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200410070080

Skagit County Auditor

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Return Address

Perkins Coie LLP
1201 Third Avenue, 40th Floor
Seattle, Washington 98101
Attention: Jennifer Stevenson

LAND TITLE OF SKAGIT COUNTY 113523-T

Document Title(s) (or transactions contained therein): 1. Memorandum of Lease
Reference Number(s) of Documents assigned or released: (on page ___ of documents(s))
Grantor(s) (Last name first, then first name and initials): 1. HARCO Real Estate Investments LLC
Grantee(s) (Last name first, then first name and initials): 1. N C Machinery Co. 2. Machinery Power & Equipment Co.
Legal description (abbreviated: i.e. lot, block, plat or section, township, range) PTN SW 1/4 NE 1/4, 18-34-4 E W.M. <input checked="" type="checkbox"/> Full legal is on page 6 of document.
Assessor's Property Tax Parcel/Account Number 30418-1-010-0101

MEMORANDUM OF LEASE

This Memorandum of Lease ("Memorandum") is made as of September 30, 2004, by and between HARCO REAL ESTATE INVESTMENTS LLC, a Washington limited liability company ("Lessor"), and N C MACHINERY CO., a Washington corporation (as to a seventy percent (70%) undivided leasehold interest in the Premises) and MACHINERY POWER & EQUIPMENT, a Montana corporation (as to a thirty percent (30%) undivided leasehold interest in the Premises) (together, "Lessee"). Capitalized terms retain the meanings given to them in the Lease, unless otherwise defined herein. Lessor and Lessee acknowledge, confirm and agree as follows:

1. Lease Term and Real Property

Lessor has leased to Lessee and Lessee has leased from Lessor, for the initial term of twenty (20) years commencing on October 1, 2004, pursuant to that certain lease between the parties, dated September 30, 2004 ("Lease"), the real property legally described in EXHIBIT A attached hereto ("Premises") and improvements located thereon.

2. Lessee's Option to Renew

On the terms and conditions contained in the Lease, Lessee has the right to extend the term of the Lease for two (2) additional terms of five (5) years each.

3. Lessee's Option to Purchase

The Lease grants Lessee an option to purchase the Premises or a Stipulated Undivided Interest in the Premises upon and subject to the terms and conditions provided in the Lease.

4. Lessee's Right of First Refusal

The Lease grants Lessee a right of first refusal to purchase the entire Premises, if Lessor receives a Bona Fide Offer which Lessor desires to accept, upon and subject to the terms and conditions provided in the Lease. Lessor may not transfer, convey, sell or otherwise dispose of any right or title to any interest in the Premises, other than pursuant to a Bona Fide Offer that has been presented to Lessee and unless Lessee has not exercised its right of first refusal.

5. Prohibition on Encumbrances by Lessor

The Lease conditions Lessor's right to encumber the Lessor's interest in the Premises or the Lease on Lessee's prior written consent to such encumbrance, which may be withheld, granted or granted conditionally in Lessee's sole discretion. If Lessee consents to the encumbrance of Lessor's interest in the Lease and Premises by a deed of trust or mortgage (in



either case, a "Mortgage"), the Mortgage shall be subject and subordinate to the Lease, and to Lessee's rights thereunder, including Lessee's option to purchase and right of first refusal, as described above.

6. Purpose of Memorandum

This Memorandum is prepared for the purpose of recordation to give notice of the Lease. This Memorandum is not a complete recital of the Lease's provisions, which are only ascertainable through a review of the entire Lease. This Memorandum shall not constitute an amendment to or modification of the Lease.

7. Counterparts

This Memorandum may be executed in counterparts, each of which shall be deemed to be an original, and all of which taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereby execute this Memorandum of Lease as of the date first set forth above.

Lessor:

HARCO REAL ESTATE INVESTMENTS LLC,
a Washington limited liability company

By Harnish Group Inc.,
its sole member

By: Richard Bellin
Richard Bellin
Vice President

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

OCT 07 2004

Amount Paid
By Skagit Co. Treasurer Deputy

Lessee:

N C MACHINERY CO., a Washington corporation

By: Thomas F. Topel
Thomas F. Topel
Vice President

[31771-0100/SB042550.024]



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AGE 2
/22/04

MACHINERY POWER & EQUIPMENT CO., a
Montana corporation

By 
Thomas F. Topel
Vice President

UNOFFICIAL DOCUMENT

[31771-0100/SB042550.024]



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04

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 30th day of September, 2004, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Richard Bellin, to me known to be the person who signed as Vice President of Harnish Group Inc., the corporation acting as sole member of HARCO REAL ESTATE INVESTMENTS LLC, 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 as sole member and of said limited liability company for the uses and purposes therein mentioned; and on oath stated that he was duly elected, qualified and acting as said officer of the corporation, that he was authorized to execute said instrument on behalf of said corporation and that the seal affixed, if any, is the corporate seal of the corporation, and that the corporation was authorized to execute said instrument on behalf of said limited liability company.

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


Lisa A. Walrath

(Signature of Notary)

LISA A. WALRATH

Print or stamp name of Notary)

NOTARY PUBLIC in and for the State
of Washington, residing at Kitsap County
My appointment expires: 6-5-05



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STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 30th day of September, 2004, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Thomas F. Topel, to me known to be the person who signed as Vice President of N C MACHINERY CO., 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 duly elected, qualified and acting as said officer of the corporation and that he was authorized to execute said instrument.

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

Lisa A. Walrath
(Signature of Notary)

LISA A. WALRATH
(Print or stamp name of Notary)

NOTARY PUBLIC in and for the State
of Washington, residing at Kitzmp County
My appointment expires: 6-5-05



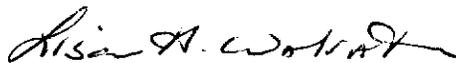
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STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 30th day of September, 2004, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Thomas F. Topel, to me known to be the person who signed as Vice President of MACHINERY POWER & EQUIPMENT CO., the corporation that executed the within and foregoing instrument, and acknowledged 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 was duly elected, qualified and acting as said officer of the limited liability company and that he was authorized to execute said instrument.

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



(Signature of Notary)

LISA A. WALRATH

(Print or stamp name of Notary)

NOTARY PUBLIC in and for the State
of Washington, residing at Kitsap County
My appointment expires: 6-5-05



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EXHIBIT A
to Memorandum of Lease

Legal Description

That portion of the North 512.6 feet of the Southwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 18, Township 34 North, Range 4 East, W.M., lying East of a line 550 feet West of and parallel with the East line of said Southwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ and lying West of the Westerly right-of-way line of Primary State Highway No. 1 as condemned by the State of Washington under Decree entered February 6, 1956, in Skagit County Superior Court Cause No. 22871;

EXCEPT that portion conveyed to the State of Washington for Highway purposes by deed recorded April 2, 1973, under recording no. 782843, records of Skagit County, Washington;

AND EXCEPT the South 10 feet thereof, as measured by a line drawn parallel with and 10 feet Northerly of the Southerly line;

