

16171

KING COUNTY INTERNATIONAL AIRPORT

P. O. Box 80245  
Seattle, Washington 98108  
(206) 296-7380

LEASE AGREEMENT

1. PARTIES. This Lease effective the \_\_\_\_\_ day of \_\_\_\_\_ 2008, is between King County, a municipal corporation and a political subdivision of the State of Washington, and GDH-I, LLC, herein called "Lessee."

2. PREMISES. King County hereby rents to Lessee, upon the following terms and conditions, premises located in King County, Washington, legally described as follows (see Exhibit "A" attached), and commonly known as:

Property Known as: 8900 East Marginal Way South, Seattle, WA 98108  
Approx. 114,828 Square Feet

3. TERM.

A. The term of this Lease is for thirty-five (35) years (the "Lease Term"). The Lease Term shall commence on the Demolition Commencement Date (as that term is defined in Section 7 below) (the "Commencement Date"), and end on the thirty-fifth (35<sup>th</sup>) anniversary of the Commencement Date.

4. RENT. Lessee shall pay to King County a rent of **\$18,707.40 DOLLARS** payable in advance on or before the first day of each and every calendar month of the Lease Term. Lessee shall also pay on the base rent a Leasehold Excise Tax levied pursuant to RCW Chapter 82.89A of **\$2,402.03 DOLLARS** per month. The rent is adjustable as set forth in the General Terms and Conditions (see Exhibit "B" attached). All rents and taxes shall be made payable to the KING COUNTY INTERNATIONAL AIRPORT and are to be received in the office of:

King County International Airport  
7277 Perimeter Road  
P. O. Box 80245  
Seattle, Washington 98108

Said rental is exclusive of any other sale, franchise, business or occupation, or other tax based on rents. Should any such taxes apply during the life of this Lease, the rent shall be increased by such amount.

5. SECURITY AND DAMAGE DEPOSITS. At the time of signing of this Lease, the Lessee shall pay the first (1<sup>st</sup>) month's rent and leasehold tax. In addition, the Lessee shall deposit with King County the sum of **\$42,218.85** as a security deposit for the payment of rent and tax. The security deposit may be made, at Lessee's election, either in cash or in the form of an irrevocable letter of credit in favor of King County. If made in the form of a letter of credit, Lessee shall renew or replace said letter of credit not later than 30 days prior to the expiration thereof, or King County shall be entitled to convert the letter of credit to a cash security deposit. The security deposit is the only sum to be credited toward payment of the last month's rent upon Lessee's termination of the Lease. The return of this deposit, or any portion of it, shall be conditioned on the

performance of all the Lessee's duties. Within (60) days after termination of the tenancy and vacation of the premises King County will return any sum due the Lessee from this deposit retained by King County. Furthermore, the Lessee understands and agrees that all rents, late charges and utility bills owing, unless paid by the Lessee, may be deducted from the deposit for damage and cleaning at the time of Lessee's vacation of the Premises if any amount remains in that fund after subtraction of damage and cleaning costs. The deposits need not be held in any special account and no interest will be paid thereon.

6. USE. Lessee shall use said Premises for the following purposes and no others without prior written consent of King County:

- Hangar for storage of, and operations related to, Tenant Owned/Leased aircraft
- Aviation-related educational facility
- Tenant Owned/Leased Aircraft repair and maintenance

To the best knowledge of King County, there are no conditions, restrictions or encumbrances to which the Premises are subject that would preclude the redevelopment and use of the Premises by Lessee as provided in this Lease. Upon the Commencement Date, King County shall deliver the Premises to Lessee free and clear of all tenancies or occupancies of any kind.

7. CONSTRUCTION OF IMPROVEMENTS. King County hereby approves the construction by Lessee of a hangar, maintenance base and educational facility on the Premises (the "Project"), as more specifically described in Exhibit "B" attached hereto. Lessee shall submit to King County's Department of Development and Environmental Services, or the to the equivalent permitting agency in the City of Tukwila, a building permit application (including detailed plans and specifications) for the lease improvements described in Exhibit "B" within 60 days after execution of this Lease. Lessee shall also use commercially reasonable efforts to obtain all permits for the Project (in final, unappealable form) from agencies with jurisdiction (the "Project Approvals") no later than one (1) year from the date of King County Council approval of the Lease (the "Outside Permit Date"), and shall commence demolition, at Lessee's sole expense, of existing improvements on the Premises within 30 days of the date all Project Approvals are obtained (the "Demolition Commencement Date"). Lessee shall thereafter undertake and complete the permitted improvements within a commercially reasonable amount of time following the Demolition Commencement Date. If Lessee determines, in its sole discretion, that it cannot obtain the Project Approvals to enable it to substantially construct the Project, then Lessee may terminate this Lease by written notice to King County given within thirty (30) days following the Outside Permit Date, with all rents paid and costs incurred by lessee, including but not limited to permit costs, design and development expenses, and costs associated with the demolition of the existing hangar, to be forfeited by Lessee. . If Lessee has timely filed applications for the Project Approvals but the Project Approvals have not been issued 30 days prior to the Outside Permit Date, then Lessee may extend the Outside Permit Date by an additional six (6) months upon payment to King County of an extension payment in the amount of \$10,000.

If within the required time periods identified in paragraph 7, Lessee fails to substantially complete the improvements required by this Lease, and fails to cure such lack of substantial completion within ninety (90) days after written notice from King County (or if such cure cannot reasonably be effected within said 90-day period, then Lessee shall commence such cure within said 90-day period and prosecute such cure to completion with diligence), then at the election of King County, this Lease may be terminated and all rentals paid shall be forfeited to King County, including funds expended by Lessee for the demolition of the existing hangar.

The estimated total value of the improvements described in this paragraph is \$4,300,000.00.

8. GENERAL TERMS AND CONDITIONS. Attached hereto as Exhibit "C" and incorporated herein are King County General Terms and Conditions.

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

10. NOTICES. Required notices except legal notices shall be given in writing to the following respective addresses:

To King County:           Manager, Real Estate Services  
King County  
King County Administration Building  
500 Fourth Avenue, Room 500  
Seattle, WA 98104-2337

Airport Director  
King County International Airport  
P. O. Box 80245  
Seattle, WA 98108

To Lessee:                 GDH-I, LLC  
1910 Fairview Avenue E., Suite 500  
Seattle, WA 98102

or to such other respective addresses as either party hereto may hereafter from time to time designate in writing. Notices sent by mail shall be deemed to have been given when properly mailed.

11. SOUTH DRIVEWAY REVISIONS. In the event King County, or a third party pursuant to approval by King County, desires to make modifications to the property located immediately south of the premises (commonly known as 9010 East Marginal Way South, Seattle, WA 98108) (the "AOC Property"), and such modifications would alter the access driveway serving the premises (the "Site Access") in any way, King County shall first provide Lessee with the opportunity to comment on such proposed Site Access modifications and to propose other Site Access alterations to improve the quality of access to the premises. King County shall consider such proposals in good faith, but shall not be required to incur any cost in connection with the implementation of any such Site Access alteration proposed by Lessee. King County shall not modify the Site Access, or approve a modification of the site access, in any way without the prior written consent of Lessee, which shall not be unreasonably withheld, provided that Lessee shall not be required to consent to any modification to Site Access that impairs, reduces or restricts the quality or capacity of Site Access for the Premises in any way.

12. SUBLEASE. Lessee shall construct, at its sole cost, a hangar/office building, comprising approximately 7,300 square feet, to accommodate a portion of the Aviation Maintenance Technology Education Program (the "Sublease Space"). Lessee shall enter into a sublease (the "Sublease") for the

Sublease Space with South Seattle Community College. The Sublease shall be on commercially reasonable terms and shall otherwise be consistent with the Term Sheet dated June 9, 2008, a copy of which is attached hereto as Exhibit "D".

IN WITNESS WHEREOF, the parties hereto have subscribed their names as of the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

LESSEE:  
GDH-I, LLC

LESSOR:  
King County, a Political Subdivision of the State  
of Washington

By: \_\_\_\_\_

By: \_\_\_\_\_  
Wayne Richardson, Manager  
Real Estate Services Section

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

APPROVED AS TO FORM:

APPROVED BY CUSTODIAL AGENCY:  
King County International Airport

By: \_\_\_\_\_  
Ian Taylor  
Sr. Deputy Pros. Attorney

By: \_\_\_\_\_  
Robert I. Burke, AAE  
Director

Date: \_\_\_\_\_

Date: \_\_\_\_\_

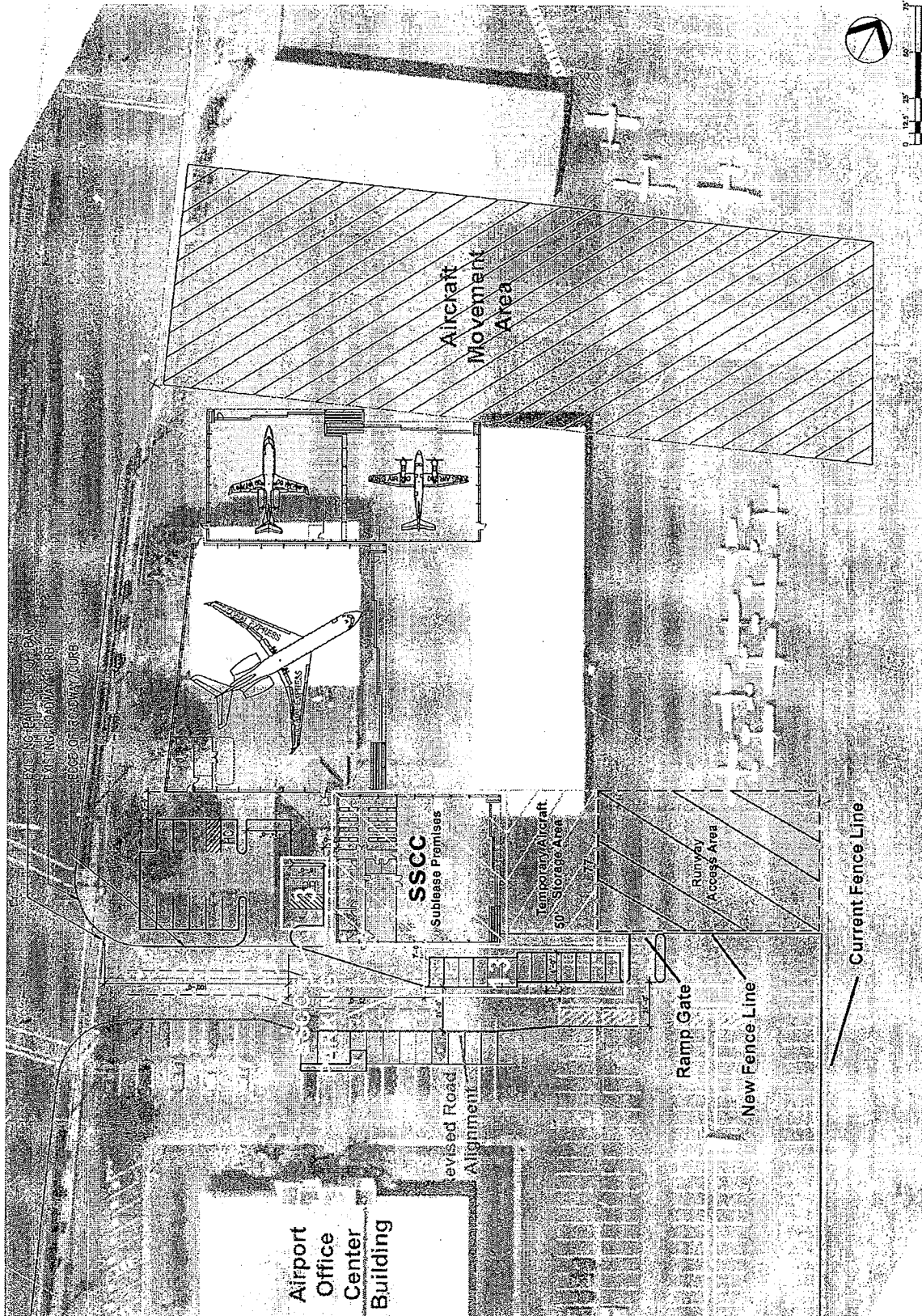


Exhibit "A"

THAT PORTION OF THE SOUTHEAST QUARTER OF SECTION 33, TOWNSHIP 24 NORTH, RANGE 4 EAST, W.M., IN KING COUNTY WASHINGTON DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EASTERLY MARGIN OF EAST MARINGAL WAY SOUTH AND THE SOUTH LINE OF SAID SECTION 33; THENCE NORHT 22°33'02" WEST, ALONG SAID EASTERLY MARGIN, A DISTANCE OF 2,408.44 FEET, TO THE TRUE POINT OF BEGINNING.

THENCE CONTINUING NORTH 22°32'02" WEST, ALONG SAID EASTERLY MARGIN, A DISTANCE OF 309.77 FEET;  
THENCE NORTH 67°26'19" EAST, A DISTANCE OF 367.70 FEET TO A POINT 470 FEET WESTERLY OF THE CENTERLINE OF RUNWAY 13R/31L;  
THENCE SOUTH 28°42'05" EAST, A DISTANCE OF 289.69 FEET, ALONG A LINE PARALLEL WITH AND 470 FEET WESTERLY OF RUNWAY 13R/31L;  
THENCE SOUTH 61°15'59" WEST, A DISTANCE OF 215.64 FEET;  
THENCE SOUTH 78°08'54" WEST, A DISTANCE OF 72.67 FEET;  
THENCE SOUTH 61°15'39" WEST, A DISTANCE OF 113.43 FEET;  
THE EASTERLY MARGIN OF EAST MARGINAL WAY SOUTH AND THE TRUE POINT OF BEGINNING.



5

**KING COUNTY INTERNATIONAL AIRPORT (KCIA) GENERAL TERMS AND  
CONDITIONS**

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

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



**D. MITIGATION ASSESSMENTS.**

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

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

2. **RENT ADJUSTMENT.** To ensure a fair rent based upon the fair market value of the Premises, King County may adjust the rent to the then current Fair Market Value every three years. However, the first adjustment will occur on \_\_\_\_\_. Subsequent adjustments will take effect on the third anniversary of the previous adjustment. The date on which a rent adjustment becomes effective is referred to hereafter as "**the Rent Adjustment Date**". The three year period commencing on the Rent Adjustment Date is referred to hereafter as "**the Succeeding Period**".

A. **FAIR MARKET RENTAL VALUE DEFINED.** For all purposes required under this Lease, "**Fair Market Rental Value**" is defined as: An amount in the competitive market that a well-informed and willing lessor, who desires but is not required to lease, would accept, and which a well-informed and willing lessee, who desires but is not required to lease, would pay for the temporary use of the Premises (excluding improvements to the Premises constructed at Lessee's expense made during the initial term of the lease), after due consideration of all the elements reasonably affecting value (including the terms of the sublease of a portion of the Premises to South Seattle Community College).

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

C. ARBITRATION.

- 1) If, thirty days after King County receives Lessee's notice of its rejection of the rent as adjusted by King County, Lessee and King County cannot agree upon the rent adjustment, the rent for the Succeeding Period will be adjusted by arbitration. Lessee and King County will each select one disinterested arbitrator, and the two selected arbitrators will select a third.
- 2) King County will give Lessee written notice of the name and address of its selected arbitrator and his or her qualifications. Unless otherwise agreed in writing by King County, Lessee shall give King County written notice of the name and address of Lessee's selected arbitrator and his or her qualifications within thirty days after Lessee's receipt of King County's notice. If Lessee fails to so provide its written notice to King County, Lessee shall be deemed to waive its right to arbitration, the arbitration shall not proceed, and the rent as adjusted by King County shall become the rent for the Succeeding Period.
- 3) If the two arbitrators have not selected a third arbitrator within thirty days after the selection of the last selected of the two, either Lessee or King County will apply to the Presiding Judge of the Superior Court in King County for the appointment of a third arbitrator.
- 4) Each arbitrator will be a member of the American Institute of Real Estate Appraisers, the Society of Real Estate Appraisers, or other appraisal society or association having equivalent ethical and professional standards. If, in the future, a licensing requirement for real estate appraisers is imposed by any legislative body with jurisdiction, each arbitrator shall also be licensed. The arbitrators shall not only be impartial, but also shall not have been an employee of, or retained under contract by, either party for a period of one year before the arbitration, and shall have no financial interest in the subject of the arbitration. Each party shall have the right to disqualify any arbitrator who does not meet the requirements of this section by sending a written notice to the other party and to all the arbitrators stating the grounds for disqualification. If the disqualified arbitrator is a party-appointed arbitrator, then that party shall, within fourteen days after its receipt of the other party's notice of disqualification, appoint another arbitrator who meets the requirements of this section to serve in place of the party's disqualified arbitrator. If the disqualified arbitrator is the third arbitrator, then the two party-appointed arbitrators shall, within fourteen days after their receipt of a party's notice of disqualification, select a third arbitrator who meets the requirements of this section to serve in place of the disqualified arbitrator.
- 5) The arbitrators shall give the parties sixty days notice in writing of the date on which the arbitration is to commence. Unless otherwise agreed in writing by King County and Lessee, each party shall, no later than thirty days before the arbitration is scheduled to commence, provide the other party with a copy of an appraisal report prepared by a member of the American Institute of Real Estate Appraisers, the Society of Real Estate Appraisers, or other appraisal society or association having equivalent ethical and professional standards, that supports that party's claim of Fair Market Rental Value.

