

COVER SHEET (For Multiple Documents)



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Skagit County Auditor

2/21/2001 Page 1 of 36 3:46:47PM

RETURN TO:

ISLAND TITLE

PO BOX 1228

ANACORTES WA 98221

DOCUMENT TITLE(S) (list all titles contained in document);

ISLAND TITLE CO.

1. lease agreement 2.

A 20257

REFERENCE NUMBER(S) OF DOCUMENTS ASSIGNED OR RELEASED:

1. 2.

ADDITIONAL REFERENCE NUMBERS ON PAGE _____ OF DOCUMENT.

GRANTOR(S) (Last name, first name and initials):

- 1. PORT OF ANACORTES 1.
- 2. 2.
- 3. 3.
- 4. 4.

ADDITIONAL NAMES ON PAGE _____ OF DOCUMENT.

GRANTEE(S) (Last name, first name and initials):

- 1. BARTRAM, HAROLD 1.
- 2. BARTRAM, BETTY 2.
- 3. 3.
- 4. 4.

SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax

FEB 21 2001

Amount Paid \$ ϕ
Skagit Co. Treasurer
By *W* Deputy

ADDITIONAL NAMES ON PAGE _____ OF DOCUMENT.

LEGAL DESCRIPTION (Abbreviated: i.e., lot, block, plat or quarter, quarter, section, township and range):

PTN NE NE Sec. 27, T35N, R1EWM

ADDITIONAL LEGAL(S) ON PAGE _____ OF DOCUMENT.

ASSESSOR'S PARCEL/TAX I.D. NUMBER:

P32372

TAX PARCEL NUMBER(S) FOR ADDITIONAL LEGAL(S) ON PAGE _____ OF DOCUMENT.

ORIGINAL

PORT OF ANACORTES LEASE AGREEMENT

THIS LEASE AGREEMENT, hereinafter referred to as "this Lease", is made as of April, 25TH 1996, by and between the PORT OF ANACORTES, a Washington municipal corporation, hereinafter referred to as "Lessor", and Harold Bartram and Betty Bartram, husband and wife, hereinafter referred to as "Lessee".

RECITALS

A. The Lessor is the owner of improved real property in Anacortes, Skagit County, Washington, as legally described in Exhibit "A" attached hereto and incorporated herein as though fully set forth here, and sometimes hereinafter referred to as the "Property".

B. The Lessee desires to lease the Property on which to construct a hanger for the purpose of storing aircraft.

C. Lessor is agreeable to entering into a lease with Lessee for the Property as legally described in Exhibit "A" and depicted in Exhibit "B" subject to Lessee accepting the terms and conditions of this Lease, all as more specifically hereinafter set forth.

WITNESSETH:

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

1. PROPERTY SUBJECT TO THIS LEASE. The parties hereto acknowledge and agree that the illustration marked Exhibit "B" attached hereto and incorporated herein as though fully set forth here accurately depicts the Property. Lessor hereby leases to Lessee, and Lessee hereby leases from the Lessor, the Property which is highlighted and shaded on Exhibit "B". The Property which is highlighted and shaded on Exhibit "B", which shall be subject to this Lease, is hereinafter referred to as the "Premises".

The Premises referenced above is subject to restrictions, easements, and reservations of record. The Lessor reserves for itself and its agents a non-exclusive easement over and across the Premises to make inspections, repairs, alterations, and/or



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modifications to the structural components and utility services; provided the rights reserved to the Lessor hereunder shall impose no obligation on the Lessor to make such inspections, repairs, alterations, and/or modifications. The Lessor shall not be responsible for any reduced efficiency, loss of business, injury, or damage of any kind, to any person or property, occasioned by Lessor's exercise of said easement rights, including without limitation any reduced efficiency or loss of business.

2. TERM. The term of this Lease shall be for thirty years commencing upon the last to occur of (i) issuance of a building permit on the Premises, (ii) Port approval of any conditions in such issued building permit, and (iii) final Port approval of Lessee's site and utility plan. The term of this Lease shall not commence until such approvals are received. This Lease shall end April 30, 2026, unless sooner terminated pursuant to any provision of this Lease. Lessee is granted the right to extend the term of this Lease for two (2) consecutive ten (10) year extension periods by giving written notice of said intention to Lessor not less than ninety (90) days prior to the expiration of the current term, conditioned upon (i) Lessor's sole determination that the condition of the improvements meet the standards of the Lessor and are in accordance with the Port of Anacortes Airport Master Plan, and that the Premises are not needed for a major capital improvement project by Lessor, (ii) the fact that Lessee is in full compliance with all terms, conditions, covenants and provisions of this Lease, and (iii) Lessee not being in default when the notice is given or at the commencement of the extension period, it being understood and agreed that the rental for the said two (2) ten (10) year extension periods shall be the rent determined by Lessor based on the fair market value of the premises as set forth in Section 5d. entitled "Periodic Adjustments". All terms, conditions, covenants and provisions of this Lease shall continue during the extension period with the exception that there is no additional right to extend the term of this Lease other than that which is herein specifically set forth. Promptly following Lessor's receipt of Lessee's written notice of Lessee's intention to extend the term of this Lease, the Lessor shall inform the Lessee as to the rental applicable to the extension period. In the event that the Lessee is unwilling to commit to the payment of said rental prior to sixty (60) days before the expiration of the current term of the Lease, the Lessee's right to extend the term of this Lease shall lapse and the Lessee shall proceed to make preparation to return possession of the Premises to the Lessor pursuant to the terms of this Lease.

3. POSSESSION AND RIGHT OF QUIET ENJOYMENT.



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a. If the Lessor shall be unable for any reason to deliver possession of the Premises, or any portion thereof, at the time of the commencement of the term of this Lease, the Lessor shall not be liable for any damage caused thereby to Lessee, nor shall this Lease thereby become void or voidable, nor shall the term specified herein be in any way extended, but in such event Lessee shall not be liable for any rent (unless hereinafter provided for to the contrary) until such time as the Lessor can deliver possession. If Lessee shall, in the interim take possession of any portion of the Premises, Lessee shall pay as rent (unless hereinafter provided for to the contrary) the full rent specified herein reduced pro rata for the portion of the Premises not available for possession by Lessee. If the Lessor shall be unable to deliver possession of the Premises at the commencement of the term of this Lease, Lessee shall have the option to terminate this Lease by at least thirty (30) days' written notice unless the Lessor shall deliver possession of the Premises prior to the effective date of termination specified in such notice. If Lessee shall, with the Lessor's consent, take possession of all or any part of the Premises prior to the commencement of the term of this Lease, all of the terms and conditions of this Lease shall immediately become applicable, with the exception that Lessee shall not be obligated to pay any rent for the period prior to the commencement of the term of this Lease unless otherwise mutually agreed herein to the contrary.

b. Lessor acknowledges that it has ownership of the Premises heretofore described and that it has the legal authority to lease said Premises to Lessee. Lessor covenants that Lessee's right of occupancy shall not be disturbed during the term of this Lease so long as the terms and conditions hereof are complied with by Lessee and subject to the provisions of the succeeding section entitled "LESSOR'S RIGHT TO ENTER PREMISES".

4. RENTAL. 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 of:

ONE HUNDRED FORTY EIGHT AND 85/100 DOLLARS (\$ 148.85) per month

plus applicable Washington State leasehold tax. The rental shall be paid to the Lessor in advance on or before the first day of each



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and every month of the term of this Lease, and shall be payable at such place as the Lessor may hereinafter designate. The rental may be further adjusted by the addition of other sums and charges specified elsewhere in this Lease all of which shall constitute additional rent. 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 rental.

5. RENTAL ADJUSTMENTS.

a. Annual Adjustments. The rental shall be adjusted at the beginning of each anniversary of the commencement date during the term of this Lease, including any extension period, to compensate for the effect of inflation on the rental, with the exception that on the fifth (5th) anniversary of the commencement of this Lease and every five (5) years thereafter, the rent shall be adjusted based on the subsection contained herein entitled Periodic Adjustments in order to compensate for changes in market conditions. The date of any such annual adjustment in rental is called the "Change Date". The annual adjusted rental shall be determined in accordance with the formula set forth below, but in no case shall the adjusted rental be less than the rental being adjusted. In applying the formula, the definitions hereinafter set forth apply.

b. Definitions.

i. "Bureau" means the U.S. Department of Labor Bureau of Labor Statistics or any successor agency that shall issue the indices or data referenced in the succeeding section entitled "Formula".

ii. "Reference Date" herein shall initially be the commencement date of this Lease, and after the end of the first lease year shall mean the anniversary of the commencement date immediately preceding the anniversary upon which the rental adjustment will become effective.

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



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substantially the same function, then the indices issued by such other agency.

c. Formula. The rental rate being adjusted shall be multiplied by a multiplier equal to the change in the Price Index computed as follows: (Rental being adjusted) X (Price Index for the most recent month available divided by the Price Index for the month used for the most recent Reference Date). The most recent Price Index available at the commencement of this Lease is .

d. Periodic Adjustments. On the fifth (5th) year anniversary of the commencement date of this Lease and every fifth (5th) year thereafter, including any extension period, the rental shall be adjusted by Lessor to compensate for changes in market value of the premises. The rent shall be based on a minimum of eight and one-half percent (8.5%) return on the fair market value of the Premises. If the value can not be agreed upon between the Lessor and Lessee, the value shall be determined in the following manner:

Each party shall appoint a disinterested person to act as appraiser, such person having at least ten (10) years professional experience as an appraiser of properties in the Puget Sound area. The two appraisers so appointed shall appoint a third appraiser having those qualifications.

The three appraisers shall proceed without delay to make an appraisal of the Premises in the manner hereinafter provided and notify the parties in writing of their valuation; which shall be final and binding upon the parties. If all three appraisers cannot agree, the valuation agreed to by any two, or if no two appraisers can agree, the average of the valuation, shall be binding on the parties.

Each appraiser shall determine the fair market value of the Premises at the price which a willing buyer would pay a willing seller in an arms length transaction; considering highest and best use and disregarding tenant improvements thereon.

The expenses of each appraisal conducted in accordance herewith shall be borne equally by both parties.

6. ABATED RENTAL. If this Lease provides for a postponement of any monthly rental payments, a period of free rent or other rent concession, such postponed rent or free rent is called the "Abated Rental". Lessee shall be credited with having paid all of



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the Abated Rental on the expiration of the term of this Lease only if Lessee has fully, faithfully, and punctually performed all of Lessee's obligations hereunder, including the payment of all rent (other than the Abated Rental) and all other monetary obligations and the surrender of the Premises in the physical condition required by this Lease. Lessee acknowledges that its right to receive credit for the Abated Rental is absolutely conditioned upon Lessee's full, faithful and punctual performance of its obligations under this Lease. If Lessee defaults and does not cure within any applicable grace period, the Abated Rental shall immediately become due and payable in full and this Lease shall be enforced as if there were no such rent abatement or other rent concession. In such case, Abated Rental shall be calculated based on the full initial rent payable under this Lease, plus interest thereon at the rate of twelve percent (12%) per annum from date each monthly rental payment was postponed.

7. SECURITY:

a. Lessee shall, upon execution of this Lease, obtain and deliver to the Lessor a cash deposit, a good and sufficient corporate surety company bond, rental insurance policy, or other security (hereinafter referred to as the "Lease Security"), in an initial amount equal to one (1) year's rental to secure the full performance by Lessee of all terms, conditions, covenants and provisions of this Lease, including the payment by Lessee of all amounts now or hereafter payable to Lessor during the full term hereof. This obligation shall be in effect during the full term of this Lease and throughout any holdover period, and this Lease is not deemed effective until the Lease Security has been delivered to the Lessor. The form, provisions and nature of the Lease Security, and the identity of the surety or other obligor thereunder, shall at all times be subject to the Lessor's approval. The amount of the Lease Security shall be adjusted to coincide with all adjustments in rental and as required elsewhere herein and/or by the laws of the State of Washington. No interest shall be paid on the Lease Security and the Lessor shall not be required to keep the Lease Security separate from its other accounts. No trust relationship is created with respect to the Lease Security. If the amount of the Lease Security is not so adjusted, Lessee shall be considered in default hereunder, and subject to the Lessor's rights under section b. hereof and succeeding section entitled "DEFAULT AND RE-ENTRY". No future amendment or extension to this Lease shall be effective until the surety or obligor has given its consent thereto and the amount of the Lease Security has been adjusted as required. The Lease Security may provide for termination on



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the anniversary date thereof upon not less than one (1) year's written notice to the Lessor if this Lease is not in default at the time of said notice. In the event of any such termination, Lessee shall obtain a new Lease Security, also subject to Lessor's approval, to replace the Lease Security being so terminated to be effective on or before the date of termination.

b. Lessee shall be deemed in material default of this Lease if at any time or times during the stated term of this Lease Lessee ceases to be in compliance with the provisions of section a. above, with or without notice from Lessor. Pending Lessee's cure of its default, Lessee shall pay rent and all other sums owing to the Lessor under this Lease computed as though this Lease had been originally awarded on a month-to-month basis.

c. The Lease Security is a part of the consideration for execution of this Lease. If Lessee shall have fully performed all terms and conditions of this Lease, any cash deposit security shall be paid to Lessee within thirty (30) days following the termination (or expiration) date without interest; otherwise the Lessor shall, in addition to any and all other rights and remedies available under this Lease or at law or equity, retain title thereto. The Lessor may apply all or part of the Lease Security to unpaid rent or any other unpaid sum due hereunder, or to cure other defaults of Lessee. If the Lessor uses any part of the Lease Security, Lessee shall restore the Lease Security to an amount acceptable to the Lessor within ten (10) days after the receipt of the Lessor's written request to do so. Lessee's failure to do so shall be a material default under this Lease.

d. Forfeiture of the Lease Security by Lessee shall not constitute liquidated damages to the Lessor. Lessee shall also pay the Lessor for any and all damages incurred by the Lessor by reason of said forfeiture.

e. It is further agreed that in the event the laws of the State of Washington applicable hereto shall hereafter be amended, the provisions of this entire section (which are minimal) shall be deemed likewise automatically amended upon the effective date of such statutory amendments, to the extent and in the manner necessary to comply therewith.

8. CONDITION OF PROPERTY. Lessee has inspected the Premises, and accepts the Premises in its present condition, is not relying upon



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any covenants, warranties or representations of Lessor as to its condition or usability, except Lessor's right to grant a lease of the Premises, 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.

9. BUSINESS PURPOSE AND TYPE OF ACTIVITY. It is understood and agreed that Lessee intends to use the Premises solely for the purpose of storage of Lessee's aircraft; provided so long as Premises are being used for storage of said aircraft Lessee shall be entitled to use the Premises for storage of personal vehicles, along with related offices and crew quarters for incidental use. It is expressly agreed between the parties that overnight use of the crew quarters shall be limited to twelve nights in any one month. Lessee, including any assignee of Lessee's interest, shall be registered with the Washington State Department of Licensing as the owner of at least one airworthy aircraft at all times during the lease term. This Lease shall automatically terminate if at any time Lessee is not the registered owner of said aircraft, with the exception of one period of no more than six consecutive months in order for Lessee to purchase an aircraft. It being understood that the above activities are the only type of activities to be conducted upon the Premises. Failure to perform the above type of activity except for reasons beyond Lessee's reasonable control, or the carrying on of other type(s) of unauthorized activities, without first obtaining a lease modification with Lessor's written approval of such other type(s) or cessation of activities, shall constitute a material default by Lessee of this Lease. Lessee specifically agrees that this section shall be strictly construed to assure that the Premises and operations or activities conducted on said Premises are in full compliance with all applicable environmental or other laws and regulations. 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 disturbance or any unusual noise, vibration or other condition on or in the Premises.

10. ADVERTISING AND SIGNS: No signs, symbols, or other advertising matter, shades, canopies or awnings shall be installed, displayed, attached to or painted on or within the Premises, including the windows and doors thereof, without the prior written approval of the Lessor's Executive Director, or the Executive Director's designated subordinate. At the expiration or sooner termination of this Lease, all such signs, symbols, advertising matter, shades, canopies or awnings installed, displayed, attached to or painted by Lessee shall be removed by Lessee at its sole expense, and Lessee shall repair any damage or



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injury to the Premises and correct any unsightly condition caused by the maintenance of or removal of said signs, etc.

11. EQUAL OPPORTUNITY. The Lessee covenants and agrees that in the performance of this Lease, the Lessee shall conduct its activities in a manner that will assure fair, equal and nondiscriminatory treatment of all persons regardless of race, creed, color, sex, age, or presence of handicap. 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, color, creed, sex, age, national origin or presence of a handicap.

12. 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 or the Americans with Disabilities Act, now in existence or hereafter promulgated, applicable to the Lessee's use and operation of said Premises, including the construction of any improvements thereon, and not to permit said Premises to be used in violation of any of said rules, codes, laws or regulations. Any fees for inspection of the Premises during or for the term of this Lease by any federal, state or municipal officer shall be paid by Lessee. Lessee shall pay all costs, expenses, liabilities, losses, damages, fines, penalties, claims, and demands, including reasonable counsel fees, that may in any manner arise out of or be imposed because of the failure of Lessee to comply with the covenants of this section. It is agreed that Lessee's noncompliance with the provisions of this clause shall constitute a material breach of this Lease.

13. 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 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



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any liability and to fully reimburse expenses of the Lessor for Lessee's failure to obtain and/or fully comply with any necessary permit.

14. CONSTRUCTION OF IMPROVEMENTS. Lessee shall not commence construction of any improvements, alterations, placement of removable or temporary structures, 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, placement of removable or temporary structures, or installation of any fixtures (other than trade fixtures which can be removed without injury to the Premises). When Lessee intends to construct improvements, alterations, or place removable or temporary structures, Lessee shall notify the Lessor in writing in advance of the date upon which Lessee shall commence construction or placement on the Premises and the Lessor shall have the right to post notices of nonresponsibility with respect to liens arising out of such construction or placement. If Lessee shall fail to so notify the Lessor, Lessee shall reimburse the Lessor for all costs and loss whatsoever suffered by the Lessor because of Lessee's failure to notify the Lessor as required herein. 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 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.

It is agreed between the parties that future hook ups to that portion of the sewer line installed by Lessee shall be reimbursed to Lessee for the portion of the documented cost of the sewer installation and sewer manhole based on two additional hookups.

15. REPAIRS AND MAINTENANCE.

a. Lessee shall at its sole cost and expense be responsible for undertaking repairs and maintenance of the Premises and all leasehold improvements on or to the Premises, and shall at all times preserve the Premises and leasehold improvements in as good repair as that on date of possession. Lessee shall keep the Premises neat, clean and in a safe and sanitary condition free from



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infestation of pests and conditions which might result in harborage for, or infestation of pests, (the word "pests" as used herein, shall include, without limitation, rodents, insects and birds in numbers to the extent that a nuisance is created), and in compliance with all federal, state and local environmental and other laws and regulations. Lessee agrees that if, as a result of its use, occupancy or operations on the Premises, or because of any action of its agents, invitees, employees, contractors or others, any environmental or health hazard occurs on the Premises, Lessee shall take all necessary remedial action to bring the Premises and operations or activities conducted thereon into full compliance with applicable federal, state and local laws and regulations.

b. Lessee specifically warrants that in conducting its business or other activities on the Premises as authorized in this Lease, that such business or activities shall be conducted in a first-class manner which includes standards of maintenance which insures continued compliance with all applicable environmental and other laws and regulations.

16. ENVIRONMENTAL STANDARDS:

a. Definitions: "Law or Regulation" as used herein shall mean any environmentally related local, state or federal law, regulation, ordinance or order (including without limitation any final order of any court of competent jurisdiction), now or hereafter in effect relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, including without limitation the Model Toxics Control Act (RCW Chapter 70.105D), the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section 690 et seq.), or any superfund laws. "Hazardous Substances" as used in this Lease shall mean any substance or material defined or designated as a hazardous waste, toxic substance, or other pollutant or contaminant, by any Law or Regulation.

c. Lessor's obligations. In the event that any investigation, site monitoring, containment, cleanup, removal, restoration or other remedial work (the "Remedial Work") of any kind is necessary under any applicable Law or Regulation, or is required by any governmental entity or other third person because of or in connection with the presence of Hazardous Substances on or under the Premises prior to the date of this Lease, Lessor shall assume responsibility for all such



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Remedial Work and all costs and expenses of such Remedial Work shall be paid by Lessor, unless the Hazardous Substances are present solely as a result of the acts or omissions of Lessee, its officers, direct or indirect employees, contractors, subcontractors, agents, servants, invitees or guests.

d. Lessor's Indemnification: Lessor agrees to indemnify, defend (with counsel satisfactory to Lessee) and hold harmless Lessee and its officers, employees, contractors and agents from any claims, judgments, damages, penalties, fines, costs, liabilities (including sums paid in settlement of claims) or loss, including consultant, expert and attorneys fees and costs, which arise during or after the term of this Lease from or in connection with:

i. Hazardous Substances present or suspected to be present in the soil, groundwater or soil vapor on or under the Premises before the Commencement Date of Lessee's occupancy; or

ii. Hazardous Substances that migrate, flow, percolate, diffuse, or in any way move onto or under the Premises after the Commencement Date of Lessee's occupancy; or

iii. Hazardous Substances present on or under the Premises as a result of any discharge, dumping, spilling, (accidental or otherwise) onto the Premises during or after Lessee commenced occupancy of the Premises, by the Lessor or any person, corporation, partnership, or entity acting on behalf or at the request of Lessor, or any officers, direct or indirect employees, contractors, subcontractors, agents, servants, invitees or guests thereof.

e. Lessee's Covenants/Warranties/Obligations and Lessor's Rights:

i. Lessee covenants and warrants that Lessee, its officers, direct or indirect employees, contractors, subcontractors, agents, servants, invitees and guests shall not use the Premises in a manner which violates any Law or Regulation governing the handling, generation, sale, transportation, storage, treatment, usage or disposal of Hazardous Substances, nor will it allow the presence in or about the Premises of any Hazardous Substances in any manner that could be a detriment to the Premises. Lessee shall not allow any Hazardous Substances to migrate off the Premises, or the



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release of any Hazardous Substances into adjacent surface waters, soils, underground waters or air. Lessee shall immediately provide the Lessor with Lessee's USEPA Waste Generator Number, any correspondence Lessee receives from, or provides to any governmental unit or agency in connection with Lessee's handling of Hazardous Substances or the presence, or possible presence, of any Hazardous Substances on the Premises, and any document or record between Lessee and any government agency or person with respect to notification of any release of a reportable quantity of any Hazardous Substances, all regulatory orders, citations, fines, initiations of enforcement actions and investigations thereunder, and all response or interim cleanup actions taken by or proposed to be taken by any government entity or private party in or on the Premises. Lessee shall provide the Lessor within five (5) days of written request, with copies of all Material Safety Data Sheets (MSDS), Generator Annual Dangerous Waste Reports, environmentally related regulatory permits, reports or approvals (including revisions or renewals).

ii. If Lessee, or the Premises, is in violation of any Law or Regulation concerning the presence or use of Hazardous Substances or the handling or storing of hazardous wastes, Lessee shall promptly take such action as is necessary to mitigate and correct the violation, the release of a Hazardous Substance and/or damage to the Premises. If Lessee does not act in a prudent and prompt manner, the Lessor reserves the right, but not the obligation, to come onto the Premises, to act in place of the Lessee (Lessee hereby appoints the Lessor as its agent for such purposes) and to take such action as the Lessor deems necessary to ensure compliance or to mitigate the violation, the release of Hazardous Substances and/or damage to the Premises. If the Lessor has a reasonable belief that Lessee is in violation of any Law or Regulation, or that Lessee's actions or inactions present a threat of violation or a threat of damage to the Premises, the Lessor reserves the right to enter onto the Premises and take such corrective or mitigating action as the Lessor deems necessary. In the event that any investigation, site monitoring, containment, cleanup, removal, restoration or other remedial work (the "Remedial Work") of any kind is necessary under any applicable Law or Regulation, or is required by any governmental entity or other third



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person because of or in connection with the presence or suspected presence of Hazardous Substances on or under the Premises, Lessee shall assume responsibility for all such Remedial Work and all costs and expenses of such Remedial Work shall be paid by Lessee, unless the Hazardous Substances are present solely as a result of the actions of Lessor. All costs and expenses incurred by the Lessor in connection with any such actions or associated with the Lessor's monitoring of Lessee's corrective or mitigation efforts, including without limitation consultant, expert and attorney fees and costs shall become immediately due and payable by Lessee upon presentation of an invoice therefor. Payment of such costs and expenses shall be a condition precedent for the release of any security held by the Lessor, including the Lease Security set forth in preceding section entitled "**SECURITY**". Notwithstanding anything in this Lease to the contrary, the Lessor is not the operator of the Premises and is not responsible for compliance with Laws and Regulations at the Premises. Such compliance is solely the responsibility of the Lessee.

iii. The Lessor shall have access to the Premises to conduct environmental inspections. In addition, Lessee shall permit the Lessor access to the Premises at any time upon reasonable notice for the purpose of conducting environmental testing at the Lessor's expense. Lessee shall not conduct or permit others to conduct environmental testing on the Premises without first obtaining the Lessor's written consent. Lessee shall promptly inform the Lessor of the existence of any environmental study, evaluation, investigation or results of any environmental testing conducted on the Premises whenever the same becomes known to Lessee, and Lessee shall provide copies thereof to the Lessor.

iv. Prior to vacation of the Premises, in addition to all other requirements under this Lease, Lessee shall remove any Hazardous Substances placed on the Premises during the term of this Lease or Lessee's possession of the Premises, and shall demonstrate such removal to the Lessor's satisfaction. This removal and demonstration shall be a condition precedent to the Lessor's payment of any Lease Security to Lessee upon termination or expiration of this Lease.



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v. No remedy provided herein shall be deemed exclusive. In addition to any remedy provided in this Lease, the Lessor shall be entitled to full reimbursement from Lessee whenever the Lessor incurs any costs resulting from Lessee's use or management of Hazardous Substances on the Premises, including but not limited to, costs of clean-up or other remedial activities, fines or penalties assessed directly against the Lessor, injuries to third persons or other properties, consultant, expert and attorney fees and costs, and loss of revenues resulting from an inability to re-lease or market the Premises due to its environmental condition (even if such loss of revenue occurs after the expiration or earlier termination of this Lease).

f. Lessee's Indemnification: In addition to all other indemnities provided in this Lease, Lessee agrees to indemnify, defend (with counsel satisfactory to Lessor), and hold harmless Lessor and its officers, employees, contractors and agents from any claims, judgments, damages, penalties, fines, costs, liabilities (including sums paid in settlement of claims) or loss including consultant, expert and attorney fees and costs, which arise during or after the term of this Lease from or in connection with the presence or suspected presence of Hazardous Substances in the soil, groundwater or soil vapor on or under the Premises, if the Hazardous Substances are present as a result of the acts or omissions of Lessee, its officers, direct or indirect employees, contractors, subcontractors, agents, servants, invitees or guests commensurate with Lessee's occupancy of the Premises (which occupancy commenced prior to the beginning date of this Lease). Such indemnity shall include, without limitation, costs incurred in connection with Hazardous Substances present on or under the Premises as a result of any discharge, dumping, spilling, (accidental or otherwise) onto the Premises since the Commencement Date of Lessee's occupancy, by Lessee, its officers, direct or indirect employees, contractors, subcontractors, agents, servants, invitees or guests. The indemnification provide by this section shall also specifically cover, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision or other third party because of the presence or suspected presence of Hazardous Substances in the soil, groundwater, or soil vapor on or under the Premises, if the Hazardous Substances are present as a result of the acts or omissions of Lessee, its officers, direct or indirect



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employees, contractors, subcontractors, agents, servants, invitees or guests.

g. Survival of Indemnities. The foregoing environmental indemnities contained in subsection d. and f. shall survive the expiration or termination of this Lease and/or any transfer of all or any portion of the Premises, or of any interest in this Lease, and shall be governed by the laws of the State of Washington.

17. DISPOSITION OF IMPROVEMENTS AT END OF LEASE. At the expiration or sooner termination of this Lease, Lessee shall return Lessor's Premises to Lessor in the same condition in which received or if altered by Lessee with Lessor's consent then the Premises shall be returned in such altered condition, and title to such alterations shall be vested in Lessor immediately upon such expiration or termination, reasonable wear and tear and damage by fire or unavoidable casualty not resulting in environmental or health hazard excepted.

18. UTILITIES. Lessee shall be liable, and shall pay throughout the term of this Lease, for all utility services furnished to the Premises, and Lessee agrees to hold the Lessor harmless from payment of all such charges for utility services. If any utility services are furnished on a consolidated or joint basis, Lessee agrees to pay to Lessor Lessee's prorata share of the cost of such utility services. Lessee's prorata share of such services shall be computed by the Lessor on any reasonable basis, and separate metering or other exact segregation of cost shall not be required. The Lessor shall provide documentation supporting the Lessor's computation of Lessee's share of such services upon request. The Lessor makes no warranty that any utility service will not be interrupted and any interruption not the sole fault of the Lessor, shall not excuse Lessee's performance (including the payment of rent and other fees, taxes and charges) or render the Lessor liable in any manner; provided, that if an interruption of utility service is caused solely by the negligence of the Lessor and prevents the Lessee from operating its business at the Premises for a period in excess of 48 hours, then Lessee, as its sole remedy, shall be entitled to an abatement of rent during the period of interruption in the same proportion as the affected portion of the Premises bears to the whole.

19. TAXES AND ASSESSMENTS. Lessee shall be responsible for, and shall pay and discharge promptly when due and before delinquency, all taxes, excise taxes, fees, licenses, monetary assessments and other governmental charges of whatever character, including all charges of every kind and nature and all assessments



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for all road, fire protection, and/or utility services charged or imposed upon the Premises, or any improvements situated thereon, including, but not limited to, road, fire protection, light, heat, electricity, gas, water, sanitary sewerage, storm sewer, garbage disposal and janitorial services, arising out of, or attributable to the Premises or to the Lessee's use and/or leasing thereof, payable for, or on account of, the activities conducted on the Premises, charged or imposed upon the property of Lessee on the Premises and/or on the leasehold interest created by this Lease and/or levied in lieu of a tax on said leasehold interest required to make the Premises conform to government regulations, and/or levied on or measured by, the rentals payable hereunder, throughout the term of this Lease, whether imposed on Lessee or on the Lessor. Lessee shall promptly reimburse the Lessor for all such taxes and other charges herein described which are paid or payable by 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 and charges 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.

20. HOLD HARMLESS. Lessee shall protect, indemnify, defend and hold and save harmless the Lessor, its elected officials, agents and employees, their successors and assigns, heirs, executors, and administrators from and against all liabilities, obligations, fines, claims, claims for mechanics' liens, damages, penalties, law suits, governmental proceedings, judgments, costs and expenses (including without limitation attorney's fees, costs and expenses of litigation), and any and all claims by or on behalf of any person or persons, firm or corporation, in connection with any such items of actual or alleged injury (including without limitation, death) or damage, (including without limitation, loss of business income),

- arising out of acts or omissions of the Lessee, its officers, servants, invitees, contractors, subcontractors, guests and direct and/or indirect employees on or about the Premises, the Property or any other property of Lessor,

- arising out of the use of the Premises, the Property or other property of Lessor or any part thereof, including but not limited to ramps, taxiways, approaches, buildings, sidewalks, curbs, parking lots, streets or ways, or



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- arising out of the presence of any Hazardous Substance on the Premises or the violation of any Environmental Law by Lessee, its officers, agents, servants, invitees, contractors, subcontractors, guests, and direct or indirect employees, or
- due to or arising out of any failure on the part of the Lessee to perform or comply with any rule, ordinance, or law to be kept and performed.

THE LESSEE HEREBY WAIVES (GIVES UP) ITS IMMUNITY UNDER THE INDUSTRIAL INSURANCE ACT RCW TITLE 51 AND/OR THE LONGSHOREMEN'S AND HARBOR WORKERS' COMPENSATION ACT.

THE LESSEE HEREBY AGREES TO INDEMNIFY THE LESSOR FOR THE CONCURRENT NEGLIGENCE OF THE LESSOR AND LESSEE.

HLB BJB
Lessee's Initials

This indemnity agreement does not apply when such damage or injury be caused solely by negligent or intentional acts of the Lessor, its elected officials, agents and/or employees.

21. INSURANCE.

a. Lessee shall procure and maintain at all times during the term of this Lease, at its sole expense, a policy of standard fire insurance with broad form coverage, including coverage against, glass breakage, vandalism and malicious mischief, on all leasehold improvements constructed upon the Premises on a full replacement value basis with the amount of insurance sufficient to prevent the operation of the co-insurance provisions in the policy.

b. Lessee shall procure and maintain at all times during the term of this Lease, at its sole expense, comprehensive liability insurance in full force and effect at all times while operating on or about Lessor's property, insuring the Lessor from all claims, demands, and/or actions for injury and/or death of any person or persons and/or for damage to property and/or cargo, regardless of how such injury or damage be caused, sustained or alleged to have been sustained by said Lessee or by others as a result of any condition (including existing or future defects in the Premises) or occurrence (including failure or interruption of utility service) whatsoever related in any way to said



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Lessee's operation on or about the Premises or any of Lessor's property, in such amounts as to meet the minimum liability coverage specified below. The insurance policy or policies shall be for standard Commercial General Liability (CGL) with Broad Form CGL Endorsement coverage, (with watercraft exclusion deleted, including contractual liability coverage, or protection and indemnity coverage under marine insurance, or both, as solely determined by the Lessor) Automobile Liability, including coverage for owned, nonowned, leased or hired vehicles covering all operations of the Lessee so that the risks of liability created by the Lessee are covered. The coverage shall not be less than ONE MILLION DOLLARS (\$1,000,000.00) combined single limit for property damage, bodily injury or death. Providing coverage in the stated amounts shall not be construed to relieve the Lessee from liability in excess of such limits. The insurance requirements under this section shall, amongst other things, provide coverage for the indemnitor undertakings in the preceding section entitled "HOLD HARMLESS".

c. Lessee shall maintain, at its sole expense, at any time when improvements are being constructed, altered or placed on the Premises, builder's risk insurance (in completed value non-reporting form) in an amount not less than the actual replacement value of all improvements on the Premises.

d. Lessee shall, on demand of the Lessor, procure and maintain such other forms types, and amounts of insurance as may be appropriate, customary, and generally required for the Premises and types of improvements made to the Premises by responsible and reasonable owners of property. The rights herein granted Lessor are intended to protect Lessor from changes in law and insurance policies apt to occur during the term of this Lease.

e. Lessee shall not use the Premises in such a manner as to increase the existing rates of insurance carried by the Lessor. If it nevertheless does so, then, at the option of the Lessor, the full amount of any resulting increase in premiums paid by the Lessor and to the extent allocable to the term of this Lease, may be added to the amount of the rent hereinabove specified and shall be paid by Lessee to the Lessor upon the monthly rental day next thereafter occurring.

f. With regards to that which is set forth in a., b., and c. above:



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i. Such insurance shall be placed with a reputable insurance company(ies) or underwriter(s) satisfactory to the Lessor, with the amount of deductible satisfactory to Lessor.

ii. The Lessor shall be named as an additional insured by endorsement to the policy or policies. Also, by endorsement to the policy, there shall be a cross liabilities clause and a statement that Lessee's policy is primary and not contributory with any insurance carried by the Lessor. The inclusion of the Lessor as an additional insured shall not create premium liability for the Lessor. Lessee shall furnish the Lessor with appropriate documentation in form and content satisfactory to the Lessor evidencing the coverage required to be kept are in full force and effect.

iii. The insurance policy or policies shall not be subject to cancellation or material change except after written notice to the Lessor at least thirty (30) days prior to the date of such cancellation or material change.

h. The Lessee shall, if it desires coverage from loss, carry insurance against loss by fire or other insurable cause upon its personal property, fixtures, furniture and equipment situated on the Premises during the term of this Lease, and, at Lessee's election on Lessee's leasehold interest.

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

23. DAMAGE OR DESTRUCTION. Should the Premises be damaged by fire or other casualty, and if the damage is repairable and satisfactory financing for said repairs is obtainable (with the repair work and the preparations therefor to be done during regular working hours or regular working days), the Premises may be repaired at the sole option of the Lessor. Should the Lessor elect to make such repairs the monthly rent shall be abated in the same proportion that the untenable portion of the Premises



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bears to the whole thereof, for the period from the occurrence of the damage to the completion of the repairs. In the event the damage is extensive and/or satisfactory financing for repairs is not obtainable and the Lessor decides not to repair or rebuild, this Lease, at the option of the Lessor, shall be terminated upon written notice to Lessee within ninety (90) days of the occurrence of the damage and the rent shall, in such event, be paid to or adjusted as of the date of such damage, and Lessee shall thereupon vacate the Premises and surrender the same to the Lessor.

24. LIENS. Lessee shall keep the Premises free and clear of all liens, including mechanics', materialmen's, or other liens for work or labor done, and liens for services, materials, appliances and power performed, contributed, furnished or used or to be used in or about the Premises for or in connection with any operations of Lessee or any alteration, improvement, repair, or addition which Lessee may make, permit, or cause to be made or any work or construction by, for, or permitted by Lessee on or about the Premises. Nothing in this Lease shall be deemed or construed in any way as constituting the consent or request of the Lessor, express or implied, by inference or otherwise, to any contractor, subcontractor, laborer, or materialman, for the performance of any labor or the furnishing of any materials for any specific improvement, alteration to, or repair of the Premises or any part thereof, nor as giving Lessee any right, power, or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any lien against the Premises or any part thereof.

In the event than any lien, charge, or order for the payment of money is filed against the Lessor or any portion of the Premises, Lessee shall, at its own cost and expense, cause the same to be discharged of record or bonded within sixty (60) days after written notice from the Lessor to Lessee of the filing thereof; and Lessee shall indemnify and save harmless the Lessor against and from all costs, liabilities, suits, penalties, claims, and demands, including reasonable counsel fees, resulting therefrom.

25. CONTESTING LIENS AND TAXES: Lessee may contest any lien of the nature set forth in the preceding section hereof or any tax, assessment, or other charge which Lessee shall pay under preceding sections hereof entitled "UTILITIES" and/or "TAXES", provided that Lessee notifies the Lessor, in writing, of its intention to do so within thirty (30) days of the filing of such lien or within thirty (30) days of receipt of notice of such tax, assessment, or other charge; and provided further that Lessee posts a bond or other security with the Lessor, prior to the contest, in an amount equal



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to the amount of the contested lien or tax, assessment, or other charge.

Within thirty (30) days of the determination of the validity thereof, Lessee shall satisfy and discharge such lien or pay and discharge such tax, assessment, or other charge and all penalties, interest, and costs in connection therewith. Satisfaction and discharge of any such lien shall not be delayed until execution is had on any judgment rendered thereon, nor shall the payment and discharge of any such tax, assessment, or other charge be delayed until sale is made of the whole or any part of Lessee's property on account thereof. Any such delay shall be a default of Lessee hereunder.

In the event of any such contest, Lessee shall protect and indemnify the Lessor against all loss, expense, and damage resulting therefrom.

26. LESSOR'S RIGHT TO ENTER PREMISES. Lessor and/or its authorized representatives shall have the right to enter the Premises and any Lessee leasehold improvements at all reasonable times for any of the following purposes:

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

b. To do any necessary repair, maintenance, improvement 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, as well as, within thirty (30) days prior to the expiration or sooner termination of this Lease.

d. To enter and inspect the Premises, conduct any testing, sampling, borings and analysis it deems necessary to assure compliance with environmental or other laws and regulations; and in the event of an emergency, to comply with lawful orders or to reduce or mitigate environmental loss or damages, to take such reasonable actions on the Premises as may be necessary to bring the Premises or operations on the Premises in compliance with environmental or other laws and regulations. Lessee agrees to cooperate with Lessor and all appropriate authorities to assure that operations on the Premises and the uses of the Premises, shall at all times be in full compliance with all applicable laws and regulations,



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including but not limited to those established for the purpose of protecting the environment and public health.

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

The rights reserved to the Lessor hereunder shall impose no obligation on the Lessor to make inspections or undertake other actions, and shall impose no liability upon the Lessor for failure to make such inspections or undertake other actions. 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.

27. LITIGATION. In the event this Lease, its terms, Lessee's use, its occupation or the Premises in any way becomes a matter of litigation, the Lessor shall be notified of such litigation within fifteen days after such litigation is begun. Failure to so notify Lessor of such action shall not be a cause for cancellation or termination of this Lease, but the Lessee shall indemnify the Lessor for any damages sustained by Lessor resulting from such failure.

28. DEFAULT AND RE-ENTRY. Time and exact performance are of the essence of this agreement. The occurrence of any one or more of the following events makes Lessee immediately in material default of this Lease with or without notice from the Lessor:

- 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 for reorganization, or makes a general assignment to the benefit of, or a general arrangement with creditors;
- c. there is an involuntary bankruptcy filed against Lessee;
- d. Lessee becomes insolvent;
- e. a receiver, trustee, or liquidating officer is appointed for Lessee's business;
- f. any proceeding is commenced to foreclose any mortgage or any other lien on Lessee's interest in the Premises or on any personal property kept or maintained on the Premises by Lessee;



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g. the Lessor discovers that any financial or background statement provided to the Lessor by Lessee, its successor, grantee or assign was materially false; or

h. Lessee violates or breaches any of the other terms, conditions, covenants or provisions of this Lease.

If the Lessee is in default according to a. and/or g. above, then this Lease shall at Lessor's option terminate. If Lessee is in default according to b., d., e., and/or f. above, then this Lease shall automatically terminate. If Lessee is in default according to c. above, Lessee has thirty (30) days from the filing of such involuntary bankruptcy to cure the default by having the involuntary bankruptcy dismissed. If Lessee is in default according to c. above, and fails to cure the default within the cure period, then this Lease shall automatically terminate. If the Lessee is in default as to h. above, Lessee has thirty (30) days after Lessor sends Lessee written notice of such violations or breach in which to cure the default. If Lessee is in default according to h. above, and fails to cure the default within the cure period, then this Lease shall automatically terminate.

Upon termination of this Lease, the full rent for the balance of the term of this Lease shall become immediately due and payable. The Lessor, may at its option, delay efforts to immediately collect the full rent for the balance of the term of this Lease and re-enter and attempt 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, provided Lessee performs as hereinafter set forth. 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 would have become due and payable hereunder. If rental received from such reletting during any month is less than that which would have been paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor each month as the amount thereof is ascertained by the 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 costs and the reasonable cost of converting the Premises for the benefit of the next lessee.



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Delinquent rental and other payments shall bear interest at the rate of one percent (1%) per month commencing thirty (30) days after the date each sum is due and payable. In the event of any default hereunder and Lessor enters upon or takes 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, 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. Payment by Lessee to the Lessor of interest on rents and/or on any other charges due and owing under this Lease shall not cure or excuse Lessee's default in connection with such rents and/or other charges. Interest, default and all other remedies of the Lessor hereunder are in addition to any other remedies available at law or in equity and are cumulative and not alternative.

29. TERMINATION FOR NONPERFORMANCE. This Lease shall automatically terminate 60 days after the date it is executed by both parties if the commencement date of the term has not then occurred, and shall automatically terminate one year from the commencement date of this Lease if the proposed hanger to be built by Lessee is not completed and an occupancy permit for said hanger has not been issued by the City of Anacortes.

30. TERMINATION FOR GOVERNMENT USE. In the event that any federal, state or local government or agency or instrumentality thereof shall, by condemnation or otherwise, take title, possession or the right to possession of the Premises or any part thereof, the Lessor may, at its option, terminate this Lease as of the date of such taking, and, if Lessee is not in default under any of the provisions of this Lease on said date, any rent prepaid by Lessee shall to the extent allocable to any period subsequent to the effective date of termination, be promptly refunded to Lessee.

31. TERMINATION BECAUSE OF COURT DECREE. In the event that any court having jurisdiction in the matter shall render a decision which has become final and which will prevent the performance by the Lessor of any of its obligations under this Lease, then either party hereto may terminate this Lease by written notice, and all rights and obligations hereunder (with the exception of any undischarged rights and obligations that accrued prior to the



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effective date of termination) shall thereupon terminate. If Lessee is not in default under any of the provisions of this Lease on the effective date of such termination, any rent prepaid by Lessee shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Lessee.

32. HOLDING OVER. If Lessee shall, with the consent of the Lessor, hold over after the expiration or sooner termination of the term of this Lease, the resulting tenancy shall, unless otherwise mutually agreed, be for an indefinite period of time on a month-to-month basis. During such month-to-month tenancy, Lessee shall pay to the Lessor ONE HUNDRED FIFTY PERCENT (150%) of the monthly rental as set forth herein, unless a different rate shall be agreed upon, and shall be bound by all of the additional provisions of this Lease insofar as they may be pertinent.

33. LESSOR'S RIGHT TO CURE DEFAULTS: If Lessee shall default in the performance of any provision under this Lease, other than the payment of rental, the Lessor, at its option, may perform the same for the account and at the expense of Lessee. Upon notification to Lessee of the cost thereof to the Lessor, Lessee shall promptly reimburse the Lessor the amount of that cost, plus interest at a rate of one percent per month accrued from the date of expenditure by the Lessor to the day of repayment. In the event of such default by Lessee, the Lessor may enter upon the Premises for the purpose of causing such provisions to be fulfilled. Such entry shall not be deemed an eviction of Lessee. The Lessor's action hereunder shall not be deemed a waiver of Lessee's default. The Lessor, at its option, without relinquishing any remedy or right, may separately commence proceedings against Lessee for reimbursement of the Lessor and for any other remedies for breach of this Lease.

34. ASSIGNMENT AND SUBLEASE.

a. Lessee shall not assign, mortgage, pledge, hypothecate, encumber or transfer this Lease, or any portion thereof, or any interest therein, nor sublet the whole or any part of the Premises, nor convey any right or privilege appurtenant thereto, nor allow any other person (the employees, agents, servants and invitees of Lessee excepted) to occupy or use the Premises, or any portion thereof, nor shall this Lease or any interest thereunder be assigned, mortgaged, pledged, hypothecated, encumbered or be transferable by operation of law or by any process or proceeding of any court, or otherwise, without the written consent of the Lessor first had and obtained. That which is hereinabove restricted is



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hereinafter collectively referred to as "assignment and sublease". The form and content of any writing to evidence an assignment or sublease requires Lessor's written consent.

If Lessee is a partnership or corporation, then any change in the ownership of the partnership, or any transfer of this Lease by merger, consolidation or liquidation shall be deemed an assignment of this Lease. Lessee further agrees that if at any time during the term of this Lease more than one-half (1/2) of the outstanding shares of any class of stock of Lessee corporation shall belong to any stockholders other than those who own more than one-half (1/2) of the outstanding shares of that class of stock at the time of the execution of this Lease or to members of their immediate families, such change in the ownership of the stock of Lessee shall be deemed an assignment of this Lease within the meaning of this section. Failure to obtain written approval of any assignment or sublease of this Lease shall make Lessee in material default of this Lease.

b. Lessor shall not unreasonably withhold consent to a reasonable request for assignment or sublease, however, it may reasonably withhold consent to any proposed assignment or sublease pending receipt of verification that:

i. the proposed assignee has the financial ability and/or experience to assume Lessee's obligations herein set forth and the proposed assignee's intended use of the Premises is consistent with applicable zoning and development/land use requirements of the Lessor; or

ii. the proposed sublessee's intended use of the Premises sought to be sublet is consistent with applicable zoning and development/land use requirements of the Lessor.

c. 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, and the provisions of this section shall continue in full force and effect.

d. Any assignee or sublessee of any portion of the Premises shall expressly assume, and by reason of such assignment or sublease shall be considered as having assumed, and become bound to all of Lessee's obligations hereunder. Lessee shall only be relieved from payment of rent, the performance of the covenants herein contained, and from the terms and conditions of this Lease, upon Lessor consenting to such an assignment



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wherein the Lessee assigns all of its interests in this Lease to an assignee who agrees to assume all of the obligations of this Lease.

e. In the event that Lessor shall consent to a sublease or assignment hereunder, Lessee shall pay Lessor a reasonable fee for each such assignment or sublease to offset Lessor's expenses incurred in connection with the processing of documents necessary to giving of such consent. The reasonable fees for each such assignment or sublease are as follows:

Current Monthly Rent of this Lease:	Reasonable Fee:
up to \$450.00	\$100.00
\$451.00 to \$1200.00	\$200.00
\$1201.00 and over	\$300.00

The amount of the reasonable fees above stated shall be increased in the same manner as rental is adjusted in preceding section entitled "RENTAL ADJUSTMENTS".

35. NONWAIVER. Failure of the Lessor to complain of any act or omission on the part of Lessee, no matter how long the same may continue, or the receipt of rent by the Lessor with knowledge of any breach or default of this Lease by Lessee, shall not be deemed to be a waiver by the Lessor of any of its rights herein. No waiver by the Lessor at any time, express or implied, of any breach of any provision of this Lease shall be deemed a waiver of any subsequent breach of the same or any other provision. Failure of the Lessor to insist upon strict performance or to exercise any option herein conferred in any one or more instances in the event of default shall not be construed to be a waiver or relinquishment of any such or any other right herein extended to the Lessor.

36. DISPUTES. Lessee agrees to use its best efforts to avoid disruption to the Lessor, other tenants or members of the public, arising from disputes involving Lessee, and in the event of a strike, picketing, demonstration or other labor difficulty involving Lessee, to use its good offices, including the utilization of available legal remedies, to minimize and or eliminate any disruption to the Lessor, its tenants or members of the public, arising from such strike, picketing, demonstration or other labor difficulty.

37. SURRENDER OF PREMISES - ATTORNEY'S FEES. At either the expiration of the stated term of this Lease or any extension thereof, or sooner termination of this Lease as herein provided,



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Lessee shall promptly surrender to Lessor possession of the Premises peacefully and quietly, and in the condition required under preceding sections, including but not limited to the section entitled "DISPOSITION OF IMPROVEMENTS AT END OF LEASE", and shall deliver to the Lessor all keys that it may have to any and all parts of the Premises. In the event either party hereto brings an action to enforce any of the terms, conditions covenants or provisions of this Lease, then the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in the trial court and in the appellate courts.

38. NOTICES. All notices and payments hereunder may be delivered or mailed. If delivered by messenger, courier (including overnight air courier) or facsimile transmittal, they 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, and shall be conclusive evidence of the date of mailing. 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 Anacortes
1st Street and Commercial Ave.
Anacortes, WA 98221

Phone No. (360) 293-3134
FAX No. (360) 293-9608

Mailing Address:

Port of Anacortes
P.O. Box 297
Anacortes, WA 98221

To Lessee:

Street Address:

Harold & Betty Bartram
120 Marine Dr.
Blakely Island, Wa. 98222
Phone No. 1-(360)-375-6117

Mailing Address:

Same

39. JOINT AND SEVERAL LIABILITY. Each and every party who signs this Lease, other than expressly in a representative capacity, as Lessee, shall be individually, jointly and severally liable hereunder. The Lessor signs this Lease only as Lessor, and shall



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not be deemed a partner, joint venturer, or agent of Lessee even if Lessee's payments to the Lessor hereunder vary with the amount of Lessee's revenues from the Premises.

40. "LESSEE" INCLUDES LESSEES, ETC. It is understood and agreed that for convenience the word "Lessee" and verbs and pronouns in the singular number and neuter gender are uniformly used throughout this Lease, regardless of the number, gender or fact of incorporation of the party who is, or of the parties who are, the actual Lessee or Lessees under this Lease.

41. CONSTRUCTION AND VENUE. The captions in this Lease are for convenience only and do not in any way limit or amplify the provisions of this Lease. This Lease shall be construed according to Washington State law. Jurisdiction and venue shall be in Skagit County Superior Court, Mount Vernon, Washington.

42. INVALIDITY OF PARTICULAR PROVISIONS. The invalidity of any item or provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity or enforceability of any other provision hereof.

43. SUCCESSION AND SURVIVAL OF INDEMNITIES. This Lease shall be binding upon, and inure to the benefit of the parties, their respective heirs, executors, administrators, successors and assigns. Nothing contained in this section shall serve to waive Lessee's liabilities or transfer Lessee's interest. All indemnities provided in this Lease shall survive the expiration or any earlier termination of this Lease. In any litigation or proceeding within the scope of any indemnity provided in this Lease, Lessee shall, at the Lessor's option, defend the Lessor at Lessee's expense by counsel satisfactory to the Lessor.

44. ENTIRE AGREEMENT AMENDMENTS. This Lease consists of sections 1-44 of this instrument, and attached Exhibits A-B inclusive. Each of the Exhibits and Addenda referenced in the preceding sentence is hereby incorporated into this Lease in their entirety. Together, this instrument and above-referenced Exhibits shall constitute the entire agreement of the parties. There are no terms, obligations, covenants or conditions other than those contained herein. No modification or amendment of this Lease shall be valid or effective unless evidenced by an agreement in writing signed by both parties with like formality to this Lease.




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IN WITNESS WHEREOF, the parties hereto have signed this Lease as of the day and year first above written.

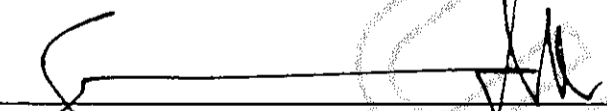
SIGNATURE FOR LESSEE

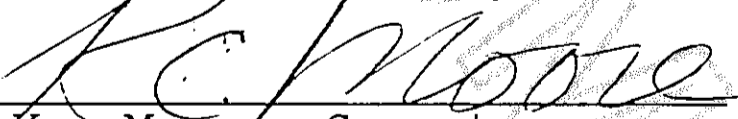
HAROLD BARTRAM AND BETTY BARTRAM,
husband and wife


Harold Bartram


Betty Bartram

SIGNATURE FOR LESSOR
PORT OF ANACORTES

By: 
Stan Kurowski, President

By: 
Ken Moore, Secretary



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(ACKNOWLEDGMENT FOR INDIVIDUAL LESSEE)

STATE OF WASHINGTON)

: ss.

COUNTY OF SKAGIT)

On this 25 day of April, 1996 before me personally appeared Harold Bartram and Betty Bartram to me known, to be the individual(s) described in and who executed the within instrument and acknowledged he/she/they signed and sealed the same as his/her/their free and voluntary act and deed for the uses and purposes herein mentioned.

WITNESS my hand and official seal hereto the day and year in this certificate first above written.

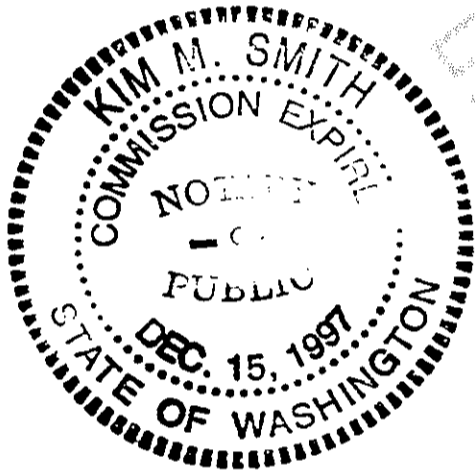
Kim M. Smith

Print Name

Kim M. Smith

Signature

Notary Public in and for the State of Washington, residing at Mt. Vernon
My appointment expires 12/15/97.



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(ACKNOWLEDGMENT FOR LESSOR)

STATE OF WASHINGTON)

: ss.

COUNTY OF SKAGIT)

On this 25th day of April, 1996, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared STAN KUROWSKI and KEN MOORE to me known to be the President and Secretary, respectively, of the Port Commission of the PORT OF ANACORTES, 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.

WITNESS my hand and official seal hereto the day and year in this certificate first above written.

RUTH SUTTON
Print Name

Ruth Sutton
Signature

Notary Public in and for the State of Washington, residing at Mt. Vernon, Wa.
My appointment expires July 1, 1999

[3c:fidalgo.lse]1
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EXHIBIT "A"

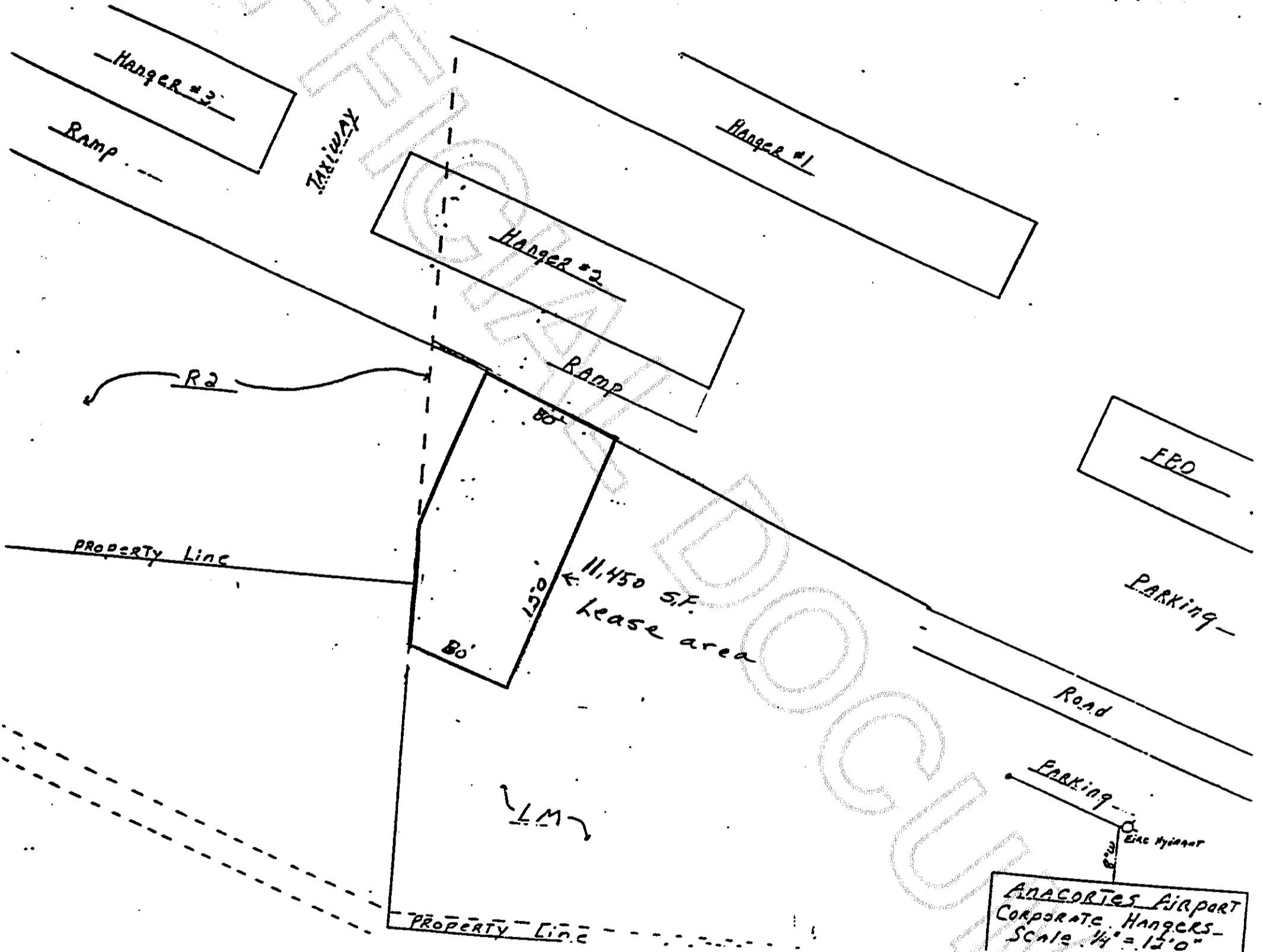
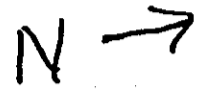
LEGAL DESCRIPTION

That portion of the NE 1/4 of the NE 1/4 of Section 27; Township 35 North; Range 1 East; W.M. and more particularly shown on the drawing in Exhibit "B", consisting of approximately 11,450 square feet. The property above referenced is subject to restrictions, easements, and reservations of record.



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EXHIBIT "B"



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The Port has made no actual survey for the premises and no liability can be assumed for error herein.