

WHEN RECORDED RETURN TO:

NAME: ISLAND TITLE COMPANY
ADDRESS: P.O. Box 1228
CITY, STATE, ZIP: ANACORTES, WA 98221



200205310194

Skagit County Auditor

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ISLAND TITLE COMPANY
ACCOMMODATION ONLY

QA-303A ✓

DOCUMENT TITLE(S)

1. ASSIGNMENT OF RIGHTS AND OBLIGATIONS UNDER REAL ESTATE LEASE AGREEMENT

GRANTOR(S):

1. HERITAGE CONSTRUCTION GROUP LLC
2. CITY OF ANACORTES

GRANTEE(S):

1. RADIUS ANACORTES PROPERTIES LLC

LEGAL DESCRIPTION

CITY OF ANACORTES, BLOCK 33, LOTS 11-14

ASSESSOR'S PROPERTY TAX PARCEL ACCOUNT NUMBER(S):

PTN 3772-033-015-0004

THE RECORDER WILL RELY ON THE INFORMATION PROVIDED ON THE FORM. THE STAFF WILL NOT READ THE DOCUMENT TO VERIFY THE ACCURACY OR COMPLETENESS OF THE INDEXING INFORMATION PROVIDED HEREIN.

**ASSIGNMENT OF RIGHTS AND OBLIGATIONS UNDER REAL ESTATE
LEASE AGREEMENT**

The Parties to this Assignment are Heritage Construction Group LLC, the City of Anacortes and Radius Anacortes Properties, LLC.

The **Effective Date** of This Agreement is November 1, 2001.

Whereas The City of Anacortes is currently the owner of property in the City of Anacortes, State of Washington, and more fully described as:

Lots 11 through 14 of Block 33 of the Original Anacortes Addition to the City of Anacortes, Section 33, Township 35 North, Range 01 East W.M., Skagit County, Washington. Excepting therefrom:

The South 28 feet of lots 11 through 14

The East 10 feet of Lot 14

The North 4 feet of Lots 11-14

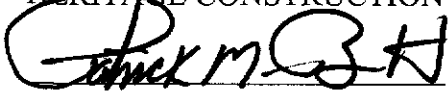
Common address: 415 O Street

Whereas Heritage Construction Group LLC, is currently the Lessee of said property under the Lease Agreement Attached hereto as Exhibit A:

Whereas Heritage Construction Group LLC deems it in its best interest to assign its rights and liabilities under the existing lease between it and the City of Anacortes to Radius Anacortes Properties, LLC.

For valuable consideration received, and for the mutual benefits of this Assignment, Heritage Construction Group LLC assigns all of its rights, liabilities and interest in the above reference lease to Radius Anacortes Properties LLC. Radius Anacortes Properties LLC hereby accepts this Assignment. The City of Anacortes hereby consents to this Assignment.

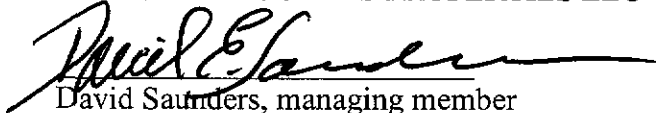
HERITAGE CONSTRUCTION GROUP LLC



Patrick M. Brunstad, managing member

11/1/01
Date

RADIUS ANACORTES PROPERTIES LLC



David Saunders, managing member

11/1/01
Date



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CITY OF ANACORTES

H. Dean Maxwell
H. Dean Maxwell
Mayor

10/24/01
Date

IN WITNESS WHEREOF, the parties have executed this lease effective the day and year first above written.

LESSOR: CITY OF ANACORTES

H. Dean Maxwell
By: H. Dean Maxwell
Its: Mayor



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LESSEE: HERITAGE CONSTRUCTION GROUP, LLC

By: Patrick M. Brunstad

Its: Manager

ASSIGNEE: RADUIS ANACORTES PROPERTIES, L.L.C.

By: David E. Saunders

Its: Manager

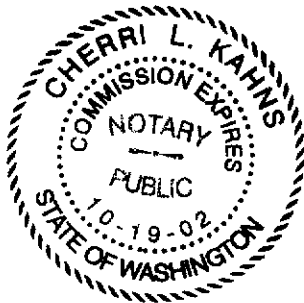
STATE OF WASHINGTON)

COUNTY OF Skagit)

ss:

On this 29th day of October, 2001, before me personally appeared H. Dean Maxwell to me known to be the authorized officer or agent, as the case may be) of the City of Anacortes that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said City, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

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



Cherril Kahns
Cherril L. Kahns

Notary Public in and for the State of Washington

Residing at Mount Vernon

My appointment expires: 10-19-02



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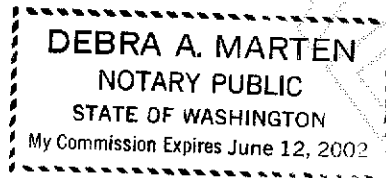
STATE OF WASHINGTON)

COUNTY OF Grays Harbor)

SS:

On this 1st day of November 2001, before me personally appeared Patrick M. Brunstad, to me known to be the (president, vice president, secretary, treasurer, or other authorized officer or agent, as the case may be) of the limited liability company 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.

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



Debra A. Marten

Notary Public in and for the State of
Washington
Residing at Ocean Shores
My appointment expires: June 12, 2002



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Skagit County Auditor

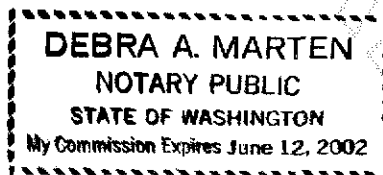
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STATE OF WASHINGTON)
COUNTY OF Grays Harbor)

SS:

On this 1st day of November 2001, before me personally appeared David Saunders, to me known to be the (president, vice president, secretary, treasurer, or other authorized officer or agent, as the case may be) of the limited liability company 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.

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



Debra A. Marten

Notary Public in and for the State of
Washington
Residing at Ocean Shores
My appointment expires: June 12, 2002



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REAL ESTATE LEASE AGREEMENT

This real estate lease agreement ("Lease") is made by and between Heritage Construction Group, LLC, a Washington limited liability company, (hereafter referred to as "Landlord) and Anacortes Cinemas, L. L. C., a Washington limited liability company (hereafter referred to as "Tenant"). The parties agree as follows:

CONDITION PRECEDENT TO LEASE:

The Landlord desires to construct a movie cinema for use by Tenant pursuant to the terms of this Lease. However, the parties understand and agree that there are a number of factors, considerations and events now unforeseeable as well as those not now foreseeable that may arise which may be beyond the effective control of either party causing the cinema to not be constructed in a timeframe acceptable to the parties. Consequently, the terms of this Lease will not become effective until such time as Tenant accepts tenancy of the Premises (as defined below).

Tenant acknowledges it is a sublessee to Landlord's Lease agreement with the City of Anacortes (attached as Exhibit A). Tenant hereby agrees to comply with all the terms of that Lease as if it were the Lessee in said Lease and to take no action or make any omission that would cause a breach of said Lease. The parties hereby incorporate that lease herein by this reference. This Lease shall control in the case of any inconsistent terms regarding Tenant's duties to the Landlord as specified herein.

1. PREMISES: Landlord, in consideration of the lease payments provided in this Lease Agreement, leases to Tenant all that certain real property lying and being in _____ County, Washington, described as follows:

The south 70 feet of the west 25 feet of Lot 7, Lots 8, 9, and 10 together with the north 4 feet of the abutting alley, Block 35, original plat of Anacortes

2. IMPROVEMENTS: The parties agree that Landlord shall secure a loan by no later than _____, 2001 and construct a movie cinema and shall make such other improvements, including fixtures, all under the direction of and as specified by Tenant at Landlord's costs as more fully set forth on the attached specifications and drawings.

Each party understands that the movie theater business is seasonal and the months of June, July and August are the most profitable months of operation, thus each party will employ its best efforts to complete the construction of the Premises so that Tenant can accept occupancy on or before _____, 2001.

Additionally, the parties understand that Tenant may request the size of the cinema to be expanded to include additional theaters to the original three (3) theaters contemplated. In the event Tenant desires to have the cinema expanded to include additional theaters (the "Expansion"), the parties agree that Landlord shall use its best efforts to secure a loan and construct additional auditoriums, including all related fixtures and related items, under the direction of and as specified by Tenant at Landlord's costs



provided however, the Rental Price (as defined below) will be increased as provided in Section 5. Tenant acknowledges that any Expansion will require the approval the City of Anacortes or its assigns, and possibly other authorities as well. Any expansion will also be dependent upon financial and economic conditions at this time not known. Therefore, failure of the Landlord to construct the requested expansion after using its best efforts, shall not amount to a breach of this Lease by Landlord. Tenant shall remain bound by the Terms of this Lease whether or not the Expansion occurs.

3. TERM: The term of this Lease shall be for an initial period of twenty (25) years commencing upon the date the theater is opened to the public or within 14 days of the Landlord receiving a Certificate of Occupancy from the City of Anacortes, whichever is sooner. The initial term of this Lease shall expire on the same date as Landlord's initial term with the City of Anacortes, which date is 11:59 p.m. January 31, 2026.

4. RENEWAL: This Lease may be renewed for five (5) additional five-year terms, unless Tenant gives written notice of its intent not to renew the term of this Lease, not later than 120 days prior to the end of the initial twenty-five (25) year term or prior to the end of any five year renewal period whichever is sooner. The Lease terms during any such renewal term shall be upon the same terms as those contained in this Lease except the Rental Price (as defined below) shall be adjusted as provided below.



5. RENTAL PRICE/LEASE PAYMENTS; GROUND RENT: The Tenant shall pay a monthly rental for the theater building (the "Rental Price") to the Landlord, in advance, each month during the term of this Lease in an amount equal to:

Twelve Thousand, One Hundred Twenty-Five Dollars (\$12,125.00).

This Rental Price shall include all costs in any manner related to the construction of improvements, placement of fixtures and professional services in securing a construction loan including, but not by way of limitation, labor, materials, fixtures, loan fees, and sales taxes thereon as well as costs of appraisal, government permits and incidentals, PROVIDED HOWEVER, in no event shall such amount exceed the amount in Section 5a above.

Commencing on April 1 in years 5, 10, 15 and 20 of the initial lease term, and at the beginning of any renewal period, the above Rental Price shall be increased by the greater of 5YT plus 3.5 points as published; or by 75% of the percentage of increase in the Consumer Price Index as compiled by the United States Department of Labor for the City of Seattle over the index at the beginning of the prior five (5) year period, provided however, in no event shall the Rental Price increase by more than 15% above the prior five (5) year period. In making such adjustments to the Rental Price, either increasing or decreasing, in no event shall the adjusted Rental Price be adjusted to be less than the first Rental Price.

In the event Landlord does the Expansion of the cinema as contemplated in Section 2, the Rental Price shall be increased by twelve percent (12 %) of all costs in any manner related to the construction, design and financing of the Expansion and professional services in securing a construction loan including, but not by way of



limitation, labor, materials, fixtures, loan fees, attorney's fees and other professional services fees and sales taxes thereon as well as cost of appraisal, government permits and incidentals. An increase of the Rental Price pursuant to this paragraph shall not be subject to the "not to exceed amount" of Section 5(a) above.

(b) **Ground Rent:** In addition to the Rental Price described above, Tenant shall pay to the Landlord as Ground Rent the sum of \$1,000 per month plus State Leasehold Tax. Tenant shall begin paying Ground Rent October 1, 2001. Tenant's Ground Rent shall increase in the same amount and at the same time as any rent/lease increases charged by the City of Anacortes and any increases in state Leasehold Taxes assessed by the State of Washington. Landlord shall not charge any additional premium to Tenant over and above the amount charged by the City of Anacortes and the taxes assessed by the State of Washington.

6. LATE PAYMENTS: Tenant shall pay a late fee equal to One percent (1%) of the gross monthly rent for each payment that is not paid within ten (10) days of the due date for such payment. Tenant will also reimburse Landlord for all reasonable late fees, charges and penalties Landlord is charged by his lender or any other entity or person as a result of the late payment by Tenant. Should Landlord be in default of its loan to a lender that has a security interest in the Premises, Landlord shall immediately inform Tenant of such default and if such default is one of non-payment, Tenant may, at its election, pay the monthly rent payments, or additional payments that will be credited against future rent, to such lender directly on Landlord's behalf until such time as the default is cured.



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7. **POSSESSION:** Tenant shall be entitled to possession on the first day of the term of his Lease, and shall yield possession to Landlord on the last day of the term of this Lease or upon termination of this Lease, unless otherwise agreed to by both parties in writing.

8. **USE OF PREMISES:** Tenant may only use the Premises as a cinema and all related uses of a cinema. Furthermore Tenant agrees: to only operate a cinema showing "first-run" movies with occasional exceptions; no NC-17 or X rated movies shall be shown and any violation of this provision will result in termination of this lease. Tenant agrees that its failure to operate a cinema on a continuing basis, other than a reasonable time for repairs or remodeling, may result in Lessor terminating this Lease.

9. **REMODELING OR STRUCTURAL IMPROVEMENTS:** Tenant may construct improvements on the Premises and place fixtures and trade fixtures on the Premises. Such construction shall be undertaken and such fixtures may be erected only with the prior written consent of the Landlord, which shall not be unreasonably withheld, if such construction exceeds a cost of \$30,000.00, or is structural in nature. At the end of the term of this Lease, Tenant shall be entitled to remove fixtures and trade fixtures, excluding any heating, cooling and plumbing fixtures. Tenant agrees to make any repairs to the Premises required by its removal of fixtures, and to restore premises to its condition prior to the installation of the fixture, normal wear and tear excepted.

In the event Tenant replaces or repairs a heating, cooling, or plumbing fixture of the Premises, or any other fixture or part, unit or component thereof that will remain with the Premises after expiration of the initial term of this Lease or any renewal thereof, the



Useful Life ("UL") for which exceeds the number of years remaining in the initial term of this Lease or the then current renewal term, including any renewal term for which the option to renew has been or is thereafter exercised in accordance with the Lease ("N"), then the cost for such improvement shall be allocated between Tenant and Landlord in the following proportions: Tenant (N/UL); Landlord--((UL-N)/UL). Landlord shall remit promptly to Tenant upon notice Landlord's portion of such expense, and, if Landlord fails to do so, Tenant may deduct such sums from the installments of rent next falling due.

10. MAINTENANCE AND REPAIRS: Tenant shall maintain the premises and fixtures located therein, and any alterations and additions thereto, in good condition.

Landlord shall be responsible for all repairs to the roof, exterior walls, foundations, and internal load-bearing walls, except those occasioned by Tenants willful misconduct or negligence.

Tenant shall be responsible for all other repairs to the leased premises.

11. ACCESS BY LANDLORD TO PREMISES: Upon two days written notice to the Tenant, Landlord shall have the right to enter the Premises to make inspections, provide necessary services and repairs or show the Premises to prospective buyers, mortgagees, Tenants or workers, provided such actions are done with a minimal disruption to Tenant's business. As provided by law, in the case of an emergency, Landlord may enter the Premises without Tenant's consent.



12. UTILITIES AND SERVICES: Tenant shall be responsible for payment of all utilities and services in connection with the Premises.

13. PROPERTY INSURANCE: Tenant shall keep and maintain a policy of fire and casualty insurance at its expense in the insurable value of the building and fixtures of the Premises during the term of this Lease with loss payable clause providing for payment to Landlord. Tenant shall timely provide Landlord a copy of such policy and proof of payment of the premiums therefore. Insurance policies procured hereunder shall be issued by an insurance company with an "A" rating.

14. LIABILITY INSURANCE:

The Tenant shall maintain throughout the term of this Lease, at its own cost, comprehensive general liability insurance. The insurance shall cover the lease premises, including improvements thereto in a minimum limit of \$2,000,000 for bodily injury and property damage, with an additional \$2,000,000 umbrella policy. No more frequently than every five years, if, in the opinion of Landlord substantiated by prevailing industry standards the limits of the comprehensive general liability insurance coverage are not adequate, Landlord may reasonably require that the amount of insurance coverage be increased. Failure to obtain additional insurance coverage shall be a default by the Tenant hereunder. Tenant shall pay all insurance premiums as they become due. Said policy must specifically name Landlord as an additional insured party there under and must stipulate that the coverage as provided by said policy not be terminated, reduced or otherwise changed in any respect without providing at least thirty (30) days prior written notice to Landlord, and filed with Landlord. Notwithstanding any provision herein to the contrary, the failure of the Tenant to comply with the provisions of this section shall subject this lease to the default provisions of this Agreement.

Landlord and Tenant hereby grant to each other on behalf of themselves and any or all insurers providing insurance to either of them covering the premises or any portion thereof, a waiver of any right of subrogation any such insurer of one party may acquire against the other by virtue of payment of any loss under such insurance.

The Tenant shall provide for the prompt and efficient handling of all claims for bodily injury or property damage arising out of the activities of the Lessee under this lease.

15. TAXES: Taxes attributable to the Premises and use of the Premises during the term of this Lease shall be allocated as follows:

Real Estate Taxes: Tenant shall be responsible to pay all real estate taxes and assessments levied upon the Premises, improvements, and fixtures;

Personal Property Taxes: Tenant shall pay all personal property taxes and any other charges that may be levied against the Premises and are attributable to Tenant's use of personal property;

Sales and Use Taxes: Tenant shall be responsible and shall pay all sales and use taxes for the Premises.

16. CONDEMNATION OF THE PREMISES: If the Premises are legally condemned in a manner that, in Tenant's opinion, prevents the Tenant's use of the Premises, the parties shall negotiate in good faith to determine an equitable apportionment and payment of the amounts received for the condemnation of the Premises between Landlord and Tenant. This Lease shall terminate at the conclusion of such condemnation.



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17. DAMAGES OR DESTRUCTION: If the Premises are damaged or destroyed by fire, the elements, or any casualty (whether or not insured or insurable except if caused by Tenant's neglect or misconduct) so as to render the Premises untenable for Tenant's uses, Tenant may elect to terminate this Lease effective as of the date of such damage or destruction by written notice to the Landlord within forty five (45) days of such date. Prior to Tenant making such election, Landlord shall determine and commit to (i) the timeframe within which the Premises can be repaired and (ii) completion of such repairs. If the Premises or the building of which the Premises are a part are not rendered untenable by Tenant or Tenant does not give notice of Tenant's election to terminate, then Landlord shall, immediately complete the repair of such damage, provided such damage or destruction is caused by a peril that is insured. If, under any provision of this Section Landlord is required to repair or restore the premises, rent payable herein shall be abated during such repair or restoration period.

18. DEFAULTS AND TERMINATION: Without limiting and in addition to any other remedies that may be available in law or equity, either party may terminate the Lease if the other party is in default of a material provision of this Lease upon sixty (60) days prior written notice advising the defaulting party of the nature of the default, provided that such default is not thereafter cured within such sixty (60) day period. Such notice shall be (i) delivered via registered mail, (ii) prominently entitled "NOTICE OF DEFAULT," and (iii) identify non-defaulting party's intent to terminate this Lease, the nature of the default, and the actions necessary to cure such default. A "material



provision” shall be any provision where when breached results in a material adverse affect on the financial condition of the non-defaulting party.

19. QUIET ENJOYMENT: Landlord shall permit Tenant to peaceably hold and enjoy the entire Premises for the term of this Lease without hindrance or interruption by Landlord or any person or persons lawfully or equitably claiming by, through or under Landlord.

20. WARRANTY: Landlord warrants that it has sufficient rights to transfer to tenant the rights under this lease in the Premises and has full power and authority to lease the Premises to Tenant.

21. ARBITRATION: The parties agree that any dispute arising out of or in connection with this Lease, including without limitation any question regarding its existence, validity, termination, interpretation, construction, or a determination of the rights or obligations of either of them that cannot be settled amicably within ninety (90) days after it has been first raised in writing shall be finally resolved by binding arbitration in accordance with the arbitration rules of the American Arbitration Association (“AAA Rules) and the provisions of this Section. The extent that the terms of this Section conflict with the AAA Rules, the terms of this Section shall control.

Arbitration shall be conducted in Seattle, Washington by one arbitrator. The arbitrator shall be selected in accordance with the AAA Rules, have a minimum of fifteen



(15) years experience as a lawyer primarily focusing in the area of real property law, and have their primary office of practice in King County, Washington (the Arbitrator”).

Any notice of arbitration, response or other communication given to or by a party to the arbitration shall be given and deemed received as provided in the AAA Rules. The costs to be paid to the Arbitrator for conducting the arbitration shall be paid by the non-prevailing party as determined by the Arbitrator. If the Arbitrator is not able to determine a non-prevailing party, the Arbitrator’s fee shall be shared equally by the parties. The parties agree that the Arbitrator’s decision regarding any dispute shall be final and binding on the parties. Additionally, except as expressly provided herein, the parties agree that neither of them will institute any legal proceedings arising out of or in connection with this Agreement, except only to (i) enforce in a recognized competent court having jurisdiction over any award rendered by the Arbitrator or (ii) obtain injunctive relief until such time as the Arbitration can be completed. In the event any legal proceedings are instituted in any court to enforce any arbitration award, the party against whom enforcement of that arbitration award is sought shall pay all costs, including without limitation the costs of legal fees and other related collection costs, of the party seeking to enforce the arbitration award.

22. RIGHT OF FIRST REFUSAL: In the event Landlord wishes to sell the Premises, Landlord agrees to first provide the Tenant with a written offer to purchase the Premises (“Offer”) which shall set forth the following: (a) the offer to sell; (b) the name and address of the prospective purchaser; and (c) all the terms and conditions of the sale, including the purchase price and payment terms. Tenant may elect within sixty (60) days



after the receipt of the Offer to accept Landlord's offer to sell the Premises as set forth in the Offer. If the Tenant has not elected to accept the Landlord's Offer within the time period specified above, the Landlord may sell the Premises to the prospective purchaser named in the Offer and such transfer shall be made only in strict accordance with the terms as set forth in the Offer and to be completed within ninety (90) days following the expiration of the time provided for the election by the Tenant to accept the Offer. If (i) the terms of the Offer are changed for the prospective purchaser after Tenant has rejected Landlord's Offer or (ii) the sale pursuant to the terms of the Offer is not closed with the ninety (90) day period with the prospective purchaser, then any sale shall again become subject to this Section and Landlord shall provide Tenant with a new Offer to purchase the Premises in accordance with this Section. As a point of clarification upon the sale of the Premises to the prospective purchaser, the terms of this Section (in addition to all other terms of this Lease) shall also apply to the purchaser and any subsequent purchasers in their capacity as Landlord should such purchaser(s) desire to sell the Premises.

23. ASSIGNMENT AND SUBLETTING: This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Neither party may assign this Lease, or its respective obligations or rights hereunder, without the express prior express written consent of the other party, which consent shall not be unreasonably withheld or delayed. For purposes of this Lease, a merger, consolidation, or other corporate reorganization, a transfer to a new entity wholly owned by the transferring party or a transfer or sale of any or all of a party's stock shall not be deemed to be an assignment requiring consent from the other party.



24. HOLDOVER: If Tenant maintains possession of the Premises for any period after the termination of this Lease with the approval of Landlord ("Holdover Period"), Tenant shall pay to Landlord the then current Rental Price for the Holdover Period upon the terms of this Lease. Such holdover shall constitute a month-to-month extension of this Lease. If Tenant maintains possession of the Premises without the Landlord's consent, Tenant shall pay the then current rent amount plus and additional 20% of the then current gross rent as Holdover Rent

25. NOTICE: All notices and requests in connection with this Lease shall be deemed given as of the day they are received either by messenger, delivery service, or three days after being deposited in the United States of America mails, postage prepaid, certified or registered, return receipt requested, and addressed as follows:

Landlord: Heritage Construction Group, LLC
PO Box 1420
Ocean Shores, WA 98569

Tenant Anacortes Cinemas, L. L. C.
502 High Avenue, Suite #110
Port Orchard, WA 98366

or to such other address as a party may designate pursuant to this notice provision.

26. ENTIRE AGREEMENT/AMENDMENT: This Lease does not constitute an offer by either party and shall not be effective until signed by both parties. This Lease contains the entire agreement of the parties regarding the subject matter hereof and merges all prior and contemporaneous communications, thereby superseding any and all



prior agreements or understandings regarding the subject matter hereof whether oral or written. This Lease may be modified or amended in writing, if the writing is signed by the party obligated under the agreement.

27. SEVERABILITY: If any portion of this Lease shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision(s) of this Lease is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provisions shall be deemed to be written, construed, and enforced as so limited and to the maximum extent permitted by law.

28. WAIVER: The failure of either party to enforce any provisions of this Lease shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Lease.

29. BINDING EFFECT: The terms, covenants and conditions of this lease shall be binding upon and shall ensure to the benefit of each of the parties hereto, their successors and/or assigns and shall run with the land.

30. CONSTRUCTION: The parties each acknowledge that the terms of this Lease have been the subject of active and complete negotiation between the parties and represent the parties' complete and entire agreement with regard to the subject matter hereof. The parties agree that the terms and conditions of this Lease shall not be construed in favor of or



against any party by reason of the extent to which any party or its professional advisors participated in the preparation of this Lease. The headings herein are inserted as a matter of convenience only and do not define, limit, or describe the scope of this Lease or the intent of the provisions hereof.

31. COUNTERPARTS: This Lease may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which, when taken together, constitute one and the same document. The signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

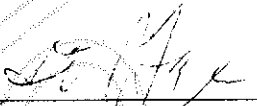
32. MEMORANDUM OF LEASE: The parties shall execute a Memorandum of Lease and cause such Memorandum of Lease to be notarized and recorded within _____, County within fourteen (14) days of executing this Lease.

33. DISCLOSURE: Steven J. Lange is a licensed Real Estate Broker in the State of Washington. David Fazende has an inactive Real Estate license in the State of Washington.

IN WITNESS WHEREOF, the parties have entered into this Lease as of the later of the two signature dates below.

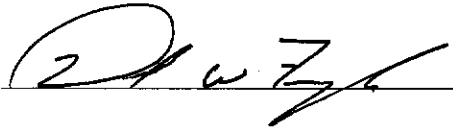


ANACORTES CINEMAS, L.L.C.



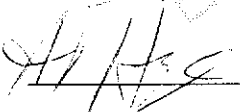
By: Steve Lange,

Its: Manager




By David Fazende

Its:



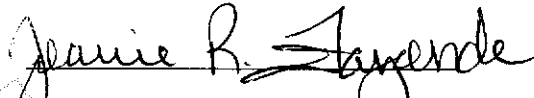
Steve Lange, individually



Jean Lange, individually



David Fazende, individually



Jeanne Fazende, individually

HERITAGE CONSTRUCTION GROUP, LLC



By: Patrick Brunstad

Its: Manager



By: David E. Saunders

Its: Manager



STATE OF WASHINGTON)
COUNTY OF Grays Harbor)

SS:

On this 27 day of January, 2001, before me personally appeared Patrick M. Brunstad and David Saunders, to me known to be the (president, vice president, secretary, treasurer, or other authorized officer or agent, as the case may be) of the limited liability company that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

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



J. Steven Andrews
Notary Public in and for the State of Washington
Residing at Ocean Shores
My appointment expires: 06/21/04

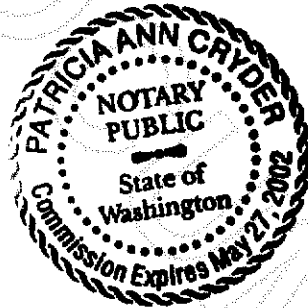
STATE OF WASHINGTON)
COUNTY OF Kitsap)

SS:

On this 1st day of February, 2001, before me personally appeared Steve Lange and David Fazende, to me known to be the (president, vice president, secretary, treasurer, or other authorized officer or agent, as the case may be) of the limited liability company 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.

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

Patricia A. Cryder
Notary Public in and for the State of Washington
Residing at Port Orchard
My appointment expires: 5/27/02



State of Washington)
) ss.
County of Kitsap)

I certify that I know or have satisfactory evidence that STEVEN LANGE and JEAN LANGE is/are the person(s) who appeared before me, and said person(s) acknowledged that THEY signed this instrument and acknowledged it to be THIER free and voluntary act for the uses and purposes mentioned in this instrument.

Dated: February 1, 2001

Patricia A. Cryder

Notary Public in and for the State of Washington
Residing at Port Orchard
My appointment expires: 5/27/02



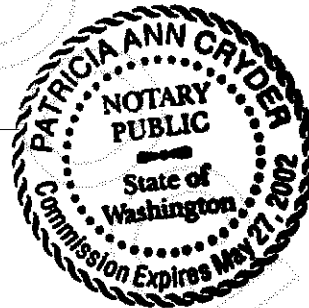
State of Washington)
) ss.
County of Kitsap)

I certify that I know or have satisfactory evidence that DAVID FAZENDE and JEANNE FAZENDE is/are the person(s) who appeared before me, and said person(s) acknowledged that THEY signed this instrument and acknowledged it to be THIER free and voluntary act for the uses and purposes mentioned in this instrument.

Dated: February 1, 2001

Patricia A. Cryder

Notary Public in and for the State of Washington
Residing at Port Orchard
My appointment expires: 5/27/02





December 17, 2001

Heritage Construction Group LLC
PO Box 1420
Ocean Shores, WA 98569

RE: Assumption of loan # 149007387 and # 149009672

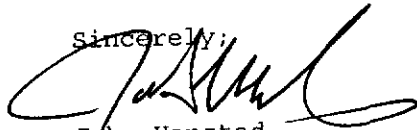
Dear David and Pat:

Whidbey Island Bank acknowledges that Heritage Construction Group LLC has, or intends to, assign its interest in the ground lease from the City of Anacortes executed on February 1, 2001 and recorded February 12, 2001 under Auditor's file number 200102120109 to Radius Anacortes Properties, LLC. Along with this assignment would be an assignment of the sub-lease and the transfer of all leasehold improvements to Radius Anacortes Properties, LLC whose members are David E. Sauders and Patrick M. Brunstad.

Whidbey Island Bank will retain a secured interest and all terms and conditions on the above mentioned notes will remain.

If you have any questions regarding this matter please call me at (360) 299-3007.

Sincerely:



John Hanstad
Vice President

RECEIVED

MAY 23 2002

ISLAND TITLE COMPANY



200205310194
Skagit County Auditor

5/31/2002 Page 26 of 26 4:16PM