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FILED OR RECORDED
DESERT AIRE OWNERS ASSOC.
215 DESERT AIRE DR. N.
Aug. 25, 1994
Desert Aire, WA 99349
William Varney
Auditor
Grant County, WA

Lease of Airport

PREAMBLE

This lease is made this 22nd day of August, 1994, by and between DESERT AIRE OWNERS ASSOCIATION, a Washington not-for-profit corporation headquartered in Grant County, Washington, herein called "Lessor", and DESERT AIRE AIRPORT DISTRICT, a municipal subdivision of the State of Washington located entirely in Grant County Washington, hereinafter called "Lessee."

RECITALS

Lessor is the owner of certain real property located in Grant County, Washington, which is described below and referred to herein as "The Premises."

The Premises are currently used as a private airport servicing the Desert Aire community and provides an airport for non-commercial, recreational aviation by owners of Desert Aire property and their invitees.

The Premises are adjacent to a residential area.

The Premises are in need of repairs to be usable as an airstrip for other than occasional or emergency purposes and "as is" use. By allowing The Premises to be used as a public airport, they could be improved by the Lessee.

Lessee desires to operate a public airport at the location of The Premises.

I. AGREEMENT

For and in consideration of the following terms, conditions, covenants and agreements, Lessor does hereby lease to Lessee and Lessee does hereby lease from Lessor those certain premises with all appurtenances situated in Grant County, Washington, described as follows:

See Exhibit "A"

hereinafter referred to as "The Premises."

II. PURPOSE

The Premises are to be used for the purpose of continuing the general aviation airport which exists and such other services to the general public that are consistent with a general aviation airport. The Lessee must first obtain the written consent of the Lessor prior to operating any other type of airport or allowing any business not consistent with the above definition of a general aviation airport.

III. TERM

This Lease shall be for a term of twenty (20) years beginning on the 22nd day of August, 1994, and ending on the 21st day of August, 2014.

- A. Lessor hereby grants to Lessee an option to renew and extend said Lease on the same terms and conditions for additional five year terms, provided that at the commencement of each term, Lessee is in compliance with all provisions of this Lease and provided further that both Lessor and Lessee may terminate this Lease at the end of the twenty year term or at the end of any of the five year successive terms by giving notice of cancellation of Lease to the other party 180 days prior to the expiration of any said term.
- B. The conditions and covenants of this Lease are subject to review by both parties on an annual basis for the initial five (5) years of this Lease and at five (5) year intervals thereafter. Such reviews will include an evaluation of the financial status of the Lessee.

IV. RENT

Lessee covenants and agrees that in lieu of rental payments to Lessor for The Premises, Lessee will cause to be made and maintained throughout the term of this Lease certain improvements to The Premises. These improvements will be accomplished as soon as reasonably possible considering the time required to obtain grant monies to do so. Both Parties understand that completion of the improvements are conditioned upon receiving grant monies from Washington State and Lessee agrees to expend its best efforts to secure said grants for improvements. Lessor agrees to accept as consideration for this Lease, the agreement that Lessee will pursue the improvements.

V. IMPROVEMENTS AND CONSTRUCTION

Any improvements made to The Premises including the construction or alteration of buildings or other structures shall become a part of The Premises and shall be delivered to Lessor at the termination of this Lease.

- A. Initial improvements and construction of the airport planned by Lessee will be the following:
 - 1. Runway resurfacing;

2. Basic lighting and information kiosk;
3. Taxiway and ramp improvements; and
4. Safety enhancement program;

which improvements and construction Lessor hereby approves.

- B. Prior to the commencement of any additional improvements or construction or alteration, Lessee shall obtain Lessor's written consent to said improvements or construction.
- C. Any improvements or construction or alteration of existing buildings shall be completed so as not to interfere with Lessor's then-existing utilities, including the existing well, or any planned improvements to the Lessor's utilities.

VI. MAINTENANCE AND REPAIRS

The leased premises are accepted by Lessee in its present condition. Except for reasonable wear and tear, Lessee will, at all times, preserve the leased premises, including any improvements placed upon The Premises by Lessee, in good repair. Lessee agrees that at the expiration or sooner termination of this Lease, Lessee will quit and surrender the leased premises, including all improvements, without notice. Upon termination of the lease and surrender of The Premises, all installed equipment will be in working order and be, as applicable, in proper calibration.

All work which is done by Lessee shall meet all applicable local and state rules, regulations and laws.

VII. EXISTING WELL AND UTILITIES

Located approximately 260 feet north of the end of the runway, Lessor has located a well which serves Lessor's members. In addition, there exists on the leased premises main water lines and other utility services and it is contemplated that during the term of the lease, Lessor will install other utility lines, including sewer lines, on the premises and Lessor retains the right of access to the existing well and utility lines and the right to maintain and repair said well and utility lines and also the right to construct such other utility lines as Lessor deems appropriate, subject to the following restrictions:

- A. Lessor shall not unreasonably interfere with Lessee's use of The Premises and Lessor shall repair The Premises to their original condition.
- B. Lessor will give appropriate notice and schedules to Lessee prior to the work, so Lessee can properly discharge its responsibilities regarding safety notices to pilots.
- C. Lessor shall be responsible for, and hold Lessee harmless therefrom, all acts of negligence on the part of Lessor, its agents, employees and contractors associated with the construction of said utility lines.

VIII. INDEMNIFICATION

Lessor, its employees and agents shall not be liable for any injury (including death) to any person or for damage to any property, regardless of how such injury or damage be caused, sustained, or alleged to have been sustained by Lessee or by others as a result of any condition (including existing or future defects in The Premises) or occurrences whatsoever related in any way to The Premises and the areas adjacent thereto or related in any way to Lessee's use or occupancy of The Premises and of the areas adjacent thereto: provided such injury or damage is not the result of a negligent act of Lessor. Lessee specifically and expressly agrees to defend, indemnify and hold harmless Lessor and all of its officers, employees and agents from and against any claim, damage, liability, judgment, costs, penalties, attorney's fees, etc., of any kind whatsoever on account of death or injury of any and all persons (including, but not limited to Lessee, Lessee's officers, employees and agents) and/or on account of all property damages of any kind, whether tangible, intangible or loss of use resulting therefrom, to any party arising from or in any manner connected with this lease or the leased premises or from use of the leased premises by or act or omission or negligence of Lessee or any of its officers, directors, employees or agents.

Lessee shall assume all responsibility for and hold Lessor harmless from any and all claims related to any change in the nature, scope or intensity of the use of The Premises as a public airport. Without limitation this indemnification shall include any taking claims or claims related to light, glare or noise generated during its use as a public airport.

Lessee shall assume all responsibility for and hold Lessor harmless from any and all claims related to any pollution or contamination of The Premises, or of adjacent properties from contamination or pollution originating from or generated upon The Premises, during the period it is operated as a public airport and after it is determined the pollution or contamination was more likely than not commenced or ongoing during the period of operation as a public airport.

IX. INSURANCE

Upon execution of this Lease, a \$2500 stipend will be transferred from Lessor to Lessee. Lessee agrees, for the term of this Lease, that it shall acquire and maintain, at its sole cost and expense, a policy or policies of general comprehensive liability insurance in the aggregate amount of \$1 million, with \$1 million per occurrence coverage. Said liability insurance policy or policies shall specifically name Desert Aire Owners Association as an additional named insured. Each such policy shall bear an endorsement which provides that said insurance shall not be canceled, reduced, terminated or otherwise changed in any respect without providing Lessor at least 30 days advance written notice. Whenever, in the judgment of the Board of Directors of Lessor, the insurance provided pursuant to this provision herein is insufficient to fully protect the Lessor, Lessee shall, upon written notification by Lessor, furnish additional insurance in such amounts as would be

reasonable, based on additional legal requirements, current market value, or required by the State of Washington.

It is agreed that any personal property, including but not limited to stock and inventory owned by Lessee, shall be situated on the leased premises at the sole risk of Lessee, or Lessee's subtenant, and the Lessee, or Lessee's subtenant, will insure the same for such risk of loss if Lessee, or Lessee's subtenant, deems such insurance necessary.

Lessee shall maintain all-hazard insurance upon any structure placed upon The Premises during the term of this Lease.

X. USE OF PREMISES

The Lessee shall use The Premises for the operation of a public general aviation airport.

Lessee will maintain The Premises in a neat, clean and sanitary condition and shall operate said airport in compliance with all applicable laws and ordinances and this Lease.

Lessee will promptly make application to the State of Washington, Department of Transportation, for available funds to cause improvements to be made to The Premises as specified in the Desert Aire Airport Development Plan (DAADP) to be developed and approved by the Washington Department of Transportation, Aeronautics Division, as time and funding allow.

Lessee will operate The Premises as a general aviation airport open to the public. Lessee will not sublease any portion of The Premises to any business or allow any sublease of any portion of The Premises to permit operation of any agricultural aviation activities on The Premises which shall include storage, handling, loading or application of chemical sprays for agricultural or other purposes. The only fossil fuel allowed to be stored or used on The Premises will be in connection with the stated permitted use of The Premises. All subleases permitted upon The Premises shall be engaged in activities related to the stated purpose for which The premises are allowed to be used under this Lease; general aviation airport.

Lessee will not allow itself or any lessee or sublessee of itself to store any controlled use chemicals or pesticides or herbicides other than those necessary for on-site maintenance of The Premises within 500 feet of The Premises upon property owned or controlled by the Lessee.

Lessee will continue to permit members of Lessor's Association whose property adjoins The Premises to continue to access The Premises directly from their property so long as such direct access is not contrary to federal or state regulations.

Lessee shall not use or permit said premises, or any part thereof, to be used for any purpose in violation of any municipal, county, state or federal law, including, but not

limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, and any other laws relating to the environmental matters.

XI. ASSIGNMENT OF SUBLEASE

This Lease is personal to the Lessee and relies upon the nature, character and identity of the Lessee to accomplish the purposes of this Lease.. The Lessee shall not assign this Lease. Lessee may only sublet any portion of The Premises with the written consent of the Lessor which shall not be unreasonably withheld. Any sublease of any portion of The Premises shall be to a use consistent with this Lease. All sublease agreements shall contain language approved by Lessor placing the subtenant on notice of the restrictions placed upon the kinds of use that may be made of The Premises.

XII. TAXES, ASSESSMENTS AND LIENS

Lessor agrees to pay all property taxes and assessments levied on The Premises, other than taxes or assessment levied as a result of the operation of The premises as an airport by Lessee; provided, however, that Lessee agrees to pay any taxes and assessments, if any, levied upon the improvements situated thereon or to be constructed by Lessee and the responsibility to pay those taxes or assessments or both, shall be upon the Lessee. Lessee shall keep the leased premises and the property in which the leased premises are situated free from liens for any work performed, materials furnished or obligations incurred by Lessee.

XIII. ALTERATIONS

Any alterations, additions or improvements to The Premises not otherwise provided for herein require the written consent of Lessor. Such consent shall not be unreasonably withheld. If the Lessee shall perform work with the consent of the Lessor, Lessee agrees to comply with all laws, ordinances, rules and regulations of Grant County, or any other authorized public authority. The Lessee further agrees to save the Lessor free and harmless from any damage, loss or expense arising out of said work.

XIV. CANCELLATION OR TERMINATION OF THIS LEASE

In the event of default on the part of the Lessee, Lessor may, after fifteen (15) days from the date of mailing written notice of default, provided any of the defaults remain uncorrected, terminate this tenance. In the event possession of premises shall revert to the Lessor by reason of abandonment by the lessee or by operation of the unlawful detainer statutes, or for any reason occasioned by default on the part of the Lessee, Lessor may, at Lessor's option, cancel the Lease.

If Lessor shall retake possession of The Premises as provided for herein, and if less than twenty (20) years has elapsed from the date of this Lease, then Lessor agrees to operate The Premises as a public airport according to conditions agreed to at that time between Lessor and the Washington Department of Transportation, Aeronautics Division.

XV. NOTICES

All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, to the parties at the address immediately after the signatures to this Lease (or at such other address as either party hereto shall designate in writing to the other for notice to such party).

XVI. APPLICABLE LAW

This Lease shall be governed by and construed in accordance with the laws of the State of Washington. Venue of any legal action arising from this Lease shall be in Grant County, Washington.

XVII. CAPTIONS

The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease.

XVIII. BINDING EFFECT

This lease shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns.

XIX. EXECUTION

Lessor and Lessee have caused this Lease to be executed in their names by their duly authorized representatives to be effective the date first written above.

LESSOR
DESERT AIRE OWNERS ASSOCIATION

By: Ted Sandvig
8-22-94, President

By: Evelyn Newman
8-22-94, Secretary

LESSOR
DESERT AIRE AIRPORT DISTRICT

By: Robert B. Kibler
8-22-94, Commissioner

By: Juanita J. Schumacher
8-22-94, Commissioner

By: Jack R. Root
8-22-94, Commissioner

DATE 8-22-94
Gloria M. Carrigan
Notary in and for the State of Washington
Residing in Desert Aire
Notary expires 5-15-98

SEALED

Exhibit A

LEGAL DESCRIPTION

a) “DESERT AIRE AIRPORT AREA”

THOSE PORTIONS OF THE EAST ½ OF SECTION 22, AND THE WEST ½ OF SECTION 23 – ALL IN TOWNSHIP 14N, RANGE 23 E.W.M., GRANT COUNTY, WASHINGTON, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTH-EASTERLY CORNER OF LOT 417, “DESERT AIRE NO. 1”, ACCORDING TO THE PLAT RECORDED IN BOOK 9 OF PLATS, PAGE 37, RECORDS OF GRANT COUNTY, WASHINGTON;

THENCE: N41DEGREES 49’ 12”E-31.284 FT. TO THE TRUE POINT OF BEGINNING (T.P.O.B.) OF THIS DESCRIPTION;

THENCE: N64DEGREES 39’ 00”W-PARALLEL WITH THE NORTHERLY LINE OF SAID PLAT OF “DESERT AIRE NO.1”-1298.939 FT. TO THE SOUTH EASTERLY CORNER OF A CERTAIN PARCEL OF LAND CONVEYED TO: C. BRUCE ESKILDSEN AND RECORDED UNDER AUDITOR’S FILE NUMBERS: 748444 AND 775722, RECORDS OF GRANT COUNTY, WASHINGTON:

THENCE: N25DEGREES 21’ 00”E-105.000 FT. TO THE NORTH-EASTERLY CORNER OF THE AFOREMENTIONED ESKILDSEN’S PROPERTY:

THENCE: N64DEGREES 39’ 00”W-150.000 FT. TO THE NORTH-WESTERLY CORNER OF THE AFOREMENTIONED ESKILDSEN’S PROPERTY:

THENCE: S25DEGREES 21’ 00”W-105.000 FT. TO THE SOUTH-WESTERLY CORNER OF THE AFOREMENTIONED ESKILDSEN’S PROPERTY, SAID POINT IS BEING THE NORTH-EAST CORNER OF A “TWENTY FT. (20’) ACCESS 7 UTILITY EASEMENT” ACCORDING TO THE PLAT OF “DESERT AIRE NO. 7”, RECORDED IN BOOK 12 OF PLATS, AT PAGE 68, RECORDS OF GRANT COUNTY, WASHINGTON;

THENCE: N64DEGREES 39’ 00”W-ALONG THE NORTHERLY LINE OF SAID “DESERT AIRE NO. 7”-2120.000 FT. TO THE NORTH-WESTERLY CORNER OF LOT 26 OF SAID “DESERT AIRE NO. 7” AND TO THE EASTERLY LINE OF A CERTAIN PARCEL OF LAND CONVEYED TO: KARL ILLIG AND RECORDED UNDER AUDITOR’S FILE NUMBER: 648336, RECORDS OF GRANT COUNTY, WASHINGTON;

THENCE: N25DEGREES 21’ 00”E-90.00 FT. TO THE NORTH-EASTERLY CORNER OF THE AFOREMENTIONED ILLIG’S PROPERTY:

THENCE: N64DEGREES 39' 00"W-105.000 FT. TO THE NORTH-WESTERLY CORNER OF THE AFOREMENTIONED ILLIG'S PROPERTY;

THENCE: S25DEGREES 21' 00"W-ALONG THE WESTERLY LINE OF THE AFOREMENTIONED ILLIG'S PROPERTY-90.000 FT.;

THENCE: N64DEGREES 30' 00"W-326.061 FT.;

THENCE: N25DEGREES 21' 00"E-550.000 FT.;

THENCE: S64DEGREES 39' 00"E-4000.00 FT.;

THENCE: S25DEGREES 21' 00"W-550.000 FT. TO THE TRUE POINT OF BEGINNING (T.P.O.B.) – CONTAINING: 49.93 ACRES MORE OR LESS.

SUBJECT TO EASEMENTS, RESTRICTIONS, RESERVATIONS, ETC., AS SHOWN AND OF RECORDS (IF ANY).

SITUATED IN GRANT COUNTY, WASHINGTON.