

**COVER SHEET**

Return to:

PORT OF SKAGIT COUNTY  
15400 AIRPORT DRIVE  
BURLINGTON, WA 98233

Document Title(s) (or transactions contained herein):

- 1. Ground Lease Agreement**

Reference No. of Related Document(s):

Grantor(s) (last name, first name and initials):

- 1. Port of Skagit County**

Grantee(s) (last name, first name and initials):

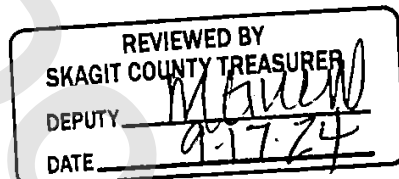
- 1. Finn Hangar, LLC**

Legal Description (abbreviated: i.e., lot, block, plat or quarter, quarter, section, township and range)

**A PORTION OF 87, OF THE ALTERATION TO AMENDED SKAGIT  
REGIONAL AIRPORT BINDING SITE PLAN, PHASE 1, AF  
202112100111**

Additional Legal Description(s) on page 4 of Document.

Assessor's Parcel/Tax I.D. Number: P35352



GROUND LEASE AGREEMENT

BETWEEN

PORT OF SKAGIT COUNTY

and

FINN HANGAR, LLC

Commencement Date:

March 11, 2022

Lessor: Port of Skagit County  
Lessee: FINN HANGAR, LLC

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PORT OF SKAGIT COUNTY  
GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT, hereinafter referred to as "this Lease," is made as of March 11, 2022, by and between the PORT OF SKAGIT COUNTY, a Washington municipal corporation, hereinafter referred to as "Lessor" or "Port," and FINN HANGAR LLC, a Washington limited liability company, hereinafter referred to as "Lessee."

**WITNESSETH:**

The Port will lease the Premises described below to Lessee during the construction period between the Commencement Date and Occupancy Date, each defined below, and for a term of thirty (30) years after Occupancy Date, upon the terms and conditions set forth herein.

Therefore, in consideration of their mutual covenants, agreements and undertakings hereinafter contained, the parties hereto do mutually agree to that which is hereinafter set forth, upon and subject to the following terms, conditions, covenants and provisions:

1. PROPERTY SUBJECT TO THIS LEASE AGREEMENT

The following described property (the "Premises") is covered by this Lease:

A portion of Lot 87 of Amended Skagit Regional Airport Binding Site Plan Phase 1, recorded March 4, 2003, under Skagit County Auditor's file number 200303040030, consisting of approximately 37,850 square feet (actual square feet to be determined) as depicted on attached Exhibit 1.

The non-exclusive, non-preferential, and non-discriminatory right to use any aprons or taxiways to access the Airport runways shall be considered appurtenant to the Premises and shall be considered part of the definition of Premises.

2. TERM / OPTION TO EXTEND/EARLY TERMINATION

a. Term: This Lease shall commence when signed by both parties (the "Commencement Date"). The initial term ("Initial Term") of this Lease shall begin on the Occupancy Date and continue until that date which is thirty (30) years after the Occupancy Date, which shall be the first day of the first month after (i) Lessee obtains an occupancy permit for the Improvements from Skagit County.

b. Options to Extend: Lessee is granted the right to extend this Lease for two (2)

consecutive ten (10) year option periods (each an "Option Period") by giving written notice of said intention to Lessor not less than one hundred twenty (120) days prior to the expiration of the Initial Term or any extended term (the Initial Term and any extended term, together, the "Term"), conditioned upon the following:

- i. all terms, covenants and conditions of this Lease during the initial or extended term have been fully met and fulfilled by Lessee, and
- ii. the conditions set forth in Section 22 have been met.

Upon such extension, all terms and conditions of the initial or previous term shall continue with the exception that the rental shall be determined in accordance with the paragraph entitled "PROCEDURE TO DETERMINE ADJUSTED RENT FOR OPTION PERIOD(S) – MARKET RENT VALUE."

c. Lessor has the right to terminate this Lease in the event Lessee has not started construction on the new hangar by June 1, 2022.

d. Lessor's Option to Buy Out Lease Rights and Improvements: The foregoing notwithstanding, Lessor may give notice at any time during the term or any extension hereof of its intent to terminate this lease by buying out the balance of this Lease and options to extend (collectively the "Residual Lease Life") and any tenant-owned improvements on the Premises ("Improvements") at the then fair market value ("FMV") of each. Such notice shall be in writing, state a date of termination not less than one hundred eighty (180) days into the future and include the name of an appraiser or appraisers to determine the Residual Lease Life FMV and the fair market value of any Improvements at Lessor's cost ("Lessor's Notice"). If the parties cannot agree on an appraiser or appraisers within fourteen (14) days of Lessor's Notice, the FMV of the Residual Lease Life and Improvements shall be established by averaging the FMV determinations from the appraisal(s) of the parties' own appraisers; *provided*, that each party shall pay for its own such appraisal(s) and no appraisal shall be considered if not obtained within seventy-five (75) days of Lessor's Notice. The Residual Lease Life and Improvement FMV so established shall be final and binding on the parties. Upon giving of Lessor's Notice, the Lessor and Lessee shall mutually agree to relocate Lessee on other taxiway accessible Port-owned land. The Lessor shall not force a Buy Out of the Lease Rights and Improvements at a loss to the Lessee unless mutually agreed upon.

### 3. BUSINESS PURPOSE

a. Business Purpose: It is understood and agreed that Lessee intends to Premises to construct a hangar building of approximately 14,400 square feet, and use the Premises, for Limited – Service Aeronautical Service Provider activities, including aircraft leasing and storage, and to conduct such other activities as are incidental and reasonably related to general aviation. It is further understood that the above activities are the only type of activities to be conducted upon the Premises. Lessee shall

perform its operations in conformance with the "Minimum Standards" for Limited Service - Aeronautical Service Provider adopted by the Port of Skagit for Skagit Regional Airport and attached as Appendix No. 1 and as may be amended in the future. Activities in support of any non-aviation use, failure to store aircraft, cessation of such activities, or the carrying on of other type(s) of unauthorized activities shall constitute a material default by Lessee of this Lease. Lessee shall at all times operate on the Premises in a manner which will assure the safe, lawful and healthful use of the Premises. Lessee agrees that it will not disturb the Lessor or any other tenant of the Lessor by making or permitting any disturbances or any unusual noise, vibration or other condition on or in the Premises.

b. Remedies for Non-Performance: Should Lessee (or a sub-lessee) fail to conduct its operations on the Premises pursuant to the requirements of the section above entitled "BUSINESS PURPOSE" then Lessor may, by written notice to Lessee, declare Lessee to be in provisional default hereunder. Should Lessee not cure the basis(es) for such provisional default within twelve (12) months of such notice, then Lessor may pursue any and all remedies as set forth in Paragraph 28 entitled "DEFAULT AND RE-ENTRY" without necessity of engaging in initial discussions as described in said section.

c. Lessee will not permit any use or activity to be conducted upon the Premises that is not allowed by the Lease, Skagit County zoning ordinances or Port of Skagit County rules and regulations, Skagit Regional Airport Master Plan or Skagit Regional Airport Minimum Standards. Lessee will not enter into any sublease agreement when the proposed use of the Premises requires a Special Use Permit, rezone, variance of any kind, environmental impact statement or any other use that requires special permission by a governing body, without prior written consent of the Lessor, which shall not be unreasonably withheld.

d. Lessor reserves the right to adopt a policy or policies which specifically exclude certain types of business activities that are inconsistent with Lessor's planned development of the Skagit Regional Airport or the Bayview Business Park. Lessee hereby agrees to comply with all such policy or policies.

#### 4. RENT

a. Beginning on the Occupancy Date, Lessee shall pay to Lessor, in lawful money of the United States, without any set-off or deduction, in addition to taxes, assessments, and other charges required to be paid hereunder by Lessee, an initial monthly rent for the Premises in an amount equal to the total square footage of the Premises, excluding the Access Routes, times \$0.051 per square foot, plus Washington leasehold excise tax (the "Rent"). Estimated Rent will be One Thousand Nine Hundred Thirty Dollars and Thirty-Five Cents (\$1,930.35) plus Leasehold Excise Tax of Two Hundred Forty-Seven Dollars and Eighty-Six Cents (\$247.86).

b. The Rent for each month shall be paid to the Lessor in advance on or before the first day of each and every month of the term of this Lease, and shall be payable at such place as the Lessor may hereinafter designate. The Rent may be further adjusted by the addition of other sums and charges specified elsewhere in this Lease. The Lessor shall have all of the same rights and remedies with respect to any additional rent or charges in the event of nonpayment or late payment as are available to it in the event of nonpayment or late payment of the Rent. The Rent shall be adjusted as provided in the below section entitled "PROCEDURE TO DETERMINE ANNUAL ADJUSTED RENT FOR INITIAL TERM."

5. PROCEDURE TO DETERMINE ANNUAL ADJUSTED RENT FOR INITIAL TERM.

During the Initial Term, beginning on the first day of the first month which is at least one (1) year after the Occupancy Date, and on the same date of each year thereafter ("Change Date"), Rent shall be adjusted according to the procedures set forth below in this paragraph, and beginning on the first day of the first month which is at least one (1) year after any Market Change Date, and on the same date of each year thereafter:

a. Definitions: The adjusted Rent rate(s) shall be determined in accordance with the formula set forth below. In applying the formula, the following definitions apply:

1) "Bureau" means the U.S. Department of Labor, Bureau of Labor Statistics or any successor agency.

2) "Price Index" means the Consumer Price Index for All Urban Consumers, Region West – Size Class B/C, issued from time to time by the Bureau, or any other measure hereafter employed by the Bureau in lieu of the price index that measures the cost of living or if said Bureau should cease to issue such indices and any other agency of the United States should perform substantially the same function, then the indices issued by such other agency.

3) "Current Index" means the Price Index for the Annual most recent preceding Change Date.

4) "Prior Year Index" means the Price Index for the Annual year prior to the Current Index.

b. Formula: The Adjusted Rent shall be determined by multiplying the Rent rate (s) being adjusted by a multiplier equal to the change in the Price Index since the last adjustment computed as follows:

$$\begin{aligned} \text{Current Index} - \text{Prior Year Index} &= \text{Index Point Change} \\ \text{Index Point Change} / \text{Prior Year Index} \times 100 &= \text{Percent Change} \end{aligned}$$

Percent Change x Rent being adjusted = Adjusted Rent

The Price Index (December 1996 = 100) for Annual 2020 was 159.756.

6. PROCEDURE TO DETERMINE ADJUSTED RENT FOR OPTION PERIOD(S) - MARKET RENT VALUE

On the commencement of the Option Period(s) ("Market Change Date") the Rent shall be adjusted as follows:

a. The Rent shall be adjusted to be the market rent value of the Premises without taking into account the value of any Improvements. Lessor shall notify Lessee, not later than one hundred twenty (120) days prior to the "Market Change Date" of the amount of new market rent, as determined by the Port Commission.

b. If Lessee notifies the Lessor that it rejects the market rent value established by Lessor (the "Rejection Notice") within thirty (30) days following Lessee's receipt of Lessor's proposed new market rent, then the fair cash value of the Premises shall be determined. Such determination shall be made by a MAI appraiser whose selection shall be by mutual agreement of the parties. If the parties are unable to agree on the selection within fourteen (14) days of Lessee's notice of non-acceptance, then either party may file a motion requesting selection of a MAI appraiser by the presiding judge of the Superior Court of Skagit County, and the court-selected MAI appraiser shall determine the fair cash market value of the Premises. Once the fair cash market value of the Premises is determined, the rent amount shall be based on Lessor's then established rate of return for comparable leased properties. The cost of the appraisal shall be borne equally by both parties. No party shall be entitled to any statutory or contractual costs or attorney fees related to a petition to appoint an appraiser hereunder.

7. SECURITY FOR RENT

The Rent hereunder is secured by the Improvements on the Premises which shall revert to Lessor upon expiration of the Term, the value of which is equal to or in excess of one (1) year's Rent, plus leasehold excise tax.

8. LATE CHARGES

Lessee hereby acknowledges that late payment by Lessee to the Lessor of Rent, or any other sums due hereunder will cause the Lessor to incur costs not otherwise contemplated by this Lease. Accordingly, if any installment of Rent or any other sum due from Lessee shall not be received by the Lessor within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay the Lessor a late charge equal to 5% of such overdue amount. The parties agree



that such late charge represents a fair and reasonable estimate of the costs the Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by the Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent the Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable in this Lease or otherwise, whether or not collected, for three (3) installments of Rent in any 12-month period, then Rent shall automatically become due and payable quarterly in advance, rather than monthly notwithstanding the above section entitled "RENT" or any other provision of this Lease to the contrary. In addition to the late charges provided for in this section, interest shall accrue on Rent, or any other sums due hereunder, at the rate of one and one-half percent (1 1/2%) per month from the date due until paid.

9. CONSTRUCTION OF IMPROVEMENTS

a. Construction of Improvements. Lessee intends to construct the following improvements set forth below at Lessee's cost;

1. Hangar building
2. Parking stall East of Hangar (24)
3. Taxiway removal
4. Apron lights (2)
5. Landscaping and hydroseed
6. All utilities

b. Lessee shall not commence construction of any Improvements or alterations including but not limited to structural changes, painting of the exteriors of structures or interior of any buildings, changes to wiring and plumbing, or install any fixtures, other than fixtures which can be removed without injury to the Premises, (collectively, "Improvements") without prior written consent of Lessor and subject to any and all conditions in such approval. Lessee shall submit to Lessor for its written approval all plans and specifications relating to such construction of Improvements in accordance with development standards adopted by the Port Commission from time to time. Should the Lessor not respond to such submission within thirty (30) days, the request shall be deemed approved. Appropriate landscaping, a necessary part of any Improvements, to be approved by the Lessor. The construction of all Improvements shall be carried out by Lessee in a first-class manner at its sole cost and expense, and in full compliance with all federal, state, county, and other governmental statutory and regulatory requirements and permits. Within six (6) months of completion of all Improvements, Lessee shall provide Lessor with two (2) hard copy sets and one (1) electronic version of as-built or recorded drawings. Until the expiration or sooner termination of this Lease, title to any Improvements situated

and constructed by Lessee on the Premises, as well as title to fixtures and articles of personal property attached to or used in connection with the Premises by Lessee, shall remain solely in Lessee.

c. Utility Placement. Lessor may condition its approval of utilities serving the Improvements such that the utilities are accessible to, and sized for use by, adjoining properties. Any reasonable increased cost to Lessee to meet such conditions shall be reimbursed to Lessee upon the utilization of such utilities by the Port or a tenant of the Port.

d. Lessor Improvements. Lessor will install new water and fiber optic lines to service the Lessee's hangar.

#### 10. DISPOSITION OF EQUIPMENT AND IMPROVEMENTS AT END OF LEASE

Upon termination of the Lease, Lessee shall have the right to remove all equipment, personal property and trade fixtures which may have been placed upon the Premises by Lessee during the period of this Lease, provided that the same are removed upon conclusion of the Lease and that the Lease is in good standing. Any such equipment, personal property and trade fixtures not removed from the Premises by the conclusion of the Lease shall revert to Lessor. If Lessee does not remove all equipment, personal property and trade fixtures which have been placed on the Premises by Lessee during the period of this Lease and Lessor wants the property removed, then the same shall be removed and stored at Lessee's expense and Lessor shall recover any costs and expenses from the Lessee resulting from the removal. All Improvements shall become the property of the Lessor.

#### 11. CONDITION OF THE PREMISES

Lessee has (a) inspected the Premises and accepts the Premises in their present condition; (b) is not relying upon any covenants, warranties or representations of Lessor as to its condition or usability, except Lessor's right to grant a lease of the property; and (c) agrees to make any changes in the Premises necessary to conform to federal, state and local law applicable to Lessee's use of the Premises.

#### 12. PERMITS

a. Lessee shall (i) be solely responsible for obtaining and complying with all permits, approvals or licenses required for the operation and conduct of Lessee's business activities and for all permits, approvals and licenses necessary for the construction, installation, erection and/or operation of the Improvements.

- b. Lessee shall provide Lessor with a copy of the occupancy permit issued by the appropriate permitting agency before occupying any improvements.

### 13. INSURANCE COVERAGE

- a. Casualty Insurance: Lessee shall, at Lessee's expense, cause to be maintained on all Improvements belonging to Lessee, and on all of Lessee's personal property on the Premises, casualty insurance with extended coverage in the amount of their replacement value.

- b. Liability Insurance: Lessee shall, at its own expense, maintain throughout the term of this lease, proper liability insurance with a reputable insurance company or companies satisfactory to the Lessor in the minimum of \$1,000,000 single limit liability, and a comprehensive general liability broadening endorsement (and hereafter in such increased amounts to be comparable and consistent with the going or standard coverage in the area for comparable business operations). The \$1,000,000 single limit liability will be adjusted at the beginning of each Option Period to the then current standard single limit amount stated in the general lease policy of the Lessor.

- c. Certificates: The Lessor shall be named as one of the insured, and shall be promptly furnished a copy of such policy or policies or certificate(s) of coverage, or both, at the Lessor's election. Each certificate of insurance shall provide that the insurance policy or policies are not subject to cancellation without at least thirty (30) days advance written notice of such cancellation having been first given to the Lessor.

### 14. WAIVER OF SUBROGATION

The Lessor and Lessee hereby mutually release each other, and their respective successors or assigns, from any liability and waive all right of recovery against each other from any loss from perils insured against under their respective insurance contracts, including any extended coverage endorsements thereto. Provided, that this section shall be inapplicable if it would have the effect, but only to the extent that it would have the effect, of invalidating any insurance coverage of Lessor or Lessee.

### 15. HOLD HARMLESS PROVISIONS, LIABILITY AND INDEMNITY

The Lessor, its officers, employees and agents, shall not be liable for any injury (including death) or damage to any persons or to any property sustained or alleged to have been sustained by the Lessee or by others as a result of any condition (including existing or future defects in the Premises), or occurrence whatsoever related in any way to the Premises or related in any way to the Lessee's use of the Premises or Lessee's performance under this Lease, except to the extent of such damage caused solely by negligence of the Lessor. Lessee agrees to defend and hold and save the

Lessor, its officers, employees and agents, harmless from any and all liability or expense (including expense of litigation) in connection with any such items of actual or alleged injury or damage.

16. OFF STREET PARKING

Lessee agrees not to use any public streets, rights of way or other properties not included in this Lease for the parking of vehicles.

17. ADVERTISING AND SIGNS

No signs or other advertising matter, symbols, canopies or awnings shall be installed, attached to or painted on the Premises without the prior written approval of the Lessor's executive director, or the executive director's designee.

18. EQUAL OPPORTUNITY

The Lessee covenants and agrees that in the performance of this Lease, the Lessee shall conduct its activities in a manner that will assure fair, equal and nondiscriminatory treatment of all persons regardless of race, creed, sex, marital status or ethnic origin. Notwithstanding any exemption contained in the State or Federal law, the Lessee shall comply with all Federal and State laws, rules or regulations concerning hiring and employment and assuring the service of all patrons, customers, members or invitees without discrimination as to any person's race, creed, sex, marital status or ethnic origin.

19. LAWS AND REGULATIONS

a. The Lessee agrees, at its sole cost and expense, to conform to, comply with and abide by all lawful rules, codes, ordinances, requirements, orders, directions, laws and regulations of the United States, the State of Washington, and any municipality or agency of any of said entities, including rules and regulations of Lessor, including without limitation those relating to environmental matters, now in existence or hereafter promulgated, applicable to the Lessee's use and operation of said Premises, including the construction of any improvements thereon, and not to permit said Premises to be used in violation of any of said rules, codes, laws or regulations. Any fees for inspection of the Premises during or for the term of this Lease by any federal, state or municipal officer shall be paid by Lessee. Lessee shall pay all costs, expenses, liabilities, losses, damages, fines, penalties, claims, and demands, including reasonable counsel fees that may in any manner arise out of or be imposed because of the failure of Lessee to comply with the covenants of this section.

b. Lessee understands that the Premises are within the Lessor's Skagit Regional Airport, situated in the Port's Industrial Development District. Lessor has or may promulgate and adopt resolutions, regulations and covenants for the orderly development, maintenance, care and control of all property within said district. The same affect Lessee's use of the Premises. Lessee agrees to comply with such resolutions, regulations and covenants in force as of the date of this Lease and all other resolutions, regulations and covenants which may be promulgated by Lessor so long as they do not discriminate against Lessee and do not prevent the conduct of Lessee's business operations.

## 20. HOLDOVER

a. Holdover as Tenant at Sufferance. If Lessee shall, without the written consent of the Lessor, hold over after the expiration of the term of this Lease, such tenancy shall be at sufferance, which tenancy may be terminated as then provided by the laws of the state of Washington. All provisions of this Lease, except those inconsistent with a tenancy at sufferance and Subsection 20(b), entitled "Rent and Terms," hereof shall remain in effect during such hold over period.

b. Rent and Terms. During such tenancy, the Lessee agrees to pay to Lessor a monthly rent equal to one and one-quarter (1-1/4) times the most recently required monthly rent amount applicable for the month in which the term hereof expired or was terminated, which rental amount the Lessee and Lessor agree is reasonable.

## 21. ENVIRONMENTAL PROVISIONS

a. Environmental Indemnification. Lessee shall defend (with legal counsel suitable to Lessor), indemnify and hold Lessor harmless from any and all claims, demands, judgments, orders or damages resulting from Hazardous Substances on the Premises or Lessor's property caused in whole or in part by the activity of the Lessee, its agents, subtenants, or any other person or entity (i) on the Premises as a result of, arising out of, or relating to Lessee's operations under this Lease or any previous lease or agreement or (ii) on the Lessor's property as a result of, arising out of, or relating to Lessee's operations under this Lease or any previous lease or agreement. It is the intent of the parties that Lessee shall be responsible and shall defend and hold Lessor harmless from any Hazardous Substances that have or may occur on the Premises or Lessor's property as a result of, arising out of, or relating to Lessee's operations since Lessee first occupied the Premises or other portion of the Lessor's property through this Lease or any previous lease or agreement with Lessor. The term "Hazardous Substances" as used herein shall mean any substance heretofore or hereafter designated as hazardous under the Resource Conservation and Recovery Act, 42 USC Sec. 6901 et seq.; the Federal Water Pollution Control Act, 33 USC Sec. 1251 et seq.; the Clean Air Act, 42 USC Sec. 7401 et seq.; the Comprehensive Environmental Response Compensation and Liability Act of 1980,

42 USC Sec. 9601 et seq.; or the Hazardous Waste Cleanup-Model Toxics Control Act, RCW 70A.305, all as amended and subject to all regulations promulgated thereunder.

i. Unconditional Environmental Obligations. Lessee's defense and indemnity obligations under this article are unconditional, shall not be discharged or satisfied by Lessor's re-entry of the Premises or exercise of any other remedy for Lessee's default under this Lease, shall continue in effect after any assignment or sublease of this Lease, and shall continue in effect after the expiration or earlier termination of this Lease.

ii. Environmental Investigations. Although Lessee shall not be liable for any Hazardous Substances on the Premises that was not caused in whole or in part by the activity of the Lessee, its agents, subtenants, or any other person or entity on the Premises as a result of, arising out of, or relating to Lessee's operations under this Lease or any previous lease or agreement, Lessee shall be responsible for the costs of any environmental investigations or remediation arising from the development or use of the Premises by Lessee, and Lessee hereby releases the Lessor from any contribution claim for those costs. By way of example only, if the Lessee excavates soil on the Premises which contains Hazardous Substances, then the Lessee will be responsible for the cost associated with disposing of those soils regardless of when or how the Hazardous Substances were released into those soils.

b. Current Conditions and Duty of Lessee. Lessor makes no representation about the condition of the Premises. Hazardous Substances may exist in, on, under or above the Premises. Lessee should, but is not required to, conduct environmental assessments or investigations of the Premises prior to or during this Lease to determine the existence, scope and location of any Hazardous Substances. If there are any Hazardous Substances in, on, under or above the Premises as of the Commencement Date, Lessee shall exercise the utmost care with respect to the Hazardous Substances, the foreseeable acts or omissions of third parties affecting the Hazardous Substances, and the foreseeable consequences of those acts or omissions.

i. Prior Notice of Environmental Investigation. Prior to conducting any environmental investigation of the subsurface of the Premises, the Lessee shall provide prior written notice to the Lessor. Lessee shall provide the Lessor with the results of all such investigations.

c. Notification and Reporting. The parties shall immediately notify one another if either of them becomes aware of any of the following:

1. A release or threatened release of Hazardous Substances in, on under or above the Premises, any adjoining property, or any other property subject to use by Lessee in conjunction with its use of the Premises;
2. Any problem or liability related to or derived from the presence of any Hazardous Substance in, on under or above the Premises, any adjoining property or any other property subject to use by Lessee in conjunction with its use of the Premises;
3. Any actual or alleged violation of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances with respect to the Premises, any adjoining property, or any other property subject to use by Lessee in conjunction with its use of the Premises; or
4. Any lien or action with respect to any of the foregoing.

i. Copies of All Environmental Reports. Lessee shall, at Lessor's request, provide Lessor with copies of any and all reports, studies or audits which pertain to environmental issues or concerns with the Premises, and which are or were prepared by or for Lessee and submitted to any federal, state or local authorities pursuant to any federal, state or local permit, license or law. These permits include, but are not limited to, any National Pollution Discharge and Elimination System permit, any Army Corps of Engineers permit, any State Hydraulics permit, any State Water Quality certification, or any Substantial Development permit

## 22. MAINTENANCE / COMMIT NO WASTE

During construction of the Improvement and at all times prior to the Occupancy Date, Lessee shall, at its sole expense and at all times, keep the Premises neat, clean, and in a sanitary condition; and keep and use the Premises in accordance with applicable laws, ordinances, rules, regulations, and requirements of governmental authorities. After the Occupancy Date, Lessee shall be responsible for all maintenance and repair of the Premises and shall conduct such maintenance and repairs in a manner and at times necessary to keep the Improvements in first class condition.

## 23. UTILITIES / ASSESSMENTS

Lessee agrees to contract with the appropriate provider and pay for all public utilities which shall be used in or charged against the Premises, and to hold the Lessor harmless from such charges. With regard to utilities provided by the Lessor including drainage, Lessee will pay to Lessor according to the Lessor's or Skagit County

Utility/Drainage District 19's established rate.

If not already paid, Lessee shall pay to the Lessor within thirty (30) days of demand, that amount that is due to Fire District No. 6 (pursuant to the Interlocal Agreement between the Fire District and Port District for construction of the Bayview Ridge Fire Station) for any industrial or commercial development of Lessee's property in the amount of \$244.00 per 1,000 square feet of development. The estimated development fees is Six Thousand Five Hundred Forty-Eight Dollars and Ninety-Six Cents (\$6,548.96).

24. LIENS AND INSOLVENCY

Lessee shall keep the Premises free from any liens arising out of work performed, materials furnished, or obligations incurred by Lessee. In the event Lessee becomes insolvent, voluntarily or involuntarily bankrupt, or if a receiver, assignee or other liquidating officer is appointed for the business of the Lessee, then the Lessor may cancel this Lease at Lessor's option.

25. TAXES

From the Occupancy Date, Lessee shall pay any taxes on the Premises and/or on the leasehold interest created by this Lease and/or any activity arising under this Lease.

26. COSTS AND ATTORNEYS' FEES

If by reason of default on the part of either party to this Lease agreement it becomes necessary to employ an attorney to recover any payments due hereunder or to enforce any provision of this Lease, the prevailing party, whether such party be the successful claimant or the party who successfully defended against the claim of the other party, shall be entitled to recover a reasonable attorney's fee and to be reimbursed for such costs and expenses as may have been incurred by such prevailing party, including those incurred on appeal.

27. TERMINATION

a. Upon termination of this Lease or any extension thereof, whether by expiration of the stated term or sooner termination thereon as herein provided, Lessee shall surrender to Lessor said Premises peaceably and quietly and in the condition required under the paragraphs entitled "MAINTENANCE/COMMIT NO WASTE" and "DISPOSITION OF EQUIPMENT AND IMPROVEMENTS AT END OF LEASE."

b. The provisions of the following paragraphs shall survive termination of this Lease: 14, 15, 19, 21, 22, 23, 24, and 25.



c. The Lessor has the right to request that Lessee remove all Improvements; at Lessee's expense.

28. DEFAULT AND RE-ENTRY

(i) Subject only to any Sublessee's right to cure the default and remain in possession under the terms of its Sublease, if (a) any Rent or other payment due from Lessee hereunder remains unpaid for more than five (5) days after the date it is due; (b) Lessee files a voluntary petition in bankruptcy or makes a general assignment to the benefit of, or a general arrangement with, creditors; (c) there is an involuntary bankruptcy filed against Lessee that has not been dismissed within thirty (30) days of filing; (d) Lessee becomes insolvent; or (e) a receiver, trustee, or liquidating officer is appointed for Lessee's business; or (ii) If Lessee violates or breaches any of the other covenants, agreements, stipulations or conditions herein, and such violation of breach shall continue for a period of ninety (90) days after written notice of such violation or breach is sent to Lessee, (each a "Default") Lessor may at its option, declare this Lease forfeited and the term hereof ended, or without terminating this Lease elect to re-enter and attempt to relet, in which event Lessee authorizes Lessor to relet the Premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rent or rents and upon such other terms and conditions as Lessor in its sole discretion deems advisable. Upon each such reletting, all rents received by Lessor from such reletting shall be applied, first, to the payment of any amounts other than rent due hereunder from Lessee to Lessor; second, to the payment of any costs and expenses of such reletting and renovation, including brokerage fees and attorneys' fees; third, to the payment of rent due and unpaid hereunder, and the residue, if any shall be held by Lessor and applied to payment of future rent as the same may become due and payable hereunder. If rent received from such reletting during any month are less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor, and Lessee covenants and agrees to pay Lessor for all other expenses resulting from its Default, including, but not limited to, brokerage commissions, attorneys fees and the reasonable cost of converting the premises for the benefit of the next lessee. Delinquent rent and other payments shall bear interest at the rate of twelve percent (12%) per annum from the date due until paid. In the event of any Lessee Default hereunder and entry in, or taking possession of, the Premises, Lessor shall have the right, but not the obligation, to remove from the Premises all personal property located therein, and may store the same in any place selected by Lessor, including but not limited to a public warehouse, at the expense and risk of the owners thereof, with the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, with the proceeds of such sale to be applied to the cost of such sale and to the payment of charges for storage, and to the payment of any other sums of money which may then be due from Lessee to Lessor under any of the terms hereof.

## 29. ASSIGNMENT AND SUBLEASE

Lessee shall not, by operation of law or otherwise, assign or sublease any portion of the Premises except as set forth below.

a. Lessee may assign this Lease to a successor person or entity after approval by the Lessor subject to the following process:

1) Lessee shall provide to Lessor notice of intent to assign Lease no less than sixty (60) days prior to the intended assignment. Such notice shall be in writing and shall at a minimum include: The assignee's name, representative, mailing and e-mail addresses, telephone and facsimile numbers.

2) The Assignee shall, at least forty-five (45) days prior to the intended assignment date, provide: (i) full and complete information, as requested by Lessor, as to Lessee's financial ability and operational/business experience to successfully conduct business in the Premises and meet the obligations, financial and otherwise, under this Lease, including references; and (ii) assignee's proposed business plan for operations under the Lease in the Premises (collectively, "Assignee's Documentation").

3) Lessor shall, within thirty (30) days of receipt of the complete Assignee's Documentation, approve or approve with conditions the assignment/assignee unless it articulates in writing a reasonable basis for rejection consistent with its then-current approval criteria for tenants at Bayview Business Park or it articulates in writing the basis for its reasonable determination that the assignee cannot meet the terms of this Lease; *provided*, that Lessor's consent may, in any event, be conditioned on the requirement that there be no uncured defaults in the Lessee's obligations under this Lease by or at the date of the assignment and/or that the assignee meet certain reasonable conditions to assure compliance with the terms of the Lease, regulatory requirements, the Lessor's mission, vision and/or development standards.

b. The consent of Lessor to any assignment or sublease shall not in any manner be construed to relieve Lessee from: 1) the requirement to obtain Lessor's express written consent to any other or further assignment; 2) its duties and obligations under the Lease.

c. Lessee will not permit any use or activity to be conducted upon the Premises that is not allowed by the Lease, Skagit County zoning ordinances or Port of Skagit County rules and regulations. Lessee will not enter into any sublease agreement when the proposed use of the Premises requires a Special Use Permit, rezone, variance of any kind, environmental impact statement or any other use that requires special

permission by a governing body, without prior written consent of the Lessor, which shall not be unreasonably withheld.

d. Lessor reserves the right to adopt a policy or policies which specifically exclude certain types of business activities that are inconsistent with Lessor's planned development of the Skagit Regional Airport or the Bayview Business Park. Lessee hereby agrees to comply with all such policy or policies that are not inconsistent with the paragraph entitled "BUSINESS PURPOSE."

e. As a condition to any assignment or sublease, Lessor may revise the rent to be consistent with its then current rent policy. The sale or transfer (whether in a single transaction or cumulatively) of fifty percent (50%) or more of the equity in Lessee shall be considered an assignment.

f. Lessee, and any of its permitted successors and assigns, may encumber its interest in this lease in favor of a third party lender ("Leasehold Mortgagee") with Lessor's prior written consent, substantially in the Port's standard form of consent to assignment, as set forth in Exhibit 2 attached hereto.

### 30. LESSOR'S RIGHT TO ENTER PREMISES

Lessor and/or its authorized representatives shall have the right to enter the Premises at all reasonable times for any of the purposes set forth below. Except in the event of bona fide emergencies, Lessor shall provide notice to Lessee and any Sublessee not less than two business days in advance of any such inspection.

a. To determine whether or not the Premises are in good condition or whether the Lessee is complying with its obligations under this Lease; and

b. To do any necessary maintenance and to make any restoration to the Premises that the Lessor has the right or obligation to perform; and

c. To repair, maintain or improve the Aprons Improvements Lease Premises ; and

d. To do any other act or thing necessary for the safety or preservation of the Premises.

Lessor shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of the Lessor's entry onto the premises as provided in this section. Lessor shall conduct its activities on the Premises as provided herein in a manner that will cause the least inconvenience, annoyance or disturbance to the Lessee.

31. RETENTION OF AIRSPACE RIGHTS BY LESSOR

Lessor retains the public and private right of flight for the passage of aircraft in the airspace above the surface of the Premises, together with the right to cause in said airspace such noise as may be inherent in the operation of aircraft, now known or as hereinafter used, for navigation of or flight in said airspace and for use of said airspace for taking off from, landing on or operating at Skagit Regional Airport.

32. FEDERAL AVIATION ADMINISTRATION REQUIREMENTS

Lessee agrees:

- a. To prevent any operation on the Premises which would produce electromagnetic radiation of a nature which would cause interference with security gates, any existing or future navigational aid or communication aid serving Skagit Regional Airport, or which would create any interfering or confusing light or in any way restrict visibility at the Airport; and
- b. To prevent any use of the Premises which would interfere with landing or taking off of aircraft at Skagit Regional Airport, or otherwise constitute an aviation hazard.

33. NOTICES

All notices or payment hereunder may be delivered or mailed. Below are the addresses of the parties:

LESSOR: Port of Skagit County  
15400 Airport Drive  
Burlington, WA 98233

Phone: (360) 757-0011  
FAX: (360) 757-0014

LESSEE: FINN HANGAR, LLC  
Loren Ness  
P.O. Box 547  
Mount Vernon, WA 98273

Phone: (360) 488-2992

34. MISCELLANEOUS

It is mutually agreed and understood that time is of the essence of this lease and that a waiver of any Default of Lessee shall not be construed as a waiver of any subsequent Default, and that any notice required to be given under this lease may be given by United States Mail addressed to the party identified in the paragraph entitled "NOTICES" of this lease.

IN WITNESS WHEREOF, Lessor has caused this instrument to be signed by its President and Secretary on the date and year first above written.

LESSOR:

PORT OF SKAGIT COUNTY




Kevin Ware, President

Date: 3/11/22

LESSEE:

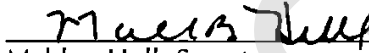
FINN HANGAR, LLC



Loren Ness

Title: Manager

Date: 3-9-2022



Mahlon Hull, Secretary

Date: 3/11/22









EXHIBIT 2

**CONSENT TO ASSIGNMENT FOR COLLATERAL**

This **CONSENT TO ASSIGNMENT FOR COLLATERAL** ("Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between the **PORT OF SKAGIT COUNTY**, a Washington municipal corporation (hereinafter referred to as "Lessor"), \_\_\_\_\_, a \_\_\_\_\_ corporation (hereinafter referred to as "Lessee"), and \_\_\_\_\_, a \_\_\_\_\_ corporation (hereinafter referred to as "Assignee").

**I. RECITALS**

**WHEREAS**, the Lessor and Lessee entered into that \_\_\_\_\_ Lease dated \_\_\_\_\_, 202\_\_\_\_, and amended or modified as follows \_\_\_\_\_ (the "Lease"), wherein the Lessor leased property to Lessee defined as the "Premises" in the Lease;

**WHEREAS**, the Lessee desires to assign the Lease to the Assignee for security purposes pursuant to the that collateral assignment agreement by and between Lessee and Assignee dated \_\_\_\_\_, 20\_\_\_\_ (hereinafter referred to as the "Collateral Assignment Agreement"), a copy of which is attached hereto as Exhibit A; and

**WHEREAS**, the Lessor is willing to consent to the Collateral Assignment Agreement pursuant to certain terms and conditions.

**II. TERMS AND CONDITIONS**

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements set forth and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **CONSENT:** Lessor consents to the Collateral Assignment Agreement on the terms and conditions set forth herein.

2. **ELECTION REQUIREMENT:**

2.1 Election Period. Notwithstanding anything in the Collateral Assignment Agreement to the contrary, this consent is granted and effective only so long as the Assignee makes, within thirty (30) days following receipt from Lessor of a notice that Lessee is in default under the terms of the Lease (the "Election Period"), a written election to either (i) reject the assignment; or (ii) to comply with all of the obligations of the Lessee under the terms of the Lease, including, but not limited to, payment of all rent, taxes, and charges. The date of mailing of such notice shall constitute the first (1<sup>st</sup>) day of the Election Period. If the thirtieth (30<sup>th</sup>) day of the Election Period falls on a weekend or holiday, then the period shall be extended until the Assignee's close of business on the next business day following the weekend or holiday.

2.2 Automatic Rejection. If the Assignee fails to act within the Election Period, then such failure shall irrevocably constitute Assignee's election to reject the assignment.

2.3 Lessor's Rights During Election Period. At any time during the Election Period before Assignee elects to comply with Lessee's obligations under the Lease, the Lessor may exercise all available remedies it has against the Lessee including, but not limited to, all remedies provided under state law, common law, or the Lease.

**3. ASSIGNEE'S OBLIGATION UNDER ASSIGNMENT:**

3.1 Purpose of Assignment. The purpose of the assignment set forth in this Agreement is to provide the Assignee with security on its loan of money or other consideration (the "Loan") granted to the Lessee. In the event of a default by the Lessee under the Loan, which default does not also constitute a default under the terms of the Lease, the Assignee shall not be obligated to exercise its rights under the Collateral Assignment Agreement.

3.2 Election of Assignment Without Activities on Premises. If the Assignee elects to exercise its remedies under the Collateral Assignment Agreement and thereby stand in the shoes of the Lessee under the Lease, then so long as the Assignee does not conduct any activities on the Premises, the Assignee shall be obligated to pay all rent, taxes, and charges pursuant to the terms of the Lease.

3.3 Election of Assignment with Activities on Premises. If the Assignee conducts any activities upon the Premises, then the Assignee shall perform and comply with all of Lessee's obligation under the Lease.

**4. ASSIGNEE'S ABANDONMENT OF ASSIGNMENT:** Notwithstanding anything in this Agreement to the contrary, the Assignee shall have the right to abandon its security interest in the Premises at any time by giving the Lessor at least sixty (60) days advance written notice of such abandonment. The abandonment shall be effective on the sixty-first (61<sup>st</sup>) day following such notice (the "Effective Date"). The Assignee shall be responsible for paying Lessor all of the rent, taxes, and other payments that accrue or become due prior to the Effective Date. Subsequent to the Effective Date, the Assignee shall have no further rights or obligations under the Lease and this Agreement.

**5. TRANSFER AND ATTORNEYS' FEES:**

5.1 Transfer Fee. Lessee shall pay an administrative handling and transfer fee ("Transfer Fee") of Three Hundred Dollars (\$300.00) to Lessor prior to Lessor reviewing the requested assignment.

5.2 Attorneys' Fees. In addition to the Transfer Fee, Lessee shall pay Lessor's reasonable and customary attorneys' fees incurred relating to the Lessee's request for Lessor's consent to this Agreement. Lessee's failure to remit this amount within sixty (60) days of the mailing of the notice of such charges shall constitute a default under this Lease. Notwithstanding anything to the contrary herein, the Lessee shall not be obligated to reimburse the Lessor in any case where an assignment or sublease is not accomplished due to total refusal on the part of Lessor to grant its consent to the request.

**6. ASSIGNMENT:** The Collateral Assignment Agreement may not be assigned by Assignee to any third parties without the prior written consent of Lessor, which Lessor shall not unreasonably delay, condition, or withhold. For the purposes of this Agreement, any change of

ownership including sale, liquidation, or other disposition of corporate stock or limited liability company units will be considered an assignment. Lessor's consent to one (1) assignment of the Collateral Assignment Agreement shall not constitute a waiver of the requirement to obtain consent to any future assignment. Any assignment of the Collateral Assignment Agreement without the prior written consent of Lessor shall constitute a default under the terms of this Agreement, and Assignee shall be responsible for all rent, taxes, and charges due under the Lease through the conclusion of the Election Period in the event there is a default under the Lease.

7. **WAIVER OF CLAIMS:** In partial consideration for consenting to this Agreement, the Lessee does hereby forever release, indemnify, and hold harmless the Lessee, its commissioners, employees, and agents from any and all Claims arising from or connected with the Lease or the Premises. For purposes of this paragraph, the term "Claims" means any and all claims, demands, lawsuits, judgments, demands, fines, or penalties, whether known or unknown and whether liquidated or unliquidated on the date of this Agreement.

8. **GOVERNING LAW:** This Agreement, and the right of the parties hereto, shall be governed by and construed in accordance with the laws of the State of Washington, and the parties agree that in any such action, jurisdiction and venue shall lie exclusively in Skagit County, Washington, and not in any federal court. The substantially prevailing party in any such dispute shall be entitled to an award of its attorneys' fees and costs.

9. **COUNTERPARTS AND ELECTRONIC TRANSMISSION:** This Agreement may be signed in counterparts. Electronic transmission of any signed original document, and retransmission of any signed electronic transmission, shall be the same as delivery of an original document.

10 **NOTICES:** Any notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other party shall be in writing and addressed to the other party at the addresses as follows:

TO LESSOR:	Port of Skagit County 15400 Airport Drive Burlington, WA 98233
TO LESSEE:	_____ _____ _____ _____
TO ASSIGNEE:	_____ _____ _____

or such address as may have been specified by notifying the other party of the change of address. Notice shall be deemed served on the date of actual delivery or the first (1<sup>st</sup>) attempted delivery as shown on the return receipt if mailed with the United States Postal Service by certified mail, return receipt requested.

11. **ENTIRE AGREEMENT:** This Agreement contains all of the understandings between the parties regarding the consent set forth herein. Each party represents that no promises, representations, or commitments have been made by the other as a basis for this Agreement which have not been reduced to writing herein. No oral promises or representations shall be binding upon either party, whether made in the past or to be made in the future, unless such promises or representations are reduced to writing in the form of a modification to this Agreement and executed with all necessary legal formalities by the Lessor.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed on the date first above written.

**LESSEE:**

**LESSOR:**

[LESSEE'S NAME]

PORT OF SKAGIT COUNTY

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

\_\_\_\_\_  
By: Sara Young  
Its: Executive Director

**ASSIGNEE:**

[ASSIGNEE'S NAME]

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

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF SKAGIT )

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared, \_\_\_\_\_, to me known to be the Executive Director of the Port of Skagit County and acknowledged the said instrument to be the free and voluntary act and deed of said municipal corporation, for the uses and purposes therein mentioned, and on oath stated that she was authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
NOTARY PUBLIC in and for the  
State of Washington, residing at \_\_\_\_\_  
My commission expires: \_\_\_\_\_

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared, \_\_\_\_\_, to me known to be the \_\_\_\_\_ of \_\_\_\_\_, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
NOTARY PUBLIC in and for the  
State of Washington, residing at \_\_\_\_\_  
My commission expires: \_\_\_\_\_

