



200706110182
Skagit County Auditor

6/11/2007 Page 1 of 25 1:38PM

AFTER RECORDING RETURN TO:

HOLMES WEDDLE & BARCOTT
999 Third Avenue, Suite 2600
Seattle, WA 98104

WASHINGTON STATE COUNTY AUDITOR'S/RECORDER'S INFORMATION
(RCW 65.04):

ESTOPPEL CERTIFICATE FROM LESSOR

FIRST AMERICAN TITLE CO.

91736-3

GRANTOR:

1. BCG NORTHWEST, L.L.C.

GRANTEE: BANK OF AMERICA, N.A., Beneficiary
PRLAP, INC., Trustee

LEGAL DESCRIPTION:

PARCEL ONE: Lot 68, ASSESSOR'S TAX PARCEL NUMBER: 8012-000-068-0200 L 118244, SKAGIT COUNTY, WASHINGTON.

PARCEL TWO: Lot 67 ASSESSOR'S TAX PARCEL NUMBER: 8012-000-067-0100 L 105860, SKAGIT COUNTY, WASHINGTON.

ESTOPPEL CERTIFICATE FROM LESSOR

This Estoppel Certificate ("Certificate") is made as of this 31st day of May, 2007, by the Port of Skagit County ("Port") in favor of Bank of America, N.A. (the "Bank"). The Port has been advised that the Bank plans to extend credit secured by Deed of Trust with Assignment of Rents, Security Agreement and Financing Statement/Fixture Filing (the "Deed of Trust") on the Property, occupied by our tenant, BCG Northwest, L.L.C. ("Tenant"), which we presently own and lease to Tenant under a Lease Agreement dated May 1, 2007 (the "Lease"). The Property consists of the following:

PARCEL ONE: Lot 68 "AMENDED SKAGIT REGIONAL AIRPORT BINDING SITE PLAN PHASE 1" AS PER PLAT RECORDED ON MARCH 4, 2003 UNDER AUDITOR'S FILE NO. 200303040030 RECORDS OF SKAGIT COUNTY, WASHINGTON.

PARCEL TWO: Lot 67 "AMENDED SKAGIT REGIONAL AIRPORT BINDING SITE PLAN PHASE 1" AS PER PLAT RECORDED ON MARCH 4, 2003 UNDER AUDITOR'S FILE NO. 200303040030 RECORDS OF SKAGIT COUNTY, WASHINGTON.

ASSESSOR'S TAX PARCEL NUMBERS: 8012-000-068-0200 L 118244 and 8012-000-067-0100 L 105860.

As part of that credit transaction, and at your request, with the knowledge that the Bank will be relying upon the statements made herein, the undersigned hereby certifies as follows:

1. Attached hereto, as Exhibit A, is a true copy of the Lease, including all amendments thereto. The Lease is a complete and accurate statement of the agreement between the Port and the Tenant with respect to the letting of the Property, and the Lease is in full force and effect.
2. The Port is the holder of the landlord's interest under the Lease, and the Lease has not been modified, amended or supplemented in any manner except as included in Exhibit A. The Port hereby consents to the deed of trust pledging Tenant's interest in the Lease to the Bank.
3. The Port will not modify the terms of the Lease without notifying the Bank in the manner set forth below.
4. The Lease expires on April 30, 2037. No rights of extension or renewal of the Lease have been exercised.
5. The Tenant occupies all of the premises covered by the Lease, and, to the best of the Port's knowledge, actively conducts its business thereon, which business is the use indicated in the Lease. The Tenant has contracted to make certain improvements to the Property, and all such Improvements as contracted for by the Tenant may properly be made under the terms of the Lease.



200706110182
Skagit County Auditor

6. The Tenant is current in the payment of all fixed rent, additional rent and other charges due to be paid under the Lease, through May of 2007. The Tenant is also current in performing all of its other obligations to us under the Lease. To the best of the Port's knowledge, the Port has no claim against the Tenant for breach of any of the Tenant's obligations to the Port under the Lease. No rent or other sum payable under the Lease has been paid in advance of the due date thereof.

7. All of the Port's obligations to the Tenant (including obligations for the performance of any work) have been carried out.

8. If the Port should assert a claim that the Tenant has (a) failed to perform an obligation to us under the terms of the Lease or otherwise, or (b) is in default under the Lease in any respect, the Port will give the Bank written notice by certified mail at the above address. In addition, the Port agrees not to exercise any rights which it might have on account of such failure or default until the Bank has received such notice from the Port, and the Bank has had the same opportunity (but not the obligation) to cure any such failure as the Tenant may have or such additional opportunity as the Port may agree to in writing.

9. That in the event the Lease terminates for any reason, including the rejection of the Lease in a bankruptcy proceeding, the undersigned agrees to enter into a new lease for the remainder of the term, effective as of the date of such termination with conditions, covenants and agreements as contained in the Lease and equal in priority thereto, provided that the Bank shall deliver a written request to the undersigned for such new lease within thirty (30) days after the notice of termination has been served upon it together with all sums then due to the undersigned under the Lease and the Bank will agree to perform and observe all covenants contained therein on Lessee's part to be performed and shall further remedy any and all defaults of Lessee then in existence. If the Lease terminates because of bankruptcy of Lessee, the Bank will be required to cure any and all defaults due to Lessee's nonperformance of the lease covenants prior to the execution of a new lease.

10. That the Bank may be named as its interests shall appear on any standard mortgage endorsement on any and all insurance covering the leased premises, the improvements or any part thereof.

11. The undersigned further agrees that the Bank will not be liable for obligations arising under the Lease following assignment or other disposition of the Lessee's leasehold estate; provided, if the Bank is the financing institution of a new assignee, it shall have the same rights and obligations with respect to said assignee and the undersigned as set forth in this letter agreement.

12. The individual signing this letter has the requisite authority to bind the Landlord with respect to the matters asserted therein. The statements made herein shall be binding upon the Port, its successors and assigns, and inure to the benefit of the Bank and its successors and assigns.



200706110182

Skagit County Auditor

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

Document Title(s): LEASE AGREEMENT

Reference No. of Related Document(s): _____

Grantor(s): PORT OF SKAGIT COUNTY

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

Grantee(s): BCG NORTHWEST, LLC

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

Abbreviated Legal Description: _____

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

Assessor's Parcel/Tax ID Number: _____



200706110182

Skagit County Auditor

6/11/2007 Page

5 of

25

1:38PM

EXHIBIT A

Lessor: Port of Skagit County
Lessee: BCG Northwest, LLC

Page 1 of 21
5/01/07

LEASE AGREEMENT

BETWEEN

PORT OF SKAGIT COUNTY

and

BCG NORTHWEST, LLC

Commencement Date:
May 1, 2007



200706110182
Skagit County Auditor

6/11/2007 Page 6 of 25 1:38PM

TABLE OF CONTENTS

1. PROPERTY SUBJECT TO THIS LEASE AGREEMENT	5
2. TERM.....	5
3. BUSINESS PURPOSE / BASE LINE ACTIVITY	5
4. RENT.....	6
5. PERIODIC RENT ADJUSTMENTS.....	7
6. PROCEDURE TO DETERMINE ADJUSTED RENT - CPI.....	7
7. SECURITY FOR RENT	8
8. LATE CHARGES	8
9. CONSTRUCTION OF IMPROVEMENTS.....	9
10. DISPOSITION OF IMPROVEMENTS AT END OF LEASE	10
11. CONDITION OF THE PREMISES.	10
12. LESSEE WILL OBTAIN PERMITS.....	11
13. INSURANCE COVERAGE	11
14. WAIVER OF SUBROGATION	11
15. HOLD HARMLESS PROVISIONS, LIABILITY AND INDEMNITY	12
16. OFF STREET PARKING.....	12
17. ADVERTISING AND SIGNS.....	12
18. EQUAL OPPORTUNITY.....	12
19. LAWS AND REGULATIONS	12
20. HOLDOVER.....	13
21. ENVIRONMENTAL PROVISIONS.....	13
22. MAINTENANCE / COMMIT NO WASTE	15
23. UTILITIES / ASSESSMENTS	15
24. LIENS AND INSOLVENCY	15
25. TAXES	16
26. COSTS AND ATTORNEYS' FEES.....	16
27. TERMINATION	16
28. DEFAULT AND RE-ENTRY	16
29. ASSIGNMENT AND SUBLEASE	17
30. LESSOR'S RIGHT TO ENTER PREMISES.....	17
31. RETENTION OF AIRSPACE RIGHTS BY LESSOR	18
32. FEDERAL AVIATION ADMINISTRATION REQUIREMENTS	18
33. NOTICES.....	19
34. TIME IS OF THE ESSENCE.....	19



200706110182

Skagit County Auditor

6/11/2007 Page 7 of 25 1:38PM

PORT OF SKAGIT COUNTY

LEASE AGREEMENT

THIS LEASE AGREEMENT, hereinafter referred to as "this Lease," is made May 1, 2007, by and between the PORT OF SKAGIT COUNTY, a Washington municipal corporation, hereinafter referred to as "Lessor," and BCG NORTHWEST, LLC, a Washington limited liability company, hereinafter referred to as "Lessee.

WHEREAS, the Lessor and Lessee currently have two leases: one for Lot 67, dated July 13, 1998, ending June 18, 2010 (without options); and one for Lot 68, dated March 1, 2000, ending June 18, 2010 (without options); and

WHEREAS, Lessee desires to consolidate the leases and construct additional improvements to allow expansion of production; and

WHEREAS, the Lessor is willing to consolidate the leases and execute a new thirty (30) year lease for both lots if the rent is adjusted to Lessor's current rate; and

WHEREAS, the total current monthly rent paid on both leases is \$5,227.56, plus leasehold excise tax; and

WHEREAS, the adjusted monthly rent for the property is \$9,998.81 ("Base Rent"), plus leasehold excise tax; and

WHEREAS, the monthly increase from the current rent to the Base Rent would be \$4,771.25, plus leasehold excise tax; and

WHEREAS, it is reasonable to step-in the rent increase over a five (5) year period with a monthly rent increase, each year of \$954.25, plus leasehold excise tax; and

WHEREAS, it is in the best interest of the public to encourage the expansion of the business which will create additional jobs and commerce from the existing leases on Lots 67 and 68.

Therefore, the parties agree as follows:

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:

Lessor: Port of Skagit County
Lessee: BCG Northwest, LLC



200706110182
Skagit County Auditor

1. PROPERTY SUBJECT TO THIS LEASE AGREEMENT

The following described property (hereinafter referred to as the "Premises"):

Lot 67 and Lot 68 of the Amended Skagit Regional Airport Binding Site Plan, recorded March 4, 2003, under Auditor's File Number 200303040030. Lot 67 consists of 190,694 square feet and is depicted on Exhibit A, attached hereto. Lot 68 consists of 211,368 square feet and is depicted on Exhibit B, attached hereto.

Situated in County of Skagit, State of Washington.

2. TERM

a. The term of this Lease shall be for thirty (30) years, beginning May 1, 2007, (hereinafter referred to as the "Commencement Date"), and ending April 30, 2037, unless sooner terminated pursuant to any provision of this Lease.

b. Lessee may request the extension of the term of this Lease by providing to Lessor written notice of such request, including the terms Lessee desires for such an extension ("Lessee's Notice"), between 240 and 180 days prior to the termination date. Thereafter, Lessor may, in its sole discretion, provide to Lessee a proposed lease or other document setting forth the principal terms upon which Lessor is willing to extend the Lease ("Lessor's Proposal"). If Lessor does not provide Lessor's Proposal to Lessee within 30 days of receipt of Lessee's Notice, or if the parties do not mutually agree in writing to terms of a new lease within 30 days of Lessee's receipt of Lessor's Proposal, this Lease shall end on the termination date with no extension. Failure to achieve a lease extension shall not be considered a breach of any party's duties under this Lease nor be cause for any form of dispute resolution.

3. BUSINESS PURPOSE / BASE LINE ACTIVITY

a. Business Purpose: It is understood and agreed that Lessee intends to use the Premises for manufacturing, including the construction of approximately 40,000 – 50,000 square feet of new manufacturing space, and to conduct such other activities as are incidental and reasonably related thereto. It is further understood that the above activities are the only type of activities to be conducted upon the Premises. Failure to perform the above type of activities or cessation of such activities or the carrying on of other type(s) of unauthorized activities shall constitute a material default by Lessee of this Lease. Lessee shall at all times operate on the Premises in a manner which will assure the safe, lawful and healthful use of the Premises. Lessee agrees that it will not disturb the Lessor or any other tenant of the Lessor by making or permitting any disturbances or any unusual noise, vibration or other condition on or in the Premises.



b. Baseline Activity: Lessee's subtenant, Nordic Tugs, Inc., currently employs more than one hundred (100) permanent full-time employees on-site, and Lessee or Lessee's subtenant will maintain at least that number during the term of this Lease. Provided, in the event economic conditions warrant, Lessee may request Lessor to adjust this employment level. Lessee shall present such request with a recovery or a new business plan, part of which will address the request to adjust the employment levels above.

4. RENT

Commencing on May 1, 2007, Lessee shall pay to Lessor, in lawful money of the United States, without any set-off or deduction, in addition to taxes, assessments, and other charges required to be paid hereunder by Lessee rent as required herein for the Premises. The rent for each month shall be paid to the Lessor in advance on or before the first day of each and every month of the term of this Lease, and shall be payable at such place as the Lessor may hereinafter designate.

The base rent is NINE THOUSAND NINE HUNDRED NINETY-EIGHT DOLLARS and EIGHTY-ONE CENTS (\$9,998.81) per month, (hereinafter referred to as "Base Rent"), plus leasehold excise tax. Rent will be paid in the amounts set out below.

a. First four years: Lessee will receive step-in credits against the Base Rent as follows:

May 1, 2007 – December 31, 2007 the amount shall be \$6,181.81. This is the Base Rent, minus a step-in credit of \$3,817.00.

May 1, 2008 – December 31, 2008 the amount shall be the Base Rent, adjusted by the CPI for one year ("Adjusted Base Rent"), minus a step-in credit of \$2,862.75.

May 1, 2009 – December 31, 2009 the amount shall be the previous year's Adjusted Base Rent, adjusted by the CPI for one year, minus a step-in credit of \$1,908.50.

May 1, 2010 – December 31, 2010 the amount shall be the previous year's Adjusted Base Rent, adjusted by the CPI for one year, minus a step-in credit of \$954.25.

All adjustments by the CPI set forth above shall be done by the procedure set forth below in paragraph 6 entitled "PROCEDURE TO DETERMINE ADJUSTED RENT – CPI."

b. Fifth year and thereafter: Commencing on May 1, 2011 the amount of rent shall be the previous year's Adjusted Base Rent, adjusted by the CPI for one year.



Thereafter, rent shall be adjusted per paragraph 5 entitled "PERIODIC RENT ADJUSTMENTS."

5. PERIODIC RENT ADJUSTMENTS

Commencing on May 1, 2011, and on each May 1 thereafter (Change Date), the rent shall be adjusted as provided in the below section entitled "PROCEDURE TO DETERMINE ADJUSTED RENT - CPI." The rent may be further adjusted by the addition of other sums and charges specified elsewhere in this Lease. The Lessor shall have all of the same rights and remedies with respect to any additional rent or charges in the event of nonpayment or late payment as are available to it in the event of nonpayment or late payment of the rent.

6. PROCEDURE TO DETERMINE ADJUSTED RENT - CPI

On the ("Change Date") of each year during the lease term, rent shall be adjusted according to the procedures set forth below in this paragraph:

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

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

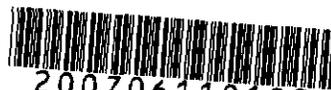
2) "Price Index" means the Consumer Price Index for all Urban Consumers (Seattle-Tacoma-Bremerton) issued from time to time by the Bureau, or any other measure hereafter employed by the Bureau in lieu of the price index that measures the cost of living or if said Bureau should cease to issue such indices and any other agency of the United States should perform substantially the same function, then the indices issued by such other agency.

3) "Current Index" means the Price Index for the month of August most recently preceding the Change Date.

4) "Prior Year Index" means the Price Index for the month of August one year prior to the Current Index.

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

$$(\text{Current Index}) / (\text{Prior Year Index}) = (\text{Change in Price Index})$$



(Change in Price Index) x (Rent being adjusted) = (Adjusted Rent)
The Price Index (1982-84 = 100) for December 2006 was 209.3.

7. SECURITY FOR RENT

To secure the rent hereunder, Lessee agrees to provide to Lessor, prior to the Commencement Date, one of the following:

- a. Cash deposit in an amount equal to two (2) months' rent, plus leasehold excise tax; or
- b. Rent insurance, bond or other security acceptable to Lessor in an amount equal to one (1) years' rent, plus leasehold excise tax; or
- c. Construction or ownership of improvements on the Premises, the value of which is equal to or in excess of one (1) year's rent, plus leasehold excise tax, and where ownership of the improvements reverts to Lessor at termination of this Lease. The value of Lessee's improvements for purposes hereof shall be determined by (1) the improvement costs, as set forth in Lessee's building permit application(s); or (2) the value of its building, as determined by the Skagit County Assessor, as the assessed value for tax purposes.

Lessee shall provide security as set forth above by each anniversary of the Commencement Date. Lessor shall refund any security deposit still in its possession to Lessee within thirty (30) days of termination of this Lease, less any amounts owed to Lessor due to Lessee's failure to meet its obligations under this Lease.

8. LATE CHARGES

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

Lessor: Port of Skagit County
Lessee: BCG Northwest, LLC



200706110182
Skagit County Auditor

due hereunder, at the rate of one and one-half percent (1 1/2%) per month from the date due until paid.

9. CONSTRUCTION OF IMPROVEMENTS

a. Lessee intends to construct a new 175' x 175' square foot manufacturing building and a 50' x 150' square foot addition on the north side of the existing building, all on Lot 68 ("Improvements"). Construction of the improvements shall start by February 1, 2007, and shall be completed by July 1, 2007.

The design, permits, construction, equipping of Lessee's Improvements on the Premises, shall be at Lessee's sole cost and in accordance with development standards from time to time adopted by the port commission.

b. Lessee shall not commence construction of any Improvements or install any fixtures (other than fixtures and trade fixtures which can be removed without injury to the Premises) ("Work") without prior written consent of Lessor as set forth in this paragraph (b) and subject to any and all conditions in such approval(s).

1) *Conceptual Approval.* Lessee shall, as soon as possible, but in any event prior to applying for any building permit for construction of its Work, submit to Lessor conceptual drawings for commission approval. These drawings should include rough dimensions and include, at a minimum, elevation drawings for all structures and a site plan. Lessee may apply for permits, in substantial compliance with the conceptual plan approved by the commission, once commission conceptual approval is granted.

2) *Final Design/Permit Approval.* Prior to any construction, including site work, Lessee shall submit to the Lessor final structure and/or site development plans and specifications and/or engineering drawings, if any, and proof of issuance of all county building permits required for the Work and notice that Lessee intends to commence construction ("Final Notice"). Construction shall not commence for five (5) business days from the Final Notice or until permission is granted by Lessor staff, whichever is first; nor shall construction commence if, within five (5) business days of Final Notice, the Lessor gives Lessee notice prohibiting commencement of Work for failure to comply with conceptual approval, plan/permit deficiencies or non-compliance with Lessor development standards.

3) Prior to the construction of any Work by Lessee on the Premises, Lessee and Lessor shall reasonably agree to the full amount of all costs to fully complete such construction. Additionally, the parties shall reasonably agree to a time period for full completion of the construction of such Improvements ("the Schedule").



c. The construction of all Improvements, alterations and/or installation of fixtures shall be carried out by Lessee at its sole cost and expense, and in full compliance with all federal, state, county and other governmental statutory and regulatory requirements. Lessee shall provide the Lessor with "as built" drawings of all completed Work upon its completion and a copy of the notice of occupancy or similar final approval of the Work immediately upon receipt of such notice by the Lessee.

d. Until the expiration or sooner termination of this Lease, and subject to the provisions of the section entitled "DISPOSITION OF IMPROVEMENTS AT END OF LEASE" hereof, title to any improvements situated and constructed by Lessee on the Premises and any alteration, change or addition thereto, as well as title to fixtures and articles of personal property attached to or used in connection with the Premises by Lessee, shall remain solely in Lessee.

10. DISPOSITION OF IMPROVEMENTS AT END OF LEASE

Lessee shall have, if at the time of termination or removal the Lessee is not in default under the terms of this Lease, the right to remove any buildings constructed by Lessee on the Premises so long as, by the termination date: (a) the buildings are entirely removed, including all foundations, slabs, footings, and basements; (b) all utilities are fully capped and decommissioned; (c) the ground rough graded to pre-construction condition; and (d) all debris removed. Any building not removed from the Premises by the conclusion of this Lease shall revert to Lessor. All other improvements, including parking facilities or landscaping, shall become the property of the Lessor at termination.

Lessee shall remove all equipment, personal property and trade fixtures which may have been placed upon the Premises by Lessee during the period of this Lease. If Lessee does not remove any and all equipment, personal property and trade fixtures which have been placed on the Premises by Lessee during the period of this Lease, then the same shall be removed and stored at Lessee's expense and Lessor shall recover any costs and expenses from the Lessee resulting from the removal and storage.

11. CONDITION OF THE PREMISES

Lessee has inspected the property, and the sub-surface conditions, and accepts the property in its present condition; is not relying upon any covenants, warranties or representations of Lessor as to its condition or usability, except Lessor's right to grant a lease of the property; and agrees to make any changes in the Premises necessary to conform to federal, state and local law applicable to Lessee's use of the Premises.



200706110182

Skagit County Auditor

12. LESSEE WILL OBTAIN PERMITS

Lessee shall be solely responsible for obtaining and complying with all permits, approvals or licenses required for the operation and conduct of Lessee's business activities and the construction, installation, erection and/or operation of any structures, facilities or equipment, including but not limited to, items constituting alterations or defined as trade fixtures on the Premises. If Lessee fails to obtain and comply with such permits, then Lessee accepts full responsibility for any and all costs incurred by the Lessor, including actual attorney's fees, occasioned by Lessor pursuing Lessee's default for its failure to obtain and/or comply with such permits. Lessee agrees to hold the Lessor harmless from any liability and to fully reimburse expenses of the Lessor for Lessee's failure to obtain and/or fully comply with any necessary permit.

13. INSURANCE COVERAGE

a. Casualty Insurance: Lessee shall at Lessee's expense maintain on all improvements belonging to Lessor and on all of Lessee's personal property and leasehold improvements and alterations on the Premises, casualty insurance, with extended coverage in the amount of their replacement value.

b. Liability Insurance: Lessee shall, at its own expense, maintain throughout the term of this lease, proper liability insurance with a reputable insurance company or companies satisfactory to the Lessor in the minimum of \$1,000,000 single limit liability, and a comprehensive general liability broadening endorsement (and hereafter in such increased amounts to be comparable and consistent with the going or standard coverage in the area for comparable business operations).

c. Certificates: The Lessor shall be named as one of the insured, and shall be furnished a copy of such policy or policies or certificate(s) of coverage, or both, at the Lessor's election. Each certificate of insurance shall provide that the insurance policy or policies are not subject to cancellation without at least thirty (30) days advance written notice of such cancellation having been first given to the Lessor.

14. WAIVER OF SUBROGATION

The Lessor and Lessee hereby mutually release each other, and their respective successors or assigns, from any liability and waive all right of recovery against each other from any loss from perils insured against under their respective fire insurance contracts, including any extended coverage endorsements thereto. Provided, that this section shall be inapplicable if it would have the effect, but only to the extent that it would have the effect, of invalidating any insurance coverage of Lessor or Lessee.



15. 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 solely 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.

16. OFF STREET PARKING

Lessee agrees not to use any public streets, rights of way or other properties not included in this Lease for the parking of vehicles.

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, or the executive director's designee.

18. EQUAL OPPORTUNITY

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

19. LAWS AND REGULATIONS

The Lessee agrees, at its sole cost and expense, to conform to, comply with and abide by all lawful rules, codes, ordinances, requirements, orders, directions, laws and regulations of the United States, the State of Washington, and any municipality or agency of any of said entities, including rules and regulations of Lessor, including without limitation those relating to environmental matters, now in existence or hereafter promulgated, applicable to the Lessee's use and operation of said Premises, including the construction of any improvements thereon, and not to permit said Premises to be used in violation of any of said rules, codes, laws or regulations. Any fees for inspection of the Premises during or for the term of this Lease by any federal, state or municipal officer shall



be paid by Lessee. Lessee shall pay all costs, expenses, liabilities, losses, damages, fines, penalties, claims, and demands, including reasonable counsel fees, that may in any manner arise out of or be imposed because of the failure of Lessee to comply with the covenants of this section.

20. HOLDOVER

a. Holdover as Tenant at Sufferance. If Lessee shall, without the written consent of the Lessor, hold over after the expiration of the term of this Lease, such tenancy shall be at sufferance, which tenancy may be terminated as then provided by the laws of the state of Washington. All provisions of this Lease, except those inconsistent with a tenancy at sufferance and Subsection 20(b), entitled "Rent and Terms," hereof shall remain in effect during such hold over period.

b. Rent and Terms. During such tenancy, the Lessee agrees to pay to Lessor a monthly rent equal to one and one-quarter (1-1/4) times the most recently required monthly rent amount applicable for the month in which the term hereof expired or was terminated, which rental amount the Lessee and Lessor agree is reasonable

21. ENVIRONMENTAL PROVISIONS

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

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

b. In like manner as in subsection a. above, so Lessor shall Indemnify Lessee solely for liability proximately resulting from an affirmative act on the Premises by Lessor



prior to the commencement of this Lease, or from conditions caused by Lessor subsequent to the Commencement Date.

c. Lessee acknowledges that it has visually inspected the Premises for legally impermissible Hazardous Material contamination and that none was apparent on the surface of the Premises from a visual inspection as of the date of this Lease. Lessee releases any and all claims against Lessor for the costs to remediate, or pay damages or penalties to any third party due to any Hazardous Material contamination which henceforth may be discovered on the Premises, including payment of all attorney fees and claims of loss of, or interference with, use of the Premises, except to the extent caused by an affirmative act of Lessor.

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

e. Should any Hazardous Material be released on or under the premises during the term of this Lease or any extension thereof, then Lessee shall at its sole cost and expense shall promptly and diligently remove such Hazardous Material from the Premises or the water underlying the Premises in accordance with applicable Hazardous Materials Regulations and industry standards.

Lessee shall not take any required remedial action in response to any such contamination on or under the Premises or enter into any settlement agreement, consent, decree or other compromise in respect to any claims or enforcement actions relating to any such Hazardous Material without first notifying Lessor of Lessee's intention to do so and affording Lessor the opportunity to appear, intervene or otherwise appropriately assert and protect Lessor's interest with respect thereto.

Lessee shall promptly and diligently take all steps to prepare any remediation plan required for contamination, obtain all necessary approvals for such remediation plan, and thereafter commence the required remediation within thirty (30) days after Lessor has approved Lessee's remediation plan and all other necessary approvals and consents have been obtained, and thereafter continue to diligently prosecute said remediation to completion in accordance with the approved remediation plan. If Lessee fails to take such action, Lessor, in its sole discretion, may cause said remediation to be accomplished and Lessee shall reimburse Lessor therefore within thirty (30) days of Lessor's demand for reimbursement of all amounts reasonably paid by Lessor. Said demand shall be accompanied by proof of payment by Lessor



of the amounts demanded. Late payments shall be subject to interest and charges set forth in the paragraph entitled "LATE CHARGES" above.

Lessee shall promptly deliver to Lessor copies of all hazardous waste manifests, and otherwise deliver such information to Lessor as Lessor may require, to evidence the proper disposal of all Hazardous Material removed from the Premises as part of Lessee's remediation of any contamination. Except as discharged into the sanitary sewer in strict accordance and conformity with applicable Hazardous Materials Laws, Lessee shall cause all Hazardous Material removed from the Premises as part of the required remediation of contamination to be removed and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such materials and wastes.

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

22. MAINTENANCE / COMMIT NO WASTE

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

23. UTILITIES / ASSESSMENTS

Lessee agrees to contract with the appropriate provider and pay for all public utilities which shall be used in or charged against the Premises, and to hold the Lessor harmless from such charges. With regard to utilities provided by the Lessor including drainage, Lessee will pay to Lessor according to the Lessor's or Skagit County Drainage Utility/Drainage District 19's established rate.

Lessee shall pay to the Lessor, at the time any improvement plans are presented to Lessor for approval, the amount that is due to Fire District No. 6 (pursuant to the Inter-Local Agreement between the Fire District and Port District for construction of the Bayview Ridge Fire Station) for any industrial or commercial development on the Premises. Said amount is \$244.00 per 1,000 square feet of development.

24. LIENS AND INSOLVENCY

Lessee shall keep the Premises free from any liens arising out of work performed, materials furnished, or obligations incurred by Lessee. In the event Lessee becomes insolvent, voluntarily or involuntarily bankrupt, or if a receiver, assignee or other

Lessor: Port of Skagit County
Lessee: BCG Northwest, LLC



200706110182
Skagit County Auditor

liquidating officer is appointed for the business of the Lessee, then the Lessor may cancel this Lease at Lessor's option.

25. TAXES

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

26. COSTS AND ATTORNEYS' FEES

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

27. TERMINATION

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

28. DEFAULT AND RE-ENTRY

Time is of the essence of this agreement. (i) If (a) any rent or other payment due from Lessee hereunder remains unpaid for more than ten (10) days after the date it is due; (b) Lessee files a voluntary petition in bankruptcy or makes a general assignment to the benefit of, or a general arrangement with, creditors; (c) there is an involuntary bankruptcy filed against Lessee that has not been dismissed within thirty (30) days of filing; (d) Lessee becomes insolvent; or (e) a receiver, trustee, or liquidating officer is appointed for 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, or upon Lessor's discovery that Lessee made any misrepresentation (including omissions) of any fact or circumstance material to the Lessor's initial determination of the Lessee's suitability to become a tenant of the Lessor, 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 rent or rents and upon such other terms and conditions as Lessor in its sole discretion deems advisable. Upon each such reletting, all rents received by Lessor from



such reletting shall be applied, first, to the payment of any amounts other than rent due hereunder from Lessee to Lessor; second, to the payment of any costs and expenses of such reletting and renovation, including brokerage fees and attorneys' fees; third, to the payment of rent due and unpaid hereunder, and the residue, if any shall be held by Lessor and applied to payment of future rent as the same may become due and payable hereunder. If rent received from such reletting during any month are less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor, and Lessee covenants and agrees to pay Lessor for all other expenses resulting from its default, including, but not limited to, brokerage commissions, attorneys fees and the reasonable cost of converting the premises for the benefit of the next Lessee. Delinquent rent and other payments shall bear interest at the rate of eighteen percent (18%) per annum from the date due until paid. In the event of any default hereunder and entry in, or taking possession of, the Premises, 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.

29. ASSIGNMENT AND SUBLEASE

Lessee shall not, by operation of law or otherwise, assign or sublease any portion of the Premises without Lessor's prior written consent. Lessor understands and acknowledges, and hereby grants consent to Lessee's intent to sublease the Premises to Nordic Tugs, Inc. Lessor shall not unreasonably withhold its consent to other subtenants in the event Nordic Tugs, Inc. reduces or ceases operations during the term of this lease, or extension thereof, but may impose reasonable conditions to such sublease. The consent of Lessor to any assignment or sublease shall not in any manner be construed to relieve Lessee from: (1) the requirement to obtain Lessor's express written consent to any other or further assignment or sublease; (2) its duties and obligations under the Lease. As a condition to any assignment or sublease, Lessor may revise the rent to be consistent with its then current rent policy. The sale or transfer (whether in a single transaction or cumulatively) of fifty percent (50%) or more of the equity in Lessee shall be considered an assignment.

30. LESSOR'S RIGHT TO ENTER PREMISES

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

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



- b. To do any necessary maintenance and to make any restoration to the Premises that the Lessor has the right or obligation to perform;
- c. To post "For Rent" or "For Lease" signs during any period that the Lessee is in default;
- d. To repair, maintain or improve the Premises; and
- e. To do any other act or thing necessary for the safety or preservation of the Premises.

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

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

Lessee understands that the property here in before described is within the Lessor's Bayview Business and Industrial Park, situated in Industrial Development District No. 1. Lessor has or may promulgate and adopt resolutions, regulations and covenants for the orderly development, maintenance, care and control of all property within said district. The same effect Lessee's use of the property here in before described. Lessee agrees to comply with such resolutions, regulations and covenants in force as of the date of this Lease and all other resolutions, regulations and covenants which may be promulgated by Lessor.

31. RETENTION OF AIRSPACE RIGHTS BY LESSOR

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

32. FEDERAL AVIATION ADMINISTRATION REQUIREMENTS

Lessee agrees:

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

Lessor: Port of Skagit County
Lessee: BCG Northwest, LLC



200706110182

Skagit County Auditor

electromagnetic radiation's of a nature which would cause interference with any existing or future navigational aid or communication aid serving Skagit Regional Airport, or which would create any interfering or confusing light or in any way restrict visibility at the Airport; and

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

33. NOTICES

All notices or payment hereunder may be delivered or mailed. Below are the addresses of the parties:

LESSOR: Port of Skagit County
15400 Airport Drive
P. O. Box 348
Burlington, WA 98233

Phone: (360) 757-0011
FAX: (360) 757-0014

LESSEE: BCG Northwest, LLC
P.O. Box 726
Anacortes, WA 98221

Phone: (360) 293-3194
FAX: (360) 757-8831

34. TIME IS OF THE ESSENCE

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



200706110182

Skagit County Auditor

6/11/2007 Page 23 of 25 1:38PM

Lessor: Port of Skagit County
Lessee: BCG Northwest, LLC

5/01/07

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

Kevin Ware
Kevin Ware, Commission President

5/30/07
Date

Glenn Allen
Glenn Allen, Commission Secretary

5/30/07
Date

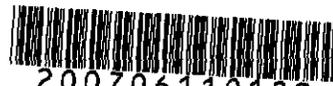
LESSEE:

BCG NORTHWEST, LLC

James A. Cress
Signature

JAMES A. CRESS MEMBER
Print Name & Title

5-21-07
Date



STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this 30th day of May 2007 before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Kevin Ware and Glenn B. Allen, Jr., 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 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,

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



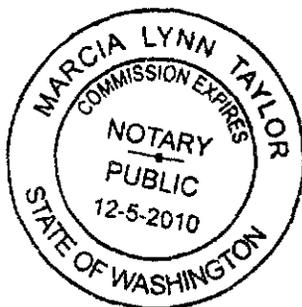
Deborah D. Hamilton
Notary Public in and for the state of
Washington, residing at Burlington, WA
My commission expires: 10-23-10

Printed Name: Deborah D. Hamilton

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this 26th day of MAY 2007 before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared JAMES A. CRESS, to me known to be the MEMBER of BCG Northwest, LLC, a Washington limited liability company, the company that executed the foregoing instrument, and acknowledged the 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 they/he/she is/are authorized to execute the said instrument,

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



Marcia Lynn Taylor
Notary Public in and for the state of
Washington, residing at BURLINGTON, WA
My commission expires: 12-5-10

Printed Name: MARCIA LYNN TAYLOR



200706110182
Skagit County Auditor

Lessor: Port of Skagit County
Lessee: BCG Northwest, LLC

6/11/2007 Page 25 of 25 1:38PM