

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



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Document Title(s): LEASE AGREEMENT

Reference No. of Related Document(s): _____

Grantor(s): PORT OF SKAGIT COUNTY

Additional Grantor(s) on page _____ of Document: _____

Grantee(s): DEAN HOLT CONSTRUCTION, LLC

Additional Grantee(s) on page _____ of Document: _____

Abbreviated Legal Description: Lots 9, 13, 10 & 11 of boundary line adjustment recorded under auditor's file number 200102200017. Said property is proposed to become respectively Lots 5, 4, 3, & 2 of Skagit Regional Airport Binding Site Plan, Phase II, Division I.

Additional Legal Descriptions(s) on page _____ of Document.

Assessor's Parcel/Tax ID Number: 21081

PORT OF SKAGIT COUNTY/HOLT CONSTRUCTION

LEASE AGREEMENT

THIS LEASE AGREEMENT, hereinafter referred to as "this Lease," is made as of October 1, 2001, by and between the PORT OF SKAGIT COUNTY, a Washington municipal corporation, ("Lessor,") and DEAN HOLT CONSTRUCTION, LLC, a Washington Limited Liability Company ("Lessee" and "Initial Lessee").

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 AGREEMENT

The following described property (hereinafter referred to as the "Premises") situated in Skagit County, State of Washington:

Lots 9, 13, 10 & 11 of boundary line adjustment recorded under auditor's file number 200102200017. Said property is proposed to become, respectively Lots 5, 4, 3 & 2 of Skagit Regional Airport Binding Site Plan, Phase II, Division I.

Said property is depicted in Exhibit A attached hereto and by this reference incorporated herein.

2. TERM

The term of this Lease shall be for thirty-one (31) year(s), beginning October 1, 2001, (hereinafter referred to as the "Commencement Date"), and ending September 30, 2032, unless sooner terminated pursuant to any provision of this Lease; *provided* that at any time prior to the first (1st) day of the fourth (4th) month after the Commencement Date, Lessee may, without penalty, by written notice to Lessor, terminate this Lease with respect to Lots 9 and 13 without cause; and *further provided* that rent shall be abated for Lots 9 and 13 for a period of three (3) months following the Commencement Date.

3. BUSINESS PURPOSE / BASE LINE ACTIVITY

Business Purpose: It is understood and agreed that Lessee intends to use the Premises for constructing a multiple building/multiple unit leasehold aircraft hangar condominium project and selling the units so created, and to conduct such other activities as are incidental and reasonably related thereto. Owners of units may engage in commercial activities that are in full compliance with all applicable provisions of this Lease, laws and regulations and only after reaching written

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agreement with Lessor concerning the type of activity and manner by which it is conducted. 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 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 the construction of overnight accommodations, or use of the facility for overnight stays, nor any disturbances or any unusual noise, vibration or other condition on or in the Premises that is out of character with its use as an airplane hangar facility.

4. RENT

Commencing on October 1, 2001, Lessee shall pay to Lessor, in lawful money of the United States, without any set-off or deduction, in addition to taxes, assessments, and other charges required to be paid hereunder by Lessee, an initial monthly rent and leasehold tax payment for each lot of the Premises as set forth in Exhibit B hereto during the term of this 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 Lease, and shall be payable at such place as the Lessor may hereinafter designate. The rent may be further adjusted by the addition of other sums and charges specified elsewhere in this Lease. The Lessor shall have all of the same rights and remedies with respect to any additional rent or charges in the event of nonpayment or late payment as are available to it in the event of nonpayment or late payment of the rent. The rent shall be adjusted as provided in the below section entitled PERIODIC RENT ADJUSTMENTS.

5. PERIODIC RENT ADJUSTMENTS

The rent shall be adjusted on the anniversary of the Commencement Date of each year as follows:

a. **MARKET RENT VALUE ADJUSTMENT.** On the third anniversary of the Commencement Date, and on each third anniversary thereafter, rent will be adjusted as set forth below in paragraph entitled PROCEDURE TO DETERMINE ADJUSTED RENT - MARKET RENTAL VALUE.

b. **CPI ADJUSTMENT.** Annually on each anniversary of the Commencement Date, except as provided in the preceding paragraph, rent shall be adjusted as set forth below in paragraph entitled PROCEDURE TO DETERMINE ADJUSTED RENT - CPI.

6. PROCEDURE TO DETERMINE ADJUSTED RENT - CPI

On the anniversary of the Commencement Date of each year, except as defined below in the paragraph entitled PROCEDURE TO DETERMINE ADJUSTMENT RENT - MARKET RENT VALUE ("CPI Change Date"), rent shall be adjusted according to the procedures set forth below in this paragraph.

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

- 1) "Bureau" means the U.S. Department of Labor, Bureau of Labor Statistics or any successor agency.
- 2) "Price Index" means the Consumer Price Index for all Urban Consumers (Seattle-Tacoma-Bremerton) issued from time to time by the Bureau, or any other measure hereafter employed by the Bureau in lieu of the price index that measures the cost of living or if said Bureau should cease to issue such indices and any other agency of the United States should perform substantially the same function, then the indices issued by such other agency.
- 3) "Current Index" means the Price Index for the most recent month preceding the CPI Change Date by ninety (90) days.
- 4) "Prior Year Index" means the Price Index for the month one year prior to the Current Index.

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

- ◆ $(\text{Current Index}) \div (\text{Prior Year Index}) = (\text{Change in Price Index})$
- ◆ $(\text{Change in Price Index}) \times (\text{Rent being adjusted}) = (\text{Adjusted Rent})$


7. PROCEDURE TO DETERMINE ADJUSTED RENT - MARKET RENT VALUE

On the third anniversary of the Commencement Date and on each subsequent third anniversary of the Commencement Date thereafter, the rent shall be adjusted as follows:

a. Amount: The rent shall be adjusted to be the market rent value of the Premises. Lessor shall notify Lessee, not later than one hundred twenty (120) days prior to the anniversary of the Commencement Date of the year in which market rent value is to be determined, of the amount of new market rent, as determined by the Port Commission. If Lessee does not accept the market rent value determined by Lessor, it shall so notify the Lessor, in writing, ("Notice of Non-Acceptance") within twenty-one (21) days of the date it receives notice of the Lessor's determination or Lessee shall be preclusively deemed to have accepted the determination. Upon timely Notice of Non-Acceptance, market rent then shall be established by the procedure in the succeeding paragraph.

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b. Procedure If Dispute Regarding Rent Amount: If Lessee timely notifies the Lessor that it rejects the market rent value established by Lessor, then the fair cash value of the Premises shall be determined. For purposes of setting the fair cash market value of the land, each lot of 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 within fourteen (14) of Lessee's Notice of Non-Acceptance, then a MAI appraiser shall be selected by the presiding judge of the Superior Court of Skagit County if the Lessee files an action therefore within twenty-eight (28) days of the Lessee's Notice of Non-Acceptance. If such action is not timely commenced, rent shall be set as determined by Lessor per subsection (a.) of the section entitled PROCEDURE TO DETERMINE ADJUSTED RENT - MARKET RENT VALUE. 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 comparable leased properties. The cost of the appraisal shall be borne equally by both parties. No party shall be entitled to any statutory or contractual costs or attorney fees related to a petition to appoint an appraiser hereunder.

c. The market rent value adjustment shall be effective on the anniversary of Commencement Date of each third year, no matter when it is established pursuant to the above procedure, *provided* that for every day less than one hundred twenty (120) days prior to a third anniversary of the Commencement Date that the Lessor's notice of determination of market rent called for in subsection (a.) of the section entitled PROCEDURE TO DETERMINE ADJUSTED RENT - MARKET RENT VALUE above is provided to Lessee, the effective date of the increase, once established, shall be delayed for an equal number of days beyond the anniversary of the Commencement Date.

8. SECURITY FOR RENT

If the value of the improvements does not equal the assessed value of the Premises, Lessee agrees to furnish to Lessor rent insurance, bond or other security acceptable to Lessor in an amount equal to one (1) year's rent. The initial security amount per lot shall be annual rental amount as set forth in Exhibit B hereto. Upon submission of adequate documentation of Lessee's construction costs, Lessor will consider that there is adequate security if the cost of the improvements constructed by Lessee is equal to or exceeds the assessed value of the Premises; *provided* that the improvement costs, as set forth in Lessee's building permit application(s) shall be deemed adequate documentation of Lessee's construction costs. Thereafter, Lessee shall within forty-five (45) to thirty (30) days prior to each one-year anniversary of the Commencement Date submit to Lessor the Skagit County Assessor's most recent statement of the assessed value of the improvements. If such assessed value of the improvements fails to exceed the assessed value of the Premises, Lessee shall provide security as set forth above by each anniversary of the Commencement Date.

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9. LATE CHARGES

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

10. CONSTRUCTION OF IMPROVEMENTS

Lessee intends to construct multiple buildings to comprise a multiple unit aircraft hangar condominium on the Premises. Said construction shall include at least one finished restroom facility per two 10-unit t-hanger buildings, built to A.D.A. requirements, to serve the hangar users in the building. Lessee also shall complete the "rough-in" plumbing in each unit of the 4-unit executive hanger buildings to allow each unit owner the ability to complete a finished restroom. Construction of one 10-unit t-hanger building, including a restroom, and one 4-unit executive hanger building shall be substantially complete by March 1, 2002. A second 10-unit t-hanger building and a second 4-unit executive hanger building shall be substantially completed by May 1, 2002. These improvements and any others Lessee intends to construct on the Premises, 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 and trade 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 and trade fixtures which can be removed without injury to the Premises), in accordance with development standards from time to time adopted by the Port Commission. 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, and subject to the provisions of the section entitled, DISPOSITION OF IMPROVEMENTS AT END OF LEASE, hereof, title to any improvements situated and constructed by Lessee on the Premises and any alteration, change or addition thereto, as well as

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

11. DISPOSITION OF IMPROVEMENTS AT END OF LEASE

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

12. CONDITION OF THE PREMISES

Lessor makes no warranties regarding the condition of the property, or its sub-surface conditions, and Lessee accepts the Premises 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 subject to the covenants contained the section of this Lease entitled ENVIRONMENTAL PROVISIONS; 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. Lessee acknowledges that the electric panel existing on the premises is adequate only for the airport lighting system and not for Lessee's intended development.

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, incurred 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.

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14. 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 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. Any unit owner, prior to and while, engaging in commercial activity shall at its own expense obtain and keep in force a policy of comprehensive general liability insurance with a reputable insurance company or companies satisfactory to Lessor in the minimum of \$1,000,000 single limit for injury and property damage.
- d. **Certificates:** In all policies required this section entitled INSURANCE COVERAGE, (a.)-(c.) above, the Lessor shall be named as one of the insureds, 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.

15 HOLD HARMLESS PROVISIONS, LIABILITY AND INDEMNITY

The Lessee waives any and all claims against Lessor, its officers, employees and agents, for any injury (including death) or damage to any persons or to any property sustained or alleged to have been sustained by the Lessee or by others as a result of any condition (including existing or future defects in the premises), or occurrence whatsoever related in any way to the Premises or related in any way to the Lessee's use of the Premises or Lessee's performance under this Lease, except to the extent of such damage caused solely by negligence of the Lessor. Lessee further 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 by any third person or entity, except where such liability was caused by Lessor's sole negligence.

The Lessor waives any and all claims against Lessee, its officers, employees and agents, for any injury (including death) or damage to any persons or to any property sustained or alleged to have been sustained by the Lessor 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

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or related in any way to the Lessee's use of the Premises or Lessor's performance under this Lease to the extent of such damage caused was caused by negligence solely of persons or entities other than the Lessee. Lessor further agrees, to the extent of its fault, to defend and hold and save the Lessee, 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 by any third person or entity due to the sole negligence of Lessor.

Any unit owner, shall, prior to engaging in commercial activity, agree in writing that: (1) it shall fully indemnify and hold harmless the Lessor from any claim by a third person for injury or property damage related to the commercial activity; and (2) waiving any claim against the Lessor for injury or property damage, except where such claim is based upon the sole negligence of Lessor.

16. WAIVER OF SUBROGATION

Neither Lessor nor Lessee shall be liable to the other (by way of subrogation or otherwise) or to any insurance company insuring the other party for any loss or damage to the Premises, the improvements or any structure or other tangible property located therein, or any resulting loss of income, or losses under worker's compensation laws and benefits, even though such loss or damage might have been incurred by the negligence of such party, its agents or employees, if any such loss or damage is covered by insurance benefiting the party suffering such loss or damage or was required to be covered by insurance pursuant to this Lease. This waiver applies to each party's directors, officers, employees, shareholders and agents. The waiver does not apply to claims caused by a party's willful misconduct. Lessee and Lessor shall promptly give notice to their insurance carrier(s) that the foregoing mutual waiver of subrogation is contained in this Lease. If either party, is thereafter unable to obtain insurance at reasonable commercial rates providing coverage under a waiver of subrogation within thirty 30 days of the Commencement Date of this Lease, both parties shall be released from their obligation to obtain the waiver.

17. PARKING

Lessee shall bear all responsibility to assure that Lessee's leased parking area is available only for Lessee, the condominium owners and their guests. Lessee agrees not to use any public streets, rights of way or other properties not included in this Lease for the parking of vehicles.

18. ADVERTISING AND SIGNS

No signs or other advertising matter, symbols, canopies or awnings shall be installed, attached to or painted on the Premises without the prior written approval of the Lessor's executive director, or the executive director's designee. Lessee plans to develop a signage plan for the Premises, including the parking area associated therewith, as to which Lessor's consent shall not be unreasonably withheld.

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19. EQUAL OPPORTUNITY

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

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

21. ENVIRONMENTAL PROVISIONS

This section delineates the Lessor's and the Lessee's rights and obligations with respect to the release, spillage, storage, transportation or any other aspect of handling hazardous or toxic materials of any nature ("Hazardous Material") regulated by federal and/or state law ("Hazardous Material Regulation")

a. Lessee covenants to defend, indemnify, and hold Lessor harmless from any imposition or attempted imposition by any person upon Lessor of any obligation or cost ("liability") of whatever form, including, without limitation, damages; claims; governmental investigations, proceedings or requirements; attorney fees in investigation, at trial or administrative proceeding, or on appeal; witness or consultant costs; or any other liability to the extent that such liability arises from a violation, or alleged violation, or from the failure to satisfy a requirement, or alleged requirement, of any Hazardous Material Regulation and /or any environmental or land use law or regulation or arising from the release, spillage, or any other mishandling or misuse of any Hazardous Material causing damage to the property of, or resulting in injury to, any third any person, and proximately resulting from use of the Premises during the term of this Lease, and without regard to when the liability is asserted.

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b. In like manner as in subsection (a.) above, so Lessor shall indemnify Lessee solely for liability proximately resulting from use of the Premises prior to the commencement of this Lease, or from conditions caused by Lessor subsequent to the Commencement Date.

c. Lessor represents and Lessee acknowledges that Lessor has visually inspected the Premises for legally impermissible Hazardous Material contamination and that none was apparent on the surface of the Premises from a visual inspection as of the date of this Lease. Lessee has conducted and reviewed a "Phase I" environmental assessment of the property and takes the property "as is." Lessee releases any and all claims against Lessor for the costs to remediate, or pay damages or penalties to any third party due to, any Hazardous Material Contamination which henceforth may be discovered on the Premises, including payment of all attorney fees and claims of loss of, or interference with, use of the premises; *provided* that should Hazardous Material contamination be discovered on the Premises during the course of construction of Lessee's contemplated improvements and should such contamination materially interfere with Lessee's intended use of the Premises and not be caused by Lessee, its contractors or its agents, Lessee may, as its sole remedy with respect to Lessor, terminate this Lease as to that lot upon which such contamination is discovered.

d. Any other provision of this Lease to the contrary notwithstanding, Lessee's breach of any covenant contained in this section shall be an event of default empowering Lessor, in addition to exercising any remedy available at law or in equity, to terminate this Lease and to evict Lessee from the Premises forthwith in the manner provided by law and herein.

e. Lessee shall notify Lessor within twenty-four (24) hours of its discovery of any release of a reportable quantity of any Hazardous Material, or of the receipt by Lessee of any notices, orders or communications of any kind from any governmental entity which relate to the existence of or potential for Hazardous Material or environmental pollution of any kind existing on or resulting from the use of the Premises or any activity conducted thereon. If Lessee fails to comply with any of the requirements of this section, Lessor may undertake, without cost or expense to Lessor, any actions necessary to protect Lessor's interest including steps to comply with such laws.

22. MAINTENANCE / COMMIT NO WASTE

The Lessee shall at all times during the term of this Lease maintain the Premises in good condition and shall, at its sole cost and expense, keep the Premises neat, clean and in a safe and sanitary condition. Lessee agrees not to allow conditions of waste and refuse to exist on the Premises. Lessee shall also maintain all improvements constructed by Lessee in good repair and in a neat and clean condition at all times.

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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 Lease at Lessor's option.

25. TAXES

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

26. COSTS AND ATTORNEYS' FEES

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

27. TERMINATION

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

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Lessee's business; or (ii) If Lessee violates or breaches any of the other covenants, agreements, stipulations or conditions herein, and such violation of breach shall continue for a period of thirty (30) days after written notice of such violation or breach is sent to Lessee, then Lessor may at its option, declare this Lease forfeited and the term hereof ended and thereupon take such further actions to recover possession of the Premises as may be permitted by law or, upon an abandonment of the Premises by Lessee, without terminating this Lease, Lessor may elect to re-enter and attempt to relet, in which event Lessee authorizes Lessor to relet the Premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rent or rents and upon such other terms and conditions as Lessor in its sole discretion deems advisable. Upon each such reletting, all rents received by Lessor from such reletting shall be applied, first, to the payment of any amounts other than rent due hereunder from Lessee to Lessor; second, to the payment of any costs and expenses of such reletting and renovation, including brokerage fees and attorneys' fees; third, to the payment of rent due and unpaid hereunder, and the residue, if any shall be held by Lessor and applied to payment of future rent as the same may become due and payable hereunder. If rent received from such reletting during any month are less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor, and Lessee covenants and agrees to pay Lessor for all other expenses resulting from its default, including, but not limited to, brokerage commissions, attorneys fees and the reasonable cost of converting the premises for the benefit of the next Lessee. Delinquent rent and other payments shall bear interest at the rate of 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 in the manner provided by law, 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.) If Lessor violates or breaches any of the other covenants, agreements, stipulations or conditions herein, and such violation of breach shall continue for a period of thirty (30) days after written notice of such violation or breach is sent to Lessor, then Lessee may at its option, declare this Lease terminated and the term hereof ended and thereupon take such further actions as are permitted under the section entitled DISPOSITION OF IMPROVEMENTS AT END OF LEASE herein. All unit owners shall be subject to the Lessor's remedies to recover possession as set forth herein.

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 of sublease shall not in any manner be construed to relieve Lessee from obtaining Lessor's express

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UNRECORDED
written consent to any other or further assignment or sublease. As a condition to any assignment or sublease, Lessor may revise the rent to be consistent with its then current rent policy.

The foregoing notwithstanding, Lessee represents that it intends to subject the Premises to a single condominium regime under the provisions of the Washington Condominium Act, and that it intends to comply fully with the provisions of RCW 64.34.220. The Condominium Declaration ("Declaration") shall be subordinate to this Lease, apply to all buildings and units constructed by Lessee and shall provide for a single condominium association to include all buildings, units and unit owners. Lessee shall provide to Lessor for its approval a true copy of the proposed Declaration not less than twenty (20) days after mutual acceptance of this Lease. Pursuant to RCW 64.34.220(2) and (3), the Declaration shall provide that the condominium association shall collect from unit owners rent and that it shall, in any event, pay rent hereunder for all the condominium owners and act as the owners' exclusive representative. Further, the Declaration shall provide that no unit owner shall: (1) have standing to intervene in any judicial proceeding between Lessor and Lessee; (2) be entitled to partially cure any default by Lessee; or (3) be entitled to engage in commercial activity on the premises unless in full compliance with all applicable laws and only after reaching a written agreement with Lessor concerning, at a minimum, the type of activity and the manner it is conducted as set forth in the section entitled BUSINESS PURPOSE/ BASE LINE ACTIVITY, and meeting the requirements of the section entitled HOLD HARMLESS PROVISIONS, LIABILITY AND INDEMNITY and the section entitled INSURANCE COVERAGE, of this Lease. The Declaration shall not be recorded nor any portion of the improvements sold unless and until the Declaration is approved by Lessor, which approval shall not be unreasonably withheld. If Lessee shall have recorded the Declaration at the time Lessee should opt to terminate this Lease with respect to Lots 9 and 13 pursuant to the section entitled TERM, Lessee shall immediately record a Partial Termination of Condominium Declaration to fully release Lots 9 and 13 from the Declaration. Such release shall be pre-approved by Lessor, which approval shall not be unreasonably withheld.

Following the creation of the condominium, Lessee may assign its rights and obligations hereunder to the unit owners association of the condominium which will become the Lessee under this Lease for all purposes, from the moment of its incorporation; *provided* that the Initial Lessee shall nonetheless remain liable for all of Lessee's obligations hereunder until all units are sold by the Initial Lessee. Written notice of such assignment and a copy of any document carrying out the assignment shall be provided to Lessor within seven (7) days of assignment. Claims based on acts or omissions during the Initial Lessee's tenancy, and based on the provisions in the Lease Agreement, shall survive after all units are sold against the Initial Lessee to the extent allowed by law.

30. LESSOR'S RIGHT TO ENTER PREMISES

Lessor and/or its authorized representatives shall have the right to enter the Premises at all reasonable times for any of the following purposes:

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

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- 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.

Except in the event of bona fide emergencies, Lessor shall provide notice to Lessee not less than twenty-four (24) hours in advance of any such inspection.

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.

Lessee understands that the Premises 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 Premises. Lessee agrees to comply with such resolutions, regulations and covenants in force as of the date of this Lease and all other resolutions, regulations and covenants which may be promulgated by Lessor and which shall not discriminate against Lessee and which do not prevent the conduct of Lessee's business operations.

31. RETENTION OF AIRSPACE RIGHTS BY LESSOR

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

32. FEDERAL AVIATION ADMINISTRATION REQUIREMENTS

Lessee agrees:

- a. To prevent any operation on the Premises which would produce electromagnetic 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

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

33. NOTICES

All notices or payment hereunder may be delivered by hand or facsimile or mailed to the parties at the addresses below. Notices are deemed given when received; mailed notices shall be deemed received three days after mailing.

LESSOR:

Port of Skagit County
15400 Airport Drive
P.O. Box 348
Burlington, WA 98233
Phone: (360) 757-0011
Fax: (360) 757-0014

LESSEE:

Dean Holt Construction, LLC
21994 Bulson Road
Mount Vernon, WA 98274
Phone: (360) 202-6271
Fax: (360) 445-2424

34. TIME IS OF THE ESSENCE

It is mutually agreed and understood that time is of the essence of this Lease and that a waiver of any default of Lessee shall not be construed as a waiver of any subsequent default, and that any notice required to be given under this lease may be given by United States Mail addressed to the party identified in the paragraph entitled NOTICES of this Lease, or to such other address(es) that either may hereafter provide in writing to the other party for such purpose.

35. COVENANTS OF LESSOR

- a. Quiet Possession and Enjoyment. Lessee shall have quiet possession and enjoyment of the Premises during the Term hereof and any extension or renewal thereof.
- b. Rights of Access, Ingress & Egress. During the Term hereof, Lessor shall continuously provide to Lessee rights of pedestrian and vehicular ingress and egress to the Premises from the public road or highway. Lessor shall further continuously provide to Lessee rights of aircraft access to the taxiway(s) leading to the runway(s) of the airport, and shall maintain any such roadway(s) and taxiway(s) in reasonable conditions of repair suitable for the normal intended uses of such facilities.
- c. Landlord's Consent. Where the consent or approval of the Lessor is required hereunder, such consent shall not be unreasonably withheld.

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

LESSOR:

PORT OF SKAGIT COUNTY

Brian Rolfsen
Brian Rolfsen, Commission President

Glenn Allen
Glenn Allen, Secretary

STATE OF WASHINGTON)

) SS

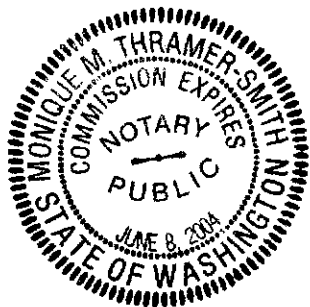
COUNTY OF SKAGIT)

On this 2nd day of October 2001, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Brian Rolfsen and Glenn Allen, 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.

Monique M. Thramer-Smith
(signature)

Monique M. Thramer-Smith
(print name)



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

Burlington, Wa.

My appointment expires: 6-8-04

SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax
PAID

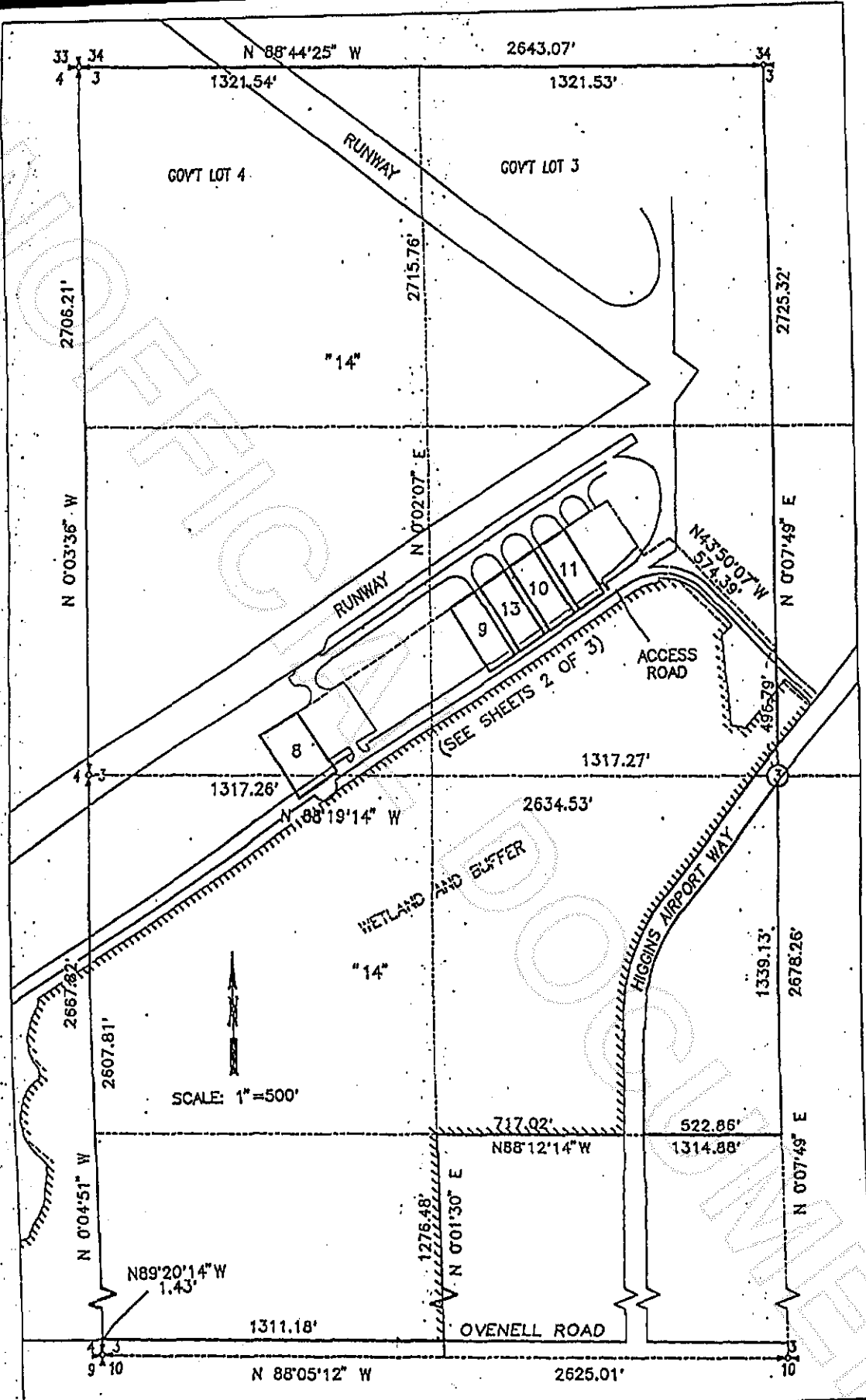
APR 19 2002

Amount Paid \$ 0
By: DC Skagit County Treasurer Deputy



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SHEET 1 OF 3

BOUNDARY LINE ADJUSTMENT EXHIBIT
FOR

Exhibit A

THE PORT OF SKAGIT COUNTY
(PARCELS AFTER BOUNDARY LINE ADJUSTMENT)

IN A PORTION OF THE WEST 1/2 OF SECTION 3, T4W



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Exhibit B

Lot Number	Square Footage	Monthly Rent	Leasehold Tax	Total Monthly Rent	Annual Rent/Security Amount (Incl. LH tax)
Lot 2(11)	31,071 sq ft	\$536.37	\$68.87	\$605.24	\$7,262.88
Lot 3(10)	31,074 sq ft	\$536.42	\$68.88	\$605.30	\$7,263.60
Subtotal	62,145 sq ft	\$1,072.79	\$137.75	\$1,210.54	\$14,526.48
Lot 4(13)	31,077 sq ft	\$536.47	\$68.88	\$605.35	\$7,264.20
Lot 5(9)	31,222 sq ft	\$538.98	\$69.21	\$608.19	\$7,298.28
Grand Total	124,444 sq ft	\$2,148.24	\$275.84	\$2,424.08	\$29,088.96

Port of Skagit County-Holt Construction, LLC Lease
6/13/01



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