivery of the Dispute Notice, then the dispute shall be determined by the Stevens County Superior Court in accordance with the provisions of this Article.

Jurisdiction, Venue, Attorney's Fees and Costs

If the mediation process has not been successful, the matter shall then be referred to the Stevens County Superior Court. The parties agree to jurisdiction and venue in the above court. The prevailing party shall be entitled to all reasonable attorney fees and costs.

**XXIV.
ENTIRE AGREEMENT**

This Lease constitutes the entire agreement of the parties, including any addendum. No other written or oral statements shall be a part of this Lease. This Lease may only be modified by an agreement in writing signed by both parties.

**XXV.
NOTICES**

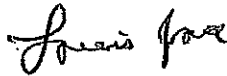
All notices required herein shall be deemed to be properly served if hand delivered, or if sent by U.S. mail, postage prepaid, to the last address previously furnished by the parties hereto. Lessee is obligated to notify the City of current address and phone numbers. Until hereafter changed by the parties in writing, notices shall be addressed as follows:

City: City of Colville
Attn: City Clerk
170 S. Oak
Colville, WA 99114

Lessee: George Thomas
3082 Thomas Road
Rice, WA 99167

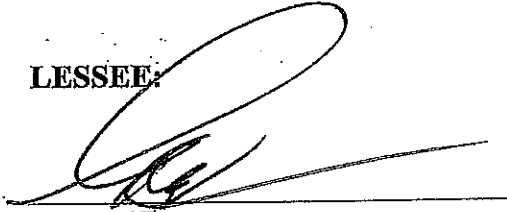
Executed this 20 day of April, 2015.

CITY OF COLVILLE



Lou Janke, Mayor

LESSEE:


George Thomas

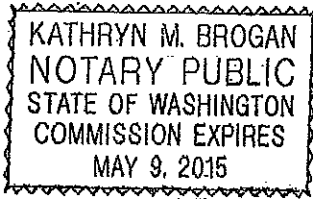
Attest:


Holly Pannell, CMC, PFO, City Clerk/
Human Resources Manager

STATE OF WASHINGTON)ss
COUNTY OF STEVENS)

On this 21st day of April, 2015, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Lou Janke and Holly Pannell to me known to be the Mayor and City Clerk, respectively, of the City of Colville, and executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said municipality, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute the said instrument.

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

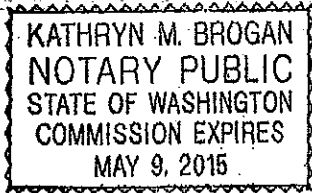


Kathryn M. Brogan
NOTARY PUBLIC in and for the State
of Washington residing in Stevens CO.
My commission expires 5/9/15

STATE OF WASHINGTON)
) ss
COUNTY OF STEVENS)

This is to certify that on this 20th day of April, 2015, before me a Notary Public in and for the State of Washington duly commissioned and sworn, personally appeared George Thomas to me known to be the individual described in and who executed the within instrument, and acknowledged to me that he signed the same as his free and voluntary act and deed for the uses and purposes therein mentioned.

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



Kathryn M. Brogan
NOTARY PUBLIC in and for the State
of Washington residing in Stevens CO.
My commission expires 5/9/15



City of Colville

OFFICE OF THE CITY CLERK
Holly Pannell, CMC, PFO
City Clerk/Human Resources Manager

Kathy Brogan, Deputy Clerk

November 12, 2015

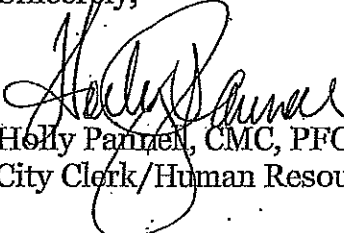
Mr. George Thomas
3082 Thomas Road
Rice, WA 99167

Dear Mr. Thomas:

The City of Colville has yet to receive a current certificate of insurance naming the City of Colville as an additional insured as is required per Section VII of the Lease for the Airport Lounge property. If we do not receive the required insurance by February 10, 2016 your lease may be suspended.

If you have any questions, please feel free to contact me.

Sincerely,



Holly Pannell, CMC, PFO
City Clerk/Human Resources Manager



City of Colville

OFFICE OF THE CITY CLERK
Holly Pannell, CMC, PFO
City Clerk/Human Resources Manager

Kathy Brogan, Deputy Clerk

August 31, 2015

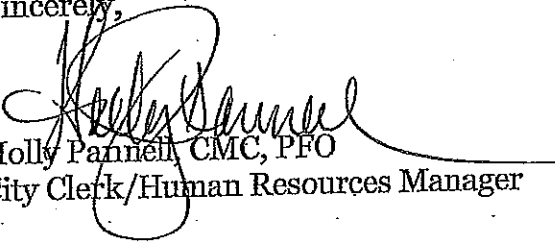
Mr. George Thomas
3082 Thomas Road
Rice, WA 99167

Dear Mr. Thomas:

The City of Colville has yet to receive a current certificate of insurance naming the City of Colville as an additional insured as is required per Section VII of the Lease for the Lounge property. Please provide a status update on this issue.

If you have any questions, please feel free to contact me.

Sincerely,


Holly Pannell, CMC, PFO
City Clerk/Human Resources Manager

Letters/Insurance/Insurance Reminder 2 - New hangar lease Thomas

170 South Oak • Colville WA 99114 • Phone 509-684-5094 • Fax 509-684-5030

e-mail: hpannell@colville.wa.us • website: www.colville.wa.us

Statewide TDD Relay Service 1-800-833-6388

This institution is an equal opportunity provider and employer



City of Colville

OFFICE OF THE CITY CLERK
Holly Pannell, CMC, PFO
City Clerk/Human Resources Manager

Kathy Brogan, Deputy Clerk

May 27, 2015

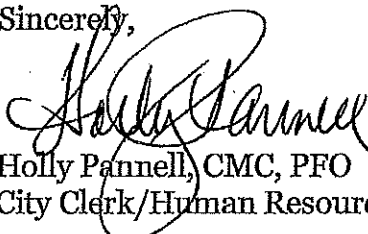
Mr. George Thomas
3082 Thomas Road
Rice, WA 99167

Dear Mr. Thomas:

The City of Colville has yet to receive a current certificate of insurance naming the City of Colville as an additional insured as is required per Section VII of the Lease for the Lounge property. Please provide a status update on this issue.

If you have any questions, please feel free to contact me.

Sincerely,


Holly Pannell, CMC, PFO
City Clerk/Human Resources Manager

Letters/Insurance/Insurance Reminder - New hangar lease Thomas

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City of Colville

OFFICE OF THE CITY CLERK

Holly Pannell, CMC, PFO

City Clerk/Human Resources Manager

Kathy Brogan, Deputy Clerk

April 21, 2015

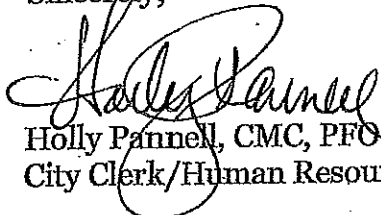
Mr. George Thomas
3082 Thomas Road
Rice, WA 99167

Dear Mr. Thomas:

Attached are fully executed copies of the Colville Municipal Airport Lease Agreements between yourself and the City of Colville for hangar spaces L and WB-Old Airport Lounge. Please note that a current certificate of insurance naming the City of Colville as an additional insured is required per Section VII of the Lease for the Lounge. Please forward a current certificate to my office as soon as possible.

If you have any questions, please feel free to contact me.

Sincerely,


Holly Pannell, CMC, PFO
City Clerk/Human Resources Manager

Attachments

170 South Oak • Colville WA 99114 • Phone 509-684-5094 • Fax 509-684-5030

e-mail: hpannell@colville.wa.us • website: www.colville.wa.us

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