

After Recording Return To:

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

KATHY HILL  
SKAGIT COUNTY AUDITOR

'99 MAY 27 P3:29

RECORDED \_\_\_\_\_ FILED \_\_\_\_\_  
REQUEST OF \_\_\_\_\_

**9905270075**

LAND TITLE COMPANY OF SKAGIT COUNTY

P-89721-E  
Document Title: ASSIGNMENT OF LEASE

Reference Number(s) of Related Document(s): 9905170310

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, 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 RESTATED LEASE AGREEMENT ("lease") dated the 19th day of January, 1999, by and between the PORT OF SKAGIT COUNTY, a Washington municipal corporation, as Lessor, and 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 - **9905270075**

BK1997PG0082

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 attached hereto as Exhibit "1".

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 "2" and included herein by reference.

6. The Assignee's acknowledgment that the lease is linked to LEASE AGREEMENT dated August 26, 1992, as amended by AMENDMENT TO 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 17 day of May, 1999.

ASSIGNORS:

JONES, JONES AND JONES, INC.

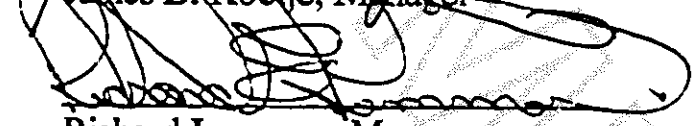
  
Paul Jones, President

ASSIGNEES:

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

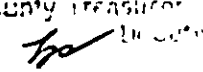
  
Howard Curtis Tronsdal, Manager

  
James B. Kootje, Manager

  
Richard Lemmon, Manager

29540  
SKAGIT COUNTY WASHINGTON  
Real Estate Excise Tax  
PAID

MAY 27 1999

Amount Paid \$ 5590.62  
Skagit County Treasurer  
By: 

JONES, JONES AND JONES, INC.  
ASSIGNMENT OF LEASE - 3

9905270075

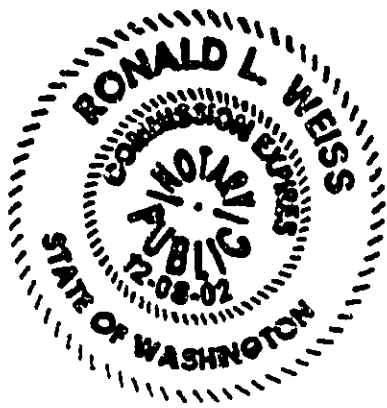
BK 1997 PG 0084

STATE OF WASHINGTON )

SKAGIT : ss.  
COUNTY OF SKAGIT )

On this 17<sup>th</sup> 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.



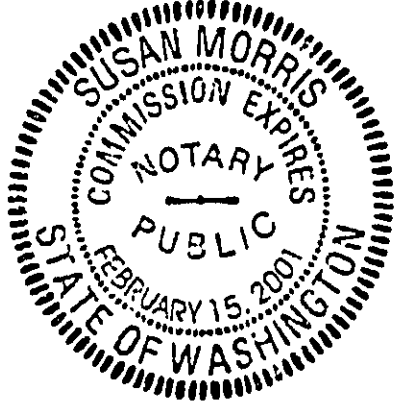
[Signature]  
(Signature)  
Ronald L. Weiss  
(Print Name)  
Notary Public in and for the State of  
Washington, residing at LAKE STEVENS  
My Commission expires: 12-08-02

STATE OF WASHINGTON )

SKAGIT : ss.  
COUNTY OF SKAGIT )

On this 17<sup>th</sup> day of May, 1999, before me personally appeared HOWARD CURTIS TRONDSDAL, 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.

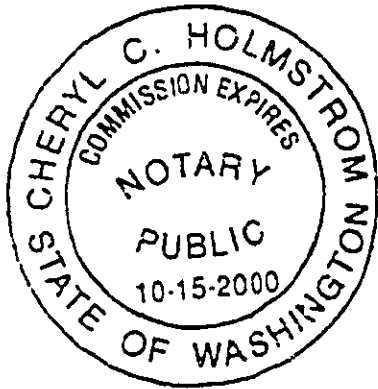


[Signature]  
(Signature)  
Susan Morris  
(Print Name)  
Notary Public in and for the State of  
Washington, residing at Whatecom  
My Commission expires: 2-15-01

STATE OF WASHINGTON )  
                                  ) : ss.  
COUNTY OF SKAGIT    )

On this 14<sup>th</sup> 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.

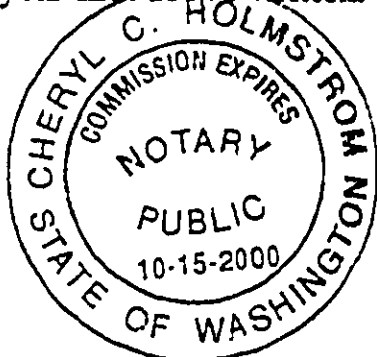


Cheryl C. Holmstrom  
(Signature)  
CHERYL C. HOLMSTROM  
(Print Name)  
Notary Public in and for the State of  
Washington, residing at Mount Vernon  
My Commission expires: 10-15-2000

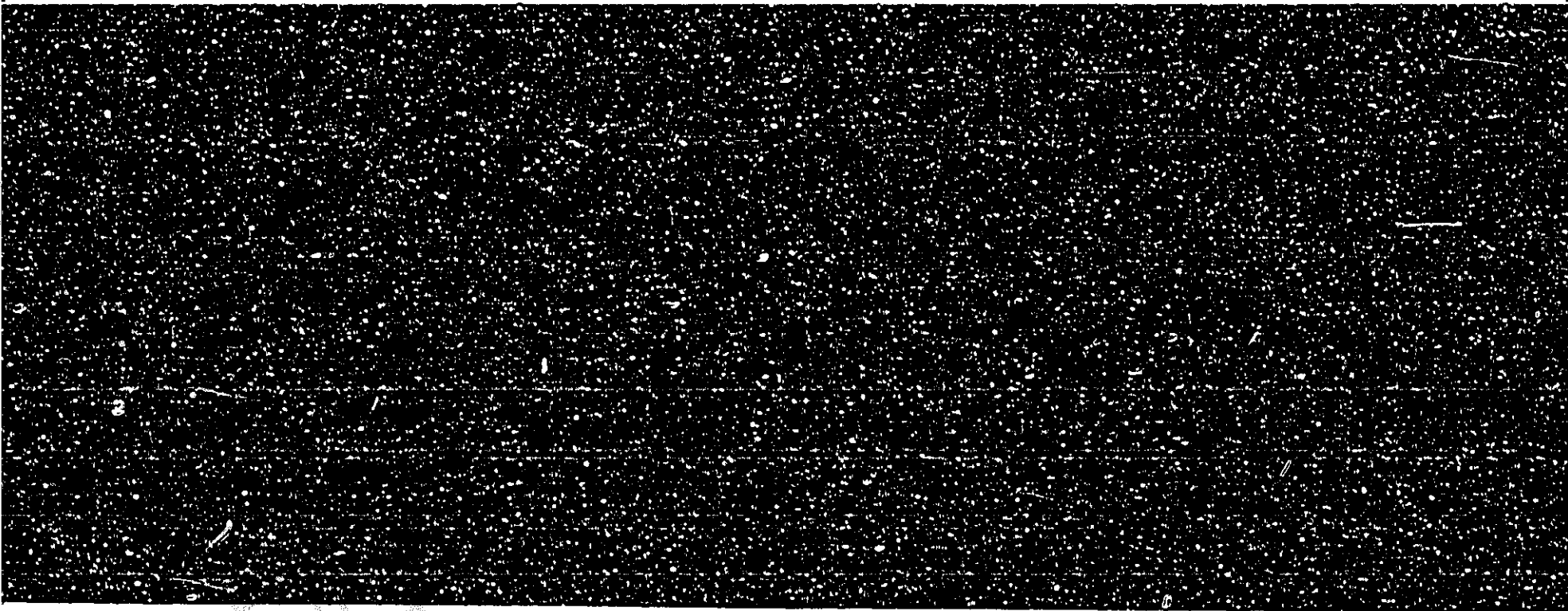
STATE OF WASHINGTON )  
                                  ) : ss.  
COUNTY OF SKAGIT    )

On this 17<sup>th</sup> 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



The PORT OF SKAGIT COUNTY hereby consents to the assignment of the above referenced lease, and specifically, on the conditions hereinabove set forth.

DATED this 18<sup>th</sup> day of May, 1999.

PORT OF SKAGIT COUNTY

By: [Signature]  
JOHN E. HENRIOT, President

Attest:

[Signature]  
BRIAN J. ROLFSON, Secretary

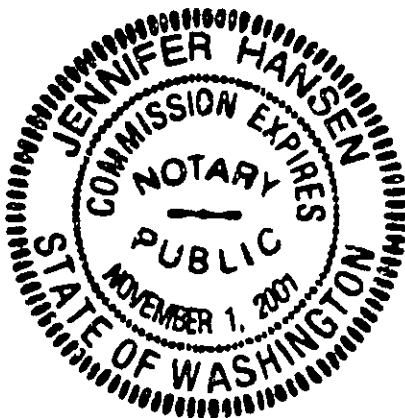
STATE OF WASHINGTON )

:SS.

COUNTY OF SKAGIT )

On this 18<sup>th</sup> day of May, 1999, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared JOHN E. HENRIOT and BRIAN J. ROLFSON, 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.



[Signature]  
(Signature)

Jennifer Hansen  
(Print Name)

Notary Public in and for the State of  
Washington, residing at [Address]  
My Commission expires: 11/01/2001

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

Exhibit "1"

Document Title(s): RESTATED LEASE AGREEMENT

Reference No. of Related Document(s): \_\_\_\_\_

Grantor(s): PORT OF SKAGIT COUNTY

Additional Grantor(s) on page \_\_\_\_ of Document.

Grantee(s): JONES, JONES AND JONES, INC.

Additional Grantee(s) on page \_\_\_\_ of Document.

Abbreviated Legal Description: \_\_\_\_\_

Additional Legal Descriptions(s) on page Exhibits A & B of Document.

Assessor's Parcel/Tax ID Number: \_\_\_\_\_

**RESTATED LEASE AGREEMENT**

**BETWEEN**

**PORT OF SKAGIT COUNTY**

**and**

**JONES, JONES AND JONES, INC.**

**Dated: January 19, 1999**

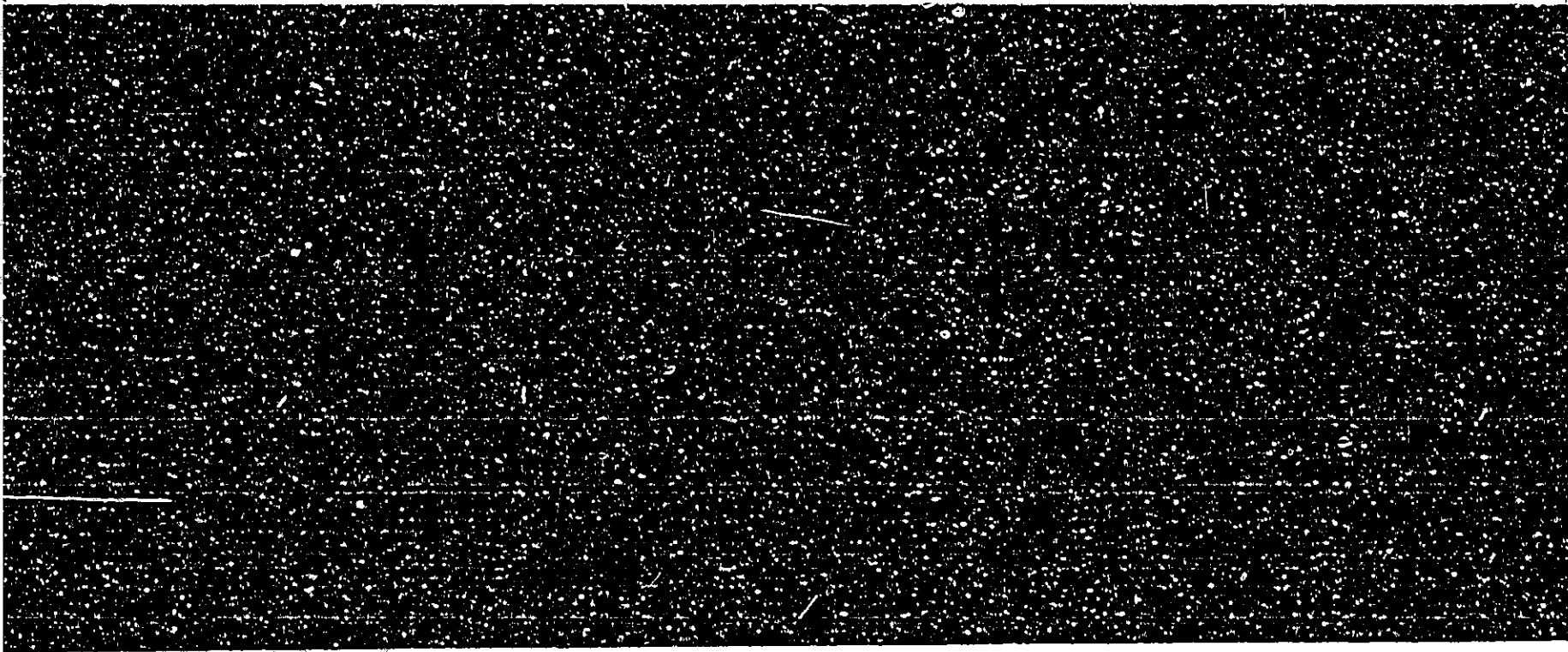
RESTATED LEASE AGREEMENT  
LESSOR: PORT OF SKAGIT COUNTY  
LESSEE: JONES, JONES AND JONES, INC.

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**BK1997PG0089**





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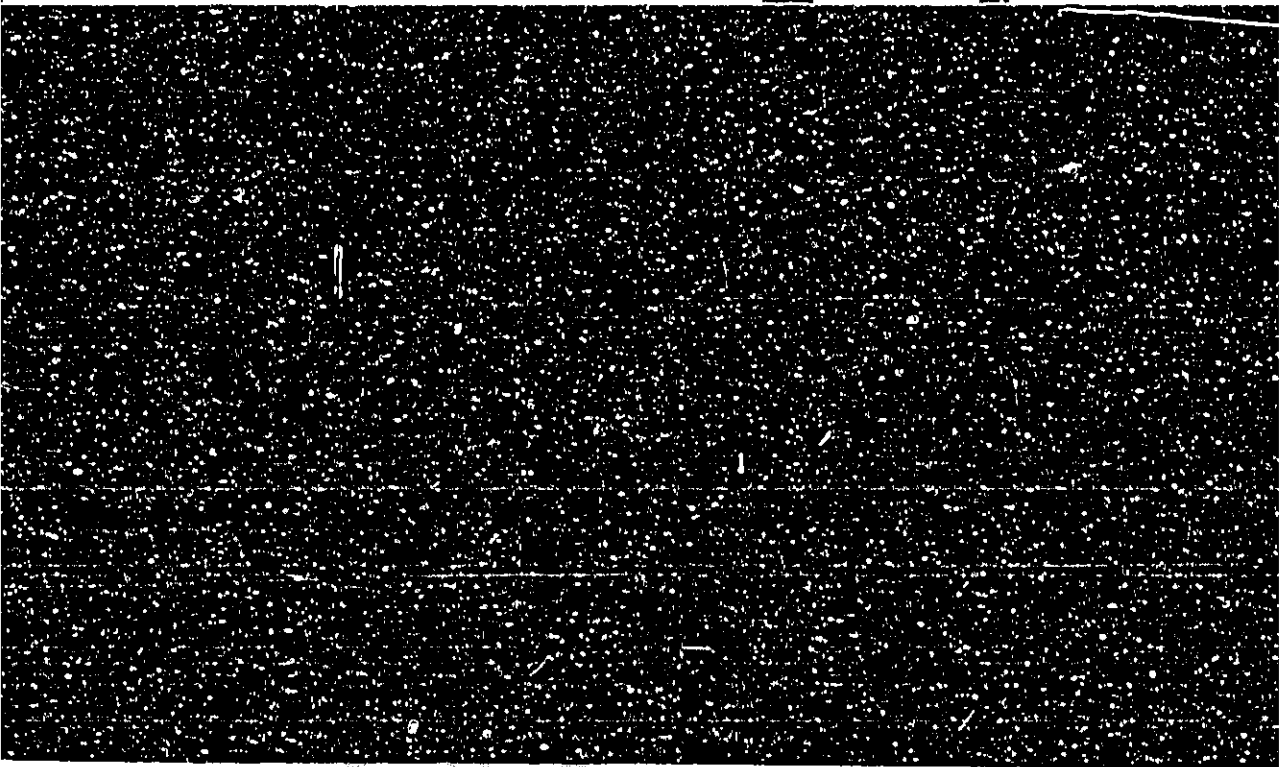
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- Exhibit B Legal Description Apron Parcel
- Exhibit C Drawing of Building Site and Apron Parcels
- Exhibit D Drawing entitled Site Plan/Fence Layout

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



**RESTATED LEASE AGREEMENT**

**I. RECITALS**

On January 19, 1999, the PORT OF SKAGIT COUNTY a Washington municipal corporation, and JONES, JONES AND JONES, INC., a Washington corporation, entered into a Lease Agreement as of January 5, 1999, and

Certain changes have occurred and the parties would like to incorporate those changes into the Lease, and

The parties feel the most efficient, and least confusing, way to accomplish their purpose is to execute a new document as a restated lease which integrates all the changes, rather than amend the previous Lease, and

It is the intention of the parties that this Restated Lease Agreement supercedes the previous Lease agreement.

**II. AGREEMENT**

NOW, THEREFORE, in consideration of their mutual promises, the parties hereby agree as follows:

**WITNESSETH:**

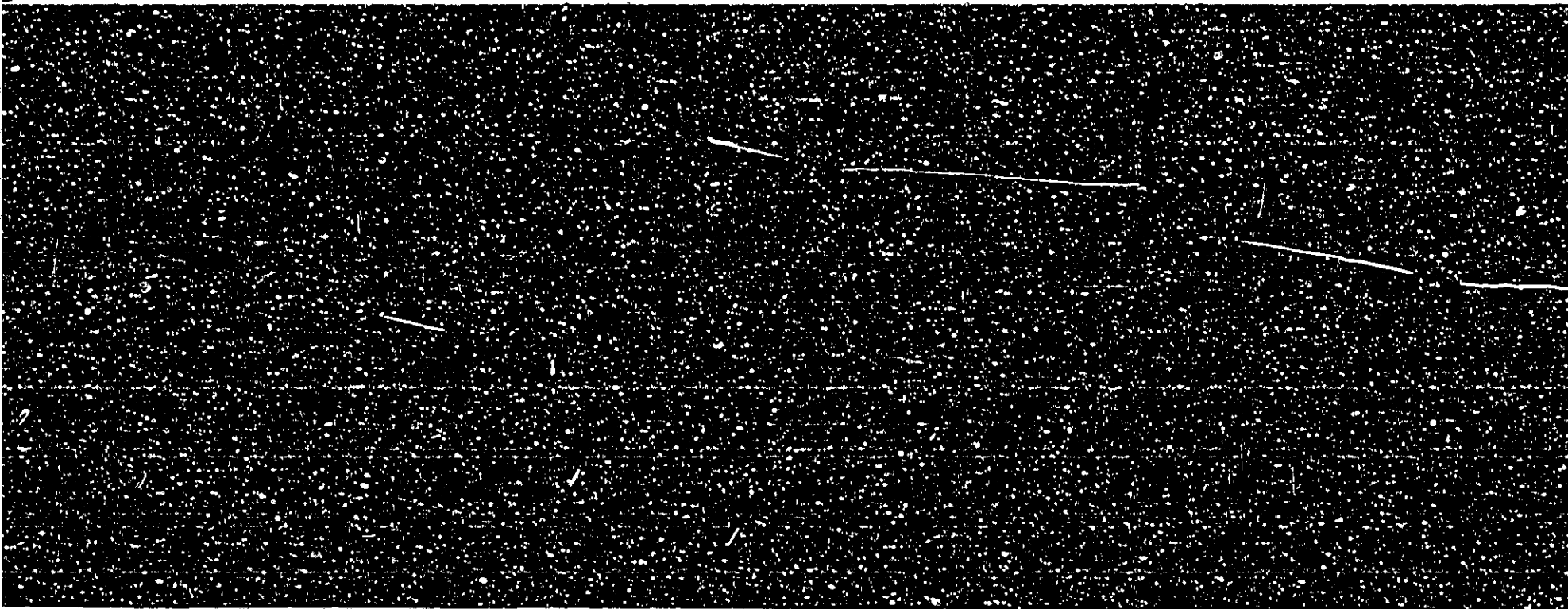
THIS RESTATED LEASE AGREEMENT, hereinafter referred to as this "Restated Lease," is made as of January 19, 1999, by and between the PORT OF SKAGIT COUNTY, a Washington municipal corporation, hereinafter referred to as "Lessor," and JONES, JONES AND JONES, INC., a Washington corporation, hereinafter referred to as "Lessee."

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

**1. PROPERTY SUBJECT TO THIS RESTATED LEASE AGREEMENT**

Two (2) parcels of property (hereinafter referred to as the "Premises") located at the Skagit Regional Airport in Skagit County, State of Washington:

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



Building Site Parcel - consisting of 54,323 square feet, more particularly described in Exhibit A and depicted on a drawing marked Exhibit C, entitled Jones, Jones, & Jones Building Site and Apron Parcels, dated April 14, 1999, both of which exhibits are attached hereto and by this reference incorporated herein.

Apron Parcel - consisting of 21,445 square feet, more particularly described in Exhibit B and depicted on a drawing marked Exhibit C, entitled Jones, Jones, & Jones Building Site and Apron Parcels, dated April 14, 1999, both of which exhibits are attached hereto and by this reference incorporated herein.

## 2. TERM

The term of this Restated Lease shall begin as of January 19, 1999, (hereinafter referred to as the "Commencement Date"), and end August 31, 2022, unless sooner terminated pursuant to any provision of this Restated Lease.

Lessor and Lessee presently have another lease agreement dated August 26, 1992 for property northwest and contiguous (adjacent parcel) to the Premises. Lessee intends to use part of the Premises leased herein to fulfill current and future parking needs associated with the adjacent parcel. As a result, the leases are being linked. Any default of the August 26, 1992 lease shall also be a default of this Restated Lease. Any assignment or termination of the August 26, 1992 Lease shall assign or terminate this Restated Lease. Also, any default of this Restated Lease shall be a default of the August 26, 1992 lease. Any assignment or termination of this Restated Lease shall assign or terminate the August 26, 1992 lease. A reciprocal provision appears in the first amendment (dated January 19, 1999) to the August 26, 1992 Lease. That reciprocal provision remains in full force and effect as to this Restated Lease.

## 3. OPTION TO EXTEND

Lessee is granted the right to extend this Restated Lease for two (2) option periods of ten (10) years each 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 terms have been fully met and fulfilled. All terms and conditions of the initial term shall continue in full force and effect during each of the extended terms with the exception that the rent will be adjusted as hereinafter provided.

4. BUSINESS PURPOSE / BASE LINE ACTIVITY

- a. Business Purpose: It is understood and agreed that Lessee intends to use the Premises for construction of a building to be used for aviation maintenance operations and other aviation services and to conduct such other activities as are incidental and reasonably related thereto. It is further understood that the above activities are the only type of activities to be conducted upon the Premises. Failure to perform the above type of activities or cessation of such activities or the carrying on of other type(s) of unauthorized activities shall constitute a material default by Lessee of this Restated Lease. Lessee shall at all times operate on the Premises in a manner which will assure the safe, lawful and healthful use of the Premises. Lessee agrees that it will not disturb the Lessor or any other tenant of the Lessor by making or permitting any disturbances or any unusual noise, vibration or other condition on or in the Premises.
- b. Baseline Activity: Lessee will maintain at least two (2) permanent full-time employees on-site during the first two (2) years and thereafter shall maintain five (5) permanent full-time employees on site during the initial term or any extended terms of this Restated Lease.

5. RENT

Commencing on March 1, 1999, Lessee shall pay to Lessor for the building site parcel, in lawful money of the United States, without any set-off or deduction, in addition to taxes, assessments, and other charges required to be paid hereunder by Lessee, an initial rent for the building site parcel of SIX HUNDRED NINETY-TWO DOLLARS AND THIRTY-FIVE CENTS (\$692.35) per month, plus leasehold tax, during the term of this Restated Lease. Commencing on May 1, 1999, Lessee shall pay to Lessor for the apron parcel, in lawful money of the United States, without any set-off or deduction, in addition to taxes, assessments and other charges required to be paid hereunder by Lessee, an initial rent for the apron parcel of TWO HUNDRED SEVENTY-ONE DOLLARS AND FORTY CENTS (\$271.40) per month, plus leasehold tax, during the term of this Restated Lease. The rent for each month shall be paid to the Lessor in advance on or before the first day of each and every month of the term of this Restated Lease, and shall be payable at such place as the Lessor may hereinafter designate. The rent may be further adjusted by the addition of other sums and charges specified elsewhere in this Restated Lease. The Lessor shall have all of the same rights and remedies with respect to any additional rent or charges in the event of nonpayment or late payment as are available to it in the event of nonpayment or late payment of the rent. The rent shall be adjusted as provided in the below section entitled PERIODIC RENTAL ADJUSTMENTS.

6. PERIODIC RENTAL ADJUSTMENTS

Rental shall be adjusted on September 1, 2001 (Change Date), and every three years thereafter, during the Restated Lease term or any extended term. No adjusted rental shall be less than the rental being adjusted. The adjustment shall be according to the procedure set forth in the section entitled PROCEDURE TO DETERMINE ADJUSTED RENTAL.

7. PROCEDURE TO DETERMINE ADJUSTED RENTAL

a. Amount: The rent shall be adjusted to be the market rental value of the Premises. Lessor shall notify Lessee of the amount as determined by the Port Commission. If the rent amount is not acceptable to the Lessee, market rental value shall be established by the procedure in the succeeding paragraph.

b. Procedure If Dispute Regarding Rent Amount: If the parties cannot agree on the market rental value, then the fair cash market value of the Premises shall be determined. For purposes of setting the fair cash market value of the land, the land shall be considered as a separate, vacant, identifiable tract of real property. Such determination shall be made by a MAI appraiser whose selection shall be by mutual agreement of the parties. If they are unable to agree on the selection, then a MAI appraiser shall be selected by the presiding judge of the Superior Court of Skagit County upon the petition of either party. Once the fair cash market value of the Premises is determined, the rent amount shall be established based on the Lessor's then established rate of return for leased properties. The cost of the appraisal shall be borne equally by both parties.

8. LESSEE'S RIGHT TO ELIMINATE APRON PARCEL

Lessee may terminate its obligation to lease the Apron Parcel as of any Change Date during the initial or any extended term of this Restated Lease. Lessee shall give written notice to Lessor not less than ninety (90) days prior to such Change Date. Thereafter, the Lessor and Lessee will enter into a lease amendment, eliminating the Apron Parcel from the Restated Lease and the rent will be adjusted accordingly.

9. SECURITY FOR RENT

To secure the rent hereunder, Lessee agrees to furnish to Lessor rental insurance, bond or other security acceptable to Lessor in an amount equal to one (1) year's rent.

10. LATE CHARGES

Lessee hereby acknowledges that late payment by Lessee to the Lessor of rent, or any other sums due hereunder will cause the Lessor to incur costs not otherwise contemplated by this Restated Lease. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by the Lessor within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay the Lessor a late charge equal to 5% of such overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs the Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by the Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent the Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable in this Restated Lease or otherwise, whether or not collected, for three (3) installments of rent in any 12-month period, then rent shall automatically become due and payable quarterly in advance, rather than monthly notwithstanding the above section entitled RENT or any other provision of this Restated Lease to the contrary. In addition to the late charges provided for in this section, interest shall accrue on rent, or any other sums due hereunder, at the rate of one and one-half percent (1 1/2%) per month from the date due until paid.

11. CONSTRUCTION OF IMPROVEMENTS

Lessee will substantially complete before October 1, 1999, at its cost, construction of the project as depicted on plans prepared by Fisher and Sons, dated January 13, 1999, said plans being incorporated herein by this reference. Said project and plans have been approved by the Lessor. Included as part of the project is 188 linear feet of seven (7) foot high security fence and a twenty-four (24) foot rolling, automatic, electronic gate which must be constructed to Lessor's specifications in the location as more completely described and depicted in Exhibit D, entitled Site Plan/Fence Layout, attached hereto and by this reference incorporated herein. After construction, the fence shall become the property of and maintained by Lessor.

If Lessee intends to construct additional improvements on the Premises, it shall be at Lessee's cost. Lessee shall not commence construction of any improvements or alterations (alterations include, but are not limited to structural changes, painting of the exteriors of structures, changes to wiring and plumbing) or install any fixtures (other than fixtures which can be removed without injury to the Premises) without prior written consent of Lessor and subject to any and all conditions in such approval. Lessee shall submit to Lessor all plans and specifications relating to such construction of improvements, alterations or installation of any fixtures (other than fixtures which can be removed without injury to the Premises), in accordance with Lessor's Bayview Business and Industrial Park Development Standards. The construction of all improvements, alterations and/or installation of fixtures shall be carried

out by Lessee in a first-class manner at its sole cost and expense, and in full compliance with all federal, state, county and other governmental statutory and regulatory requirements. Until the expiration or sooner termination of this Restated Lease, title to any improvements situated and constructed by Lessee on the Premises and any alteration, change or addition thereto, as well as title to fixtures and articles of personal property attached to or used in connection with the Premises by Lessee, shall remain solely in Lessee.

#### 12. DISPOSITION OF IMPROVEMENTS AT END OF RESTATED 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 Restated Lease, provided that the same are removed upon conclusion of this Restated Lease and that this Restated Lease is in good standing. Any such equipment, personal property and trade fixtures not removed from the premises by the conclusion of this Restated 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 Restated Lease and Lessor wants the property removed, then the same shall be removed and stored at Lessee's expense and Lessor shall recover any costs and expenses from the Lessee resulting from the removal. 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 approved by Lessor prior to termination of this Restated Lease.

#### 13. CONDITION OF THE PREMISES

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

#### 14. LESSEE WILL OBTAIN PERMITS

Lessee shall be solely responsible for obtaining and complying with all permits, approvals or licenses required for the operation and conduct of Lessee's business activities and the construction, installation, erection and/or operation of any structures, facilities or equipment, including but not limited to, items constituting alterations or defined as trade fixtures on the Premises. 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

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

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attorney's fees, occasioned by Lessor pursuing Lessee's default for its failure 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.

#### 15. INSURANCE COVERAGE

a. Casualty Insurance: Lessee shall at Lessee's expense maintain on all improvements belonging to Lessor and on all of Lessee's personal property and leasehold improvements and alterations on the premises, casualty insurance, with extended coverage in the amount of their replacement value.

b. Liability Insurance: Lessee shall, at its own expense, maintain throughout the term of this Restated Lease, proper liability insurance with a reputable insurance company or companies satisfactory to the Lessor in the minimum of \$1,000,000 single limit liability, and a comprehensive general liability broadening endorsement (and hereafter in such increased amounts to be comparable and consistent with the going or standard coverage in the area for comparable business operations).

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

#### 16. 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 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. 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.

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

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17. 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 Restated Lease, except to the extent of such damage caused solely by negligence of the Lessor. Lessee agrees to defend and hold and save the Lessor, its officers, employees and agents, harmless from any and all liability or expense (including expense of litigation) in connection with any such items of actual or alleged injury or damage.

18. OFF STREET PARKING

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

19. ADVERTISING AND SIGNS

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

20. EQUAL OPPORTUNITY

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

21. LAWS AND REGULATIONS

The Lessee agrees, at its sole cost and expense, to conform to, comply with and abide by all lawful rules, codes, ordinances, requirements, orders, directions, laws and regulations of the United States, the State of Washington, and any municipality or agency of any of said

entities, including rules and regulations of Lessor, including without limitation those relating to environmental matters, now in existence or hereafter promulgated, applicable to the Lessee's use and operation of said Premises, including the construction of any improvements thereon, and not to permit said Premises to be used in violation of any of said rules, codes, laws or regulations. Any fees for inspection of the Premises during or for the term of this Restated Lease by any federal, state or municipal officer shall be paid by Lessee. Lessee shall pay all costs, expenses, liabilities, losses, damages, fines, penalties, claims, and demands, including reasonable counsel fees, that may in any manner arise out of or be imposed because of the failure of Lessee to comply with the covenants of this section.

#### 22. MAINTENANCE / COMMIT NO WASTE

The Lessee shall at all times during the term of this Restated Lease maintain the Premises in good condition and shall, at its sole cost and expense, keep the Premises and the adjoining driveways and walkways neat, clean and in a safe and sanitary condition. Lessee agrees not to allow conditions of waste and refuse to exist on the premises.

#### 23. UTILITIES

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

#### 24. LIENS AND INSOLVENCY

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

#### 25. TAXES

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

26. COSTS AND ATTORNEYS' FEES

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

27. TERMINATION

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

28. 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 or 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 Restated Lease forfeited and the term hereof ended, or without terminating this Restated 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 Restated 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

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

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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 eighteen percent (18%) 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.

#### 29. ASSIGNMENT AND SUBLEASE

Lessee shall not, by operation of law or otherwise, assign or sublease any portion of the premises without Lessor's prior written consent. The consent of Lessor to any assignment or sublease shall not in any manner be construed to relieve Lessee from obtaining Lessor's express written consent to any other or further assignment or sublease. As a condition to any assignment or sublease, Lessor may revise the rental to be consistent with its then current rental policy.

#### 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 Restated 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.

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

31. BAYVIEW BUSINESS AND INDUSTRIAL PARK COVENANTS, ORDINANCES AND REGULATIONS

Lessee understands that the property hereinbefore described is within the Lessor's Bayview Business and Industrial Park, situated in Industrial Development District No. 1. Lessor has or may promulgate and adopt resolutions, regulations and covenants for the orderly development, maintenance, care and control of all property within said district. The same effect Lessee's use of the property hereinbefore described. Lessee agrees to comply with such resolutions, regulations and covenants in force as of the date of this Restated Lease and all other resolutions, regulations and covenants which may be promulgated by Lessor.

32. 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 property 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.

33. FEDERAL AVIATION ADMINISTRATION REQUIREMENTS

Lessee agrees:

- a. to prevent any operation on the Premises which would produce electromagnetic radiations of a nature which would cause interference with any existing or future navigational aid or communication aid serving Skagit Regional Airport, or which would create any interfering or confusing light or in any way restrict visibility at the Airport; and

- b. to prevent any use of the Premises which would interfere with landing or taking off of aircraft at Skagit Regional Airport, or otherwise constitute an aviation hazard.

34. NOTICES

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

LESSOR: Port of Skagit County

LESSEE: Jones, Jones and Jones, Inc.

Street Address

15400 Airport Drive  
Burlington, WA 98233

Street Address

13411 19<sup>th</sup> Avenue N.E.  
Marysville, WA 98271

Mailing Address

P. O. Box 348  
Burlington, WA 98233  
Phone: (360) 757-0011  
FAX: (360) 757-0014

Mailing Address

P.O. Box 87  
Lakewood, WA 98259  
Phone: 1 360-653-2113  
FAX: 1 360-651-8806

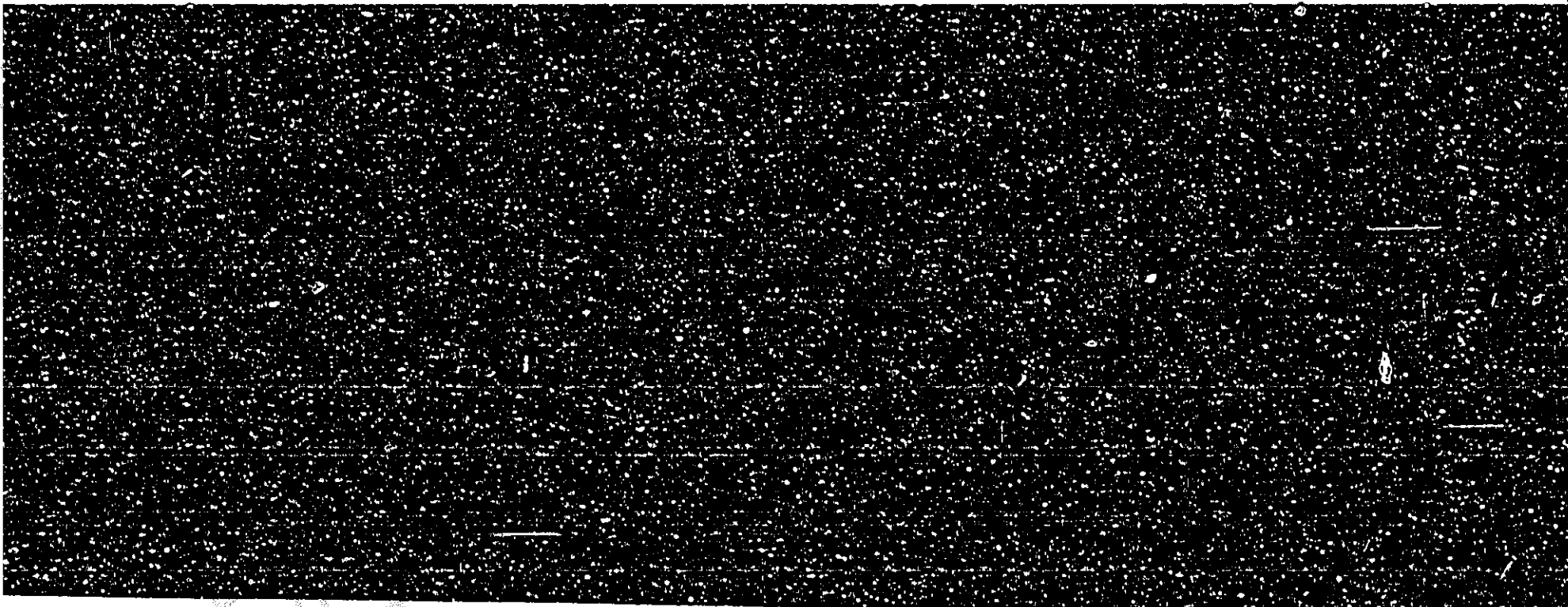
35. TIME IS OF THE ESSENCE

It is mutually agreed and understood that time is of the essence of this Restated 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 Restated Lease may be given by United States Mail addressed to the party identified in the paragraph entitled NOTICES of this Restated Lease.

36. TERMINATION OF PREVIOUS LEASE AGREEMENT DATED JANUARY 19, 1999

That certain Lease Agreement dated January 19, 1999, commencing on January 5, 1999, is hereby terminated and superceded by this Restated Lease.

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



LESSOR:

LESSEE:

PORT OF SKAGIT COUNTY

JONES, JONES AND JONES, INC.

John E. Henriot  
John E. Henriot, Commission President

Paul Jones  
Signature

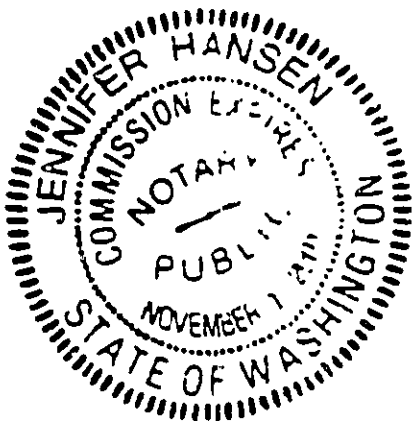
Brian J. Rolfson  
Brian J. Rolfson, Commission Secretary

PAUL JONES PRES.  
Print Name & Title

STATE OF WASHINGTON )  
 ) SS  
COUNTY OF SKAGIT )

On this 4<sup>th</sup> day of May, 1999, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared John E. Henriot and Brian J. Rolfson, 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.



Jennifer Hansen  
(signature)

Jennifer Hansen  
(print name)

NOTARY PUBLIC in and for the State of Washington,  
residing at Bellingham  
My appointment expires: November 1, 2001

STATE OF WASHINGTON )  
 ) SS  
COUNTY OF Skagit )

On this 4<sup>th</sup> day of May, 1999, before me personally appeared Paul Jones and [Signature] to me known to be the President and Secretary, respectively, 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

RESTATED LEASE AGREEMENT

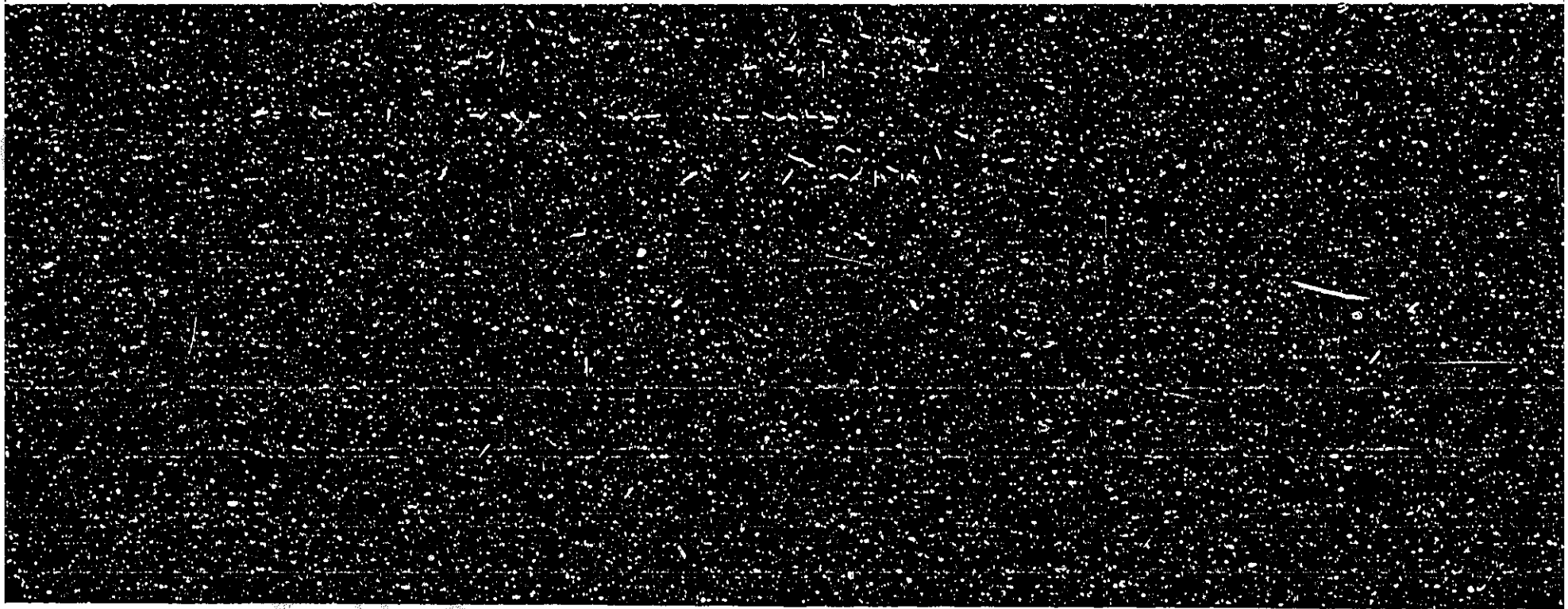
LESSOR: PORT OF SKAGIT COUNTY

LESSEE: JONES, JONES AND JONES, INC.

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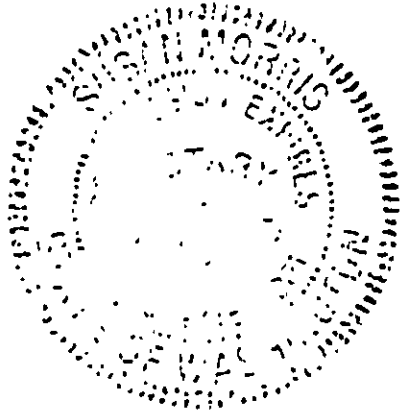
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BK 1997 PG 0104



mentioned, and on oath stated that they were authorized to execute said instrument 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.



Susan Morris

(signature)

Susan Morris

(print name)

NOTARY PUBLIC in and for the State of Washington,  
residing at Whatcom

My appointment expires: 2.15.01



EXHIBIT A

April 14, 1999

LEGAL DESCRIPTION FOR: Jones, Jones & Jones, Building Site Parcel

That portion of the Northwest Quarter of Section 3, Township 34 North, Range 3 East, W.M., being in a portion of the Skagit Regional Airport Binding Site Plan, Phase I, 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  $88^{\circ} 44' 25''$  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  $52^{\circ} 21' 58''$  East, along said building restriction line, 274.34 feet to the **TRUE POINT OF BEGINNING**; thence continuing South  $52^{\circ} 21' 58''$  East, along said building restriction line, a distance of 275.00 feet; thence at a right angle to said building restriction line North  $37^{\circ} 38' 02''$  East, 190.00 feet; thence North  $48^{\circ} 39' 30''$  West, 255.50 feet to the intersection with the Southerly margin of a 60-foot wide right-of-way as shown on said Binding Site Plan, and the beginning of a non-tangent curve, concave to the North, having a radius of 180.00 feet, whose radius point bears North  $28^{\circ} 26' 18''$  West; thence Westerly along said Southerly margin and the arc of said curve, through a central angle of  $12^{\circ} 43' 57''$ , an arc distance of 40.00 feet to a point which bears North  $37^{\circ} 36' 00''$  East from the **TRUE POINT OF BEGINNING**; thence South  $37^{\circ} 36' 00''$  West, 172.06 feet to the **TRUE POINT OF BEGINNING**.

Situate in the County of Skagit, State of Washington.

(Containing 54,323 square feet, 1.25 acres)

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EXHIBIT B

April 14, 1999

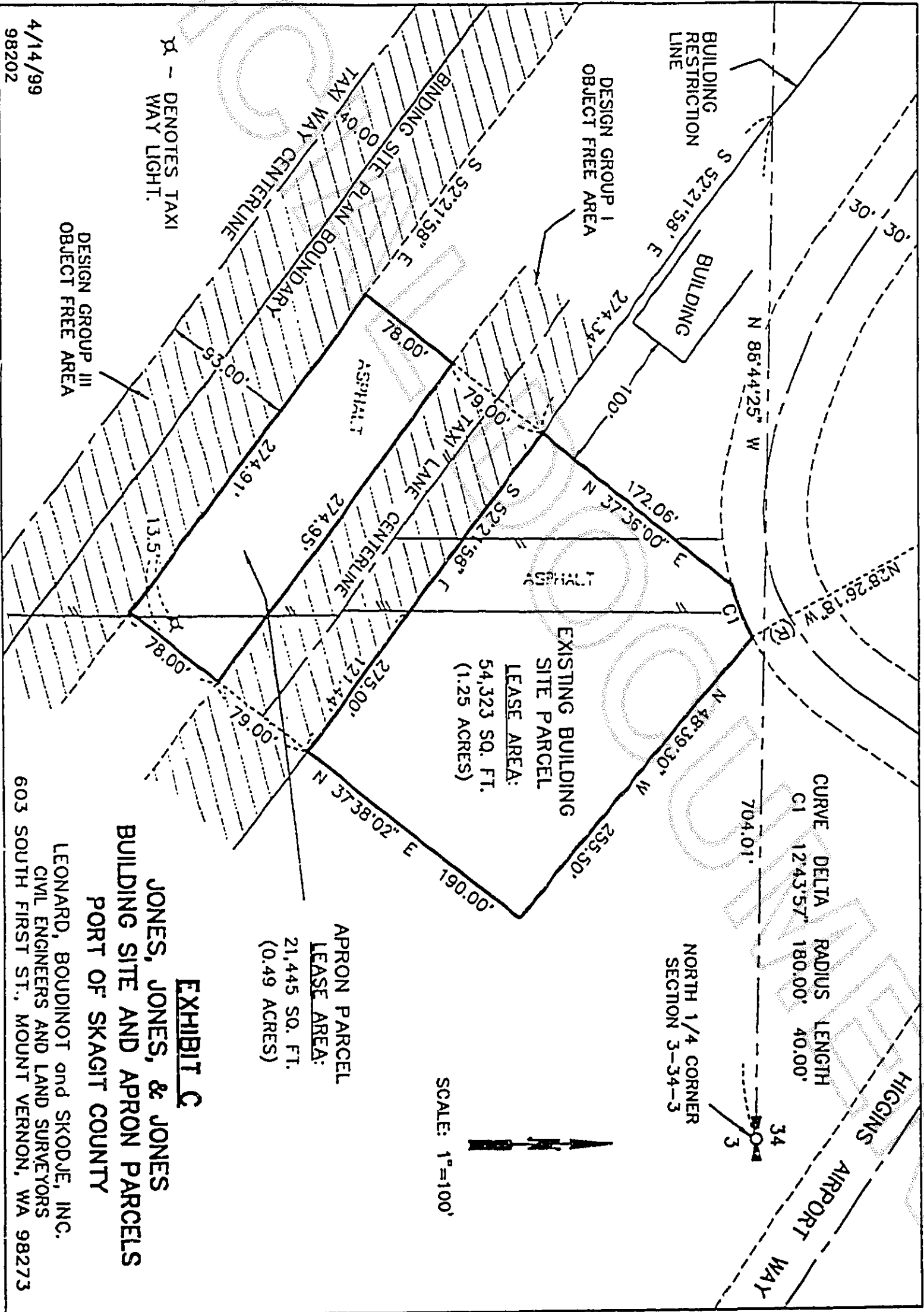
LEGAL DESCRIPTION FOR: Jones, Jones & Jones, Apron Parcel

That portion of the Northwest Quarter of Section 3, Township 34 North, Range 3 East, W.M., being in a portion of the Skagit Regional Airport Binding Site Plan, Phase I, 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  $88^{\circ}44'25''$  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  $52^{\circ}21'58''$  East, along said building restriction line, 274.34 feet; thence South  $37^{\circ}36'00''$  West, 79.00 feet to the TRUE POINT OF BEGINNING; thence continuing South  $37^{\circ}36'00''$  West, 78.00 feet; thence South  $52^{\circ}21'58''$  East, parallel with said building restriction line, 274.91 feet; thence at a right angle, North  $37^{\circ}38'02''$  East, 78.00 feet; thence North  $52^{\circ}21'58''$  West, 274.95 feet to the TRUE POINT OF BEGINNING.

Situate in the County of Skagit, State of Washington.

(Containing 21,445 square feet, 0.49 acres)



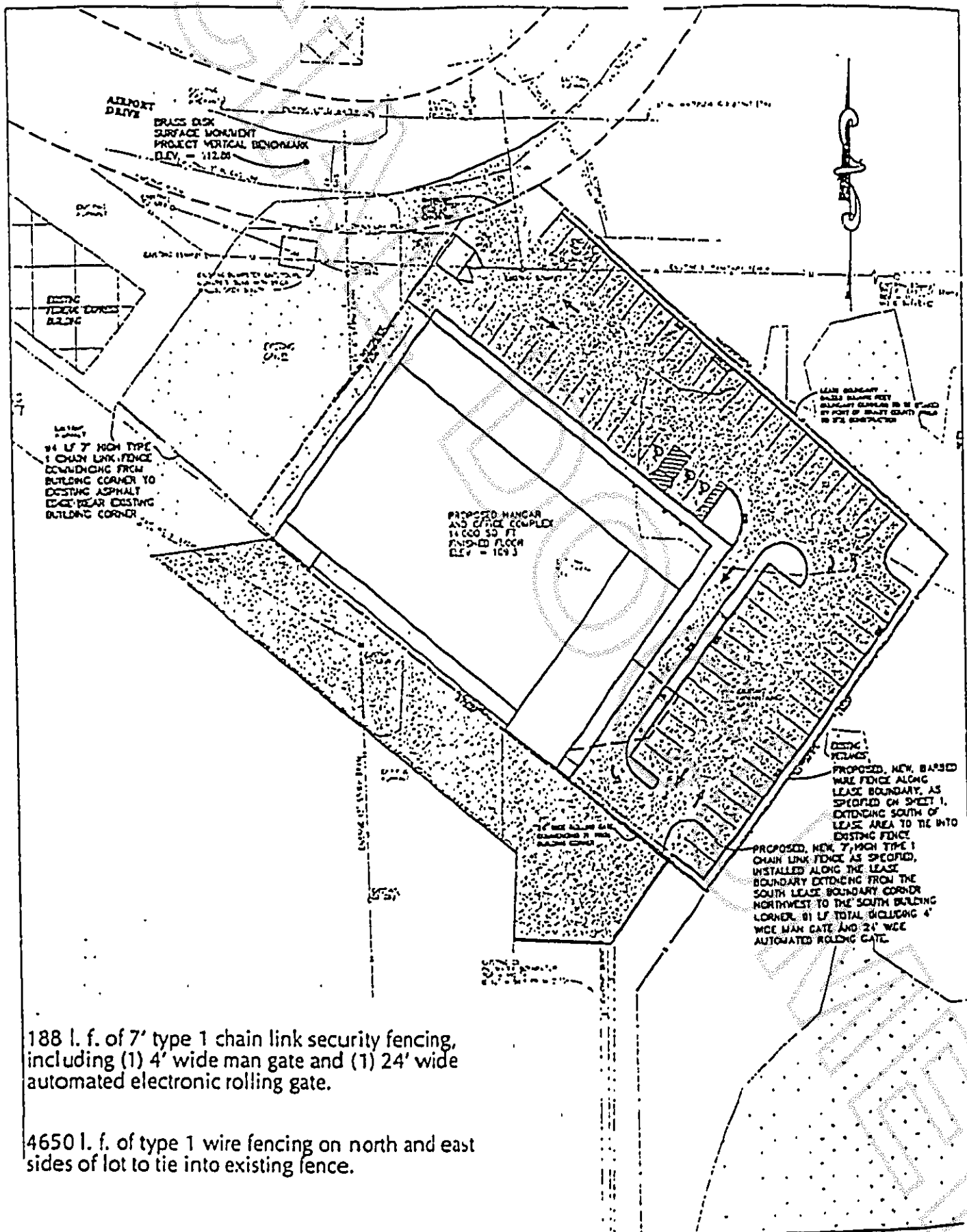
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 98202

LEONARD, BOUDINOT and SKODJE, INC.  
 CIVIL ENGINEERS AND LAND SURVEYORS  
 603 SOUTH FIRST ST., MOUNT VERNON, WA 98273

**EXHIBIT C**  
**JONES, JONES, & JONES**  
**BUILDING SITE AND APRON PARCELS**  
**PORT OF SKAGIT COUNTY**

9905270075

BK 1997 PG 0108



188 l. f. of 7' type 1 chain link security fencing, including (1) 4' wide man gate and (1) 24' wide automated electronic rolling gate.

4650 l. f. of type 1 wire fencing on north and east sides of lot to tie into existing fence.

**Ravnik & Associates**  
 CIVIL ENGINEERING & PLANNING  
 1705 E. COLLEGE WAY  
 MOUNT VERNON, WA 98273  
 TEL: (360) 414-0403 FAX: (360) 414-0372

SHEET DESCRIPTION:  
**EXHIBIT D**  
**Site Plan/Fence Layout**

SCALE: 1" = 60'  
 DRAWN BY: C. CARROLL  
 JOB NO. 80028  
 DATE: JANUARY 11, 1997

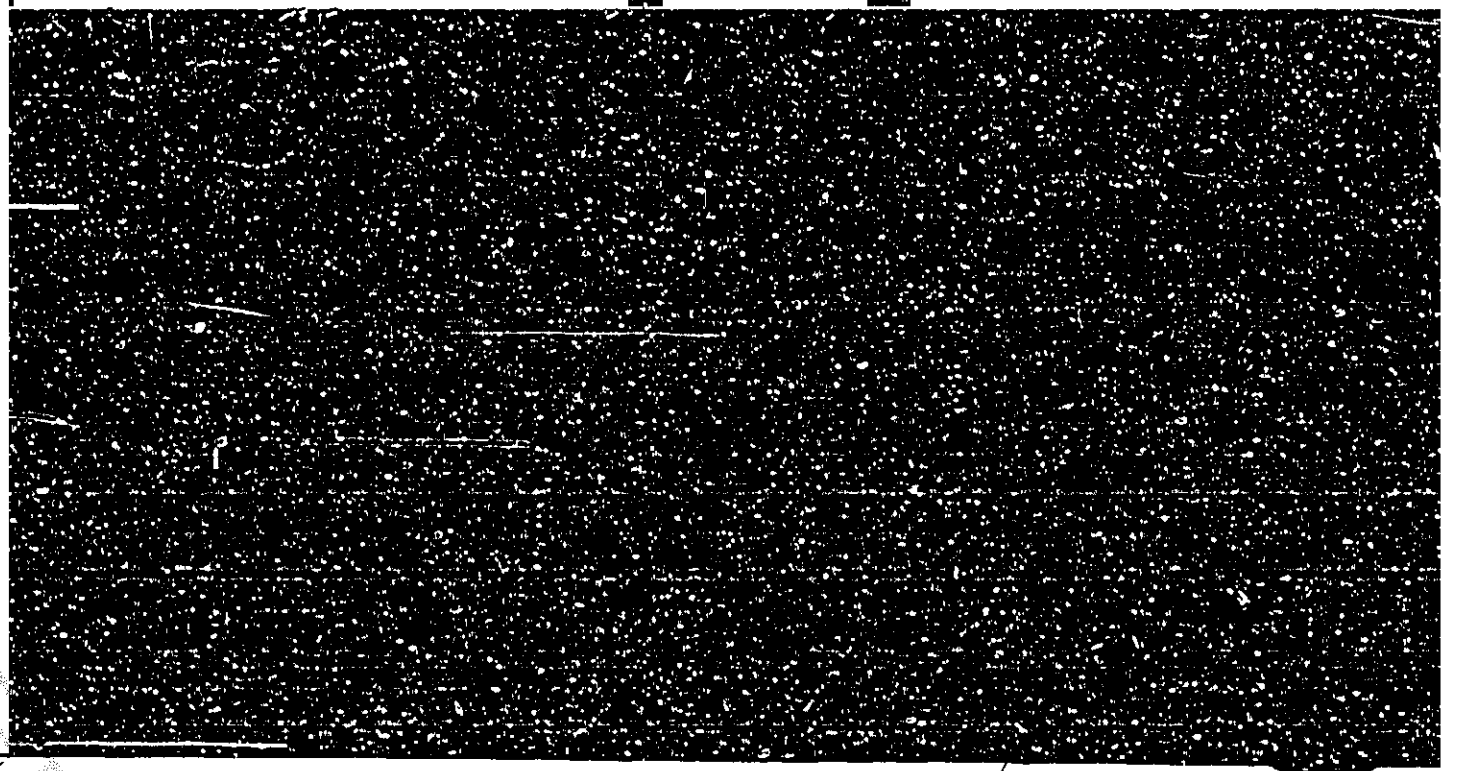


Exhibit "2"

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. P21081 / 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.

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 JK AB 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.



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.

16. Closing Documents.

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

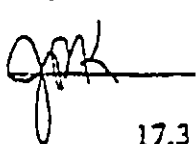
- a. a Bill of Sale;
- b. a Promissory Note executed by Buyer as Maker;
- c. a Personal Guarantee of the principals of Buyer;
- d. a Security Agreement and UCC-1 Financing Statement, and UCC-2 Fixture Statement;
- e. an Assignment of Lease executed by the Port of Skagit County;
- f. Assignments of Leases 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: *Paul Jones* Date: Oct 7 1998  
Its: Paul Jones

By: *Howard Curtis Tronsdal* Date: OCT 7 1998  
HOWARD CURTIS TRONSDAL

By: *James B. Koetje* Date: OCT 7 1998  
JAMES B. KOETJE

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 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 Marysville  
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 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 Marysville  
My appointment expires: 01-02-02

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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