

COPY

GROUND LEASE

Between

CITY OF CENTRALIA,

as Lessor,

and

LEWIS COUNTY PUBLIC FACILITIES DISTRICT,

as Lessee

June _____, 2010

Lewis County Event Center
Centralia, Washington

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Exhibit B	Permitted Exceptions

GROUND LEASE

THIS GROUND LEASE (this "Ground Lease") is made effective as of _____, 2010 (the "Effective Date"), by and between the CITY OF CENTRALIA, a code city operating under Title 35A RCW ("Lessor"), and the LEWIS COUNTY PUBLIC FACILITIES DISTRICT, a public facilities district created and operating under Chapter 36.100 RCW ("Lessee").

RECITALS

A. Lessor is the owner of the real estate described on Exhibit A attached hereto (the "Land") located in the City of Centralia, Lewis County, Washington.

B. Lessor intends to lease the Land to Lessee pursuant to this Ground Lease, and Lessee intends to construct, or allow its subtenant to construct, thereon (i) one or more buildings, including all HVAC, electrical, plumbing, and other building systems (collectively the "Building") and (ii) associated parking, landscaping and other improvements. The Land, together with all improvements now or hereafter located thereon, are hereinafter referred to as the "Project."

C. The initial design and construction of the Project shall be consistent with that certain Interlocal Agreement For Development of Events Center and Sports Complex between Lessor, Lessee and the Centralia School District (the "Interlocal Agreement") and the plans and specifications approved by the parties under the Interlocal Agreement.

D. Lessee intends to finance and pay the costs of the Project (other than any portion of the Project built by a subtenant) with the proceeds of tax-exempt bonds and other available funds.

E. The Project is intended to be part of a larger regional center project being constructed by Lessor, Lessee and the Centralia School District (the "School District") (as such regional center is constituted from time to time, the "Regional Center").

NOW, THEREFORE, for good and valuable consideration, including Lessee's agreement to finance and construct the Project consistent with the Interlocal Agreement, the receipt and sufficiency of which are mutually acknowledged, the parties hereto agree as follows:

1. Demise and Easements.

1.1 Demise. In consideration of the rents, covenants and agreements contained in this Ground Lease, Lessor hereby leases the Land to Lessee, and Lessee hereby leases the Land from Lessor upon and subject to the conditions set forth in this Ground Lease, and subject to those encumbrances and matters of record set forth on Exhibit B attached hereto (the "Permitted Exceptions").

1.2 Use of the Land. The Land shall be used and occupied only for the purpose of the development, operation, use, maintenance, repair, and replacement of the Project,

which Project (i) shall only be used for activities that do not disqualify the Regional Center as a "regional center" (as that term is defined in RCW 35.57) and (ii) shall not be used for any activities prohibited under applicable City of Centralia land use regulations. Without the prior written approval of Lessor, Lessee shall not use or permit the Land to be used for any purpose that would disqualify the Regional Center as a "regional center" (as that term is defined in RCW 35.57) or are prohibited under applicable City of Centralia land use regulations.

1.3 Parking, Utilities and Access Easements. Lessor agrees to grant from time to time, without the payment of additional rent or other consideration, temporary and permanent rights and easements for (i) parking, (ii) utilities and (iii) pedestrian and vehicular access to and from the Land and the Project, in each case, in, on and over the adjacent lands of Lessor as necessary for the full use and enjoyment of the Land and the Project by Lessee, subtenants and occupants of the Project, and their respective employees and invitees. Lessor and Lessee agree to execute such instruments as may be necessary to provide for such rights and easements and agree to cooperate in the location thereof.

1.4 Construction Activity. Lessor hereby grants permission to Lessee to use the adjacent lands of Lessor for staging and construction of the Project. Lessee and Lessor agree to mutually cooperate as to the timing, use, and location of such staging and construction area in order to ensure completion of the Project in a timely manner while maintaining Lessor's ability to utilize the adjacent lands for Lessor's ongoing operations.

2. Term.

2.1 Initial Term. Subject to the terms and conditions of this Ground Lease, the initial term of this Ground Lease ("Initial Term") shall (i) commence on the date that this Ground Lease is fully executed, acknowledged and delivered by Lessor and Lessee ("Commencement Date") and (ii) end on December 31, 2032.

2.2 Lessee's Right to Extend. Lessee shall have the right to extend the Term at the end of the Initial Term for one (1) period of twenty (20) years (the "Extension Period"), by giving written notice to Lessor of Lessee's election to the exercise such right to extend (the "Extension Notice") no later than six (6) months prior to expiration of the Initial Term. If Lessee fails to timely give the Extension Notice and Lessor delivers written notice of such failure to Lessee and Lessee does not deliver the Extension Notice within sixty (60) days after receipt of Lessor's written notice, Lessee will be deemed to have waived its right to extend. Lessee's occupancy during the Extension Period shall be upon the same terms and conditions as provided in this Ground Lease, except to the extent otherwise agreed upon by Lessor and Lessee..

2.3 Early Termination Rights.

2.3.1 Lessee may terminate this Ground Lease by written notice to Lessor at any time prior to June 30, 2011, if Lessee determines that the Project is not economically feasible.

2.3.2 In the event construction of the Project is not commenced on or before July 1, 2011 (the "Outside Commencement of Construction Date"), either Lessee or Lessor shall thereafter have the right to elect to terminate this Ground Lease by written notice to

other party delivered at any time after July 1, 2011, but prior to commencement of construction of the Project. The Outside Commencement of Construction Date shall be extended for any delays due to strikes, lockouts, shortages of labor or materials after due diligence in obtaining the same, governmental restrictions, fire, flood, casualty, riot, volcanic activity, act of God, act of the public enemy, terrorist acts, or other causes beyond the reasonable control of Lessee after the exercise of due diligence, including diligence in contracting, and the exercise of rights under contracts with contractors and suppliers.

2.4 Term to be Inclusive. Whenever the word "Term" is used in this Ground Lease, it shall be deemed to include the Initial Term and, if exercised, the Extension Period.

3. Rent. In partial consideration for the lease of the Land from Lessor, for the Initial Term Lessee shall pay Lessor annual rent comprised of that portion of money rent paid to Lessee by the entity that leases the Building from Lessee ("PFD's Lessee") that is in excess of fixed annual rent (currently expected to be \$25,000 per year, adjusted annually). The excess amount, transmitted by Lessee to Lessor as rent under this Ground Lease, shall be deposited in the Regional Center Expansion Fund created pursuant to the Interlocal Agreement, and used for the purposes of that fund. None of that rent shall be available for or used by Lessor or Lessee for the payment of obligations issued by Lessor or Lessee, respectively, to pay for part of the initial costs of the Regional Center. Lessee shall pay no additional rent shall be payable by Lessee other than the payment of utilities, taxes and other amount required to paid by Lessee hereunder. In addition to rent, the consideration for this Ground Lease includes Lessee's agreement to finance and construct the Project consistent with the Interlocal Agreement. Lessor and Lessee anticipate that rent paid by Lessee to Lessor under this Ground Lease during the Extension Period may be adjusted to such annual amount or amounts as the parties may later agree upon, based in part on adjustments in the rent payable to Lessee under its sublease to PFD's Lessee.

4. Construction and Future Modification and Alterations of Project.

4.1 Initial Construction. Lessee agrees to cause the Project (including any required utility and stormwater infrastructure on the Land required for the Project) to be initially constructed and developed in substantial compliance with the terms of the Interlocal Agreement and the plans and specifications approved by the parties under the Interlocal Agreement.

4.2 Future Modifications and Alterations. Lessor's approval shall not be required for any future modification, replacement, alteration, or addition to the Project, unless there is a material change to the Project which constitutes a Major Improvement. "Major Improvement" means any improvement which is expected to exceed \$1,000,000 in construction cost (adjusted as provided in Section 18.1) but excluding any improvement or alteration to the interior of the Building.

4.3 General Terms. The construction of the Project and all other improvements on the Land constructed by or on behalf of Lessee (or any subtenant of Lessee), including, without limitation, all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall be accomplished at Lessee's or such subtenant's sole risk and expense.

4.4 General Conditions. Lessee shall at all times comply with the following requirements when performing any work on the Land:

4.4.1 Contractors. All contractors used by Lessee for any work on the Land shall be licensed and reputable contractors who are experienced in the type of work to be performed. Lessee will cause prevailing wages to be paid to the extent required by law.

4.4.2 Compliance With Laws. All work on the Land shall at all times comply in all material respects with all laws, rules, orders and regulations of governmental authorities having jurisdiction thereof.

4.5 Lessor's Cooperation. Lessor agrees to cooperate reasonably with Lessee and all governmental authorities having jurisdiction to facilitate Lessee's construction, maintenance, operation, and future modification or alteration of the Project, including, without limitation, Lessor's joinder in documents relating to the granting of entitlements, easements and similar matters.

4.6 Ownership of Improvements. During the Term of this Ground Lease, the Building and all other improvements on the Land constructed by Lessee, including, without limitation, all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein, shall be owned by Lessee. Upon the expiration or earlier termination of this Ground Lease, the Project and all additions, alterations and improvements thereto or replacements thereof except for such of Lessee's fixtures, machinery and equipment as it desires to remove and except for any of the foregoing owned by any subtenant or occupant of the Project, shall become the property of Lessor. Lessee shall maintain the Project in operable condition, considering the age, construction and nature of the improvements, subject to wear and tear, casualty, condemnation and damage resulting from matters for which Lessor has indemnified Lessee under this Ground Lease.

4.7 Control. Notwithstanding anything to the contrary in this Ground Lease, during the Term of this Ground Lease, Lessee shall have exclusive control and possession of the Project.

4.8 Surrender Upon Termination. Upon expiration or sooner termination of this Ground Lease, Lessee shall surrender the Project to Lessor in good operating condition and repair taking into account the age and use of the Project, normal wear and tear and damage by fire or casualty excepted. For clarification, Lessee shall not remove any appurtenant fixtures, machinery, or equipment permanently attached to or used in connection with operation of the Project, or any additions to or replacements thereof made during the Term (in each case, other than any equipment, fixtures, improvements, and personal property belonging to any subtenant, licensee or occupant of the Project), it being the intent of the parties that upon expiration or earlier termination of this Ground Lease, Lessor shall receive an operating Project. Any of Lessee's fixtures, machinery, equipment and personal property not removed by Lessee at expiration or sooner termination of this Ground Lease or within a reasonable time thereafter shall be considered abandoned and Lessor may retain or dispose of such property.

5. Utilities and Taxes.

5.1 Utilities. For the period beginning on the Effective Date and until the expiration or earlier termination of this Ground Lease, Lessee shall pay or cause to be paid prior to delinquency, and shall indemnify, defend and hold harmless Lessor and the Project from all charges for public or private utility services to or for the Project during the Term, including without limiting the generality of the foregoing, all charges for electricity, water, gas, telephone service, garbage collection, sewage, drainage service and other services and utilities provided to or for the Project.

5.2 Taxes. For the period beginning on the Effective Date and until the expiration or earlier termination of this Ground Lease, Lessee shall pay or cause to be paid prior to delinquency each and every one of the following arising during the Term (collectively the "Impositions"): (a) all real property taxes or payments in lieu thereof due with respect to the Project or any portion thereof; (b) all taxes imposed on or with respect to personal property, inventory and intangibles located on or used in connection with the Project; (c) all assessments for public improvements or benefits which are assessed or payable during the Term of this Ground Lease with respect to the Project; and (d) all other rents, rates and charges, excises, levies, license fees, permit fees, inspection fees and other authorization fees and other charges (including interest and penalties thereon), which at any time during the Term may be assessed, levied, confirmed or imposed on or in respect of or right or interest in the Project, or any occupancy, use or possession of or activity conducted thereon or any part thereof, expressly excluding, however, any such items arising directly or indirectly out of any act or omission of Lessor, any of Lessor's predecessors in title or any other person occurring prior to the Effective Date. Notwithstanding the foregoing, the term "Impositions" shall not include (and Lessor shall pay) any federal, state, or local tax measured by net or gross income, estate, succession, inheritance or transfer tax, gross receipts tax, business and occupation tax, withholding, profit or revenue tax or charge levied upon the amounts payable to Lessor under the terms of this Ground Lease (except to the extent such tax is imposed on Lessor in lieu of real property ad valorem taxes on the Project), any franchise, capital or doing business tax or license fee that may be levied upon or against Lessor or any successor or corporate landlord or any similar obligations assessed against or imposed on Lessor by any governmental body.

6. Lessor's Representations and Warranties. Lessor represents, warrants and covenants that:

6.1 Title. Fee simple title to the Property is vested in Lessor, subject to no defects or encumbrances except for the Permitted Exceptions. Lessor shall, at or prior to the Effective Date, cause the Project to be free of all liens and encumbrances except for the Permitted Exceptions.

6.2 Hazardous Substances. The Land (including, for the purposes of this paragraph only, any contiguous property) (i) is free of the presence of Hazardous Substances and there have been no releases of Hazardous Substances on the Land; and (ii) has not at any time been used for the generation, transportation, management, handling, treatment, storage, manufacture, emission, disposal or deposit of any Hazardous Substances or fill or other materials containing Hazardous Substances. To the best of Lessor's knowledge, the Land is in compliance

with all environmental laws regulating or relating to Hazardous Substances and Lessor has received no notices alleging or inquiring as to any noncompliance therewith. Lessor shall be solely responsible for all claims, judgments, damages, penalties, fines, expenses, liabilities or losses relating to the presence, release or disposal of Hazardous Substances that were present in the soil, groundwater or soil vapor on or under the Land or any adjacent or nearby property as of the Effective Date of this Ground Lease, including any costs of investigation or remediation of such Hazard Substances that may be required by any federal, state or local government agency. "Hazardous Substances" means asbestos (whether or not friable), petroleum and petroleum derivatives and products, and any industrial waste, toxic waste, chemical or other substance which, as of the date of this Ground Lease, is listed, defined or otherwise designated as hazardous or toxic under any federal, state or local laws or regulations or any administrative agency rule or determination applicable to the Land.

6.3 No Actions. There is no action, suit, proceeding (including but not limited to any condemnation proceeding) or investigation pending, or to Lessor's knowledge threatened, before any agency, court or other governmental authority which relates to the Land or the use thereof.

6.4 Compliance with Laws. The Land complies with all applicable governmental requirements in respect of the use and occupation thereof, including but not limited to environmental, zoning, platting and other land use requirements, and Lessor has received no notice of and has no knowledge of any violations or investigations relating thereto. There is no default or breach by Lessor under any covenants, conditions, restrictions, rights-of-way, or easements which may affect the Land or any portion thereof.

6.5 Utilities. Gas, electric power, telephone, sanitary and storm sewer and water facilities are available at the boundary of the Land in quantities satisfactory to service the Project. No condition exists which would result in the discontinuation of necessary sewer, water, electric, gas, telephone, or other utilities.

6.6 Street Dedication; Access. Access to the Land is provided by publicly dedicated streets (or by permanent non-terminable easements providing direct access between the Land and publicly dedicated streets). No condition exists which would result in the termination of impairment of access to the Land.

6.7 Wetlands. No portion of the Land is or could be designated as a "wetland" as defined by any governmental agency having jurisdiction over the Land.

6.8 Legally Subdivided Lot. The Land is a legally subdivided lot.

6.9 Buried Tanks. There are no underground storage tanks on the Land.

6.10 Adverse Facts. Lessor knows of no facts, nor has Lessor failed to disclose any fact, which would prevent or materially impair Lessee from constructing, using and operating the Project in the manner in which it is intended to be used and operated by Lessee.

7. Lessor's Right to Inspect. Lessor shall have the right to inspect the Land at any time upon prior written notice subject to reasonable restrictions contained in any sublease of the Project which are applicable to Lessee and any provisions of applicable law.

8. Liens; Security Interest. Except as specifically approved in writing by Lessor, Lessee will not directly or indirectly create or permit to be created or to remain, and will discharge any mortgage, lien, security interest, encumbrance or charge on, pledge of or conditional sale or other title retention agreement with respect to the Land, any part thereof, the Project, Lessee's interest therein, or any equipment, fixtures or personalty on the Land that is imposed by or as a result of the actions of Lessee.

9. Damage and Destruction.

9.1 Repairs, Alterations and Further Improvements. In the event of damage to or destruction of the Building or any improvements on the Land to be covered by the insurance described in Section 10, the following provisions in this Section 9 shall govern:

9.1.1 Damages Covered by Insurance. If sufficient funds are available from the property insurance acquired pursuant to Section 10 to effect the repair or restoration of the damaged improvements to the condition and form prior to such damage or destruction and such repairs or reconstruction of any such damage or destruction can be made under then existing laws, ordinances, statutes or regulations of any governmental authorities applicable thereto (or can be so made with minor and non-material changes to the improvements damaged or destroyed), then Lessee shall effect such repair and restoration, and Lessor and Lessee agree that all funds derived from insurance acquired pursuant to Section 10 shall be made available to effect such repair and reconstruction of the structure or improvement so damaged or destroyed to substantially its condition prior to said damage or destruction with such alterations thereto as Lessee shall reasonably determine prudent or valuable under the circumstances, including any changes required to comply with applicable law, with the then prevailing construction practices or market conditions applicable to the Project. In order for Lessee to be required to effect such repair and restoration under this Section 9.1.1, the available insurance proceeds must be sufficient to cover the cost of all labor, materials and other construction costs, direct and indirect (including but not limited to overhead charges, contractors' fees, architects' fees, permits and taxes) so as to fully complete the repairing, restoring and/or rebuilding of the damage improvements.

9.1.2 Damage Not Covered by Insurance. If sufficient funds from the property insurance acquired pursuant to Section 10 to effect the repair or restoration of the damaged improvements to the condition and form prior to such damage or destruction are not available, or if such reconstruction or rebuilding of any such damage or destruction cannot be made under then existing laws, ordinances, statutes or regulations of any governmental authorities applicable thereto (and cannot be so made with minor and non-material changes to the improvements damaged or destroyed) to the former condition and form prior to such damage or destruction, then Lessee may (i) elect to terminate this Ground Lease within one hundred fifty (150) days after such damage or destruction or (ii) elect to reconstruct the Project and Lessee shall provide the funds therefor in excess of any available insurance proceeds. Lessor and

Lessee agree that all funds derived from insurance acquired pursuant to Section 10 shall be made available to effect such repair and reconstruction.

9.1.3 Prompt Repair. If Lessee pursuant to the terms hereof is obligated or elects to repair, replace, reconstruct or rebuild the Project or any portion thereof as hereinabove provided, the same shall be effected at Lessee's cost and expense (which may be paid from insurance proceeds available as above provided), and Lessee shall, after commencing construction, diligently and continuously carry out such repair, replacement, reconstruction or rebuilding to full completion as soon as possible, except to the extent of delays due to strikes, lockouts, shortages of labor or materials after due diligence in obtaining the same, governmental restrictions, fire, flood, casualty, riot, volcanic activity, act of God, act of the public enemy, terrorist acts, or other causes beyond the reasonable control of Lessee after the exercise of due diligence, including diligence in contracting, and the exercise of rights under contracts with contractors and suppliers.

9.1.4 Termination. This Ground Lease and the Term shall not terminate or be terminated because of damage to or destruction of all or any portion of the Project except under and in accordance with the provisions hereinabove contained.

9.1.5 Damage During Last Ten (10) Years of Term. If there occurs, during the last ten (10) years of the Initial Term or the Extension Period, damage or destruction to all or any portion of the Project and the cost of repairing, restoring, replacing or rebuilding the same exceeds Two Hundred Fifty Thousand Dollars (\$250,000) (adjusted as provided in Section 18.1), then Lessee may elect to terminate this Ground Lease and, in such event, Lessee shall give notice to Lessor of its election within one hundred fifty (150) days after the determination by Lessee of the reasonable costs of such repair and restoration.

10. Insurance.

10.1 Property Insurance. At all times during the Term of this Ground Lease, Lessee shall maintain, or cause the subtenants or occupants of the Project to maintain, physical damage insurance covering all improvements, excluding personal property paid for by subtenants or paid for by Lessee for which subtenants have reimbursed Lessee, located on or in, or constituting a part of, the Project, in an amount equal to one hundred percent (100%) of the replacement cost of all such property (or such lesser amount as Lessor may approve in writing). Such insurance shall (a) be provided on a special causes of loss commercial property insurance form and (b) include demolition coverage. Lessee shall maintain, or cause the subtenants or occupants of the Project to maintain, flood insurance if the Project is located within an area identified (by governmental authorities) as an area have special flood hazards and to the extent available at commercially reasonable cost. Neither Lessee nor any subtenant shall not be required to maintain insurance for earthquake, earth movement, terrorist acts, or war risks.

10.2 Liability Insurance. At all times during the Term of this Ground Lease, Lessee shall cause the subtenants of the Project to maintain in full force a policy or policies of commercial general liability (CGL) insurance, including covering liability arising from premises, operations, independent contractors, products-completed operations, personal injury, advertising injury, and property damage and contractual liability coverage, on an occurrence basis, with

coverage at least as broad as the most commonly available ISO Commercial General Liability policy CG 00 01, at least Five Million Dollars (\$5,000,000) per occurrence limit, Ten Million Dollars (\$10,000,000) general aggregate limit and Five Million Dollars (\$5,000,000) products-completed operations aggregate limit. There shall be no endorsement or modification for liability arising from explosion, collapse or underground property damage. At all times during the Term of this Ground Lease, Lessee shall cause the subtenants of the Project to maintain business automobile liability insurance including contractual liability coverage, on an occurrence bases, with coverage at least as broad as the most commonly available ISO form CA 00 01, in the amount of at least Two Million Dollars (\$2,000,000) combined single limit/per accident, covering all owned, non-owned, hired, and leased vehicles for injury (or death) and property damage. All insurance policy limits in this Section 10.2 shall be adjusted as provided in Section 18.1).

10.3 Worker's Compensation Insurance. At all times during the Term of this Ground Lease, Lessee shall cause the subtenants of the Project to maintain worker's compensation insurance for all persons employed by such subtenants at the Premises in compliance with federal, state and local law.

10.4 Terms of Insurance. Lessee shall provide to Lessor certificates of insurance obtained by Lessee hereunder promptly upon the request of Lessor. Further, all policies of insurance described in Section 10 shall:

10.4.1 Licensed in State. Be written by companies licensed to do business in the state of Washington. All policies of insurance required to be maintained shall be issued by insurance companies with a current A.M. Best's financial strength rating of "A" or better and an A.M. Best's Financial Size Category of Class "VII" or higher.

10.4.2 Primary. Contain a clause that such policy and the coverage evidenced thereby shall be primary and non-contributing with respect to any policies carried by Lessor. Any insurance, self-insurance, or insurance pool coverage maintained by Lessor shall be excess of such insurance and shall not contribute with it. All insurance coverage must be on an "occurrence basis"; "claims made" forms of insurance are not acceptable, and shall contain a severability of interest clause.

10.4.3 Additional Named Insured. Name Lessor as an additional insured utilizing endorsements that are acceptable to Lessor in Lessor's sole discretion ("certificate holder" status is not acceptable).

10.4.4 Notice of Cancellation. Not be subject to cancellation or reduction in coverage except upon at least thirty (30) days prior written notice to each additional insured by certified mail, return receipt requested. If Lessee or a subtenant fails to comply with the insurance requirements set forth in this Ground Lease, Lessor shall have the right, but not the obligation, at any time and from time to time, following notice to Lessee of default under this Article 10, to procure such insurance and/or pay the premium for such insurance, in which event Lessee shall repay Lessor, immediately upon demand by Lessor, all actual sums so paid by Lessor and any reasonable costs or expenses incurred by Lessor in connection therewith, without prejudice to any other rights and remedies of Lessor under this Ground Lease.

10.5 Evidence of Insurance. Lessee shall furnish, or cause subtenant's to furnish, Lessor with original certificates and a copy of the amendatory endorsements, including but not necessarily limited to the additional insured endorsements, evidencing the insurance requirements hereunder.

10.6 Insurance Money and Other Funds. All insurance proceeds received by Lessee shall be held by Lessee and, except as provided otherwise in Section 10.7, shall be applied as follows: (a) for the purpose of defraying the cost of repairing, restoring, replacing and/or rebuilding any structure or improvement on or in the Land as provided in Section 10.7 hereof and (b) second, if the damaged or destroyed structure or improvement is not repaired, restored, replaced or rebuilt as hereinafter provided, or if any such funds remain unapplied upon termination of this Ground Lease, such funds shall be disposed of as provided in Section 10.7.

10.7 Application of Proceeds of Physical Damage Insurance. In the event of any repair, replacement, restoration, or rebuilding of the improvements pursuant to Section 9 or otherwise, Lessee shall apply the proceeds of the insurance collected pursuant to Section 10.6 to the cost of such work upon certificate of satisfactory progress and/or completion in form satisfactory to Lessee by the licensed architect or engineer in charge of the work. Upon completion of such repair, replacement, restoration or rebuilding in accordance with the provisions of this Ground Lease, and the full payment of the costs therefor, any insurance proceeds received by Lessee with respect to such damage or destruction and not so used, shall remain the property of Lessee.

If Lessee shall elect to terminate this Ground Lease on account of damage or destruction pursuant to a right to do so, or this Ground Lease shall otherwise terminate without repair of the damage or destruction, any such insurance proceeds received and held by Lessee and not used for repair, replacement or reconstruction ("Available Proceeds"), shall be disposed of as follows:

10.7.1 First, to payoff and retire in full all amounts due under any bonds or other financing secured or entered into by Lessee with respect to the Project;

10.7.2 Second, to Lessor in an amount sufficient to remove any improvements not repaired and to return the Land to the level of adjacent properties; and

10.7.3 Third, any remainder shall be paid to Lessor and Lessee, and shall be divided between them according to the present value of their respective interests in the leasehold estate and the Project without regard to any early termination due to such damage or destruction. In making such determination, it shall be assumed that the Extension Period has been exercised.

10.8 Waiver of Subrogation. Lessee shall cause its property insurance carrier(s) to release and waive all rights of subrogation against Lessor to the extent a loss is covered by property insurance in force; provided, however, that this Section 10.8 shall be inapplicable if it would have the effect of invalidating any insurance coverage of Lessee.

11. Eminent Domain.

11.1 Total Taking. In the event of the taking or condemnation of the whole of the Project or materially all of the Project at any time during the Term, this Ground Lease shall terminate as of the date of possession by the condemnor.

11.2 Partial Taking. In the event of a partial taking or condemnation, e.g., a taking or condemnation of less than the whole or materially all of the Project, the Term of this Ground Lease (except as hereinafter provided) shall continue; provided, if the remaining part of the Project not so taken cannot be adequately restored, repaired or reconstructed so as to constitute a complete functional unit of property of substantially the same usefulness, design and construction as immediately before such taking, capable of providing Lessee with a facility (including parking and access) that meets its then current requirements, as reasonably determined by Lessee, then Lessee shall have the right, to be exercised by written notice to Lessor within sixty (60) days after the date of taking, to terminate this Ground Lease as to such remaining part of the Project not so taken on a date to be specified in said notice not earlier than the date of such taking. In such case Lessee shall perform all of the obligations of Lessee hereunder to such date and thereupon this Ground Lease shall terminate. If this Ground Lease is not terminated as hereinabove provided, and if such taking occurs prior to the last ten (10) years of the Initial Term or the Extension Period, as applicable, then, (i) as to the Project not taken in such condemnation proceeding, Lessee shall proceed diligently, to the extent the portion of the condemnation award paid to Lessee is sufficient for such purpose, to make an adequate restoration, repair or reconstruction of the part of the Project not taken so as to restore, repair or reconstruct the Project, to the extent practicable, to a functional unit of substantially the same usefulness, design, construction and quality prior to such taking and (ii) upon completion of such repair, replacement, restoration or rebuilding, and the full payment of the costs therefor, any remaining condemnation portion of the condemnation award with respect to such damage or destruction and not so used, shall be divided by the parties as provided in Section 11.3.3.

11.3 Application of Condemnation Award. If this Ground Lease is terminated under this Section 11, the condemnation award, shall be disposed of as follows:

11.3.1 First, to payoff and retire in full all amounts due under any bonds or other financing secured or entered into by Lessee with respect to the Project;

11.3.2 Second, to Lessor in an amount sufficient to remove any improvements not repaired and to return the Land to the level of adjacent properties; and

11.3.3 Third, any remainder shall be paid to Lessor and Lessee, and shall be divided between them according to the present value of their respective interests in the leasehold estate and the Project, together with interest thereon from the date of taking to the date of payment at the rate paid on the award, and attorney's fees and other costs to the extent awarded. The present values of Lessor's and Lessee's respective interests in the leasehold estate and Project shall be established by the same court of law or other trier of fact that establishes the amount of the condemnation award. Such value shall be determined without regard to any early termination of this Ground Lease due to any taking or condemnation and shall assume that the Extension Period has been exercised.

Lessor agrees if Lessor is the condemnor, the amount of the condemnation award shall be sufficient to payoff and retire in full all amounts due under any bonds or other financing secured or entered into by Lessee with respect to the Project.

12. Events of Default by Lessee and Lessor's Remedies.

12.1 Events of Default by Lessee. The following occurrences or acts shall constitute an event of default under this Ground Lease by Lessee: If Lessee shall (i) default in making payment when due of any amount payable by Lessee hereunder; or (ii) default in the observance or performance of any other substantial provision of this Ground Lease to be observed or performed by Lessee hereunder; and, in either case, if such default shall continue for sixty (60) days, in each case after Lessor shall have given to Lessee written notice specifying such default and demanding that the same be cured, or, with respect to a default under subsection (ii), if by reason of the nature thereof such default cannot be cured by the payment of money and cannot with due diligence be wholly cured within such period of sixty (60) days, if Lessee shall fail to proceed promptly to cure the same and thereafter prosecute the curing of such default and with all commercially reasonable due diligence, it being intended in connection with a default not susceptible of being wholly cured with commercially reasonable due diligence within such period that the time within which to cure the same shall be extended for such period as may be necessary to complete the curing of the same with all due diligence.

12.2 Events of Default by Lessor. The following occurrences or acts shall constitute an event of default under this Ground Lease by Lessor: If Lessor shall (i) default in making payment when due of any amount payable by Lessor hereunder; or (ii) default in the observance or performance of any other substantial provision of this Ground Lease to be observed or performed by Lessor hereunder; and, in either case, if such default shall continue for sixty (60) days, in each case after Lessee shall have given to Lessor written notice specifying such default and demanding that the same be cured, or, with respect to a default under subsection (ii), if by reason of the nature thereof such default cannot be cured by the payment of money and cannot with due diligence be wholly cured within such period of sixty (60) days, if Lessor shall fail to proceed promptly to cure the same and thereafter prosecute the curing of such default and with all commercially reasonable due diligence, it being intended in connection with a default not susceptible of being wholly cured with commercially reasonable due diligence within such period that the time within which to cure the same shall be extended for such period as may be necessary to complete the curing of the same with all due diligence.

12.3 Remedies Upon Event of Default. In the event of any default by a party as defined hereinabove which default remains uncured after the expiration of the respective period set forth above, the other party may exercise any remedy which may be available to the other party at law or equity, including but not limited to actions for damages, and/or injunctive relief; provided, that, Lessor shall not have the right to terminate this Ground Lease prior to the end of the Term.

12.4 Cumulative Rights and Remedies. The rights and remedies reserved to herein, including those not specifically described, shall be cumulative, and, except as provided by Washington statutory law in effect at the time, any and all such rights and remedies may be pursued at the same time or independently.

12.5 No Waiver. No delay or omission of a party to exercise any right or remedy shall, except as expressly provided herein, be construed as a waiver of any such right or remedy or of any default hereunder.

12.6 Attorneys' Fees. If either party incurs any expenses, including but not limited to reasonable attorneys' fees, consultant and expert witness fees, in connection with any action or proceeding instituted by any party by reason of any default or alleged default of a party hereunder, the party prevailing in such action or proceeding shall be entitled to recover its reasonable expenses from the other party hereof. For purposes of this provision, in any action or proceeding instituted pertaining to this Ground Lease, a party shall be deemed the prevailing party if (i) judgment is entered substantially in favor of said party or (ii) before trial or judgment the other party shall pay all or any portion of the charges claimed by said party, or the other party shall eliminate the condition(s), cease the act(s) or otherwise cure the omissions(s) claimed by said party to constitute a default by the other party hereunder.

12.7 Dispute Resolution. The parties may mediate any dispute over the interpretation of any terms or conditions under this Ground Lease. Mediation will be made available upon request of any party. The costs associated with any such mediation shall be shared equally by the parties.

13. Quiet Enjoyment. If and so long as Lessee shall pay all rent and all other amounts payable by Lessee hereunder whenever the same shall become due and shall keep all of the covenants and conditions required by it to be kept during this Ground Lease and shall perform all of its other obligations hereunder, Lessor covenants and agrees that Lessor will not interfere with the peaceful and quiet occupation and enjoyment of the Land by Lessee, which occupation and enjoyment shall be without hindrance, ejection or molestation by Lessor.

14. Lessee to Comply with Applicable Laws and Agreements.

14.1 Compliance with Laws. Lessee shall not use, or permit others to use, the Land or permit anything to be done in or about the Land which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Except as provided in this Ground Lease, Lessee shall, at its sole cost and expense, promptly comply, or cause any tenant or occupant of the Project to comply, with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, and obtain, or cause any tenant or occupant of the Project to obtain, all permits, licenses or other approvals required by governmental agencies or bodies. Lessee shall further comply with, or cause any tenant or occupant of the Project to comply with, the requirements of any board or fire insurance underwriters or other similar bodies now or hereafter constituted, relating to, or affecting the condition, use or occupancy of the Land.

14.2 Compliance with Agreements. Lessee shall comply with all insurance policies and applicable agreements to which Lessee is a party or by which it is bound, now or hereafter in effect, and all agreements of which Lessee has notice and which are now in effect and applicable to the Land.

15. Waiver Limitations. The waiver by either party of any term, covenant or condition herein contained on the part of the other party to be performed shall not be deemed a waiver of such term, covenant or condition for any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant or condition of this Ground Lease, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

16. Notices. All notices, demands, requests, or other writings in this Ground Lease (each a "Notice") provided to be given or made or sent, or which may be given or made or sent, by either party hereto to the other shall be in writing and shall be deemed to have been duly given if (i) delivered personally, (ii) sent by a nationally recognized overnight delivery service, (iii) electronically transmitted (including facsimile) with confirmation sent by another method specified in this Section 16, or (iv) if mailed or deposited in the United States mail and sent by registered or certified mail, return receipt requested, postage prepared to: depositing the same in the United States mails, certified, registered or equivalent, return receipt requested, postage prepaid, properly addressed, and sent to the following addresses or:

If to Lessor: City of Centralia
 118 W. Maple St.
 Centralia, WA 98531-0609
 Attention: City Manager
 Fax No.: (360) 330-7673

If to Lessee: Lewis County Public Facilities District
 c/o Lewis County Treasurer
 360 Northwest North Street
 Chehalis, WA 98532-1900
 Fax No.: (360) 740-1493

or to such other address as either party may from time to time designate by Notice to the other. All notices shall be deemed complete upon actual receipt or refusal to accept delivery.

17. Assignment and Subleasing.

17.1 Assignment. Subject to Section 17.2, Lessee shall not assign, mortgage, or encumber this Ground Lease or delegate the duties of Lessee under this Ground Lease without the prior written consent of Lessor. A consent to one assignment shall not be deemed to be a consent by Lessor to any subsequent assignment by another person. This Ground Lease shall not, nor shall any interest of Lessee herein, be assignable by operation of law, without prior written consent of Lessor.

17.2 Subleasing. Lessee may sublet the whole or any part of the Project without Lessor's consent. Lessee upon request shall provide Lessor with copies of all subleases.

17.3 Non-Disturbance of Subtenants. Upon the request of Lessee, but subject to the last sentence of this Section 17.3, Lessor shall within a reasonable time execute, acknowledge and deliver a non-disturbance agreement with any subtenant of space in the Project to the effect that, in the event of termination of this Ground Lease prior to the expiration date for any reason, (a) such subtenant shall be entitled to continued occupancy in the Project in accordance with its sublease with Lessee as long as such sublease is not terminated in accordance with its terms (including termination for default upon expiration of all applicable periods to cure), and (b) such subtenant agrees to attorn to Lessor under the applicable sublease (including the payment of all rental and other charges without offset for prepayments previously made other than rental and other charges paid not more than one month in advance) and agrees not to effect the termination of the same due to any termination of this Ground Lease, and upon such other terms and conditions as are customary in similar circumstances. Provided, however, Lessor shall not be obligated to deliver any non-disturbance agreement with respect to any subtenant unless Lessee has delivered a copy of the sublease to Lessor and Lessor has approved the sublease, such approval not to be unreasonably withheld, conditioned or delayed.

17.4 Revenue from Project. All income, revenue and other amounts received from the Project during the Term from subtenants, occupants or users of the Project or from any other source are the sole property of Lessee or such other persons or entities as the Lessee may determine.

18. Miscellaneous.

18.1 Escalation. The dollar amounts stated in Sections 4.2, 9.1.5 and 10.2 and any other sections referring to this Section 18.1 shall be adjusted on the fifth anniversary of the Effective Date and every fifth anniversary date thereafter ("Anniversary Date") during the Term of this Ground Lease to a dollar amount which bears the same ratio to the original dollar amount set forth herein as the following-described index figure published for the latest date prior to the date such adjustment is to be effective bears to such index figure published for the latest month prior to the date hereof. The index figure to be utilized in calculating such adjustments shall be the Consumer Price Index for Urban Wage Earners and Clerical Workers (all Items, all Cities) (1982-84=100), presently published by the United States Department of Labor (the "Index"). In the event the Index shall hereafter be converted to a different standard reference base or otherwise revised, the determination of the percentage increase shall be made with the use of such conversion factor, formula or table for converting the Index as may be published by the Bureau of Labor Statistics or, if said Bureau shall not publish the same, then with the use of such conversion factor, formula or table as may be published by Prentice Hall, Inc., or, failing such publication, by any other nationally recognized publisher of similar statistical information. In the event the Index and/or a conversion factor shall cease to be published, then, for the purposes of this Ground Lease, there shall be substituted for the Index such other index as Lessor and Lessee shall agree upon.

18.2 Lessor and Lessee to Furnish Statement. Within twenty (20) days after written request from a party, the other party will furnish a written statement, duly acknowledged, as to such matters as the requesting party may reasonably request.

18.3 Time of Essence. Time is of the essence in regard to performance of the covenants and agreements stated herein.

18.4 Amendments. No change in or addition to or waiver or termination of this Ground Lease any part hereof, shall be valid unless made in writing and signed by or on behalf of the party charged therewith.

18.5 Severability. If any provision of this Ground Lease (other than those relating to payment of rent) or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Ground Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Ground Lease shall be valid and be enforced to the fullest extent permitted by law.

18.6 Survival. Each provision of this Ground Lease which may require the payment of money by, to or on behalf of Lessor or Lessee or third parties after the expiration of the Term hereof or its earlier termination shall survive such expiration or earlier termination.

18.7 Governing Law; Venue. This Ground Lease shall be construed in accordance with and governed by the laws of the State of Washington. Each party hereto (a) consents and submits itself to the personal jurisdiction of any Federal or state court located in or applicable to Lewis County, Washington, in the event any dispute arises out of this Ground Lease, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Ground Lease in any court other than a Federal or state court located in or applicable to Lewis County, Washington.

18.8 Headings. The article, section and paragraph headings herein contained are for the purposes of identification and reference convenience only and shall not be considered in construing this Ground Lease.

18.9 Consents and Approvals. Whenever the consent or approval of Lessor or Lessee is required hereunder, such consent or approval shall not be unreasonably withheld, conditioned or delayed.

18.10 Successors and Assigns. Subject to the provisions hereof restricting the sublease or assignment by Lessee, all the terms and provisions of this Ground Lease shall be binding upon and to the benefit of and be enforceable by the parties and the successors and assigns of the parties.

18.11 No Merger. In no event shall the leasehold interest of Lessee hereunder merge with any estate of Lessor in or to the Land or any leasehold interest hereafter granted by Lessee to Lessor with respect to the Land or the Building. In the event that Lessor acquires the leasehold interest of Lessee, such leasehold interest shall not merge with Lessor's fee interest in the Land and this Ground Lease shall remain in full force and effect.

18.12 Counterparts; Recording of Memorandum. This Ground Lease may be executed in several counterparts, each of which shall be deemed an original for all purposes.

Either Lessor or Lessee shall have the right to record a memorandum of this Ground Lease and the parties shall cooperate in execution of such memorandum.

18.13 Schedule of Exhibits. This Ground Lease includes the following exhibits attached hereto and incorporated herein by this reference.

EXHIBIT A Land Legal Description

EXHIBIT B Permitted Exceptions

[signatures on following page]

IN WITNESS WHEREOF, Lessor and Lessee have executed this Ground Lease effective as of the date set forth in the first paragraph of this Ground Lease to evidence their agreement to the terms of this Ground Lease.

DATED the date first above written.

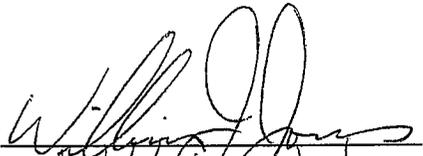
LESSOR:

CITY OF CENTRALIA,
a code city operating under Title 35A RCW

By: 
Name: Sherman M. Olson
Its: Interim City Manager

LESSEE:

LEWIS COUNTY PUBLIC FACILITIES DISTRICT,
a public facilities district created and operating under Chapter 36.100 RCW

By: 
Name: William Jones
Its: Chairman PFD

ACKNOWLEDGEMENT OF LESSOR

STATE OF WASHINGTON)
) ss.
COUNTY OF Lewis)

I certify that I know or have satisfactory evidence that Shannon Murphy-Olson is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the Interim City Manager of the CITY OF CENTRALIA, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 11th day of June, 2010.



Kathy M Elder
(Signature of Notary)

Kathy M Elder
(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington,
Residing at Centralia

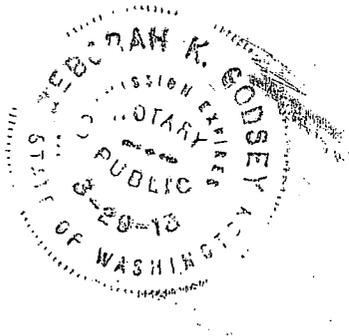
My appointment expires 11-10-2011

ACKNOWLEDGEMENT OF LESSEE

STATE OF WASHINGTON)
) ss.
COUNTY OF Lewis)

I certify that I know or have satisfactory evidence that William J Jones is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the CHAIRMAN of the LEWIS COUNTY PUBLIC FACILITIES DISTRICT, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 10th day of June, 2010.



Deborah K Godsey
(Signature of Notary)
DEBORAH K GODSEY
(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington,
Residing at Centralia

My appointment expires 03-29-2013

EXHIBIT A

Legal Description

(To be attached, consistent with the Interlocal Agreement and with legal description determined by the Parties after final survey)

EXHIBIT B

Permitted Exceptions

(Permitted Exceptions, if any, to be attached after legal description is finalized)