

After Recording Return To:

Port of Skagit County
15400 Airport Dr.
Burlington, WA 98233

46
KATHY HILL
SKAGIT COUNTY CLERK

'99 MAY 27 P3:29

RECORDED _____ FILED _____
REQUEST OF _____

9905270074

LAND TITLE COMPANY OF SKAGIT COUNTY
P-89721-E

Document Title: ASSIGNMENT OF LEASE

Reference Number(s) of Related Document(s): 9905170311

Grantor(s) [Assignor(s)]: JONES, JONES AND JONES, INC.

Additional Grantor(s)/Assignor(s) on page ____ of Document.

Grantee(s) [Assignee(s)]: T.K.L., L.L.C.

Additional Grantee(s)/Assignee(s) on page ____ of Document.

Abbreviated Legal Description: Ptn. Skagit Regional Airport Binding Site
Plan, Phase 1 in 3-34-3 & 34-35-3 EWM

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

Assessor's Tax/Parcel Number(s): 8012-000-914-0100/L109267

ASSIGNMENT OF LEASE

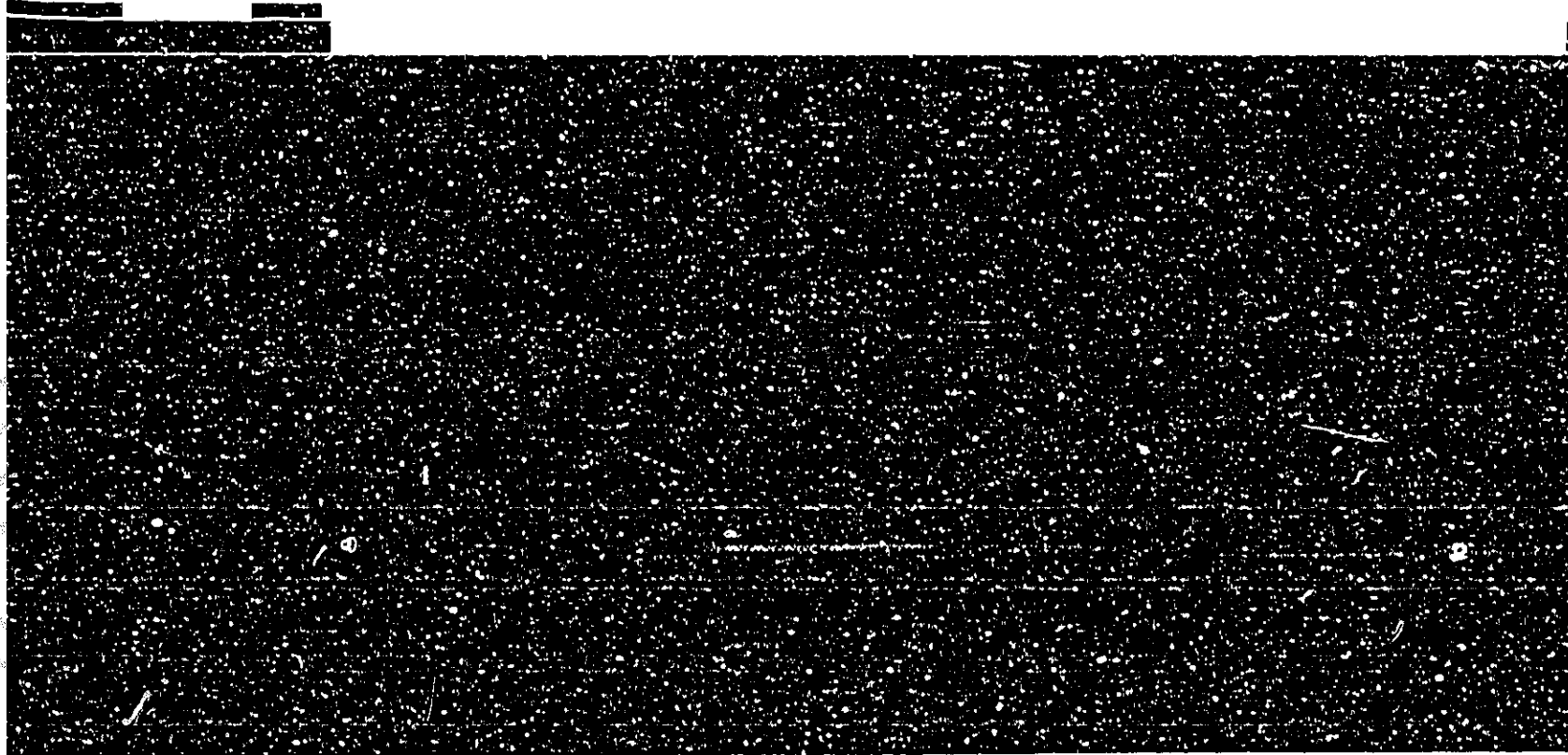
FOR VALUE RECEIVED, PAUL JONES d/b/a JONES, JONES AND JONES, INC., a Washington corporation, as Assignor, hereby grants, bargains, sells, assigns, transfers and delivers unto T.K.L., L.L.C., a Washington limited liability company, as Assignee, Assignor's interest and position in and to the LEASE AGREEMENT dated the 26th day of August, 1992, as amended by AMENDMENT TO LEASE AGREEMENT dated January 19, 1999 ("lease"), by and between the PORT OF SKAGIT COUNTY, a Washington municipal corporation, as Lessor, and PAUL JONES d/b/a JONES, JONES AND JONES, INC., a Washington corporation, as Lessee, said lease being the lease under which Assignor claims right, title and interest from the PORT OF SKAGIT COUNTY. This assignment is made pursuant to that certain agreement between Assignor and Assignee, dated October 7, 1998

Consent by the PORT OF SKAGIT COUNTY to this Assignment of Lease is based on:

JONES, JONES AND JONES, INC.
ASSIGNMENT OF LEASE - 1

9905270074

BK 1997 PG 0043



1. The Assignee's assumption of all the Assignor's obligations contained in the above referenced lease, and acceptance of, and agreement and covenant to comply with, all the terms and conditions contained in the above referenced lease, between the PORT OF SKAGIT COUNTY, as Lessor, and JONES, JONES AND JONES, INC., as Lessee, a copy of which is collectively attached hereto as Exhibits "1" and "2".

2. The Assignor's financial obligations to the PORT OF SKAGIT COUNTY being current and Assignor's compliance with its obligations to the PORT OF SKAGIT COUNTY under the above referenced lease.

3. The Assignee's submission of financial information as proof of being financially responsible Assignee.

4. The Assignee's agreement that all notices and payments hereunder may be delivered or mailed. If delivered by messenger, courier (including overnight air courier) or facsimile transmittal, the same shall be deemed delivered when received at the street addresses or facsimile numbers listed below. All notices and payments mailed, whether sent by regular post or by certified or registered mail, shall be deemed to have been given on the second business day following the date of mailing, if properly mailed to the mailing addresses provided below. The parties may designate new or additional addresses for mail or delivery by providing notice to the other party as provided in this section.

To Lessor:

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

Mailing Address:
Port of Skagit County
P.O. Box 348
Burlington, WA 98233

Phone No.: (360) 757-0011 Fax No.: (360) 757-0014

To Assignee:

Street Address:
T.K.L., L.L.C.
307 South First Street
Mount Vernon, WA 98273

Mailing Address:
T.K.L., L.L.C.
307 South First Street
Mount Vernon, WA 98273

Phone No.: (360) 336-9557 Fax No.: (360) 336-5035

5. The PORT OF SKAGIT COUNTY's acceptance of the schedule of personal property to be conveyed by Assignor to Assignee attached hereto as Exhibit "3" and included herein by reference.

6. The Assignee's acknowledgment that the lease is linked to RESTATED LEASE AGREEMENT dated January 19, 1999, and that the Lessor has not waived Lessee's duty to give Lessor notice of intention to lease or sell the premises pursuant to paragraph 13 of the August 26, 1992 LEASE AGREEMENT.

The signature of the Assignor hereinafter made constitutes evidence of Assignor's continued liability for the matters set forth in paragraph 2. above.

The signatures of the Assignee hereinafter made constitute evidence of Assignee's agreement to comply with the matters referenced in the paragraphs above and Assignee's assumption of and agreement to perform and fulfill the Lessee/Assignor's obligations referenced in the paragraphs above.

DATED this 18th day of May, 1999.

ASSIGNORS:

JONES, JONES AND JONES, INC.

By: Paul Jones
Paul Jones, President

Paul Jones
Paul Jones, Individually

ASSIGNEES:

T.K.L., L.L.C.

Howard Curtis Tronsdal
Howard Curtis Tronsdal, Manager

James B. Koetje
James B. Koetje, Manager

Richard Lemmon
Richard Lemmon, Manager

29540
FRANCIS COUNTY WASHINGTON
Real Estate Excise Tax
PAID

MAY 27 1999

Amount Paid \$ 5590.62
Skagit County Treasurer
By: [Signature]

STATE OF WASHINGTON)

SNODGRASS SS.
COUNTY OF SKAGIT)

On this 17th day of May, 1999, before me personally appeared PAUL JONES, to me known to be the President, of the corporation that executed the within and foregoing instrument, and acknowledged 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 was duly authorized to execute the same and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.



(Signature)

Ronald L. Weiss

(Print Name)

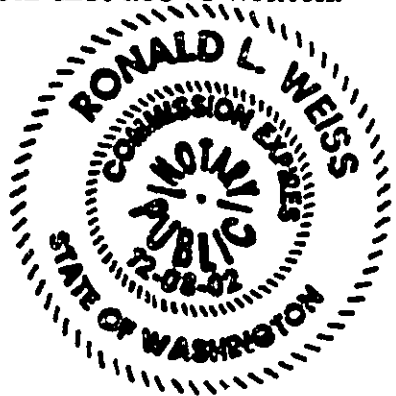
Notary Public in and for the State of
Washington, residing at LAKE STEVENS
My Commission expires: 12.08.02

STATE OF WASHINGTON)

SNODGRASS SS.
COUNTY OF SKAGIT)

On this 17th day of May, 1999, before me personally appeared PAUL JONES, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged he signed and sealed the same as his free and voluntary act and deed for the uses and purposes herein mentioned.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

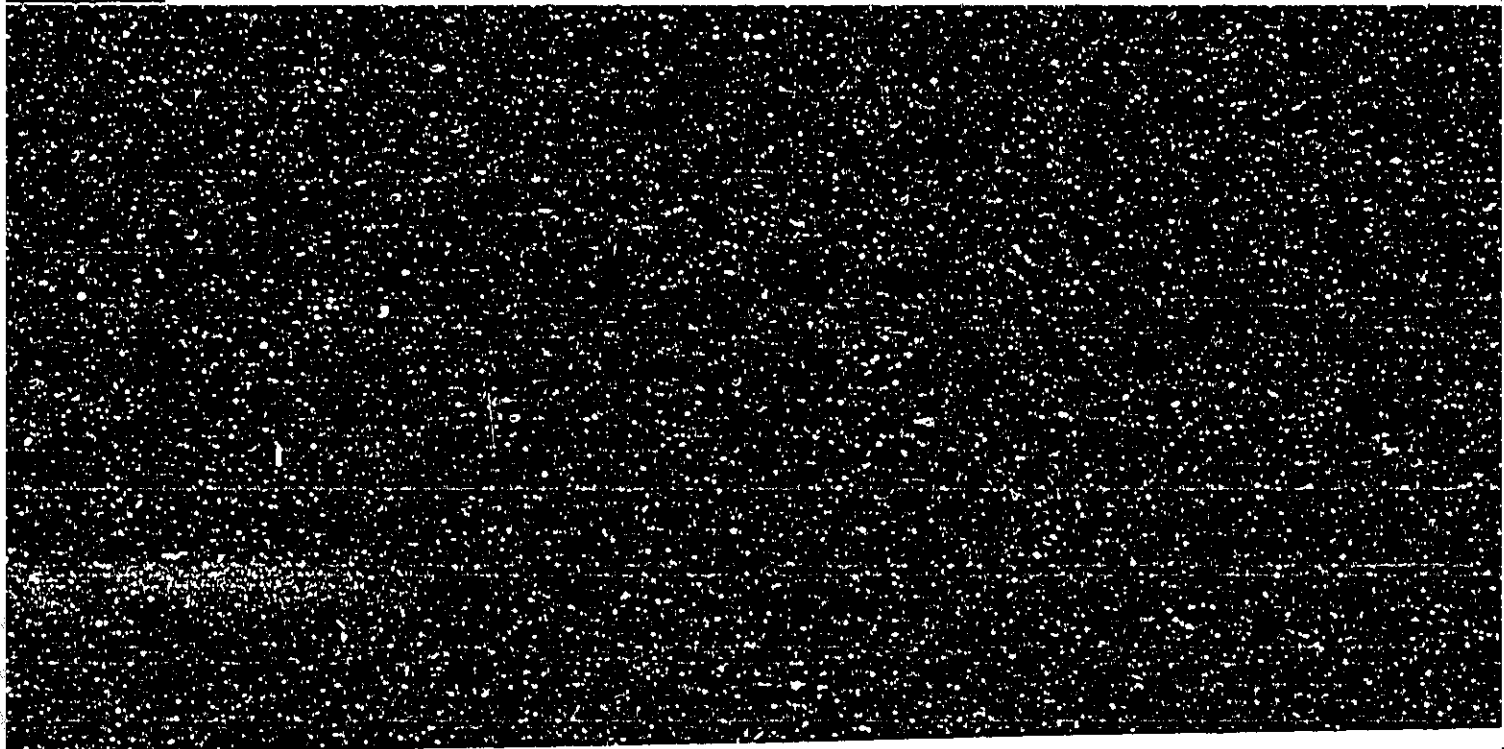


(Signature)

Ronald L. Weiss

(Print Name)

Notary Public in and for the State of
Washington, residing at LAKE STEVENS
My Commission expires: 12.08.02

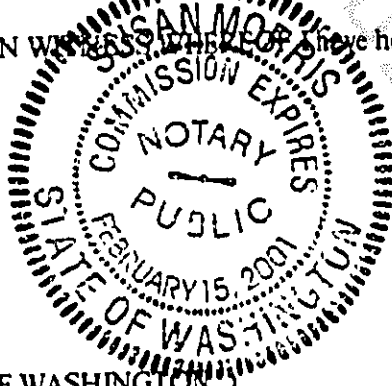


STATE OF WASHINGTON)

COUNTY OF SKAGIT)

On this 17th day of May, 1999, before me personally appeared HOWARD CURTIS TRONSDAL, to me known to be a Manager of the limited liability company who executed the within and foregoing instrument, and acknowledged that said instrument to be the free and voluntary act and deed of said limited liability company for the uses and purposes herein mentioned and on oath stated that he was duly authorized to execute the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.



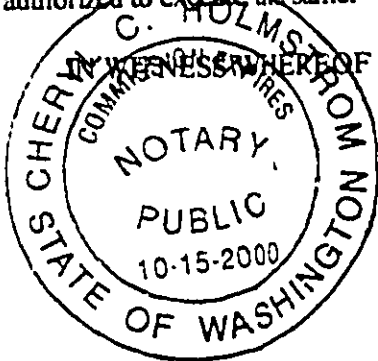
Susan Morris
(Signature)
Susan Morris
(Print Name)
Notary Public in and for the State of
Washington, residing at Whatum
My Commission expires: 2-15-01

STATE OF WASHINGTON)

COUNTY OF SKAGIT)

On this 14th day of May, 1999, before me personally appeared JAMES B. KOETJE, to me known to be a Manager of the limited liability company who executed the within and foregoing instrument, and acknowledged that said instrument to be the free and voluntary act and deed of said limited liability company for the uses and purposes herein mentioned and on oath stated that he was duly authorized to execute the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.



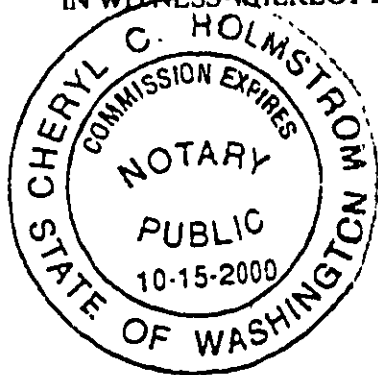
Cheryl C Holmstrom
(Signature)
CHERYL C Holmstrom
(Print Name)
Notary Public in and for the State of
Washington, residing at Mount Vernon
My Commission expires: 10-15-2000

STATE OF WASHINGTON)

COUNTY OF SKAGIT)

On this 17th day of May, 1999, before me personally appeared RICHARD LEMMON, to me known to be a Manager of the limited liability company who executed the within and foregoing instrument, and acknowledged that said instrument to be the free and voluntary act and deed of said limited liability company for the uses and purposes herein mentioned and on oath stated that he was duly authorized to execute the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.



Cheryl C Holmstrom
(Signature)
CHERYL C. Holmstrom
(Print Name)
Notary Public in and for the State of
Washington, residing at Mount Vernon
My Commission expires: 10-15-2000

PORT OF SKAGIT COUNTY
LEASE AGREEMENT

Exhibit "1"

This is a lease made and entered into this 26th day of August, 1992, by and between the PORT OF SKAGIT COUNTY, a Washington municipal corporation, hereinafter referred to as "Lessor", and PAUL JONES D/B/A JONES, JONES & JONES, INC., a Washington corporation, hereinafter referred to as "Lessee".

W I T N E S S E S :

1. Property Subject to This Lease Agreement: 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:

a. Leased Premises: Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, the following described premises, situated in the Bayview Business & Industrial Park within unincorporated Skagit County, Washington:

Parcel "A"

That portion of the Skagit Regional Airport Binding Site Plan, as recorded in Book 7 of Short Plats at Page 111 through 120, situate in the Southwest quarter of Section 34, Township 35 North, Range 3 East, W.M., and the Northwest quarter of Section 3, Township 34 North, Range 3 East, W.M., Skagit County, Washington and more particularly described as follows:

Commencing at the section corners common to said Sections 34 and 3; thence South 88°44'25" East along the said common section line, 1933.45 feet; thence North 0°15'35" East at right angles, 4.12 feet to the TRUE POINT OF BEGINNING, said point also being a point on a building restriction line, as delineated on the face of said binding site plan; thence North 37°38'02" East 72.46 feet to the intersection of a right-of-way margin depicted on the face of said binding site plan; thence South 55°00'00" West along said margin, 53.38 feet to a point of curvature; thence along the arc of said curve to the left having a radius of 399.55 feet through a central angle of 25°00'00" and an arc distance of 74.34 feet to a point of compound curvature; thence continuing along the margin of said road in a curve to the left having a radius of 180 feet through a central angle of 15°41'07" an arc distance of 49.28 feet; thence South 0°39'25" West, 185.98 feet to the intersection with the aforementioned building restriction line, from which the TRUE POINT OF BEGINNING bears South 52°21'58" East; thence North 52°28'50" along said building restriction line 372.15 feet to the TRUE POINT OF BEGINNING of this property description, and containing 32,738 square feet or 0.75 acre as depicted on Exhibit "A" attached hereto, hereinafter called the "premises".

Parcel "B"

That portion of the Northwest quarter of Section 3, Township 34 North, Range 3 East, W.M., situate in Skagit County, State of Washington, as described as follows:

Commencing at the Northwest corner of said Section 3; thence South 88°44'25" East along the North line of said subdivision a distance of 2233.10 feet; thence South 1°15'35" West a distance of 216.58 feet to the intersection with the building restriction line, as delineated on the face of Skagit Regional Airport Binding

Site Plan as recorded in Book 7 of Short Plans, at Pages 111 through 120, records of Skagit County, Washington; thence South 52°21'58" East, along said building restriction line, 62.54 feet; thence North 0°39'25" East 236.62 feet to the intersection of a right-of-way margin depicted on the face of said binding site plan, said point also being a point on curvature from which the radius point bears North 22°11'28" West 180 feet; thence in a counter clockwise direction along said margin through a curve having a central angle of 16°30'21", having an arc length of 51.86 feet, from which the TRUE POINT OF BEGINNING bears North 0°39'25" East; thence South 0°39'25" West 185.98 feet to the TRUE POINT OF BEGINNING of this property description and containing 10,498 square feet or 0.24 acre as depicted on Exhibit "A" attached hereto, hereinafter called the premises.

Parcel "C"

Non-exclusive use (use in common) of a parcel of land containing approximately 2,400 square feet (120 feet by 20 feet) to accommodate vehicular parking as depicted on Exhibit "B" attached hereto.

Parcel "D"

Non-exclusive use (use in common) of a parcel of land containing approximately 1,800 square feet (90 feet by 20 feet) to accommodate vehicular parking as depicted on Exhibit "B" attached hereto.

The property referenced above (Parcels "A", "B", "C" and "D") is subject to restrictions, easements, and reservations of record. The Lessor reserves a non-exclusive easement over and across the property to provide ingress and egress to any and all such buildings and areas and other adjacent properties owned by Lessor. Lessor shall exercise said easement so as not to unreasonably interfere with Lessee's use of the property.

2. Condition of Property. Lessee accepts the property in its present condition and 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.

3. Term. The term of this lease shall be for thirty (30) years, beginning September 1, 1992, through August 31, 2022, unless sooner terminated or further extended pursuant to any provision of this lease.

4. Rental. Lessee shall pay to Lessor an initial rent for the premises of Two Hundred Twenty-Seven Dollars and forty-six cents (\$227.46) per month, plus leasehold tax, payable monthly in advance in U. S. currency. Rental payments will commence upon issuance of Certificate of Occupancy or on March 1, 1993, whichever occurs first.

5. Option to Extend. Lessee is granted the right to extend this lease for two (2) consecutive ten (10) year option periods by giving written notice of said intention to Lessor not less than ninety (90) days prior to the expiration of the initial term or any extended term, conditioned upon the fact that all terms, covenants and conditions of the initial or extended term have been fully met and fulfilled. All terms and conditions of the initial term shall continue with the exception that the rental shall be adjusted as herein provided.

6. Periodic Rental Adjustments. Rental shall be adjusted at the end of each three (3) year period of the lease term, or any extended term. No adjusted rental shall be less than the rental being adjusted nor shall any adjusted rental exceed the rental being adjusted by more than nine (9) percent. The date of any such change in rental is called the "Change Date", as defined in paragraph 7 of this lease.

7. Procedure to Determine Adjusted Rental.

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

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

ii. "Change Date" herein shall initially be the commencement date of this lease, and thereafter the first day of the month following each 36 month period of this lease or any extension thereof as herein provided.

iii. "Price Index" means the U.S. City Average Consumer Price Index for all Urban Consumers 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 nationally 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.

b. Formula: The rental rate(s) being adjusted shall be multiplied by a multiplier equal to the change in the Price Index computed as follows: (Rental being adjusted) times (Price Index for the most recent month divided by the Price Index for the month of the most recent Change Date in rental). The Price Index in effect at the commencement of this lease is 140.5, for the month of July, 1992

8. Security for Rent. To secure the rent hereunder, Lessee agrees to furnish, in form and content satisfactory to Lessor, rental insurance, bond or other security to the Lessor in an amount equal to one (1) year's rental.

9. 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 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. In addition, the 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 \$500,000.00 single limit liability, including fire legal 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), to indemnify both the Lessor and Lessee against any such liability or expense. The Lessor shall be named as one of the insureds, and shall be furnished a copy of such

policy or policies of insurance or certificate of such insurance coverage by the lessor, 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.

10. Purpose, Purpose and Type of Activity. It is understood and agreed that Lessee intends to erect structures and improvements upon the premises for the purpose of developing industrial and commercial buildings and subselling to third parties. It is further understood that this is the only type of activity to be conducted upon the premises and failure to perform this type of business or cessation of such business or carrying on of other activities without first obtaining a lease modification with lessor's written approval of such other activities shall constitute a cause for default.

11. Construction of Improvements. Lessee intends to construct improvements on the premises, at Lessee's cost, which it shall own. Lessee will not commence construction of any improvements without prior written consent of Lessor. Lessee shall submit to Lessor all plans and specifications relating to such construction of improvements, in accordance with Lessor's Bayview Business and Industrial Park Development Standards. Lessee shall comply with all regulations of federal, county, and state governments in the construction of all improvements.

12. Assignment of Improvements at End of Lease. Lessee shall have the right to remove all buildings, 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 completion 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. All other improvements shall become the property of the Lessor. If Lessee does not remove all buildings, 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 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. Following removal of said described property, the premises shall then be restored by Lessee to a condition requiring Lessor to only undertake normal excavation for construction of a new building, or to such other condition satisfactory to Lessor prior to termination of this lease.

13. Lessor's Options on Lease and Purchases. a. If at any time during the initial or extended term of this Lease Agreement, the Lessee shall desire to lease any structures or improvements erected on the premises, for and in consideration of the sum of ONE DOLLAR (\$1.00), the Lessee hereby grants to Lessor the first and exclusive option to lease the same for the entire initial or extended term of this Lease Agreement at such price and on such terms as the Lessee is willing to lease said structures or improvements to third parties, and Lessee agrees to provide the Lessor with ninety (90) days written notice of its intention to lease and the terms of said lease, and Lessor shall have said ninety (90) days within which to exercise this option by entering into the necessary instruments to meet the said terms for lease of said structures or improvements. In the event Lessor does not exercise said option, Lessee agrees that it shall not thereafter lease any of said structures or improvements to any third party for any lesser sum or on more reasonable terms, without first again offering the structures or improvements to the Lessor. b. If at any time during the initial or extended term of this Lease Agreement, the Lessee shall desire to sell any structures or improvements erected on the premises, for and in consideration of the sum of ONE DOLLAR (\$1.00), the Lessee hereby grants to Lessor

LEASE AGREEMENT - Page 4.

the first and exclusive option to purchase the same at such price and on such terms as the Lessee is willing to sell said structures or improvements to third parties, and Lessee agrees to provide the Lessor with ninety (90) days written notice of its intention to sell and the terms of said sale, and Lessor shall have said ninety (90) days within which to exercise this option by entering into the necessary instruments to meet the said terms for purchase of said structures or improvements. Any sale by Lessee shall be premises on Lessee furnishing good, sufficient and marketable title. Conveyance shall be by Bill of Sale, free of encumbrances, and containing usual warranties of title. In the event Lessor does not exercise said option, Lessee agrees that it shall not thereafter sell any of said structures or improvements to any third party for any lesser sum or on more reasonable terms, without first again offering the structures or improvements to the Lessor. c. That which is provided for in a. and b. is not intended to cause nor does it cause or induce Lessee to enter into this Lease Agreement. Furthermore, as to b. above, that which is otherwise provided for in this Lease Agreement, as to Lessee's obligations relative to disposing of the structures or improvements erected on the premises, shall be a factor in determining the value of the structures or improvements erected on the premises.

14. Off Street Parking. Lessee agrees to provide space for the parking of vehicles in the number necessary to comply with zoning and development/land use plan requirements on property included within this lease; and not to use any public streets, rights of way or other properties not included in this lease for the parking of said vehicles.

15. Lessee Will Obtain Permits. Lessee agrees to obtain and comply with all necessary permits for the operation and conduct of Lessee's business and construction of any leasehold improvements. If Lessee fails to obtain and comply with such permits, then Lessee accepts full responsibility for any and all costs incurred by the Lessor, including actual attorney's fees, occasioned by Lessee failing to obtain and/or comply with such permits. Lessee agrees to hold the Lessor harmless from any liability and to fully reimburse expenses of the Lessor for Lessee's failure to obtain and/or fully comply with any necessary permit.

16. Maintenance of Facilities. Lessee shall be responsible for all maintenance and/or repair of the leased premises and all improvements thereon. The premises shall be maintained in such condition so as not to create a hazard nor be unsightly, and shall at all times conform to existing laws.

17. Utilities. Lessee agrees to pay for all public utilities which shall be used in or charged against the premises, and to hold the Lessor harmless from such charges.

18. 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.

19. Liens and Insolvency. Lessee shall keep the leased 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.

20. Taxes. Lessee shall be liable for, and shall pay throughout the term of this lease, all license fees and excise taxes payable for, or on account of, the activities conducted on the premises and all taxes on the property of Lessee on the premises and any taxes on the premises and/or on the leasehold interest created by this lease and/or any taxes levied in lieu of a tax on said leasehold interest and/or any taxes levied on, or measured by, the rental payable hereunder, whether imposed on Lessee or on the Lessor. With respect to any such taxes payable by the Lessor which are on or measured by the rent payments hereunder, Lessee shall pay to the Lessor with each rent payment an amount equal to the tax on, or measured by, that particular payment. All other tax amounts for which the Lessor is or will be entitled to reimbursement from Lessee shall be payable by Lessee to the Lessor at least fifteen (15) days prior to the due dates of the respective tax amounts involved; provided, that Lessee shall be entitled to a minimum of ten (10) days written notice of the amounts payable by it.

21. Laws and Regulations. The Lessee agrees to conform to and abide by all lawful rules, codes, 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, where 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 said rules, codes, laws or regulations.

22. Alterations. Lessee shall not make alterations to the leased premises without first obtaining the written consent of the Lessor.

23. Commit No Waste. Lessee agrees not to allow conditions of waste and refuse to exist on the premises and to keep the premises in a neat, clean, and orderly condition and to be responsible for all damages caused to the premises by Lessee, its agents or any third party.

24. Costs and Attorneys' Fees. In the event it is necessary for either party herein to bring an action to enforce the terms, conditions or covenants of this lease, then the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements.

25. Equal Opportunity. Lessee agrees that in the conduct of activities on the premises it will be an equal opportunity employer in accordance with Title 6 of the 1964 Civil Rights Act.

26. Termination. 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 paragraph 12 herein.

27. Default and Re-Entry. Time is of the essence of this agreement. (i) If (a) any rent or other payment due from Lessee hereunder remains unpaid for more than ten (10) 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 thirty (30) days after written notice of such violation or breach is sent to Lessee, then 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 rental or rentals and upon such other terms and conditions as Lessor in its sole discretion deems advisable. Upon each such reletting, all rentals 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 rental 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 rental 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 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.

28. Assignment. Lessee will not, by operation of law or otherwise, assign any portion of the lease premises without Lessor's prior written consent, which consent shall not be unreasonably withheld. The Consent of Lessor to any assignment shall not in any manner be construed to relieve Lessee from obtaining Lessor's express written consent to any other or further assignment.

- a. Financial responsibility of assignee.
- b. Whether the intended use of the premises by assignee is consistent with applicable zoning and the development and land use plan of the Port of Skagit County.

Any assignee of any portion of the lease premises shall expressly assume, and by reason of such assignment shall be considered as having assumed, and become bound to all of Lessee's obligations hereunder.

The assignment of Lessee's interests in this lease shall not in any manner release Lessee from payment of rent or the performance of the covenants herein contained, or from any of the terms of this lease.

Lessee and assignee shall execute a Consent to Assignment in a form satisfactory to Lessor. Such Consent is subject to approval by the Port Commission of the Port of Skagit County.

29. Subleases. As described in paragraph 10 of this lease, Lessee intends to enter into third party sublease agreements for the premises herein described. Lessee shall exercise good judgment when considering the type of business activity which will be permitted by sublessee.

Lessee will not permit any use or activity to be conducted upon the premises that does not conform to Skagit County zoning ordinances. 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,

Determination of Non-Significance, or any other use that requires special permission by a governing body, without the prior written consent of the Port Commission, which consent shall not be unreasonably withheld.

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 Bayview Business and Industrial Park. Lessee hereby agrees to comply with all such policy or policies.

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 following purposes:

- a. To determine whether or not the premises are in good condition or whether the Lessee is complying with its obligations under this lease;
- b. To do any necessary maintenance and to make any restoration to the premises that the Lessor has the right or obligation to perform;
- c. To post "For Rent" or "For Lease" signs during any period that the Lessee is in default;
- d. To repair, maintain or improve the premises; and
- e. To do any other act or thing necessary for the safety or preservation of the premises.

In this regard, 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 paragraph; except, 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. Right of Quiet Enjoyment. Lessor acknowledges that it has ownership of the premises heretofore described and that it has the legal authority to lease said premises unto Lessee. Lessor covenants that Lessee's right of occupancy shall not be disturbed during the term of this lease so long as the terms are complied with by Lessee and subject to the provisions of paragraph 30.

32. Time is of the Essence. 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 paragraph 36 of this lease.

33. Waiver of Subrogation. Lessor hereby releases Lessee from any and all right, claim and demand that Lessor may hereafter have against Lessee, or Lessee's successors or assigns, arising out of or in connection with any loss or losses occasioned by fire and such items as are included under the normal extended coverage clauses of fire insurance policies, and does hereby waive all rights of subrogation in favor of insurance carriers against Lessee arising out of any losses occasioned by fire and such items as are included under the normal extended coverage clauses of fire insurance policies and sustained by Lessor in or around the premises. Lessee hereby releases Lessor from any and all right, claim and demand that Lessee may hereafter have against Lessor or Lessor's successors or assigns, arising out of or in connection with any loss or losses occasioned by fire and such items as are included under the normal extended coverage clauses of fire

insurance policies, and does hereby waive all rights of subrogation in favor of insurance carriers against Lessor arising out of any losses occasioned by fire and such items as are included under the normal extended coverage clauses of fire insurance policies and sustained by Lessee in or around the premises. The waivers provided for in this paragraph shall be applicable and effective only in the event such waivers are obtained from the insurance carriers concerned.

34. Federal Aviation Administration Requirements.

Lessee agrees:

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

35. 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 hereinbefore described, 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.

36. Notices. All notices or payment hereunder may be delivered or mailed. If mailed, they should be sent to the following respective addresses:

LESSOR:
Port of Skagit County
P. O. Box 348
Burlington, WA 98233

LESSEE:
Jones, Jones & Jones
P. O. Box 87
Lakewood, WA 98259

37. Lessee's Fire Insurance Coverage. Lessee shall at Lessee's expense maintain on all of Lessee's personal property and leasehold improvements and alterations on the premises, a policy of standard fire insurance, with extended coverage in the amount of their replacement value.

38. Bayview Business and Industrial Park Covenants, Ordinances and Regulations. Lessee understands that the area leased is within the Lessor's Bayview Business and Industrial Park, situated in Industrial Development District No. 1. Lessor has or may promulgate and adopt ordinances, regulations and covenants for the orderly care, maintenance, development and control of all property within said district and all Lessee's use thereof. Lessee agrees to comply with such covenants, ordinances and regulations in force as of the date of this lease and all other covenants, ordinances and regulations which may be promulgated by Lessor.

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

PORT OF SKAGIT COUNTY

Patricia R. Burklund
Patricia R. Burklund, Executive Director

LESSOR

JONES, JONES & JONES

By: Paul Jones
Paul Jones, Its President

By: Paul Jones
Paul Jones, Individually

LESSEE



Leonard, Boudinot & Skodje Inc.
PROFESSIONAL ENGINEERS & LAND SURVEYORS

JOHN E. LEONARD JR. PE & P.L.S.
ROBERT J. BOUDINOT JR. PE
JEFFREY A. SKODJE P.L.S.

July 31, 1992

Job No. 92185

LEGAL DESCRIPTION FOR: Port of Skagit County

PAPCEL "A": Lease between Jones, Jones and Jones at the Skagit County Regional Airport

That portion of the Skagit Regional Airport Binding Site Plan, as recorded in Book 7 of Short Plats at Pages 111 through 120, situate in the Southwest quarter of Section 34, Township 35 North, Range 3 East, W.M., and the Northwest quarter of Section 3, Township 34 North, Range 3 East, W.M., Skagit County, Washington, and more particularly described as follows:

Commencing at the section corners common to said Sections 34 and 3; thence South $89^{\circ}44'25''$ East along the said common section line, 1933.46 feet; thence North $0^{\circ}15'35''$ East at right angles, 4.12 feet to the TRUE POINT OF BEGINNING, said point also being a point on a building restriction line, as delineated on the face of said binding site plan; thence North $37^{\circ}38'02''$ East 72.46 feet to the intersection of a right-of-way margin depicted on the face of said binding site plan; thence South $55^{\circ}00'00''$ West along said margin, 53.38 feet to a point of curvature; thence along the arc of said curve to the left having a radius of 399.55 feet through a central angle of $25^{\circ}00'00''$ and an arc distance of 74.34 feet to a point of compound curvature; thence continuing along the margin of said road in a curve to the left having a radius of 180 feet through a central angle of $15^{\circ}41'07''$ an arc distance of 49.28 feet; thence South $0^{\circ}39'25''$ West, 185.98 feet to the intersection with the aforementioned building restriction line, from which the TRUE POINT OF BEGINNING bears South $52^{\circ}21'58''$ East; thence North $52^{\circ}28'50''$ along said building restriction line 372.15 feet to the TRUE POINT OF BEGINNING.

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Mount Vernon Office: 603 South First Street, Mount Vernon, WA 98273. (206) 336-5751; FAX (206) 336-2961
Anacortes Office: 826 Commercial Avenue, Anacortes, WA 98221. (206) 293-4509
Mailing Address: P.O. Box 225, Mount Vernon, WA 98273

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Leonard, Boudinot & Skodje Inc.
PROFESSIONAL ENGINEERS & LAND SURVEYORS

JOHNE LEONARD JR. PE & PLS
ROBERT C BOUDINOT JR. PE
JEFFREY A SKODJE PLS

July 31, 1992

Job No. 92185

LEGAL DESCRIPTION FOR: Port of Skagit County

PARCEL "B": Lease between Jones, Jones and Jones at the Skagit County Regional Airport

That portion of the Northwest quarter of Section 3, Township 34 North, Range 3 East, W.M., situate in Skagit County, State of Washington, as described as follows:

Commencing at the Northwest corner of said Section 3; thence South $88^{\circ}44'25''$ East along the North line of said subdivision a distance of 2233.10 feet; thence South $1^{\circ}15'35''$ West a distance of 216.58 feet to the intersection with the building restriction line, as delineated on the face of Skagit Regional Airport Binding Site Plan, as recorded in Book 7 of Short Plats, at Pages 111 through 120, records of Skagit County, Washington; thence South $52^{\circ}21'58''$ East, along said building restriction line, 62.54 feet; thence North $0^{\circ}39'25''$ East 236.62 feet to the intersection of a right-of-way margin depicted on the face of said binding site plan, said point also being a point on curvature from which the radius point bears North $22^{\circ}11'28''$ West 180 feet; thence in a counter clockwise direction along said margin through a curve having a central angle of $16^{\circ}30'21''$, having an arc length of 51.86 feet, from which the TRUE POINT OF BEGINNING bears North $0^{\circ}39'25''$ East; thence South $0^{\circ}39'25''$ West 185.98 feet to the TRUE POINT OF BEGINNING.

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Mount Vernon Office 603 South First Street, Mount Vernon, WA 98273, (206) 336-5751/FAX (206) 336-3961
Anacortes Office 606 Commercial Avenue, Anacortes, WA 98221, (206) 293-4508
Mailing Address PO Box 1222, Mount Vernon, WA 98273

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UNOFFICIAL

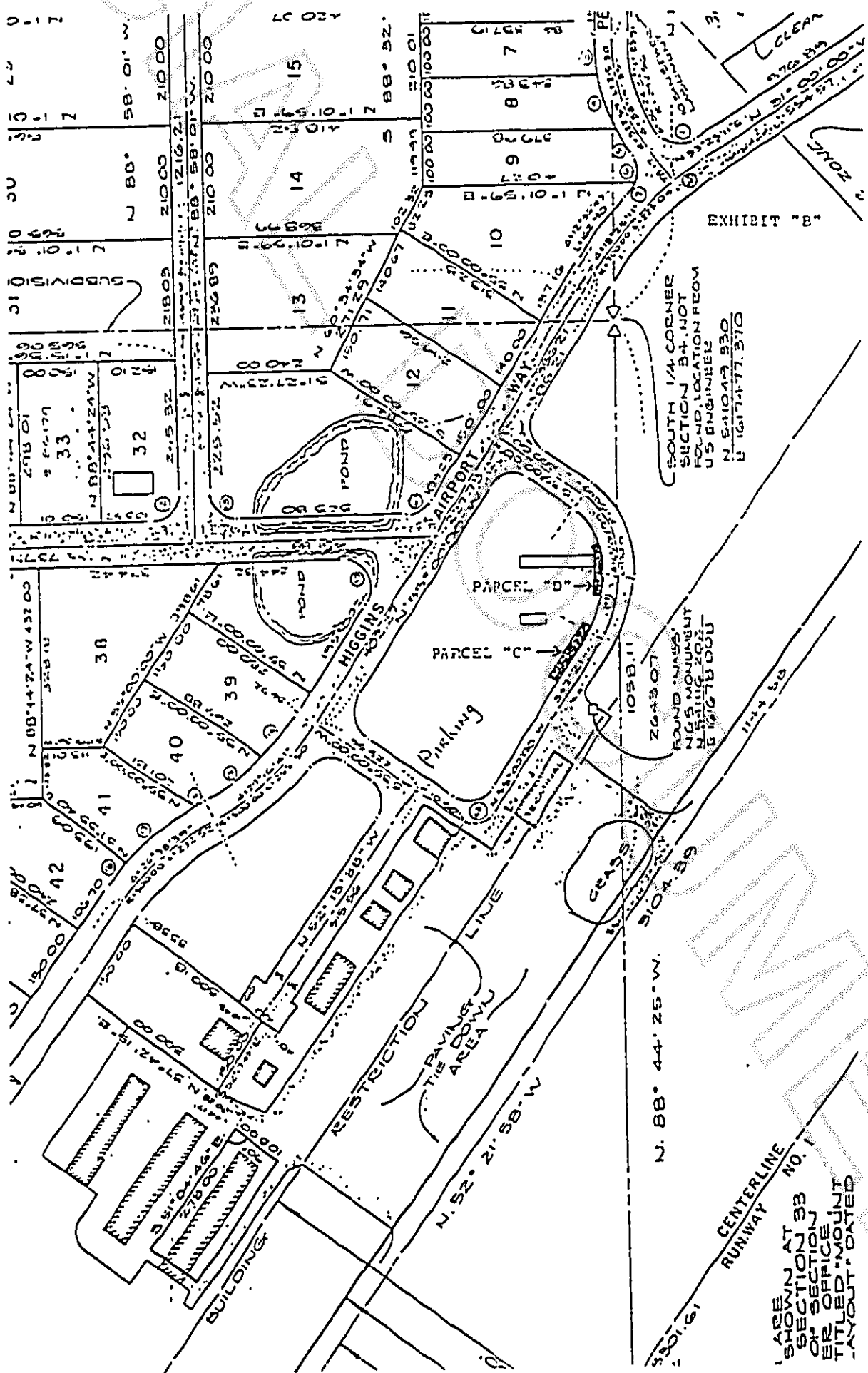


EXHIBIT "B"
SOUTH 1/4 CORNER SECTION 34, NOT FOUND, LOCATION FROM U.S. ENGINEER N. 54° 10' 43" E 330 U. 1217.77, 370

ROUND MARK FOUND MARK N. 5° 5' 10" E 202.5 U. 1126.75, 608

ARE SHOWN AT SECTION 33 OR SECTION 34, ENGINEER OFFICE, TITLED "LAYOUT", DATED

After Recording Return To: PORT OF SKAGIT COUNTY
P.O. BOX 348
BURLINGTON, WA 98233

Exhibit
2

Document Title(s): AMENDMENT TO LEASE AGREEMENT
Reference No. of Related Document(s): _____
Grantor(s): PORT OF SKAGIT COUNTY
Additional Name(s) on page _____ of Document.
Grantee(s): JONES, JONES AND JONES, INC.
Additional Name(s) on page _____ of Document.
Abbreviated Legal Description: _____
Additional Legal(s) on page _____ of Document.
Assessor's Parcel/Tax ID Number: _____

AMENDMENT TO LEASE AGREEMENT

IT IS HEREBY MUTUALLY AGREED, by and between the PORT OF SKAGIT COUNTY, a Washington municipal corporation, hereinafter referred to as "Lessor," and JONES, JONES AND JONES, INC., hereinafter referred to as "Lessee," that this agreement amends the LEASE AGREEMENT between the Lessor and Lessee, dated August 26, 1992:

AMENDMENT TO LEASE AGREEMENT
LESSOR: PORT OF SKAGIT COUNTY
LESSEE: JONES, JONES AND JONES, INC.

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WITNESSETH:

In consideration of the mutuality of benefit inherent hereto, the parties hereto do mutually agree as follows:

1. Paragraph 1. Property Subject to this Lease Agreement shall be amended and Parcels A, B, C and D shall be stricken from the lease. Paragraph 1. Property Subject to this Lease Agreement shall be amended to read as follows:

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:

- a. Leased Premises: Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, the following described premises, situated in the Bayview Business and Industrial Park within unincorporated Skagit County, Washington:

That portion of the Northwest Quarter of Section 3, Township 34 North, Range 3 East, W.M., and the Southwest Quarter of Section 34, Township 35 North, Range 3 East, W.M., being in a portion of the Skagit Regional Airport Binding Site Plan, Phase 1, as recorded in Book 7 of Short Plats, pages 111 through 120, records of Skagit County, Washington, described as follows:

Commencing at the North Quarter corner of said Section 3 as shown on said Binding Site Plan; thence North 88' 44' 25" West, along the North line of said Section 3, a distance of 704.01 feet to the intersection with the building restriction line as shown on said Binding Site Plan; thence South 52' 21' 58" East, along said building restriction line, 274.34 feet to the TRUE POINT OF BEGINNING; thence North 52' 21' 58" West, along said building restriction line, 281.29 feet; thence at a right angle to said building restriction line North 37' 38' 02" East, 72.45 feet to the intersection with the Southerly margin of a 60foot wide right-of-way, as shown on said Binding Site Plan; thence South 55' 00' 00" East, along said Southerly margin, 53.38 feet to the beginning of a curve to the left, having a radius of 399.55 feet; thence Easterly along said Southerly margin and the arc of said curve to the left through a central angle of 25' 00' 00", an arc distance of 174.34 feet to the beginning of a curve to the left having a radius of 180.00 feet; thence

AMENDMENT TO LEASE AGREEMENT
LESSOR: PORT OF SKAGIT COUNTY
LESSEE: JONES, JONES AND JONES, INC.

Easterly along said Southerly margin and the arc of said curve to the left, through a central angle of 251 42' 21", an arc distance of 80.76 feet to a point which lies North 37' 36' 00" East from the TRUE POINT OF BEGINNING; thence South 37' 36' 00" West, 172.06 feet to the TRUE POINT OF BEGINNING.

Said property is depicted on a map entitled Adjusted Lease Parcel "A" (10/9/98), a copy of which is attached hereto as Exhibit A and incorporated herein by this reference.

- b. Parking area: Lessee shall have the non-exclusive use of three (3) parking areas, containing approximately 460 square feet for uses associated with the Premises. Said parking lots are depicted on a sketch dated August 4, 1998, attached hereto as Exhibit B and by this reference incorporated herein.

2. Paragraph 4. Rental, shall be amended to read as follows:

Commencing on January 19, 1999, 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, rent for the Premises in the amount of ONE HUNDRED EIGHTY FOUR DOLLARS AND FIFTY EIGHT CENTS (\$184.58) per month, plus leasehold tax, during the term of this Lease.

3. Simultaneously with the amendment, Lessor and Lessee are entering into another lease for property southeast and contiguous (adjacent parcel) to the above described property. Lessee intends to use part of the adjacent parcel to fulfill current and future parking needs associated with the Premises leased herein. As a result, the leases are being linked. Any default of the January 19, 1999 lease shall also be a default of this Lease. Any assignment or termination of the January 19, 1999 Lease shall assign or terminate this Lease. Also, any default of this Lease shall be a default of the January 19, 1999 Lease. Any assignment or termination of this Lease shall assign or terminate the January 19, 1999 Lease.

4. All other terms and conditions of the LEASE AGREEMENT dated August 26, 1992 above referenced, except as herein amended to the contrary, are confirmed, ratified and continued in all respects and are to remain in full force and effect. This agreement shall bind and inure to the benefit of the successors and assigns of the Lessor and the successors and assigns of the Lessee.

AMENDMENT TO LEASE AGREEMENT
LESSOR: PORT OF SKAGIT COUNTY
LESSEE: JONES, JONES AND JONES, INC.

IN WITNESS WHEREOF, the parties hereto have set their hand and seals to this agreement. This agreement shall be effective the 19th day of January, 1999.

LESSEE: JONES, JONES AND JONES, INC.

LESSOR: PORT OF SKAGIT COUNTY

Date: 1-19-99

Date: 1-19-99

By: Paul Jones
President

By: [Signature]
President

ATTEST

By: _____
Secretary

By: [Signature]
Secretary

(Corporate Seal)

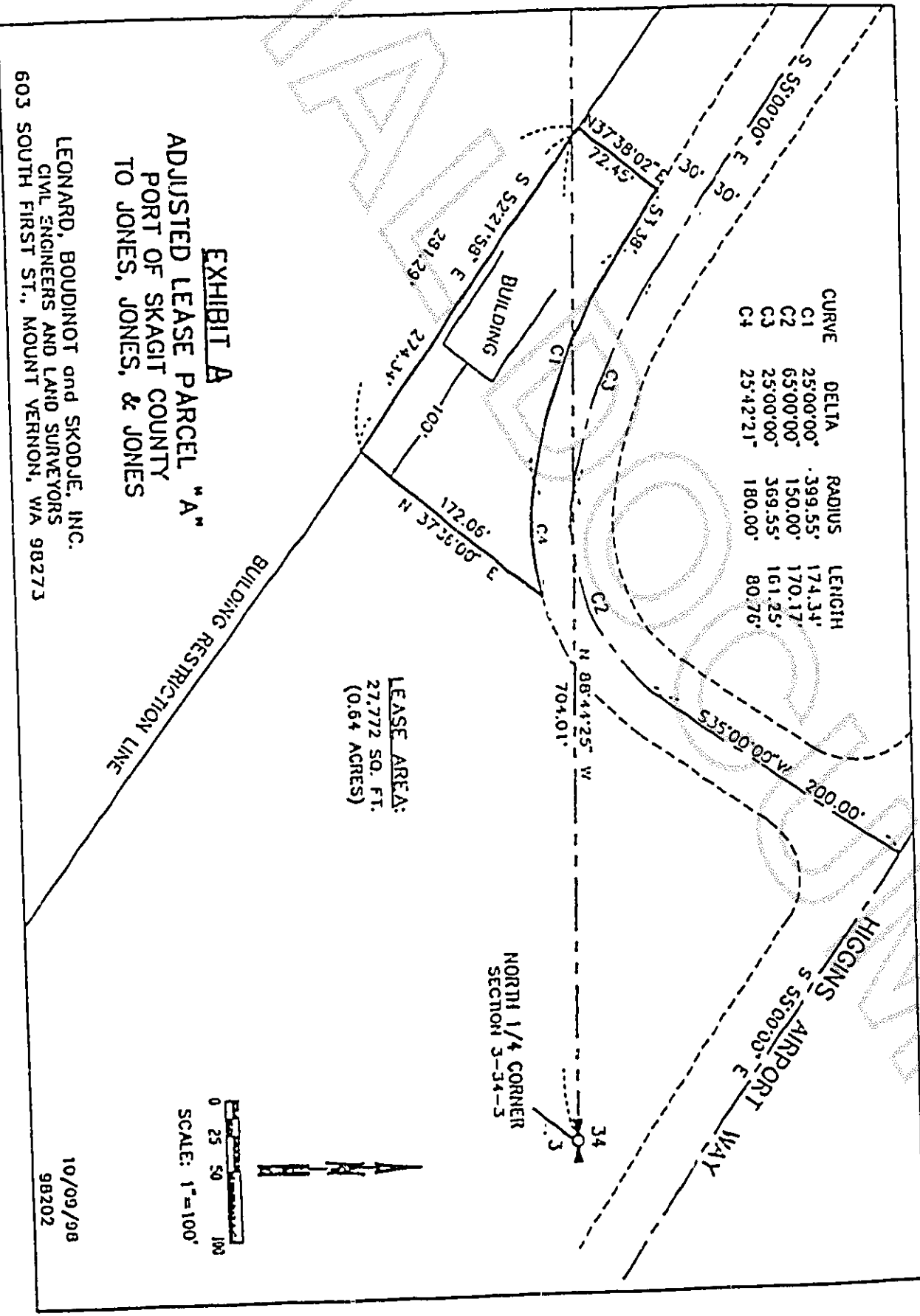
STATE OF WASHINGTON)
 : ss.
COUNTY OF SKAGIT)

On this 19th day of January, 19 99, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared John E. Henriot, and Brian Ralston to me known to be the President and Secretary, respectively, of the Port Commission of the Port of Skagit County, a municipal corporation, the corporation that executed the foregoing instrument, and acknowledged 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 they were duly authorized to execute the same and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

AMENDMENT TO LEASE AGREEMENT
LESSOR: PORT OF SKAGIT COUNTY
LESSEE: JONES, JONES AND JONES, INC.

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Exhibit "3"

PERSONAL PROPERTY
PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is entered into this 7 day of OCTOBER, 1998, by and between JONES, JONES, JONES, INC. (Seller), and HOWARD CURTIS TRONSDAL and JAMES B. KOETJE and/or assigns (Buyer). The parties agree as follows:

1. Recitals.

1.1 The Seller is the owner of a Lessee's interest in the Leasehold created by that certain Lease, dated August 26, 1992, by and between The Port of Skagit County, a Washington Municipal Corporation, as Lessor, and Paul Jones D/B/A Jones, Jones, Jones, Inc., a Washington Corporation, as Lessee, in the real property generally located at the Skagit Regional Airport, Skagit County, Washington, described as Assessor's Parcel No. P21051 / 340303-0-002-0002, and legally described and depicted in said Lease, (hereinafter, "the ground lease"), a copy of which Buyer hereby acknowledges is in Buyer's possession.

1.2 The Seller is the owner of improvements (premises) to the real estate which is the subject matter of a portion of the ground lease, as well as a Lessor's interest in the Leasehold created by that certain Lease, dated October 23, 1993 and amendments thereto, dated May 16, 1994 and February 21, 1996, respectively, by and between Jones, Jones, Jones, Inc., a Washington Corporation, as Lessor, and Federal Express Corporation, as Lessee, in the premises described therein located within the Bayview Business and Industrial Park at the Skagit Regional Airport, Skagit County, more commonly described as 1182 Airport Way, Bay S, Burlington, Washington, a copy of which Buyer hereby acknowledges is in Buyer's possession.

1.3 The Seller is the owner of improvements to the real estate which is the subject matter of the ground lease as well as a Lessor's interest in the Leasehold created by that certain Lease, dated May 10, 1997, by and between Jones, Jones, Jones, Inc., a Washington Corporation, as Lessor, and Norma Jean Brummett, a married person, dba Crosswinds Restaurant & Lounge, as Lessee, in the premises described therein located within the Bayview Business and Industrial Park at the Skagit Regional Airport, Skagit County, more commonly described as 1182 Airport Way, Burlington, Washington, a copy of which Buyer hereby acknowledges is in Buyer's possession.

1.4 The parties desire for the Seller to sell and the Buyer to buy all of the above denominated interests and appurtenances thereto, all in accordance with the terms and conditions of this agreement.

PURCHASE AGREEMENT - 1

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2. Sale of Items.

Seller hereby agrees to sell and Buyer hereby agrees to buy, free of all liabilities and encumbrances except those disclosed to and assumed by Buyer, the items of tangible personal property, its good will, location, and all other intangibles, which shall be evidenced by a Bill of Sale. Buyer and Seller acknowledge and agree that the personal property being sold under the terms of this Agreement, are located on Parcel A being leased by Seller. To the parties knowledge, none of Seller's personal property which is or might be affixed to the ground is located on Parcels B, C, or D. The parties further acknowledge and agree that Seller's personal property located on Parcel A is currently encumbered with the security interest of Les Wear Backhoe and that said encumbrance will remain in first priority on the personal property after title thereto is transferred to Buyer, but that Parcel B, which is not thereby encumbered shall remain unencumbered until the closing date.

3. Purchase Price and Terms

The purchase price for all of the assets described above and herein shall be Six Hundred Fifty Thousand and 00/100 Dollars (\$650,000.00), including earnest money, to be paid as follows:

- a. \$6,000.00 as and for earnest money upon execution of this Agreement, said earnest money shall be non-refundable and shall be paid directly to Seller;
- b. \$69,000.00 at closing as and for a total downpayment, including earnest money of \$75,000.00;
- c. the balance of the purchase price (\$575,000.00) to be paid in monthly installments of \$4,834.92 including interest at the rate of 9.5% per annum computed on the diminishing principal balances, commencing thirty (30) days following closing; said obligation to make payments shall be evidenced by a Promissory Note secured by a Security Agreement and the filing of a UCC-1 Financing Statement and UCC-2 Fixture Statement

Buyer acknowledges that late payment to Seller of any monthly payment due under the terms of this Agreement will cause Seller to incur costs not contemplated by this sale to Buyer, the exact amount of such costs being extremely difficult and impracticable to determine with any degree of certainty. Therefore, in the event any monthly installment due from Buyer is received more than seven (7) days following the due date as specified in the Promissory Note, there shall be a charge on such late payment in the amount of five percent (5%) of the monthly amount due until said payment and late payment charge are received by Seller. The parties agree that this late charge represents a fair and reasonable estimate of the costs that Seller will incur by reason of late payment by Buyer. Acceptance of any late charge shall not constitute a waiver of Buyer's default with respect to the overdue amount, nor prevent Seller from exercising any of the other rights and remedies available to Seller.

Any unpaid principal balance due under the terms of said Promissory Note shall accrue interest at the rate of fifteen percent (15%) per annum after maturity or upon default, and shall be subject to acceleration at Seller's option in the event of default which shall include the failure to pay any payment called for in the Note or Security Agreement, including any payment of taxes or insurance premiums due prior to delinquency.

Buyer specifically acknowledges and agrees that the Promissory Note evidencing Buyer's obligation to pay Seller shall contain a provision prohibiting prepayment of Buyer's obligation for a period of five (5) years from the date of its execution, unless said restriction is specifically waived by Seller in writing upon the written request of Buyer. In the event that Buyer elects to pay its obligation to Seller in full within said five (5) year period and Seller agrees to accept said tender of full payment, Buyer agrees to pay additional consideration for said acceptance in the amount of \$10,000.00.

Subject to Seller's restriction on prepayment above, Buyer further acknowledges and agrees that, at any time prior to the full payment of the purchase price agreed to herein, its obligation to Seller shall be immediately due and payable upon the subsequent sale or encumbrance of the property purchased herein.

4. Closing and Escrow.

The purchase and sale provided for in this agreement shall be closed on or before January 7, 1999, the closing date, by MILLIKAN ESCROW, who shall be referred to as the Closing Agent. Seller and Buyer will, immediately on demand, deposit with the Closing Agent, if any, all instruments and monies required to complete the purchase in accordance with this Agreement. "Closing" shall be deemed to have occurred when all documents are filed or recorded and the sale proceeds are available to Seller. Time is of the essence in the performance of each and every term and condition of this Agreement. The closing date shall be automatically extended for an additional 30 days in the event of delay in approval of the assignment of the ground lease by the Port of Skagit County.

5. Closing Costs.

Seller and Buyer, by their initials herein PK JS indicate their agreement to use the services of an escrow or Closing Agent. Seller and Buyer shall each pay one-half of any and all sales and/or excise taxes due, as well as one-half of escrow fees charged by the Closing Agent. Real and personal property taxes and assessments for the current year, rents on any existing tenancies; interest; existing insurance to be assumed by the Buyer; lease payments, if any; utilities; and other operating expenses shall be pro-rated as of the closing date. Seller shall assign to Buyer at closing any security, cleaning, and any other unearned deposits on tenancies, utility and other business related deposits, at closing. Buyer shall be responsible for all costs related to any third party financing to be used by Buyer, including the cost of any UCC or other title searches.

6. Earnest Money Receipt.

By executing this Agreement below, Seller acknowledges receipt of Buyer's non-refundable earnest money in the amount of \$6,000.00.

7. Maintenance Prior to Closing.

Prior to closing, Seller shall continue to operate and maintain the property described herein, including the payment of any and all payments required under its ground lease, in compliance with all applicable laws, rules, regulations and ordinances. Seller shall not enter into or modify any existing rental agreements or leases (except those terminating according to their own terms or due for modification in the ordinary course of business), service contracts, or other agreements affecting the Property which have terms extending beyond the closing date without first obtaining Buyer's consent, which shall not be unreasonably withheld. Seller shall maintain the condition of the Property in at least the condition existing on the date of mutual acceptance of this Agreement.

8. Lease of the Premises.

If the personal property being sold is located on premises leased by the Seller, a copy of the lease shall be immediately furnished to the Buyer, receipt of a copy of which is hereby acknowledged by Buyer. If the landlord's consent to the assignment of the lease is required, Seller agrees to make every reasonable effort to assist Buyer in securing the same. If the landlord refuses to consent to the assignment, or refuses to consent to the assignment on terms acceptable to Buyer, and the Buyer is unable to negotiate a new lease on terms acceptable to the Buyer prior to the closing date, this Agreement shall be null and void, and any refundable monies deposited by Buyer shall be refunded to Buyer. However, it shall be Buyer's responsibility to verify, in advance of the closing date, the assignability of the ground lease, and Buyer specifically assumes the risk of obtaining the written consent of the landlord if Buyer chooses to close prior to obtaining said written consent. Failure to obtain written consent after the transaction is closed shall not be grounds for discharging Buyer's duties under the terms of the documents of sale.

9. Leased Equipment.

Seller warrants that the written inventory described in paragraph 1 above, if any, will include and designate all leased equipment; fixtures; signs or amusement devices, if any; and any items furnished by suppliers as consideration for their products, if any. Seller will make reasonable efforts to have all such leases assigned to the Buyer, and to transfer any such supplier furnished items, if any. Buyer agrees to assume and perform in accordance with their terms all such identified leases, but Buyer is not obligated to keep any such supplier furnished items. In the event that the Lessor will not allow assignment of any such leases, or is unwilling to renegotiate the same on reasonable terms, Seller agrees to furnish appropriate equipment of at least equal value to replace the leased equipment but, in such case, Seller shall be entitled to add to the purchase price the amount that the Buyer would have been obligated to pay had the lease been assigned.

PURCHASE AGREEMENT - 4 ;

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10. Insurance.

So long as any balance of the purchase price remains unpaid, Buyer shall procure and maintain insurance for the full insurable value of all structures, furniture, fixtures, equipment, personal property and/or inventory (and replacement thereof), as is applicable, which are included in the security for the unpaid balance of the purchase price. Seller shall be included in the policy as a co-insured or loss payee. Buyer shall cause the insurance company to provide Seller a certificate of such insurance, and any renewals. Any such insurance policy shall provide that it may not be canceled without the company giving the Seller at least 10 days written notice of its intent to cancel the same.

11. Authority to Execute this Agreement.

If the Buyer or the Seller is a corporation, partnership, trust, estate, or other entity, the person executing this Agreement on its behalf warrants his/her authority to do so and to bind the Buyer or Seller. Upon demand of either party, the other agrees to furnish written evidence of such authority within 10 days.

12. Seller's Representations.

The Seller represents, warrants and agrees as follows:

12.1 Seller warrants that there are no actions, suits or proceedings pending against or affecting the property or licenses or permits relating thereto, if any, being sold.

12.2 It is anticipated that the property being sold is in good standing with the relevant authorities, and that there are no actions, attachments, charges nor any legal liability of any kind against the property.

12.3 Seller warrants and represents that it owns the property, and, if applicable, is currently under contract, and are not in default of said contract, to purchase its assets, which may be encumbered and obligated by the terms of the above-referenced purchase contract and UCC-1 Financing Statement currently on file, and that the Seller is the owner of, and has good and marketable title to the property being sold hereunder. Seller warrants that upon close of this transaction, Seller will be in good standing and current to the holder of its contract, if any, and shall continue to make payments to said holder, prior to delinquency, until said contract or Note is paid in full. Seller further warrants that its assets being sold under the terms of the Agreement herein, are free of all tax or other governmental obligations of any kind, and are free of any mechanics' or other liens, and shall remain so until the closing date."

12.4 Seller warrants and represents that Seller will make payment to Skagit County their prorated portion of personal property taxes for that portion of 1998 (from January 1st to the date of closing) within 48 hours of the closing date of this transaction.

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13. Buyer's Representations.

Buyer represents, warrants and agrees as follows:

13.1 Buyer has examined the assets being sold and all books, papers, documents and data associated with the financial condition and status of the property being sold and will accept the same "as is" without warranty nor guarantee unless expressed herein.

13.2 Buyer has not relied upon any representations of the Seller. Buyer has, instead, undertaken its own investigation of the financial condition and status of assets of the property being sold and enters into this transaction based solely upon that investigation.

13.3 Buyer represents that it has all the authority necessary to enter into this Agreement and to close the same per the terms hereof.

13.4 Buyer warrants and represents that buyer will prepare a Notice of Use Tax, if applicable, and submit the same with payment to the Department of Revenue within 48 hours of the closing date of this transaction or execute escrow instructions to have the Closing Agent do the same.

14. Survival of Provisions.

All applicable provisions of this agreement shall survive closing.

15. Conditions of Closing.

The conditions precedent to either party's obligation to close this transaction shall be as follows:

16.1 The obligations of Buyer under this agreement to close this transaction are subject to the following conditions:

a. All conditions precedent, as set forth herein, are removed, satisfied or discharged.

b. That all terms, covenants and conditions of this agreement to be complied with and performed by Seller at or before the closing date shall have been duly complied with and performed.

c. That all representations and warranties made by Seller herein shall be correct as of the date of closing.

d. That the property and its appurtenances being sold shall not have been adversely affected in any material way as a result of any fire, accident or other casualty, or any labor disturbance or act of God or the public enemy

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16. Closing Documents.

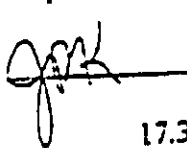


On closing, the following documents shall be executed in forms acceptable to the parties:

- a. a Bill of Sale;
- b. a Promissory Note executed by Buyer as Maker;
- c. a Personal Guarantee of the principals of Buyer;
- d. a Security Agreement and UCC-1 Financing Statement, and UCC-2 Fixture Statement;
- e. an Assignment of Lease executed by the Port of Skagit County;
- f. Assignments of Leases of Sellers interests to Buyer;
- g. such other documents as the Seller or Buyer may reasonably require to accomplish the purpose of this transaction.

17. Miscellaneous.

17.1 This agreement sets forth the entire understanding of the parties and is binding on the successors and assigns of each party, and there are no verbal understandings outside of this Agreement. This Agreement shall not be assigned without the consent of the Seller which shall not be unreasonably withheld. It is entered into voluntarily, with full knowledge of its impact on future claims and legal action. Each party acknowledges the opportunity to have this Agreement reviewed by its attorney, and in the event it becomes necessary for either party to file an action to enforce this Agreement, the prevailing party shall be awarded its attorney fees and costs.

17.2 The parties hereto acknowledge that Ronald L. Weiss, attorney at law, has represented the Seller on various matters in the past and represents the Seller in this transaction and has not, cannot and will not represent Buyer in this transaction. Buyer acknowledges and agrees that it has been advised to seek its own independent legal counsel in this transaction and is relying on Ronald L. Weiss for no more than preparation and/or review of the documents as instructed by the parties to this transaction and that the closing of this transaction in accordance with his understanding of the agreements between the parties is the responsibility of the parties.

17.3 Buyer agrees to repair, maintain and use the property being sold herein in a reasonable and appropriate manner and shall not transfer any of the same prior to payment of all of the purchase price of said property without Seller's prior written consent having been given. Buyer will


neither create nor permit the existence of a lien or security interest on or in the property which are the subject matter of this transaction without the written consent of Seller having first been given. The covenants and conditions contained herein shall survive close of escrow.


17.4 This agreement shall be interpreted in accordance with the laws of the State of Washington. It is further understood and agreed that proper venue for any legal disputes, proceedings or lawsuits arising out of this agreement shall be in the Skagit County Superior Court. Both parties hereto agree and understand that the purchase and sale contemplated by this contract is exempt from all state and federal securities laws and regulations.


17.5 If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced as written to the fullest extent permitted by law.

AGREED AND ACCEPTED.

JONES, JONES, JONES, INC.

By:  Date: OCT 7, 1998
Is: Paul

By:  Date: OCT 7, 1998
HOWARD CURTIS TRONSDAL

By:  Date: OCT 7, 1998
JAMES B. KOETJE

UNRECORDED

STATE OF WASHINGTON)
) ss.
COUNTY OF SNOHOMISH)

On this 7 day of Oct, 1998 before me, a Notary Public in and for said county and state, personally appeared Paul Jones, to me personally known to be and who being duly sworn on oath did say that he is the Pres of JONES, JONES, JONES, INC., the aforementioned corporation, that said corporation executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath did state that he was authorized to execute said instrument.

Paul Jones

GIVEN under my hand and official seal this Saturday day of October, 1998.

Kathleen Roberts

KATHLEEN ROBERTS
STATE OF WASHINGTON
NOTARY --- PUBLIC
MY COMMISSION EXPIRES 1-02-02

NOTARY PUBLIC in and for the State of Washington, residing at Mapleville
My appointment expires: 01-02-02

STATE OF WASHINGTON)
) ss.
COUNTY OF SNOHOMISH)

On this day personally appeared before me HOWARD CURTIS TRONSDAL, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned

Howard Curtis Tronsdal

GIVEN under my hand and official seal this Saturday day of October, 1998.

Kathleen Roberts

KATHLEEN ROBERTS
STATE OF WASHINGTON
NOTARY --- PUBLIC
MY COMMISSION EXPIRES 1-02-02

NOTARY PUBLIC in and for the State of Washington, residing at Mapleville
My appointment expires: 01-02-02

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UNOFFICIAL DOCUMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF SNOHOMISH)

On this day personally appeared before me JAMES B. KOETJE, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned

James B. Koetje

GIVEN under my hand and official seal this 7th day of October, 1998.

Kathleen Roberts

KATHLEEN ROBERTS
STATE OF WASHINGTON
NOTARY --- PUBLIC
MY COMMISSION EXPIRES 1-02-02

NOTARY PUBLIC in and for the State of
Washington, residing at Mariposa
My appointment expires: 01-02-02

PURCHASE AGREEMENT - 10

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