

After Recording Return To:

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Part of Skagit Co
PO Box 348
Burlington, WA 98233

SKAGIT KATHY HILL
CLERK

'98 JAN 23 P1:05

RECORDED _____ FILED _____
REQUEST OF _____

9801230057

Document Title: ASSIGNMENT OF LEASE

Reference Number of Related Document: 9302010066 and 9512180067

Grantor(s): CASCADE CLEAR WATER CO.

Additional Grantor(s) on page N/A of document.

Grantee(s): CLEARLY ACQUISITION CORP. to be renamed CASCADE CLEAR WATER CO.

Additional Grantee(s) on page N/A of document.

Abbreviated legal description: Parcel "A" - Portion of NE quarter of the NW quarter of Section 8, Township 34 No., Range 4 Ea., W.M.; and Parcel "B" - Portion of NE quarter of the NW quarter of Section 8, Township 34 No., Range 4 Ea., W.M.

Additional legal description(s) on page 17 of Exhibit "B" of document.

Assessor's tax/parcel numbers: Tax ID - P24229; Parcel No. 340408-2-002-0002

ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, CASCADE CLEAR WATER CO., a Washington corporation, as Assignor, does hereby grant, bargain, sell assign, transfer and deliver unto CLEARLY ACQUISITION CORP., a Washington corporation (a wholly owned subsidiary of Clearly Canadian Beverage Corporation, a Province of British Columbia Canadian corporation), as Assignee, Assignor's interest and position in and to the lease dated the 20th day of December, 1994, by and between the PORT OF SKAGIT COUNTY, as Lessor, and CASCADE CLEAR WATER CO., as Lessee, together with AMENDMENT TO LEASE AGREEMENT dated December 12, 1995, copies of which are attached hereto, respectively as Exhibits "A" and "B", said "lease" being the lease under which Assignor claims right, title and interest from the PORT OF SKAGIT COUNTY. This assignment is made pursuant to the request of Assignor and Assignee hereinabove referenced.

ASSIGNMENT OF LEASE - 1

9801230057

BK 1757 PG 0418

JAN 16 '98 11:12AM WELLS & JOHNSON

P.2

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

1. The Assignee's assumption, effective upon the merger of the Assignor and Assignee, of all the Assignor's obligations contained in the above referenced lease, and acceptance of, and agreement and covenant to comply with, all the terms and conditions contained in the above referenced lease between the PORT OF SKAGIT COUNTY, as Lessor, and CASCADE CLEAR WATER CO., as Lessee.
2. The Assignee's guarantee of the performance and fulfillment of obligations of the above referenced lease upon the assumption thereof by the Assignee.
3. The Assignor's financial obligations to the PORT OF SKAGIT COUNTY being current and Assignor's compliance with its obligations to the PORT OF SKAGIT COUNTY under the above referenced lease.
4. The Assignee's proof of being a financially responsible Assignee.
5. The Assignee's agreement that all notices and payments hereunder are to be delivered or mailed according to that which is hereinafter set forth. If delivered by messenger, courier (including overnight air courier) or facsimile transmittal, the same shall be deemed delivered when received at the street addresses or facsimile numbers listed below. All notices and payments mailed, whether sent by regular post or by certified or registered mail, shall be deemed to have been given on the second business day following the date of mailing, if properly mailed to the mailing addresses provided below. The parties may designate new or additional addresses for mail or delivery by providing notice to the other party as provided in this section.

To Lessor:

Street Address:

Port of Skagit County
1180 Airport Drive
Burlington, WA 98233

Mailing Address:

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

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

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ASSIGNMENT OF LEASE - 2

9801230057

BK | 757 PG 04 | 9

To Assignee (Registered Office):

Street Address:

Clearly Acquisition Corp.
4700 Two Union Square
Seattle, WA 98101

Mailing Address:

Clearly Acquisition Corp.
4700 Two Union Square
Seattle, WA 98101

Phone No.: (206) 682-5151

Fax No.: (206) 621-2660

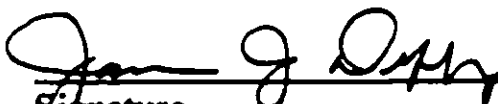
The signature of the Assignor hereinafter made constitutes evidence of Assignor's guarantee of the matters set forth in paragraph 3. above.

The signatures of the Assignee hereinafter made constitute evidence of Assignee's agreement to comply with the matters referenced in the paragraphs above and Assignee's guarantee of the performance and fulfillment of the obligations referenced in the paragraphs above.

DATED this 16th day of January, 1998.

ASSIGNOR:

CASCADE CLEAR WATER CO.



Signature

JAMES J. DUFFY - PRESIDENT
Print Name & Title

Signature

Print Name & Title

ASSIGNEE:

CLEARLY ACQUISITION CORP.



Signature

B.E. MORLEY President
Print Name & Title

Signature

Print Name & Title

11

ASSIGNMENT OF LEASE - 3

9801230057

BK 1757 PG 0420

ASSIGNOR'S ACKNOWLEDGMENT

STATE OF WASHINGTON)
: ss.
COUNTY OF SKAGIT)

On this 19th day of January, 1998, before me personally appeared James J. Duffy
and _____ to me known to be the _____ President ~~and~~

~~Secretary, respectively,~~ of the corporation that executed the within and foregoing
instrument, and acknowledged said instrument to be the free and voluntary act and deed of said
corporation, for the uses and purposes therein mentioned, and on oath stated that they were duly
authorized to execute the same and that the seal affixed is the corporate seal of said corporation.

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



Jennifer Hansen
(Signature)

Jennifer Hansen
(Print Name)

Notary Public in and for the State of
Washington, residing at Whatcom
My Commission expires: 11/1/2001

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ASSIGNMENT OF LEASE - 4

9801230057

BK 1757 PG 0421

ASSIGNEE'S ACKNOWLEDGMENT

STATE OF WASHINGTON)

: ss.

COUNTY OF SKAGIT)

On this 16th day of January, 1978, before me personally appeared Bruce E. Marley and _____ to me known to be the _____ President and _____ Secretary, respectively, of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that ^{he is} ~~they were~~ duly authorized to execute the same and that the seal affixed is the corporate seal of said corporation.

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

(Signature)

(Print Name)

Notary Public in and for the State of B.C.

Washington, residing at _____

My Commission expires: N/A

VICTOR J. O'CONNOR

Barrister & Solicitor

1100 - 808 DUNSMUIR STREET

VANCOUVER, B.C.

V6C 3K4

ASSIGNMENT OF LEASE - 5

9881230057

BK 1757 PG 0422

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

DATED this 20th day of January, 1998.

PORT OF SKAGIT COUNTY

By: Brian Rolfson

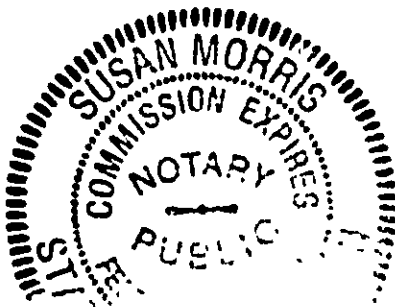
Attest:

Glenn B. Allen Jr.
Secretary

STATE OF WASHINGTON)
COUNTY OF SKAGIT) :ss.

On this 20th day of January, 1998, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Brian Rolfson 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.



Susan Morris
(Signature)

Susan Morris
(Print Name)

Notary Public in and for the State of
Washington, residing at Whatcom
My Commission expires: 2-15-01

LEASE AGREEMENT

between the

PORT OF SKAGIT COUNTY

and

CASCADE CLEAR WATER CO.

Exhibit "A"

9801230057

BK 1757 PG 0424

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SECTIONS (Con't.)

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PORT OF SKAGIT COUNTY

LEASE AGREEMENT

This is a lease made and entered into this 20th day of December, 1994, by and between the PORT OF SKAGIT COUNTY, a Washington municipal corporation, hereinafter referred to as "Lessor", and CASCADE CLEAR WATER CO., a Washington corporation, hereinafter referred to as "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: Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, the following described premises, situated in the Riverbend Industrial Park, within the city limits of Burlington, Washington:

Two contiguous parcels of land and a building, hereinafter referred to as the "premises" described as follows:

Parcel "A" (Land), containing approximately 90,604.8 square feet (2.08 acres);

Parcel "B" (Land), containing approximately 142,005.6 square feet (3.26 acres); and

Parcel "A" (Building) containing approximately 33,427 square feet and located entirely on Parcel "A" (Land).

Parcel "A" (Land) and Parcel "B" (Land), are more particularly described in Exhibit "A" and depicted on the map marked as Exhibit "B", both of which are attached hereto and by this reference incorporated herein.

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

LEASE AGREEMENT
LESSOR: PORT OF SKAGIT COUNTY
LESSEE: CASCADE CLEAR WATER CO.

Page 1 of 12

9801230057

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2. Condition of Property. Except as previously stated, Lessee accepts the property in its present condition and is not relying upon any covenants, warranties or representations of Lessor as to its condition or usability, except Lessor's right to grant a lease of the property.

3. Term. The initial term of this lease shall be for thirty (30) years, beginning December 1, 1994, hereinafter the "commencement date," through November 30, 2024, unless sooner terminated or further extended pursuant to any provision of this lease.

4. Rental. Lessee shall pay to Lessor an initial rent for the premises the sum of Two Thousand Five Hundred Seven Dollars and thirty two cents (\$2,507.32) per month, plus leasehold tax, payable monthly in advance in U. S. currency. Rental payments will commence on December 1, 1994. Monthly rental for the period December 1, 1994 through November 30, 1997 is hereby established as follows:

<u>Period</u>	<u>Parcel "A"</u>		
<u>Beginning:</u>	<u>(Including Building):</u>	<u>Parcel "B":</u>	<u>Total:</u>
12/1/94	\$2,104.65	\$ 402.67	\$2,507.32
12/1/95	\$2,104.65	\$ 805.34	\$2,909.99
12/1/96	\$2,104.65	\$1,208.01	\$3,312.66

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

6. Periodic Rental Adjustments.

Parcel "B" (Land): Commencing on the third anniversary of this lease, December 1, 1997, and on each third anniversary thereafter during the initial term or an option period, rental shall be adjusted according to the procedure set forth below in paragraph 7. The date of any such change in rental is called the "Change Date," as defined in paragraph 7 of this lease.

Parcel "A" (Land): Commencing on the sixth anniversary of this lease, December 1, 2000, and on each third anniversary thereafter during the initial term or an option period, and at the same time that rental is being adjusted for Parcel "B" (Land), Parcel "A" (Land) shall be adjusted in the same manner as Parcel "B" (Land).

Parcel "A" (Building): Commencing on the sixth anniversary of this lease, and on each third anniversary thereafter during the initial term or an option period, and at the same time that rental is being adjusted for Parcel "B" (Land), Parcel "A" (Building) shall be adjusted. For

purposes of adjusting the rental the first time, the procedure established below in paragraph 7 shall be applied against a base rental value of \$.20 per square foot and the adjustment shall be for six years, from December 1, 1994 to December 1, 2000. As an example, if the price index increases by 20% during that time, then the rental would increase from \$.20 to \$.24 per square foot $$.20 \times 120\% = $.24$. Thereafter, the rent shall be adjusted in the same manner as Parcel "B" (Land) and Parcel "A" (Land).

7. Procedure to Determine Adjusted Rental.

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

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

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

iii. "Price Index" means the U.S. City Average Consumer Price Index for all Urban Consumers issued from time to time by the Bureau, or any other measure hereafter employed by the Bureau in lieu of the price index that measures the cost of living nationally or if said Bureau should cease to issue such indices and any other agency of the United States should perform substantially the same function, then the indices issued by such other agency.

b. **Formula:** The rental rate(s) being adjusted shall be multiplied by a multiplier equal to the change in the Price Index computed as follows: (Rental being adjusted) times (Price Index for the most recent month divided by the Price Index for the month of the most recent Change Date in rental). The Price Index in effect at the commencement of this lease is 149.4 (1982-84 = 100) for the month of September, 1994.

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

9. Hold Harmless Provisions, Liability and Indemnity. The Lessor, its officers, employees and agents, shall not be liable for any injury (including death) or damage to any persons or to any property sustained or alleged to have been sustained by the Lessee or by others as a result of any condition (including existing or future defects in the premises), or occurrence whatsoever related in any way to the premises or related in any way to the Lessee's use of the premises or Lessee's performance under this lease, except to the extent of such damage caused by negligence of the Lessor. Lessee agrees to defend and hold and save the Lessor, its officers, employees

and agents, harmless from any and all liability or expense (including expense of litigation) in connection with any such items of actual or alleged injury or damage. In addition, the Lessee shall, at its own expense, maintain throughout the term of this lease, proper liability insurance with a reputable insurance company or companies satisfactory to the Lessor in the minimum of \$500,000.00 single limit liability, including fire legal liability and a comprehensive general liability broadening endorsement (and hereafter in such increased amounts to be comparable and consistent with the going or standard coverage in the area for comparable business operations), to indemnify both the Lessor and Lessee against any such liability or expense. The Lessor shall be named as one of the insureds, and shall be furnished a copy of such policy or policies of insurance or certificate of such insurance coverage by the Lessor, or both, at the Lessor's election. Each certificate of insurance shall provide that the insurance policy or policies are not subject to cancellation without at least thirty (30) days advance written notice of such cancellation having been first given to the Lessor.

10. Business Purpose and Type of Activity. It is understood and agreed that Lessee intends to erect additional structures and improvements upon the premises for production of drinking water and soft drinks, and to conduct such other activities incidental and related thereto. It is further understood that the above activities are the only types of activities to be conducted upon the premises. Failure to perform the above type of business or cessation of such business or carrying on of other activities without first obtaining a lease modification with Lessor's written approval of such other activities shall constitute a material default by Lessee of this lease.

11. Construction of Improvements.

Lessor agrees:

- a. To extend Port Drive approximately 550 lineal feet to the south (to the southwest corner of the UPS property); then, turn ninety degrees to the east, and create a new road (to be titled at a later date) approximately 200 lineal feet to the westerly property line of Lessee's Parcel "B" (Land), and shall do so prior to December 31, 1995.
- b. That it may, at a future date, create an overall storm drainage system for the entire Riverbend Industrial Park. If that occurs, Lessee will be allowed, in a manner established by Lessor's engineer, to release its storm drainage into the Lessor's overall storm drainage system. Lessee shall pay its appropriate share of the costs and be responsible for its permits, if any, for the storm water runoff.

Lessee agrees:

- a. To expand the existing building by no less than 25,000 square feet of warehouse working area, and an additional 4,000 square feet of office, and shall do so prior to December 31, 1998.

- b. To pay for all improvements referenced in a. above.
- c. To maintain employment of at least 40 direct full-time equivalent employees at all times.
- d. To expend no less than one million (\$1,000,000) dollars on improvements to the premises prior to December 31, 1996.
- e. That if the expansion of the existing building requires the construction of a retention/detention pond, then said pond will be constructed upon Lessee's premises at Lessee's expense.
- f. That said improvements will remain the property of Lessee during the term of the lease. Lessee will not commence construction of any improvements without prior written consent of Lessor. Lessee shall submit to Lessor all plans and specifications relating to such construction of improvements, in accordance with Lessor's Bayview Business and Industrial Park Development Standards. Lessee shall comply with all regulations of federal, county, and state governments in the construction of all improvements.

12. Disposition of Improvements at End of Lease. Lessee shall have the right to remove all buildings, equipment, personal property and trade fixtures which may have been placed upon the premises by Lessee during the period of this lease, provided that the same are removed upon conclusion of the lease and that the lease is in good standing. In the event buildings are removed, then the premises shall be restored by Lessee to a condition requiring Lessor to only undertake normal excavation for construction of a new building, or to such other condition satisfactory to Lessor prior to termination of this lease. 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 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. Any buildings, equipment, personal property and trade fixtures not removed from the premises by the conclusion of the lease shall become the property of the Lessor.

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

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

failure to obtain and/or fully comply with any necessary permit.

15. Maintenance of Facilities. Lessee shall be responsible for all maintenance of Parcel "A" (Building) including roofs, sidewalls, floors, and foundations and the Lessor shall have no maintenance responsibility. The premises shall be maintained in such condition so as not to create a hazard nor be unsightly, and shall at all times conform to existing laws.

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

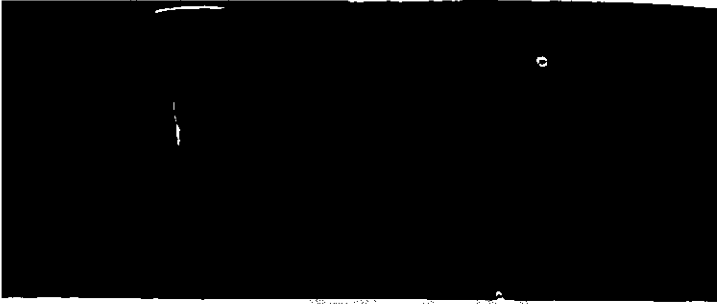
17. Advertising and Signs. No signs or other advertising matter, symbols, canopies or awnings shall be installed, attached to or painted on the premises without the prior written approval of the Lessor's Executive Director.

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

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

20. Laws and Regulations. The Lessee agrees to conform to and abide by all lawful rules, codes, laws and regulations of the United States, the State of Washington, and any municipality or agency of any of said entities, including rules and regulations of Lessor, where applicable to the Lessee's use and operation of said premises, including the construction of any improvements thereon, and not to permit said premises to be used in violation of any said rules, codes, laws or regulations.

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



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

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

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

25. Termination. Upon termination of this lease or any extension thereof, whether by expiration of the stated term or sooner termination thereon as herein provided, Lessee shall surrender to Lessor said premises peaceably and quietly and in the condition required under paragraph 12 herein.

26. Default and Re-Entry. Time is of the essence of this agreement. (i) If (a) any rent or other payment due from Lessee hereunder remains unpaid for more than ten (10) days after the date it is due; (b) Lessee files a voluntary petition in bankruptcy or makes a general assignment to the benefit of, or a general arrangement with, creditors; (c) there is an involuntary bankruptcy filed against Lessee that has not been dismissed within thirty (30) days of filing; (d) Lessee becomes insolvent; or (e) a receiver, trustee, or liquidating officer is appointed for Lessee's business; or (ii) If Lessee violates or breaches any of the other covenants, agreements, stipulations or conditions herein, and such violation or breach shall continue for a period of thirty (30) days after written notice of such violation or breach is sent to Lessee, then Lessor may at its option, declare this lease forfeited and the term hereof ended, or without terminating this lease elect to re-enter and attempt to relet, in which event Lessee authorizes Lessor to relet the premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this lease) and at such rental or rentals and upon such other terms and conditions as Lessor in its sole discretion deems advisable. Upon each such reletting, all rentals received by Lessor from such reletting shall be applied, first, to the payment of any amounts other than rent due hereunder from Lessee to Lessor; second, to the payment of any costs and expenses of such reletting and renovation, including brokerage fees and attorneys' fees; third, to the payment of rent due and unpaid hereunder, and the residue, if any shall be held by Lessor and applied to payment of future rent as the same may become due and payable hereunder. If rental received from such reletting during any month are less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor, and Lessee covenants and agrees to pay Lessor for all other expenses resulting from its default, including, but not limited to, brokerage commissions, attorneys fees and the reasonable cost of converting the premises for the benefit of the next Lessee. Delinquent rental and other payments shall bear interest at the rate of twelve percent (12%) per annum from the date due until paid. In the event of any default hereunder and entry in, or taking possession of, the premises, Lessor shall have the right, but not the obligation, to remove from the premises all personal property located

therein, and may store the same in any place selected by Lessor, including but not limited to a public warehouse, at the expense and risk of the owners thereof, with the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, with the proceeds of such sale to be applied to the cost of such sale and to the payment of charges for storage, and to the payment of any other sums of money which may then be due from Lessee to Lessor under any of the terms hereof.

27. 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, which shall not be unreasonably withheld. 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.

28. Lessor's Right to Enter Premises. Lessor and/or its authorized representatives shall have the right to enter the premises at all reasonable times for any of the following purposes:

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

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

29. Right of Quiet Enjoyment. Lessor acknowledges that it has ownership of the premises heretofore described and that it has the legal authority to lease said premises unto Lessee. Lessor covenants that Lessee's right of occupancy shall not be disturbed during the term of this lease so long as the terms are complied with by Lessee and subject to the provisions of paragraph 28.

30. Time is of the Essence. It is mutually agreed and understood that time is of the essence of this lease and that a waiver of any default of Lessee shall not be construed as a waiver of any subsequent default, and that any notice required to be given under this lease may be given by United States Mail addressed to the party identified in paragraph 32 of this lease.

31. Waiver of Subrogation. Lessor hereby releases Lessee from any and all right, claim and demand that Lessor may hereafter have against Lessee, or Lessee's successors or assigns, arising out of or in connection with any loss or losses occasioned by fire and such items as are included under the normal extended coverage clauses of fire insurance policies, and does hereby waive all rights of subrogation in favor of insurance carriers against Lessee arising out of any losses occasioned by fire and such items as are included under the normal extended coverage clauses of fire insurance policies and sustained by Lessor in or around the premises. Lessee hereby releases Lessor from any and all right, claim and demand that Lessee may hereafter have against Lessor or Lessor's successors or assigns, arising out of or in connection with any loss or losses occasioned by fire and such items as are included under the normal extended coverage clauses of fire insurance policies, and does hereby waive all rights of subrogation in favor of insurance carriers against Lessor arising out of any losses occasioned by fire and such items as are included under the normal extended coverage clauses of fire insurance policies and sustained by Lessee in or around the premises. The waivers provided for in this paragraph shall be applicable and effective only in the event such waivers are obtained from the insurance carriers concerned.

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

LESSOR:

Port of Skagit County
P. O. Box 348
1180 Airport Drive
Burlington, WA 98233

LESSEE:

Cascade Clear Water Co.
1600 Port Drive
Burlington, WA 98233

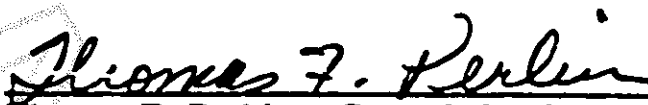
33. Lessee's Fire Insurance Coverage. Lessee shall at Lessee's expense maintain on all of Lessee's personal property and leasehold improvements and alterations on the premises, a policy of standard fire insurance, with extended coverage in the amount of their replacement value.

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

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

LESSOR:

PORT OF SKAGIT COUNTY


Thomas F. Perkins, Commission President


John E. Herriot, Commission Secretary

LESSEE:

CASCADE CLEAR WATER CO.


H. Larry Hansen, Its President


Michael R. Duffy, Its Secretary

GUARANTOR:


James A. Duffy,
Individually as Guarantor

LEASE AGREEMENT
LESSOR: PORT OF SKAGIT COUNTY
LESSEE: CASCADE CLEAR WATER CO.

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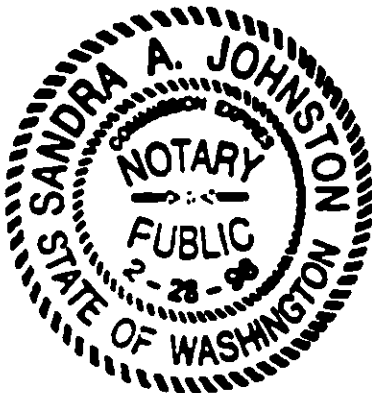
9801230057

BK 1757 PG 0436

STATE OF WASHINGTON)
) SS
COUNTY OF SKAGIT)

On this 16TH day of DECEMBER, 1994, before me personally appeared H. Larry Hansen and Michael R. Duffy, to me known to be the President and Secretary of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed, if any, 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.

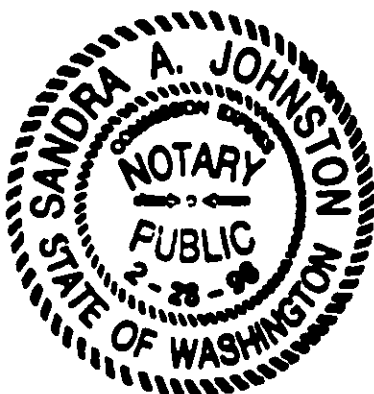


Sandra A. Johnston
(Signature)
SANDRA A. JOHNSTON
(Print Name)
NOTARY PUBLIC in and for the State of WASHINGTON
residing at BURLINGTON
My appointment expires: 2-28-98

STATE OF WASHINGTON)
) SS
COUNTY OF SKAGIT)

On this 16TH day of DECEMBER, 1994, before me, personally appeared James A. Duffy to me known to be the individual guarantor described in and who executed the within instrument and acknowledged he signed and sealed the same as his free and voluntary act and deed for the uses and purposes herein mentioned.

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



Sandra A. Johnston
(Signature)
SANDRA A. JOHNSTON
(Print Name)
NOTARY PUBLIC in and for the State of WASHINGTON
residing at BURLINGTON
My appointment expires: 2-28-98

LEASE AGREEMENT
LESSOR: PORT OF SKAGIT COUNTY
LESSEE: CASCADE CLEAR WATER CO.

Page 11 of 12

9801220057

BK1757PG0437

STATE OF WASHINGTON)
) SS
COUNTY OF SKAGIT)

On this 20th day of December 1994, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Thomas F. Perkins and John E. Henriot 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.

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

Linda B. Cliver
(Signature)
LINDA B. CLIVER
(Print Name)
NOTARY PUBLIC in and for the State of WASHINGTON
residing at Lynn
My appointment expires: 10-02-1995

S:\LACCLEAR.ES

LEASE AGREEMENT
LESSOR: PORT OF SKAGIT COUNTY
LESSEE: CASCADE CLEAR WATER CO.

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BK1757 PG0438



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

EXHIBIT "A"

JOHN E. LEONARD, JR., P.E. & P.L.S.
ROBERT C. BOUDINOT, JR., P.E.
JEFFREY A. SKODJE, P.L.S.

August 17, 1994

LEGAL DESCRIPTION of lease parcels from the Port of Skagit County to Cascade Clear Water Company
Job Number 94211

Parcel "A"

That portion of the Northeast quarter of the Northwest quarter of Section 8, Township 34 North, Range 4 East, W.M., described as follows:

Commencing at the Southeast corner of said subdivision; thence North 89° 48' 02" West, along the South line of said subdivision, 660.09 feet; thence North 2° 00' 30" West, parallel with the East line of said subdivision, 775.50 feet to the **TRUE POINT OF BEGINNING**; thence North 89° 48' 02" West, 1.00 feet; thence South 2° 00' 30" East, 60.00 feet; thence South 89° 48' 02" East, 176.94 feet; thence South 2° 00' 30" East, 250.03 feet; thence South 89° 48' 02" East, 277.08 feet to a point on the Westerly margin of the Burlington Northern Railway right-of-way; thence North 08° 47' 30" West, along said Westerly margin, a distance of 313.65 feet; thence North 89° 48' 02" West, 415.94 feet to the **TRUE POINT OF BEGINNING**. (Containing 2.08 Acres.)

Situate in the County of Skagit, State of Washington.

Parcel "B"

That portion of the Northeast quarter of the Northwest quarter of Section 8, Township 34 North, Range 4 East, W.M., described as follows:

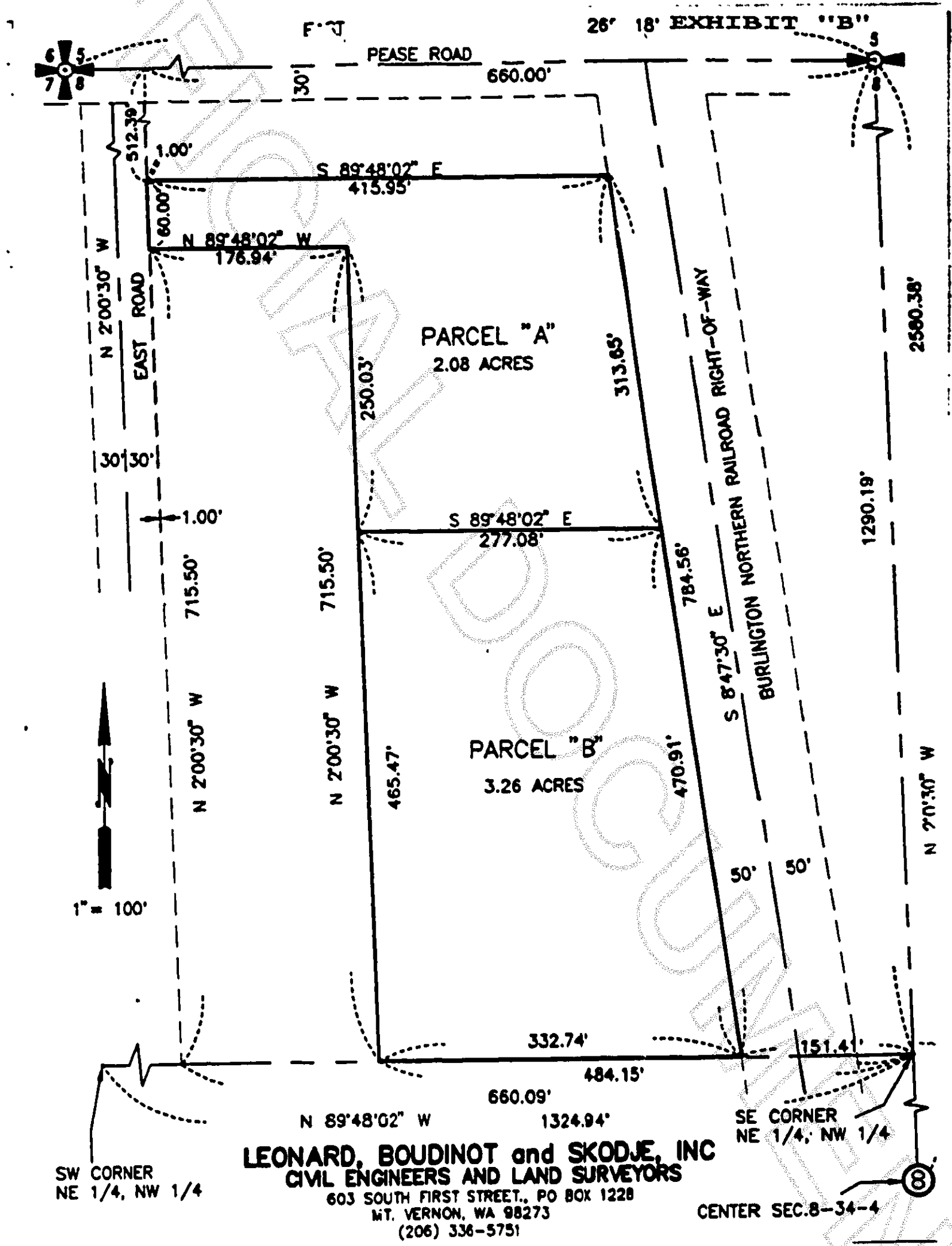
Commencing at the Southeast corner of said subdivision; thence North 89° 48' 02" West, along the South line of said subdivision, 484.15 feet to the **TRUE POINT OF BEGINNING**; thence North 2° 00' 30" West, parallel with the East line of said subdivision, 465.57 feet; thence South 89° 48' 02" East, 277.08 feet to a point on the Westerly margin of the Burlington Northern Railway right-of-way; thence South 8° 47' 30" East, along said Westerly margin, 470.91 feet to a point on the South line of said subdivision, said point lies South 89° 48' 02" East from the **TRUE POINT OF BEGINNING**; thence North 89° 48' 02" West, along the South line of said subdivision, 332.74 feet to the **TRUE POINT OF BEGINNING**. (Containing 3.26 Acres)

Situate in the County of Skagit, State of Washington.
f:\docs\legal\94211.mai

Mount Vernon Office 603 South First Street, Mount Vernon, WA 98273, (206) 336-5751/FAX (206) 336-3981
Anacortes Office 606 Commercial Avenue Anacortes WA 98221, (206) 293-4508
Mailing Address P.O. Box 1228, Mount Vernon WA 98273

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AMENDMENT TO LEASE AGREEMENT

IT IS HEREBY MUTUALLY AGREED, by and between the PORT OF SKAGIT COUNTY, a Washington municipal corporation, hereinafter referred to as "Lessor", and Cascade Clear Water Co., a Washington corporation, hereinafter referred to as "Lessee", that this agreement amends the LEASE AGREEMENT between the Lessor and Lessee, dated December 20, 1994, concerning the property described in Exhibit "A" and depicted on the map marked Exhibit "B", both of which are attached hereto and by this reference incorporated herein.

WITNESSETH

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

1. That there shall be a new section added to the above referenced LEASE AGREEMENT as follows:

36. Leasehold Mortgages.

- a. Leasehold Mortgage Authorized. On one or more occasions Lessee may take back a Purchase Money Leasehold Mortgage upon a sale and assignment of the Leasehold Estate created by this Lease or may mortgage or otherwise encumber Lessee's Leasehold Estate to an Institutional Investor (as hereinafter defined), under one or more Leasehold Mortgages and assign this Lease as security for such Mortgage or Mortgages, provided, however, there shall be no more than three such Leasehold Mortgages in existence at anytime.
- b. Notice to Lessor:
 - i. (1) If Lessee shall, on one or more occasions, take back a Purchase Money Leasehold Mortgage upon a sale and assignment of the

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Leasehold Estate or shall mortgage Lessee's Leasehold Estate to an Institutional Investor, and if the holder of such Leasehold Mortgage shall provide Lessor with notice of such Leasehold Mortgage together with a true copy of such Leasehold Mortgage and the name and address of the Mortgagee, Lessor and Lessee agree that, following receipt of such notice by Lessor, the provisions of this section 36 shall apply in respect to each leasehold mortgage.

(2) In the event of any assignment of a Leasehold Mortgage or in the event of a change of address of a Leasehold Mortgagee or of an Assignee of such Leasehold Mortgage, notice of the new name and address shall be provided to Lessor.

ii. After Lessor has received the notice provided for by subsection b. i. above, the Lessee, upon being requested to do so by Lessor, shall with reasonable promptness provide Lessor with copies of the note or other obligation secured by such Leasehold Mortgage and of any other documents pertinent to the Leasehold Mortgage as specified by the Lessor. If requested to do so by Lessor, the Lessee shall thereafter also provide the Lessor from time to time with a copy of each amendment or other modification or supplement to such instruments. From time to time upon being requested to do so by Lessor, Lessee shall also notify Lessor of the date and place of recording and other pertinent recording data with respect to such instruments as have been recorded.

c. Definitions:

i. The term "Institutional Investor" as used in this section 36 shall refer to a savings bank, savings and loan association, commercial bank, trust company, credit union, insurance company, college, university, real estate investment trust or pension fund. The term "Institutional Investor" shall also include other lenders of substance which perform functions similar to any of the foregoing, and which have assets in excess of fifty million dollars (\$50,000,000.00) at the time the Leasehold Mortgage loan is made.

ii. The term "Leasehold Mortgage" as used in this section 36 shall include a mortgage, a deed of trust, a deed to secure debt, or other security instrument by which Lessee's Leasehold Estate is mortgaged, conveyed, assigned, or otherwise transferred, to secure a debt or other obligation.

iii. The term "Leasehold Mortgage" as used in this section 36 shall refer to a holder of a Leasehold Mortgage in respect to which the notice provided for by subsection b. of this section 36 has been given and received and as to which the provisions of this section 36 are applicable.

d. Consent of Leasehold Mortgagee Required. No cancellation, surrender or modification of this Lease shall be effective as to any Leasehold Mortgagee unless consented to in writing by such Leasehold Mortgagee.

e. Default Notice. Lessor, upon providing Lessee any notice of: i. default under this Lease, ii. a termination of this Lease, or iii. any other notice sent by Lessor under section 26 of this Lease, shall at the same time provide a copy of such notice to every Leasehold Mortgagee. No such notice by Lessor to Lessee shall be deemed to have been duly given unless and until a copy thereof has been so provided to every Leasehold Mortgagee. From and after such notice has been given to a Leasehold Mortgagee, such Leasehold Mortgagee shall have the same period, after the giving of such notice upon it, for remedying any default or causing the same to be remedied, as is given Lessee after the giving of such notice to Lessee, plus in each instance, the additional periods of time specified in subsections f. and g. of this section 36 to remedy, commence remedying or cause to be remedied the defaults specified in any such notice. Lessor shall accept such performance by or at the instigation of such Leasehold Mortgagee as if the same had been done by Lessee. Lessee authorizes each Leasehold Mortgagee to take any such action at such Leasehold Mortgagee's option and does hereby authorize entry upon the premises by the Leasehold Mortgagee for such purpose.

f. Notice to Leasehold Mortgagee:

i. Subject to the provisions of subsection p. of this section 36, anything contained in this Lease to the contrary notwithstanding, if any default shall occur which entitles Lessor to terminate this Lease, Lessor shall have no right to terminate this Lease unless, following the expiration of the period of time given Lessee to cure such default, Lessor shall notify every Leasehold Mortgagee of Lessor's intent to so terminate at least 30 days in advance of the proposed effective date of such termination if such default is capable of being cured by the payment of money, and at least 45 days in advance of the proposed effective date of such termination if such default is not capable of being cured by the payment of money. The provisions of subsection g. below of this section 36 shall apply if, during such 30 or 45 day Termination Notice Period, any Leasehold Mortgagee shall:

(1) Notify Lessor of such Leasehold Mortgagee's desire to nullify such notice; and

(2) Pay or cause to be paid all rent, additional rent, and other payments then due and in arrears as specified in the Termination Notice to such Leasehold Mortgagee and which may become due during such 30 or 45 day period; and

(3) Comply or in good faith with reasonable diligence and continuity, commence to comply with all nonmonetary requirements of this Lease then in default and reasonably susceptible of being complied with by such Leasehold Mortgagee, provided however, that such Leasehold Mortgagee shall not be required during such 45 day period to cure or commence to cure any default consisting of Lessee's failure to satisfy and discharge any lien, charge or encumbrance against the Lessee's interest in this Lease or the premises junior in priority to the lien of the mortgage held by such Leasehold Mortgagee.

ii. Any notice to be given by Lessor to a Leasehold Mortgagee pursuant to any provision of this section 36 shall be deemed properly addressed if sent to the Leasehold Mortgagee who served the notice referred to in subsection b. i. (1) unless notice of a change of Mortgage ownership has been given to Lessor pursuant to subsection b. i. (2).

g. Procedure on Default:

Subject to the provisions of subsection p. of this section 36:

i. If Lessor shall elect to terminate this Lease by reason of any default of Lessee, and a Leasehold Mortgagee shall have proceeded in the manner provided for by subsection f. of this section 36, the specified date for the termination of this Lease as fixed by Lessor in its Termination Notice shall be extended for a period of six months, provided that such Leasehold Mortgagee shall, during such six month period:

(1) Pay or cause to be paid the rent, additional rent and other monetary obligations of Lessee under this Lease as the same become due, and continue its good faith efforts to perform all of Lessee's other obligations under this Lease, excepting (A) obligations of Lessee's to satisfy or otherwise discharge any lien, charge or encumbrance against Lessee's interest in this Lease or the premises junior in priority to the lien of the mortgage held by such Leasehold Mortgagee and (B)

past nonmonetary obligations then in default and not reasonably susceptible of being cured by such Leasehold Mortgagee; and

(2) If not enjoined or stayed, take steps to acquire or sell Lessee's interest in this Lease by foreclosure of the Leasehold Mortgage or other appropriate means and prosecute the same to completion with due diligence.

ii. If at the end of such six (6) month period such Leasehold Mortgagee is complying with subsection g. i., this Lease shall not then terminate, and the time for completion by such Leasehold Mortgagee of its proceedings shall continue so long as such Leasehold Mortgagee is enjoined or stayed and thereafter for so long as such Leasehold Mortgagee proceeds to complete steps to acquire or sell Lessee's interest in this Lease by foreclosure of the Leasehold Mortgage or by other appropriate means with reasonable diligence and continuity. Nothing in this subsection g. of this section 36, however, shall be construed to extend this Lease beyond the original term thereof as extended by any options to extend the term of this Lease properly exercised by Lessee or a Leasehold Mortgagee in accordance with section 5, nor to require a Leasehold Mortgagee to continue such foreclosure proceedings after the default has been cured. If the default shall be cured and the Leasehold Mortgagee shall discontinue such foreclosure proceedings, this Lease shall continue in full force and effect as if Lessee had not defaulted under this Lease.

iii. If a Leasehold Mortgagee is complying with subsection g. i. of this section 36, upon the acquisition of Lessee's Estate herein by such Leasehold Mortgagee or its designee or any other purchaser at a foreclosure sale or otherwise and the discharge of any lien, charge or encumbrance against the Lessee's interest in this Lease or the premises which is junior in priority to the lien of the Leasehold Mortgage held by such Leasehold Mortgagee and which the Lessee is obligated to satisfy and discharge by reason of the terms of this Lease, this Lease shall continue in full force and effect as if Lessee had not defaulted under this Lease.

iv. For the purposes of this section 36, the making of a Leasehold Mortgage shall not be deemed to constitute an assignment or transfer of this Lease or of the Leasehold Estate hereby created, nor shall any Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of this Lease or of the Leasehold Estate hereby created so as to require such Leasehold Mortgagee, as such, to assume the performance of any of the terms, covenants or conditions on the part of the Lessee to be performed hereunder, but the purchaser at any sale of this Lease and of the Leasehold Estate hereby created

in any proceedings for the foreclosure of any Leasehold Mortgage, or the assignee or transferee of this Lease and of the Leasehold Estate hereby created under any instrument of assignment or transfer in lieu of the foreclosure of any Leasehold Mortgage shall be deemed to be an assignee or transferee within the meaning of this section 36, and shall be deemed to have agreed to perform all of the terms, covenants and conditions on the part of the Lessee to be performed hereunder from and after the date of such purchase and assignment, but only for so long as such purchaser or assignee is the owner of the Leasehold Estate. If the Leasehold Mortgagee or its designee shall become holder of the Leasehold Estate and if the buildings and improvements on the premises shall have been or become materially damaged on, before or after the date of such purchase and assignment, the Leasehold Mortgagee or its designee shall be obligated to repair, replace or reconstruct the building or other improvements only to the extent of the net insurance proceeds received by the Leasehold Mortgagee or its designee by reason of such damage. However, should such net insurance proceeds be insufficient to repair, replace or reconstruct the building or other improvements to the extent required by this Lease and should the Leasehold Mortgagee or its designee choose not to fully reconstruct the building or other improvements to the extent required by this Lease such failure shall constitute an event of default under this Lease.

- v. Any Leasehold Mortgagee or other acquirer of the Leasehold Estate of Lessee pursuant to foreclosure, assignment in lieu of foreclosure or other proceedings may, upon acquiring Lessee's Leasehold Estate, sell and assign the Leasehold Estate on such terms and to such persons and organizations as are acceptable to such Leasehold Mortgagee or acquirer and to Lessor under section 27 of this Lease and thereafter be relieved of all obligations under this Lease; provided that such assignee has delivered to Lessor its written agreement to be bound by all of the provisions of this Lease.
- h. New Lease. Should Lessor terminate this Lease by reason of any default by Lessee hereunder, Lessor shall, upon written request by Lender to Lessor received within sixty (60) days after such termination, execute and deliver a new lease of the Property to Lender for the remainder of the term of this Lease with the same covenants, conditions and agreements as are contained herein, including any applicable provisions under subsection p. below; and provided further that Lessor's execution and delivery of such new lease of the premises shall be made without representation or warranty of any kind or nature whatsoever, either express or implied, including, without limitation, any representation or warranty regarding title to the premises or any improvements or the priority of such new lease. The Lessee under such new lease shall have the same right, title and interest in and to the improvements

on the premises as Lessee under the Lease. Upon execution and delivery of such new lease, Lender, at its sole cost and expense, shall be responsible for taking such action as shall be necessary to cancel and discharge this Lease and to remove Lessee named herein and any other occupant from the premises. Lessor's obligation to enter into such new lease of the premises with Lender shall be conditioned as follows: (i) Lender has remedied and cured all monetary defaults hereunder and has remedied and cured or has commenced and is diligently completing the cure of all nonmonetary defaults of Lessee other than nonmonetary defaults which are not capable of being cured by Lender and other than any default by Lessee in the performance of any of its covenants under section 10 or section 11 of this Lease which are covered by subsection p. below; (ii) that if more than one holder of a Leasehold Mortgage requests such new lease Lessor shall have no duty or obligation whatsoever to determine the relative priority of such Leasehold Mortgages, and, in the event of any dispute between or among the holders thereof, Lessor shall have no obligation to enter into any such new lease if such dispute is not resolved to the sole satisfaction of Lessor within ninety (90) days after the date of termination of this Lease, and (iii) that Lender pays all costs and expenses of Lessor, including, without limitation, reasonable attorneys' fees, real property transfer taxes and any escrow fees and recording charges, incurred in connection with the preparation and execution of such new lease and any conveyances related thereto.

- i. Leasehold Mortgagee Need Not Cure Specified Defaults. Except as provided below in subsection p. of this section 36, nothing herein contained shall require any Leasehold Mortgagee or its designee as a condition to its exercise of right hereunder to cure any default of Lessee not reasonably susceptible of being cured by such Leasehold Mortgagee or its designee, including but not limited to any breach of the provisions of sections 10 or 11 of the Lease or that which is set forth in sections 18 and 26 regarding bankruptcy or insolvency of Lessee, hereof, in order to comply with the provisions of subsections (f) or (g) of this section 36 or as a condition of entering into the New Lease provided for by subsection h. of this section 36.
- j. Casualty Loss. A Standard Mortgage Clause naming each Leasehold Mortgagee may be added to any and all insurance policies required to be carried by Lessee hereunder on condition that the insurance proceeds are to be applied in the manner specified in this Lease and the Leasehold Mortgage shall so provide; except that the Leasehold Mortgage may provide a manner for the disposition of such proceeds, if any, otherwise payable directly to the Lessee (but not such proceeds, if any, payable jointly to the Lessor and the Lessee) pursuant to the provisions of this Lease.

- k. No Merger. So long as any Leasehold Mortgage is in existence, unless all Leasehold Mortgagees shall otherwise expressly consent in writing, the fee title to the premises and the Leasehold Estate of Lessee therein created by this Lease shall not merge but shall remain separate and distinct, notwithstanding the acquisition of said fee title and said Leasehold Estate by Lessor or by Lessee or by a third party, by purchase or otherwise.
- l. Security. If any Leasehold Mortgagee, its designee or other purchaser has acquired the Leasehold Estate of Lessee pursuant to foreclosure, conveyance in lieu of foreclosure or other proceedings, or has entered into a New Lease with Lessor in accordance with subsection h. of this section 36, such Leasehold Mortgagee, its designee or other purchaser shall succeed to the rights of Lessee, if any, in and to the security provided by Lessee to Lessor pursuant to section 8 of this lease. In such event, Lessee shall no longer have any rights to such security, and Lessor shall hold such security for and on behalf of such Leasehold Mortgagee, its designee or other purchaser.
- m. Estoppel Certificate. Lessor shall, without charge, at anytime and from time to time hereafter, but not more frequently than twice in any one-year period (or more frequently, if such request is made in connection with any sale or mortgaging of Lessee's Leasehold interest by Lessee), within 15 days after written request of Lessee to do so, certify by written instrument duly executed and acknowledged to any Mortgagee or purchaser, or proposed Mortgagee or proposed purchaser, or any other person, firm or corporation specified in such request: i. as to whether this Lease has been supplemented or amended, and if so, the substance and manner of such supplement or amendment; ii. as to the validity and force and effect of this Lease, in accordance with its tenor; iii. as to the existence of any default hereunder; iv. as to the existence of any offsets, counterclaims or defenses hereto on the part of the Lessee; v. as to the commencement and expiration dates of the term of this Lease; and vi. as to any other matters as may be reasonably requested. Any such certificate may be relied upon by the Lessee and any other person, firm or corporation to whom the same may be exhibited or delivered, and the contents of such certificate shall be binding on the Lessor.
- n. Notices. Notices from Lessor to the Leasehold Mortgagee shall be mailed to the address furnished Lessor pursuant to subsection b. of this section 36, and those from the Leasehold Mortgagee to Lessor shall be mailed to the address designated pursuant to the provisions of section 32 hereof. Such notices, demands and requests shall be given in the manner described in section 32 and shall in all respects be governed by the provisions of that section.

- o. **Erroneous Payments.** No payment made to Lessor by a Leasehold Mortgagee shall constitute agreement that such payment was, in fact, due under the terms of this Lease; and a Leasehold Mortgagee having made any payment to Lessor pursuant to Lessor's wrongful, improper or mistaken notice or demand shall be entitled to the return of any such payment or portion thereof provided he shall have made demand therefore not later than one year after the date of its payment.
- p. **Special Provisions.** Notwithstanding any other provision of this Section 36 or this Lease, in the event of any default by Lessee in the performance of any of its obligations under Sections 10 or 11 of this Lease, Lessor shall not be entitled to terminate this Lease or to exercise any other remedy because of such default if (i) within the thirty (30) day period after notice from Landlord of such default to any Leasehold Mortgagee then holding a Leasehold Mortgage having priority over all other Leasehold Mortgages (herein "Lender"), Lender gives Lessor written notice requesting a temporary waiver of such obligations described in Sections 10 or 11 of this Lease as are then in default, and (ii) from the date of such default and for the "Waiver Period" referred to below, the rental for Parcel A (Building) is increased to \$0.20 per annum per square foot of floor area in the Building multiplied by a ratio, the numerator of which is the Price Index on the date Lender receives notice from Lessor of such default, and the denominator of which is 149.4 (but in no event less than \$0.20 per square foot), together with any applicable periodic adjustments thereto as provided in Sections 6 and 7 of this Lease. Such waiver shall remain in effect for a period (the "Waiver Period") ending on the earlier of (A) the date any such defaults under Sections 10 or 11 are cured, (B) one hundred twenty (120) days after Lender assigns the Lessee's interest under this Lease to any person, firm or entity (herein "Assignee") approved by Lessor under Section 27 of this Lease, (unless such Assignee requests that the Waiver Period continue), or (C) eighteen (18) months after the date Lender receives notice from Lessor of the default by Lessee in the performance of any of its obligations under Sections 10 or 11 of this Lease; provided, however, that Lender shall be obligated throughout the Waiver Period to diligently pursue good faith efforts to acquire Lessee's interest in the premises through enforcement of Lender's Leasehold Mortgage and after such acquisition to diligently pursue good faith efforts for the sale and assignment of the Lessee's interest under this Lease and the extension of the Waiver Period beyond twelve (12) months from the date of notice of such default shall be subject to Lender providing Lessor with a written status report concerning Lender's efforts. So long as Lender is diligently pursuing good faith efforts to acquire Lessee's interest in the premises through

enforcement of Lender's Leasehold Mortgage and after such acquisition, and makes good faith efforts for the sale and assignment of the Lessee's interest under this Lease and Lender is not in default under this Lease, Lessor shall extend the Waiver Period as requested from time to time by Lender (the first such request being referred to herein as the "Extension Request") ; provided further, however, that during any extension granted by Lessor beyond such eighteen months, the rental for Parcel A (Building) shall be equal to the Fair Market Rental Value as determined under subsection (r) below.

- q. Capital Improvements Certification. On or before March 1 of each calendar year during the term of this Lease, Lessee shall provide Lessor with a certification signed by Lessee ("Capital Improvements Certification") which contains a narrative description of all capital improvements to the premises provided by Lessee since the date of the last Capital Improvements Certification together with a line item itemization of such capital improvements and the cost thereof.
- r. Fair Market Rental Value. "Fair Market Rental Value" as used herein means (i) the fair market value of the premises (after deducting therefrom the fair market value of all capital improvements thereto provided by Lessee, itemized in the Capital Improvement Certifications provided by Lessor to Lessee under subsection (q) above), multiplied by (ii) Lessor's then established rate of return for leased properties. If Lender and Lessor are not able to agree on the fair market value of the premises as provided in clause (i) within thirty (30) days after the date of the Extension Request, such fair market value shall be determined by an MAI appraiser selected by agreement between Lender and Lessor. If Lender and Lessor are unable to agree on the selection of an appraiser within 45 days after the date of the Extension Request they shall each within 10 days thereafter appoint an MAI appraiser and the two appraisers shall together, within 15 days of their appointment, appoint a third MAI appraiser. If the two appraisers are unable to agree on the selection of a third, the third appraiser shall be appointed by the Presiding Judge of the Skagit County Superior Court. The appraisers so appointed shall jointly appraise the premises within 30 days after their appointment and their determination of fair market value shall be binding and conclusive. Each party shall pay the cost of the MAI appraiser appointed by such party and the cost of the third appraiser shall be divided equally between the parties.
- s. Excess Rents. During the Waiver Period any rents received by Lender from all or any of the Property in excess of the per square foot rental payable for such Property under this Lease shall be payable to Lessor as additional rent.

2. All other terms and conditions of the LEASE AGREEMENT dated December 20, 1994 above referenced, except as herein amended to the contrary, are confirmed, ratified and continued in all respects and are to remain in full force and effect. This agreement shall bind and inure to the benefit of the successors and assigns of the Lessor and the successors and assigns of the Lessee.

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IN WITNESS WHEREOF, the parties hereto have set their hand and seals to this agreement. This agreement shall be effective between the parties upon execution of the last party.

LESSOR:

PORT OF SKAGIT COUNTY



Brian J. Rolfson, Commission President



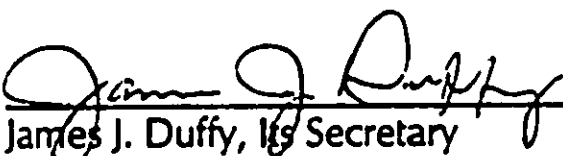
Thomas F. Perkins, Commission Secretary

LESSEE:

CASCADE CLEAR WATER CO.

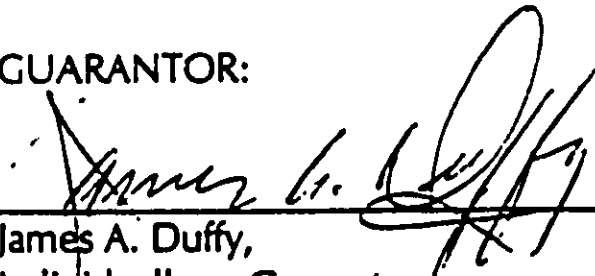


H. Larry Hansen, Its President



James J. Duffy, Its Secretary

GUARANTOR:



James A. Duffy,
Individually as Guarantor

9801230057

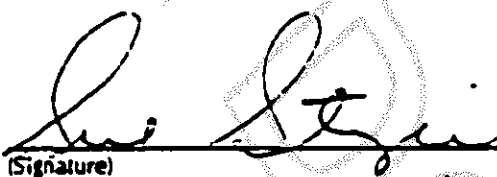
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BK 1757 PG 0452

STATE OF WASHINGTON)
COUNTY OF Skagit) SS

On this 12th day of December, 1995, before me personally appeared H. Larry Hansen and James J. Duffy, to me known to be the President and Secretary of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

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


(Signature)

Sue Strizic
(Print Name)

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

My appointment expires: 2/1/99

STATE OF WASHINGTON)
) SS
COUNTY OF Skaagit)

On this 12th day of December, 1995, before me, personally appeared James A. Duffy to me known to be the individual guarantor described in and who executed the within instrument and acknowledged he signed and sealed the same as his free and voluntary act and deed for the uses and purposes herein mentioned.

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

[Signature]
(Signature)

Sue Strizic
(Print Name)

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

My appointment expires: 1/1/99

STATE OF WASHINGTON)
) SS
COUNTY OF SKAGIT)

On this 12TH day of DECEMBER 1995, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Brian J. Rolfson and Thomas F. Perkins 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.

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



Cheryl K. Miller
(Signature)
CHERYL K MILLER
(Print Name)
NOTARY PUBLIC in and for the State of Washington
residing at BELLINGHAM
My appointment expires: 3/1/98

9801220057



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

EXHIBIT "A"

JOHN E. LEONARD, JR., P.E. & P.L.S.
ROBERT C. BOUDINOT, JR., P.E.
JEFFREY A. SKODJE, P.L.S.

August 17, 1994

LEGAL DESCRIPTION of lease parcels from the Port of Skagit County to Cascade Clear Water Company
Job Number 94211

Parcel "A"

That portion of the Northeast quarter of the Northwest quarter of Section 8, Township 34 North, Range 4 East, W.M., described as follows:

Commencing at the Southeast corner of said subdivision; thence North 89° 48' 02" West, along the South line of said subdivision, 660.09 feet; thence North 2° 00' 30" West, parallel with the East line of said subdivision, 775.50 feet to the **TRUE POINT OF BEGINNING**; thence North 89° 48' 02" West, 1.00 feet; thence South 2° 00' 30" East, 60.00 feet; thence South 89° 48' 02" East, 176.94 feet; thence South 2° 00' 30" East, 250.03 feet; thence South 89° 48' 02" East, 277.08 feet to a point on the Westerly margin of the Burlington Northern Railway right-of-way; thence North 08° 47' 30" West, along said Westerly margin, a distance of 313.65 feet; thence North 89° 48' 02" West, 415.94 feet to the **TRUE POINT OF BEGINNING**. (Containing 2.08 Acres.)

Situate in the County of Skagit, State of Washington.

Parcel "B"

That portion of the Northeast quarter of the Northwest quarter of Section 8, Township 34 North, Range 4 East, W.M., described as follows:

Commencing at the Southeast corner of said subdivision; thence North 89° 48' 02" West, along the South line of said subdivision, 484.15 feet to the **TRUE POINT OF BEGINNING**; thence North 2° 00' 30" West, parallel with the East line of said subdivision, 465.57 feet; thence South 89° 48' 02" East, 277.08 feet to a point on the Westerly margin of the Burlington Northern Railway right-of-way; thence South 8° 47' 30" East, along said Westerly margin, 470.91 feet to a point on the South line of said subdivision, said point lies South 89° 48' 02" East from the **TRUE POINT OF BEGINNING**; thence North 89° 48' 02" West, along the South line of said subdivision, 332.74 feet to the **TRUE POINT OF BEGINNING**. (Containing 3.26 Acres)

Situate in the County of Skagit, State of Washington.

f:\docs\legal\94211.mai

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(16)

Mount Vernon Office 603 South First Street, Mount Vernon, WA 98273, (206) 336-5751/FAX (206) 336-5752
Anacortes Office 606 Commercial Avenue, Anacortes, WA 98221, (206) 293-4508
Mailing Address PO Box 1228, Mount Vernon, WA 98273

9801230057

BK 1757 PG 0456

