

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



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Skagit County Auditor

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Contract # C20070412

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Document Title(s): LAND LEASE AGREEMENT

Reference No. of Related Document(s): _____

Grantor(s): PORT OF SKAGIT COUNTY

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

Grantee(s): SKAGIT COUNTY

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

Abbreviated Legal Description: Lot #49, containing approximately 42,109 square feet
(.9666 acres), Amended Skagit Regional Airport Binding Site Plan, Phase 1.

Additional Legal Descriptions(s) on page 4 of Document.

Assessor's Parcel/Tax ID Number: P115627/8012-000-049-0100

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

JUL 17 2007

Amount Paid \$
Skagit Co. Treasurer
By Deputy

Sp

LAND LEASE AGREEMENT

BETWEEN

PORT OF SKAGIT COUNTY

and

SKAGIT COUNTY

Commencement Date:
July 1, 2007



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PORT OF SKAGIT COUNTY

LAND LEASE AGREEMENT

THIS LEASE AGREEMENT, hereinafter referred to as "this Lease," is made July 1, 2007, by and between the PORT OF SKAGIT COUNTY, a Washington municipal corporation, hereinafter referred to as "Lessor," and Skagit County, a municipal corporation, hereinafter referred to as "Lessee."

WITNESSETH:

In consideration of their mutual covenants, agreements and undertakings hereinafter contained, the parties hereto do mutually agree to that which is hereinafter set forth, upon and subject to the following terms, conditions, covenants and provisions:

1. PROPERTY SUBJECT TO THIS LEASE AGREEMENT

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

Lot #49, containing approximately 42,109 square feet (.9666 acres). Amended Skagit Regional Airport Binding Site Plan, Phase 1, and depicted on Exhibit "A" attached hereto, and hereafter called the "premises".

Situated in the County of Skagit, State of Washington.

2. TERM / OPTION TO EXTEND

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

b. Extension by Mutual Agreement: The term of the Lease may be extended by the mutual agreement of the parties at any time before expiration if the Lessor determines that appropriate public benefit results. In the event of an extension, the parties will negotiate a new lease payment reflecting current market conditions. All other terms of the lease shall remain in full force and effect. Failure of the parties to mutually agree on such an extension or new lease payment shall not be deemed a default by either party.

3. BUSINESS PURPOSE / BASE LINE ACTIVITY

a. Business Purpose: It is understood and agreed that Lessee intends to use the

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Premises as a county administrative office building and as an outpost for the Skagit County Sheriff's Department 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 except with the express written consent of the Lessor which will not be unreasonably withheld. 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.

4. RENT

a. Commencing on July 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, an initial rent for the Premises of ONE THOUSAND FIFTY TWO DOLLARS AND 73 CENTS (\$1,052.73) per month, (hereinafter referred to as "Rent") during the term of this Lease. 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 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. The Rent shall be adjusted as provided in the below section entitled "PROCEDURE TO DETERMINE ANNUAL ADJUSTED RENT - CPI."

b. The obligation of Lessee to pay rent is subject to the terms and conditions of that certain "INTERLOCAL COOPERATIVE AGREEMENT BETWEEN Skagit County AND Port of Skagit County" dated _____ and recorded under Skagit County Auditor's File Number _____.

5. PROCEDURE TO DETERMINE ANNUAL ADJUSTED RENT - CPI

On July 1st ("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 December most recently preceding the Change Date.

4) "Prior Year Index" means the Price Index for the month of December 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:

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

$$(\text{Change in Price Index}) \times (\text{Rent being adjusted}) = (\text{Adjusted Rent})$$

The Price Index (1982-84 = 100) for December 2006 was 209.3.

c. The foregoing notwithstanding, on the fifth anniversary of the Commencement Date, and every fifth year thereafter, either party may request that rental amount be adjusted to as set forth in Paragraph 6, "PROCEDURE TO DETERMINE ADJUSTED RENT - MARKET RENT VALUE, below.

6. PROCEDURE TO DETERMINE ADJUSTED RENT - MARKET RENT VALUE

On the fifth anniversary of the Commencement Date and on each subsequent fifth anniversary of the Commencement Date thereafter, if either party requests, the Rent shall be adjusted as follows:

a. Amount: The Rent shall be adjusted to be the market rent value of the Premises. Lessor shall notify Lessee, not later than one hundred twenty (120) days prior to the anniversary of the Commencement Date of the year in which market rent value is to be determined, of the amount of new market rent, as determined by the Port Commission. If Lessee does not accept the market rent value determined by Lessor, it shall so notify the Lessor, in writing, ("Notice of Non-Acceptance") within twenty-one (21) days of the date it receives notice of the Lessor's determination or Lessee shall be conclusively deemed to have accepted the determination. Upon

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timely Notice of Non-Acceptance, market rent then shall be established by the procedure in the succeeding paragraph.

b. Procedure If Dispute Regarding Rent Amount: If Lessee timely notifies the Lessor that it rejects the market rent value established by Lessor, then the fair cash value of the Premises shall be determined. For purposes of setting the fair cash market value of the land, each lot of the land shall be considered as a separate, vacant, identifiable tract of real property. Such determination shall be made by a MAI appraiser whose selection shall be by mutual agreement of the parties. If they are unable to agree on the selection within fourteen (14) of Lessee's Notice of Non-Acceptance, then a MAI appraiser shall be selected by the presiding judge of the Superior Court of Skagit County if the Lessee files an action therefore within twenty-eight (28) days of the Lessee's Notice of Non-Acceptance. If such action is not timely commenced, Rent shall be set as determined by Lessor per subsection (a.) of the section entitled "PROCEDURE TO DETERMINE ADJUSTED RENT - MARKET RENT VALUE." Once the fair cash market value of the Premises is determined, the rent amount shall be established based on the Lessor's then established rate of return for comparable leased properties. The cost of the appraisal shall be borne equally by both parties. No party shall be entitled to any statutory or contractual costs or attorney fees related to a petition to appoint an appraiser hereunder.

c. The market rent value adjustment shall be effective on the anniversary of Commencement Date of each fifth year no matter when it is established pursuant to the above procedure, provided that for every day less than one hundred twenty (120) days prior to the fifth anniversary of the Commencement Date that the Lessor's notice of determination of market rent called for in subsection (a.) of the section entitled PROCEDURE TO DETERMINE ADJUSTED RENT - MARKET RENT VALUE above is provided to Lessee, the effective date of the increase, once established, shall be delayed for an equal number of days beyond the anniversary of the Commencement Date.

7. CONSTRUCTION OF IMPROVEMENTS

a. The premises already contain improvements which are owned by Lessee and which will be remodeled by Lessee to meet Lessee's requirements. Lessee shall be entitled to make such modifications and improvements to the interior of the premises as Lessee shall determine are necessary or reasonable for Lessee's present or future needs. Lessee shall not commence construction of any exterior modifications to the existing building ("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).

i. Conceptual Approval. Lessee shall, as soon as possible, but in any event prior to applying for any building permit for construction of its Work,

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submit to Lessor conceptual drawings for commission approval. These drawings should include rough dimensions, rough color scheme 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.

ii. 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 that are stamped by a licensed engineer, surveyor or architect, and proof of issuance of all county and city building or sewer permits required for the Work and notice that Lessee intends to commence construction ("Final Notice"). Construction shall not commence for ten (10) business days from the Final Notice or until permission is granted by Lessor staff, whichever is first; nor shall construction commence if, within ten (10) 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.

b. 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.

c. 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.

8. DISPOSITION OF EQUIPMENT AND IMPROVEMENTS AT END OF LEASE

a. Lessee shall have the right to remove all equipment, personal property (that is not an improvement as per 8.b., below) and trade fixtures which may have been placed upon the Premises by Lessee during the period of this Lease, provided that the same are removed upon conclusion of the Lease and that the Lease is in good standing. Any such equipment, personal property and trade fixtures not removed from the Premises by the conclusion of the Lease shall revert to Lessor. If Lessee does not remove all equipment, personal property and trade fixtures which have

been placed on the Premises by Lessee during the period of this Lease and Lessor wants the property removed, then 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.

b. All improvements, including buildings, landscaping, lighting, irrigation and utility extensions, shall become the property of the Lessor.

9. 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.

10. LESSEE WILL OBTAIN PERMITS

a. 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 any approved 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, incurred 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.

b. Lessee shall provide Lessor with a copy of the occupancy permit issued by the appropriate permitting agency before occupying any improvements.

11. INSURANCE COVERAGE

a. Casualty Insurance: Lessee shall at Lessee's expense maintain on all Improvements belonging to Lessee and on all of Lessee's personal property 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.

d. Self Insurance: Lessor acknowledges that Lessee is self insured for liability and casualty loss. So long as lessee is so self insured, the foregoing insurance requirements shall be inapplicable to Lessee. Upon request by Lessor, Lessee shall certify annually on the Commencement Date it remains self-insured. Lessee shall immediately notify Lessor if Lessee is not self insured at which time the insurance requirements shall apply to Lessee.

12. 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.

13. 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.

14. 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.

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15. ADVERTISING AND SIGNS

Except for signage similar to Lessee's facilities signs for other County offices, 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.

16. 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.

17. LAWS AND REGULATIONS

a. 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.

b. Lessee understands that the Premises 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. Lessee agrees to comply with such resolutions, regulations and covenants in force as of the date of this Lease and which have been provided to Lessee prior to the execution of this Agreement and all resolutions, regulations and covenants which may be promulgated by Lessor and which shall not discriminate against Lessee and

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which do not prevent or additionally and unduly restrict the conduct of Lessee's operations.

18. **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.

19. **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.

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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 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.

Except necessary to contain such release and prevent further harm, 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.

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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.

20. 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.

21. 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 within thirty (30) days of demand, that 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 of Lessee's property in the amount of \$244.00 per 1,000 square feet of newly constructed development that adds area to the Lessee's building improvements.

22. 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 liquidating officer is appointed for the business of the Lessee, then the Lessor may cancel

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this Lease at Lessor's option.

23. 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.

24. COSTS AND ATTORNEYS' FEES

If by reason of default on the part of either party to this Lease agreement 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, including those incurred on appeal.

25. TERMINATION

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

26. DEFAULT AND RE-ENTRY

Time is of the essence of this agreement. (i) If (a) any Rent or other payment due from Lessee hereunder remains unpaid for more than three (3) days after the date it is due and shall continue for a period of ten (10) days after written notice of such violation is sent to Lessee; or (ii) If Lessee violates or breaches any of the other covenants, agreements, stipulations or conditions herein, and such violation or breach shall be material and continue for a period of thirty (30) days after written notice of such violation or breach is sent to Lessee, then Lessor may at its option, declare this Lease forfeited and the term hereof ended. 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, 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.

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27. ASSIGNMENT AND SUBLEASE

Lessee shall not, by operation of law or otherwise, assign or sublease any portion of the Premises without Lessor's prior written consent. 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.

28. LESSOR'S RIGHT TO ENTER PREMISES

Lessor and/or its authorized representatives shall have the right to enter the Premises at all reasonable times for any of the purposes set forth below. 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 and inspection shall be during regular business hours.

- 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 repair or maintain the Premises; and
- d. To do any other act or thing necessary for the safety or preservation of the Premises.

Lessor shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of the Lessor's entry onto the premises as provided in this 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.

29. 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 Premises, together with the right to cause in said airspace such noise 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.

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30. FEDERAL AVIATION ADMINISTRATION REQUIREMENTS

Lessee agrees:

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

31. 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: Skagit County
Board of Commissioners
1800 Continental Pl #100
Mount Vernon, WA 98274

Phone: (360) 336-9300
FAX: (360) 336-9307

AND TO

Skagit County
Facility Management
Administration Bldg, # 202
700 S. Second Street
Mount Vernon, WA 98273

32. 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.

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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

LESSEE:
Board of County Commissioners
Skagit County, Washington

Kevin Ware
Kevin Ware, Commission President

Sharon Dillon
Sharon Dillon, Chair

6/19/07
Date

July 9, 2007
Date

Glenn B. Allen Jr.
Glenn B. Allen Jr., Commission Secretary

Don Munks
Commissioner

6/19/07
Date

Date

Approved as to Form:

Kenneth A. Dahlstedt
Kenneth Commissioner

Bradford E. Furlong
Bradford E. Furlong, General Counsel

A. Dahlstedt
Date July 9, 2007

ATTEST:

For contracts under \$5000

JoAnne Giesbrecht
JoAnne Giesbrecht, Clerk
Skagit County Board of Commissioners

County Administrator

APPROVED AS TO BUDGET:

APPROVED AS TO CONTENT:

Trisha Logue
Trisha Logue
Budget/Finance Administrator

Suzanne Gilbert
Suzanne Gilbert, Architect
Director, Facility Management Department

APPROVED AS TO FORM:

APPROVED AS TO CONTENT:
Re: Indemnification and Insurance

Bill
Civil Deputy
Prosecuting Attorney's Office

Billie Kadrmas
Billie Kadrmas, Risk Manager

Lessor: Port of Skagit County
Lessee: Skagit County

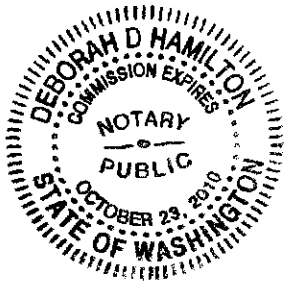
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STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this 19th day of June 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/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.

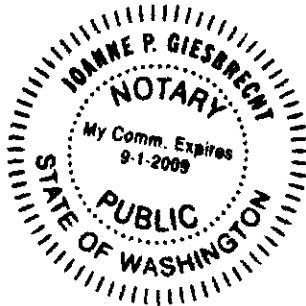


Deborah D. Hamilton
Notary Public in and for the state of
Washington, residing at Burlington, WA
My commission expires: 10-23-10
Printed Name: Deborah D. Hamilton

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this ___ day of _____ 2007 before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Sharon Dillon, Kenneth A. Dahlstedt, and ~~Don Munks~~ to me known to be the Chairman, Commissioner and Commissioner, respectively of the Board of Commissioners 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/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.



Joanne P. Giesbrecht
Notary Public in and for the state of
Washington, residing at Mount Vernon
My commission expires: 09-01-09
Printed Name: JOANNE P. GIESBRECHT

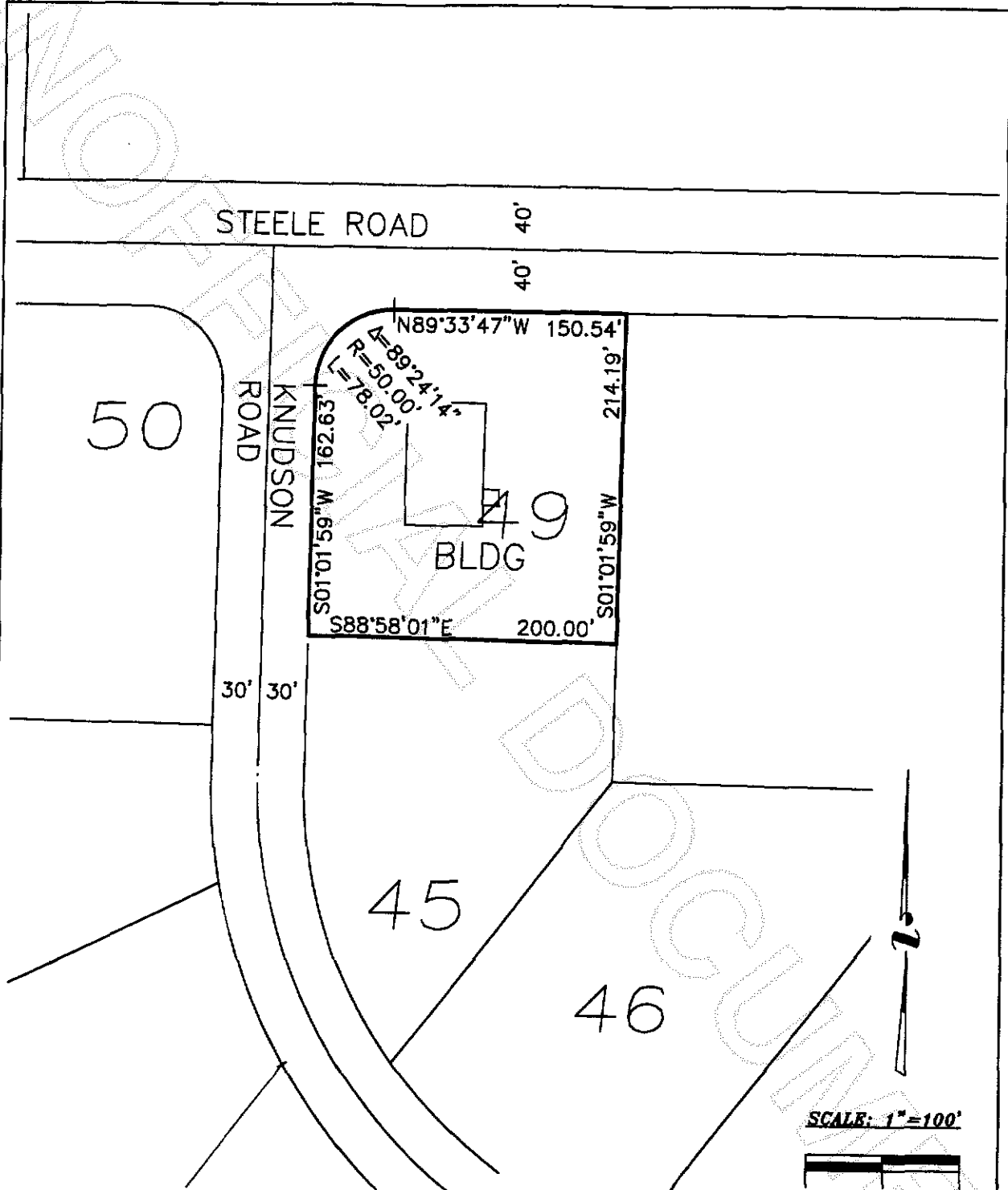
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Lessee: Skagit County

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NOTE:
 REFER TO AMENDED SKAGIT REGIONAL
 AIRPORT BINDING SITE PLAN, PHASE 1
 FOR EASEMENTS THAT MAY AFFECT THIS PROPERTY

LOT 49
 11525 KNUDSON ROAD
 42,109 SQ. FT. (0.97 AC.)



Leonard, Boudinot & Skodje Inc.
 PROFESSIONAL ENGINEERS & LAND SURVEYORS
 603 South First Street; P.O. Box 1228
 Mount Vernon, WA 98273
 Tel: 360-336-5751 Fax: 360-336-3981

PROJECT

EXHIBIT MAP
 FOR
LOT NO. 49

DRAWING NO.
 49
 JOB #
 39272



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 Skagit County Auditor