

AFTER RECORDING RETURN TO:

RESICK HANSEN & FOLLIS  
412 N. Commercial Street  
Bellingham, WA 98225  
(360) 671-9212



200212090167

Skagit County Auditor

12/9/2002 Page

1 of

7 10:11AM

Document Title: Lease

Grantor: Hackett Holdings, L.L.C., a Washington Limited Liability Company

Grantee: Materials Testing & Consulting, Inc., a Washington Corporation

Abbreviated Legal Description: LT 5, Burlington BSP 3-97

Assessor's Tax/Parcel Numbers: 801600-0-005-0000

UNOFFICIAL DOCUMENT

LEASE

This lease is dated this 1st day of November 2002, effective as of August 1, 2000 by and between Hackett Holdings, L.L.C., hereinafter referred to as Landlord, and Materials Testing & Consulting, Inc., hereinafter referred to as Tenant.

1. PREMISES.

Landlord hereby leases to the Tenant and Tenant leases from the Landlord for the term of this lease and at the rental and upon the conditions set forth below the real property and improvements situated in the City of Burlington, County of Skagit, State of Washington, commonly known as 777 Chrysler, including floor space of 5880 square feet. This property includes manufacturing space, offices, parking, landscaping, utilities, and all related items. The legal description of this property is:

Lot 5, of Burlington Binding Site Plan 3-97, approved July 10, 1997, and recorded July 17, 1997, in Volume 13 of Plats, at pages 25 and 26, under Auditor's File No. 9707170062, records of Skagit County, Washington, being a portion of the Northwest ¼ of Section 7, Township 34 North, Range 4 East, W.M.

SUBJECT TO: Paragraph A through H inclusive, Schedule B-1 of First American Title Company's Preliminary Commitment for Title Insurance No. 57378

Situate in Skagit County, Washington.

2. TERM, RENEWALS AND HOLDING OVER.

A. The term of this Lease shall be five (5) years, commencing January 1, 2003, with options to renew for three successive five (5) year terms, such options to be exercised in the manner described below.

B. Tenant should notify Landlord a minimum of three months in advance of the expiration of the lease of its exercise of an option to renew. In order to exercise the option, in must be exercised in writing and must be sent to the address for Landlord set forth below. The notice of intent to exercise the option does not need to state the rent to be paid for the extended term in order to be effective. Tenant and/or Landlord must notify each other a minimum of three (3) months in advance in writing of the termination of this lease. If such notice does not occur the lease shall automatically be renewed for one (1) additional year subject to a cost of living increase as noted in paragraph 3 below.

3. RENT.

A. Tenant shall pay to Landlord as basic rent the sum of Five Thousand Dollars Dollars (\$ 5,000.00 ) per month U.S. funds. Should occupancy not encompass the full month at the beginning or ending of the lease term, rental amount shall be prorated by dividing by 30 days. All rent shall be payable in lawful money of the United States on or before the first day of each calendar month of the term, without demand therefor or any deduction or



200212090167  
Skagit County Auditor

offset. On the anniversary date after the first year of this lease the monthly rent shall be adjusted by such amount noted by the Department of Labor for the Seattle-Everett area that represents the increase or decrease in the cost of living during the preceding twelve (12) months.

B. The rent for each successive five (5) year term shall be either as agreed in writing in advance, or if the parties fail to agree and the option is exercised, the amount of rent shall be adjusted from the original rent, compounded annually on the basis of the annual cost of living increase(s) or decrease(s) in the manner provided above.

#### 4. MAINTENANCE, REPAIRS AND ALTERATIONS.

A. Subject to the provision of Paragraph 9 below, and except for damage caused by the Tenant, its agents or invitees, the Landlord shall keep in good condition and repair the foundation, exterior walls, roof, main water service, main electrical service, heating, ventilation, exterior windows, sewer system, storm drains, and all related items at no additional cost to Tenant.

B. In the event Landlord is unable, unwilling or for any reason does not complete its obligations or work required hereinabove, then Tenant is hereby given the right to complete such work on behalf of Landlord and deduct such actual costs incurred from the subsequent rental payments until Tenant is fully reimbursed.

C. Tenant shall maintain and repair the all other interior and exterior portions of the property, including the following items: landscaping, parking lot, curbs, gutters, interior plumbing, electrical systems other than the main electrical service, interior plumbing (including toilets, faucets and end valves, and drains within one foot of finished floor grade), walls, ceilings, floors, and glass other than that broken or damaged by building settlement or structural failure. At the termination of the lease, Tenant shall deliver up possession of the premises in good condition and repair, only ordinary wear and tear excepted. If Tenant fails to do such maintenance and repairs, the Landlord may, but shall not be required to, enter the Premises and put them in good condition and the Landlord's costs thereof shall automatically become due and payable as additional rent and be paid within thirty (30) days thereafter.

D. Tenant shall not make any alterations, improvements or additions in or about the premises without prior written approval from Landlord, which shall not be unreasonably withheld. As a condition to giving such consent, Landlord may require that Tenant remove any such alterations, improvements or additions at the expiration of the term, and to restore the Premises to their prior condition.

#### 5. UTILITIES, TAXES AND INSURANCE.

Tenant shall pay for all utilities, including but not limited to the following, as applicable: water, sewer, power, garbage, janitorial services, and telephone service. Tenant shall pay real property and personal property taxes, and any special assessments on the real property. Tenant shall keep the property insured against fire and other casualty loss in an amount not less than the full replacement value of the improvements, and against liability in an amount not less than two million dollars (\$2,000,000.00). Tenant shall list the Landlord as the first payee on any fire and



200212090167  
Skagit County Auditor

casualty claims. Tenant shall provide proof of insurance to Landlord and shall require insurer to provide notice of any cancellations or delinquencies in payment of premiums therefor.

6. CONDEMNATION.

A. For purposes of this Paragraph 6:

i) "Condemnation" means (a) the exercise of any governmental power, whether by legal proceedings or otherwise, by a condemner and (b) a voluntary sale or transfer by Landlord to any condemner, either under threat of condemnation or while legal proceedings for condemnation are pending.

ii) "Date of taking" means the date the condemner has the right to possession of the property being condemned.

iii) "Award" means all compensation, sums or anything of value awarded, paid, or received on a total or partial condemnation.

iv) "Condemner" means any public or quasi-public authority, or private corporation, or individual, having the power of condemnation.

B. If during the term the building is totally taken by condemnation, this Lease shall terminate on the date of taking.

C. If during the term any portion of the Building or parking is taken by condemnation this Lease shall remain in effect, except that Tenant may elect to terminate the Lease if such taking renders the Premises reasonably unsuitable for the Tenant's continued use and occupation and if said condemnation cannot be remedied by Landlord within ninety (90) days of the taking. If Tenant elects to terminate the Lease pursuant to this provision, Tenant must do so by written notice given to the Landlord no later than sixty (60) days after the taking. If Tenant does not terminate the Lease within such period, the Lease shall continue in full force and effect, subject to abatement of rent as provided below.

D. If any portion of the building or parking is taken by condemnation and this Lease is not terminated, on the date of taking there shall be a prorata reduction in the rental rate as to that portion taken.

E. The award shall belong to and be paid over to the Landlord. Tenant waives any interest therein based upon the value of its leasehold interest hereunder, excepting any claim Tenant may have against the condemner only for Tenant's moving space.

7. NOTICES.

All notices to either Landlord or Tenant shall be sent to the following addresses, unless a different address is specified in writing, and shown to be delivered to the other party to the lease:



200212090167

Skagit County Auditor

To the Landlord:

Hackett Holdings, L.L.C.  
777 Chrysler  
Burlington, WA 98233

To the Tenant:

Materials Testing & Consulting, Inc.  
777 Chrysler  
Burlington, WA 98233

8. LIENS.

Tenant shall keep the Premises free from any liens arising out of any work performed for, materials furnished to, or obligations incurred by Tenant and shall hold Landlord harmless for same.

9. INDEMNIFICATION.

Tenant agrees to indemnify and hold Landlord and its agents harmless from any and all claims arising from Tenant's use of the Premises, from the conduct of Tenant's business, or from any activity, work, or thing done or permitted to be done by Tenant on the Premises or elsewhere. Tenant further agrees to indemnify and hold Landlord and its agents harmless from any and all claims arising from, in connection with, or related to any default by Tenant in the performance of its obligations under this Lease or any act, omission or neglect of Tenant, its agents, or invitees.

10. SUBLETTING OR ASSIGNMENT.

The Tenant expressly covenants that it shall not assign, mortgage, or encumber this agreement, nor under-let, or suffer or permit the Premises or any part thereof to be used by others, without the prior written consent of the Landlord in each instance. If this Lease be assigned, or if the Premises or any part thereof is used by others, the Landlord may collect rent from the assignee, under-tenant, or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, under-letting, occupancy, or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, under-tenant or occupant, or a release of the Tenant from the further performance as herein contained. The written consent by the Landlord to an assignment or under-letting shall not in any way be construed to relieve the Tenant from obtaining the express consent in writing of the Landlord to any further assignment or under-letting.

11. DAMAGE OR DESTRUCTION.

In the event the Premises are rendered untenable in whole or in part by fire, the elements, or other casualty, Landlord shall notify Tenant within thirty (30) days after such casualty, that Landlord will undertake to rebuild or restore the premises, and that such work can be completed in one hundred eighty (180) days from the date of such notice of intent, otherwise, this lease shall be terminated at Landlord's option. If Landlord cannot restore or rebuild the premises within said 180 days, then the lease may be terminated at Tenant's option by written notice within ten (10) days from the expiration of the thirty (30) days period set forth above. During the period untenability, rent shall abate in the same ratio as the portion of the premises rendered untenable bears to the whole of the premises.



200212090167

Skagit County Auditor

In the event that any federal, state, or local government agency thereof shall by condemnation or otherwise take title, possession or the right to possession of the premises, or any part thereof, the Landlord may at its option terminate this lease as of the date of such taking, and if the Tenant is not in any default under any of the provisions of this lease on said date, any rent paid by Tenant shall to the extent allowable for any period subsequent to the effective date of the termination be promptly refunded to Tenants.

12. LANDLORD LIABILITIES.

Neither Landlord nor its agents shall be liable for any injury or damage to persons or property sustained by Tenant or others, in or about the premises and Tenant waives any claims or causes it may have against Landlord for any such injury or damage.

13. GENERAL PROVISIONS.

A. This Lease shall be governed by and construed in accordance with the laws of the State of Washington.

B. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

C. This Lease contains all agreements of the parties with respect to any matter mentioned herein. This Lease may be modified in writing only, signed by the parties.

D. Landlord warrants that the Tenant shall have the right to stay on the subject premises free of interference by any and all other third parties or entities subject to the payment of rent as noted under Paragraph 3. The Landlord shall save and hold the Tenant harmless from any lawsuit and/or action concerning the rental and/or leasing of this property by the Tenant.

IN WITNESS WHEREOF, the parties have caused this Lease to be executed this 4<sup>th</sup> day of December, 2002.

LANDLORD

SKAGIT COUNTY WASHINGTON TENANT  
REAL ESTATE EXCISE TAX

HACKETT HOLDINGS, L.L.C.

MATERIALS TESTING  
& CONSULTING, INC.

DEC 09 2002

Amount Paid \$  
Skagit Co. Treasurer  
Deputy

N.H.  
NIALL HACKETT, Managing Member

N.P.K.  
NIALL HACKETT  
President



200212090167  
Skagit County Auditor

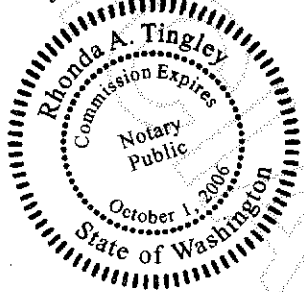
STATE OF WASHINGTON )

: ss

COUNTY OF WHATCOM )

On this 4<sup>th</sup> day of Dec, 2002, before me, the undersigned a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Niall Hackett, to me known to be the manager of Hackett Holdings, L.L.C., the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Rhonda A. Tingley  
NOTARY PUBLIC in and for the State of  
Washington, residing at Burien  
My commission expires: 10-1-06

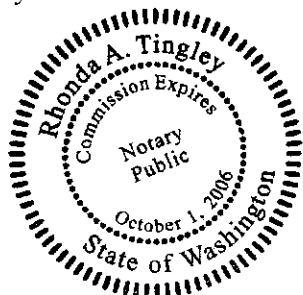
STATE OF WASHINGTON )

: ss

COUNTY OF WHATCOM )

On this 4<sup>th</sup> day of Dec, 2002, before me, the undersigned a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Niall Hackett, to me known to be the President of Materials Testing & Consulting, Inc., the corporation that executed the foregoing instrument, and acknowledged the 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 are authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Rhonda A. Tingley  
NOTARY PUBLIC in and for the State of  
Washington, residing at Burien  
My commission expires: 10-1-06



200212090167

Skagit County Auditor