

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



200807160134

Skagit County Auditor

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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): OFFSPRING INVESTMENTS, LLC

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

Abbreviated Legal Description: BSP PLO6-0913, Lot 6

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

Assessor's Parcel/Tax ID Number: P123358 / 8071-000-006-0000

LAND LEASE AGREEMENT

BETWEEN

PORT OF SKAGIT COUNTY

and

OFFSPRING INVESTMENTS, LLC

Term Commencement Date:

July 1, 2008

SKAGIT COUNTY WASHINGTON
REAL ESTATE TAX

JUL 16 2008

Amount Paid
Skagit Co. 300
By *DL* 00

Lessor: Port of Skagit County
Lessee: Offspring Investments, LLC



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Lessee: Offspring Investments, LLC



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PORT OF SKAGIT COUNTY

LAND LEASE AGREEMENT

THIS RESTATED LEASE AGREEMENT, hereinafter referred to as "this Lease," is made July 1, 2008 by and between the PORT OF SKAGIT COUNTY, a Washington municipal corporation, hereinafter referred to as "Lessor," and OFFSPRING INVESTMENTS, LLC, a Oregon limited liability company, 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/OPTION

The following described property, which the parties agree is 6,692 square feet (hereinafter referred to as the "Premises"):

11740 Higgins Airport Way, Burlington, WA, Lot 6 of Binding Site Plan No. PL06-0913 recorded under Auditor's File No. 200706180136. Said property is depicted in Exhibit A attached hereto and by this reference incorporated herein.

Situated in County of Skagit, State of Washington.

2. TERM / OPTION TO EXTEND/EARLY TERMINATION

a. Term: This lease shall commence when signed by both parties. The term of this Lease shall be for thirty (30) years, beginning execution by both parties, and ending June 30, 2038, unless sooner terminated pursuant to any provision of this Lease.

b. Option to Extend: Lessee is granted the right to extend this Lease for two (2) consecutive ten (10) year option periods by giving written notice of said intention to Lessor not less than one hundred twenty (120) days prior to the expiration of the initial term or any extended term, conditioned upon the fact that all terms, covenants and conditions of the initial or extended term have been fully met and fulfilled, and conditions set forth in SECTION 22: MAINTENANCE / COMMIT NO WASTE have been met, upgrades extending the useful life of the building have been made, and the proposed additional term is supported by outside professionals such as structural engineers and/or architects. All terms and conditions of the initial term shall continue

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with the exception that the rental shall be determined in accordance with the paragraph entitled "PROCEDURE TO DETERMINE ADJUSTED RENT FOR OPTION PERIOD(S) – MARKET RENT VALUE."

c. Lessor's Option to Buy Out Lease Rights and Improvements: Lessor may give notice at any time during the term or any extension hereof of its intent to terminate this lease by buying out the balance of this Lease and options to extend (collectively the "Residual Lease Life") and any tenant-owned improvements on the Premises ("Tenant Improvements") at then fair market value ("FMV") of each. Such notice shall be in writing, state a date of termination not less than one hundred eighty (180) days into the future and include the name of an appraiser or appraisers to determine the Residual Lease Life FMV and the fair market value of any Tenant Improvements at Lessor's cost ("Lessor's Notice"). If the parties cannot agree on an appraiser or appraisers within fourteen (14) days of Lessor's Notice, the FMV of the Residual Lease Life and Tenant Improvements shall be established by averaging the FMV determinations from the appraisal(s) of the parties' own appraisers; *provided*, that each party shall pay for its own such appraisal(s) and no appraisal shall be considered if not obtained within seventy-five (75) days of Lessor's Notice. The Residual Lease Life and Tenant Improvement FMV so established shall be final and binding on the parties. Upon giving of Lessor's Notice, the Lessor shall use its best efforts to relocate Lessee on other taxiway accessible Port-owned land.

3. BUSINESS PURPOSE / BASE LINE ACTIVITY

a. Business Purpose: It is understood and agreed that Lessee intends to use the Premises for aircraft storage and operations and to conduct such other activities as are incidental and reasonably related to general aviation. 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: Lessor acknowledges Lessee's hangar is used for the storage of aircraft for aviation related activities. This activity provides an important conduit for current and future economic development and commerce for the community.

c. Lessee will not permit any use or activity to be conducted upon the Premises that is not allowed by the Lease, Skagit County zoning ordinances or Port of Skagit County rules and regulations, Skagit Regional Airport Master Plan or Skagit Regional Airport Minimum Standards. Lessee will not enter into any sublease agreement when the proposed use of the Premises requires a Special Use Permit, rezone,

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variance of any kind, environmental impact statement or any other use that requires special permission by a governing body, without prior written consent of the Lessor, which shall not be unreasonably withheld.

d. Lessor reserves the right to adopt a policy or policies which specifically exclude certain types of business activities that are inconsistent with Lessor's planned development of the Skagit Regional Airport or the Bayview Business and Industrial Park. Lessee hereby agrees to comply with all such policy or policies.

4. RENT

a. Commencing on July 1, 2008, 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 Building Lot and Parking Spaces of \$188.22 per month, plus Washington leasehold excise tax \$24.17, during the term of this Lease (collectively, "Rent").

b. 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."

5. PROCEDURE TO DETERMINE ANNUAL ADJUSTED RENT - CPI

On July 1("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 U.S. City Average, All Urban Consumers, Region West – Size Class B/C, 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 Annual most recent preceding Change Date.

4) "Prior Year Index" means the Price Index for the Annual 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:

$$\text{Current Index} - \text{Prior Year Index} = \text{Index Point Change}$$

$$\text{Index Point Change} / \text{Prior Year Index} \times 100 = \text{Percent Change}$$

$$\text{Percent Change} \times \text{Rent being adjusted} = \text{Adjusted Rent}$$

The Price Index (1982-84 = 100) for Annual 2007 was 128.884

6. PROCEDURE TO DETERMINE ADJUSTED RENT FOR OPTION PERIOD(S) - MARKET RENT VALUE

On the commencement of the option period(s) ("Market Change Date") the Rent shall be adjusted as follows:

a. 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 "Market Change Date" of the amount of new market rent, as determined by the Port Commission.

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. 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

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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.

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.

The deposit amount will be increased to coincide with Rent adjustments. 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

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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 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 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).

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, 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 or minimum standards.

iii. Prior to the commencement of any Work by Lessee on the Premises, Lessee and Lessor shall reasonably agree to a time period for full completion of the construction of such Improvements ("the Schedule").

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.



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.

10. DISPOSITION OF EQUIPMENT AND IMPROVEMENTS AT END OF LEASE

a. Lessee shall have the right to remove all equipment, personal property 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 shall become the property of the Lessor.

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.

12. 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.

13. 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). The \$1,000,000 single limit liability will be adjusted at each option period to the then current standard single limit amount stated in the lease policy of the Lessor.

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

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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

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 are within the Lessor's Skagit Regional Airport, 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 affect Lessee's use of the Premises. 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 and which shall not discriminate against Lessee and which do not prevent the conduct of Lessee's business operations.

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.



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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.

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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

Lessee shall, at its sole expense and at all times, keep the Premises neat, clean, and in a sanitary condition; and keep and use the Premises in accordance with applicable laws, ordinances, rules, regulations, and requirements of governmental authorities. Lessee shall permit no waste, damage, or injury to the Premises; keep all drain pipes free and open; protect water, heating, gas and other pipes to prevent freezing or clogging; repair all leaks and damage caused by leaks; replace all glass in windows and doors of the Premises which may become cracked or broken; and remove ice and snow from sidewalks adjoining the Premises. Lessee shall promptly repair and replace all components of the "Mechanical and Building Systems" (meaning without limitation: HVAC, electrical, plumbing, fire suppression, security and telecommunications, interior and exterior painting, roof, exterior walls, gutters, landscaping and foundation).

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.

If not already paid by the hangar developer/builder, or previous hangar owner, 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

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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 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 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 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.

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 EQUIPMENT AND IMPROVEMENTS AT END OF LEASE."

The Lessor has the right to request the Lessee to remove all improvements; including the building.

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 five (5) 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

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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 except as set forth below.

- a. Lessee may, without approval of Lessor, sublease the Premises for the purposes of aircraft storage.
- b. Lessee may assign this Lease to a successor person or entity after approval by the Lessor subject to the following process:

1) Lessee shall provide to Lessor notice of intent to assign Lease no less than sixty (60) days prior to the intended assignment. Such notice shall be in writing and shall at a minimum include: The assignee's name, representative, mailing and e-mail addresses, telephone and facsimile numbers.

2) The Assignee shall, at least forty-five (45) days prior to the intended assignment date, provide: (i) full and complete information, as requested by Lessor, as to Lessee's financial ability and operational/business experience to successfully conduct business in the Premises and meet the obligations, financial and otherwise, under this Lease, including references; and (ii) assignee's proposed business plan for operations under the Lease in the Premises (collectively, "Assignee's Documentation").

3) Lessor shall, within thirty (30) days of receipt of the complete Assignee's Documentation, approve the assignment/assignee unless it articulates in writing a reasonable basis for rejection consistent with its then-current approval criteria for tenants at Skagit Regional Airport or it articulates in writing the basis for its reasonable determination that the assignee cannot meet the terms of this Lease; *provided*, that Lessor's consent may, in any event, be conditioned on the requirement that there be no uncured defaults in the Lessee's obligations under this Lease by or at the date of the assignment and/or that the assignee meet certain reasonable conditions to assure compliance with the terms of the Lease, regulatory requirements, the Skagit Regional Airport Master Plan or Skagit Regional Airport Minimum Standards.

c. 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; 2) its duties and obligations under the Lease.

d. Lessee will not permit any use or activity to be conducted upon the Premises that is not allowed by the Lease, Skagit County zoning ordinances or Port of Skagit County rules and regulations, Skagit Regional Airport Master Plan or Skagit Regional Airport Minimum Standards. Lessee will not enter into any sublease agreement when the proposed use of the Premises requires a Special Use Permit, rezone, variance of any kind, environmental impact statement or any other use that requires special permission by a governing body, without prior written consent of the Lessor, which shall not be unreasonably withheld.

e. Lessor reserves the right to adopt a policy or policies which specifically exclude certain types of business activities that are inconsistent with Lessor's planned development of the Skagit Regional Airport or the Bayview Business and Industrial Park. Lessee hereby agrees to comply with all such policy or policies that



are not inconsistent with the section entitled "BUSINESS PURPOSE / MINIMUM EMPLOYMENT."

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 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.

- 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.

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.

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 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.

32. 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



security gates, 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: Offspring Investments, LLC
P.O. Box 339
Corvallis, OR 97339

Phone: (541) 760-1351
FAX: _____

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.

35. TERMINATION OF INITIAL LEASE

Upon the execution by both parties of this Restated Lease Agreement, the Lease Agreement dated March 1, 2008, between the parties for the Premises shall terminate immediately and be replaced hereby, with all the parties' rights and duties, accrued and unaccrued in tact.

Lessor: Port of Skagit County
Lessee: Offspring Investments, LLC



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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


Jerry Kaufman, Commission President

7/8/08
Date


Kevin Ware, Commission Secretary

7/8/08
Date

LESSEE:

OFFSPRING INVESTMENTS, LLC


Fred Lowther, Member

6-16-08
Date


Kathy Lowther, Member

6/16/08
Date

Lessor: Port of Skagit County
Lessee: Offspring Investments, LLC



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STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this 8th day of July, 2008, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Jerry Kaufman and Kevin Ware, 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 O. 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



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Lessor: Port of Skagit County
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STATE OF OREGON)

) ss.

COUNTY OF BENTON)

On this 16 day of JUNE, 2008, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Fred Lowther, to me known to be a member of Offspring Investments, LLC, the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument.

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



Helio Soares da Silva
Notary Public in and for the state of
Oregon residing at CORDABUS
My commission expires: APRIL 23, 2012

Printed Name: Helio Soares da Silva

STATE OF OREGON)

) ss.

COUNTY OF BENTON)

On this 16 day of JUNE, 2008, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Kathy Lowther, to me known to be a member of Offspring Investments, LLC, the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument.

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



Helio Soares da Silva
Notary Public in and for the state of
Oregon, residing at CORDABUS
My commission expires: APRIL 23, 2012

Printed Name: Helio Soares da Silva

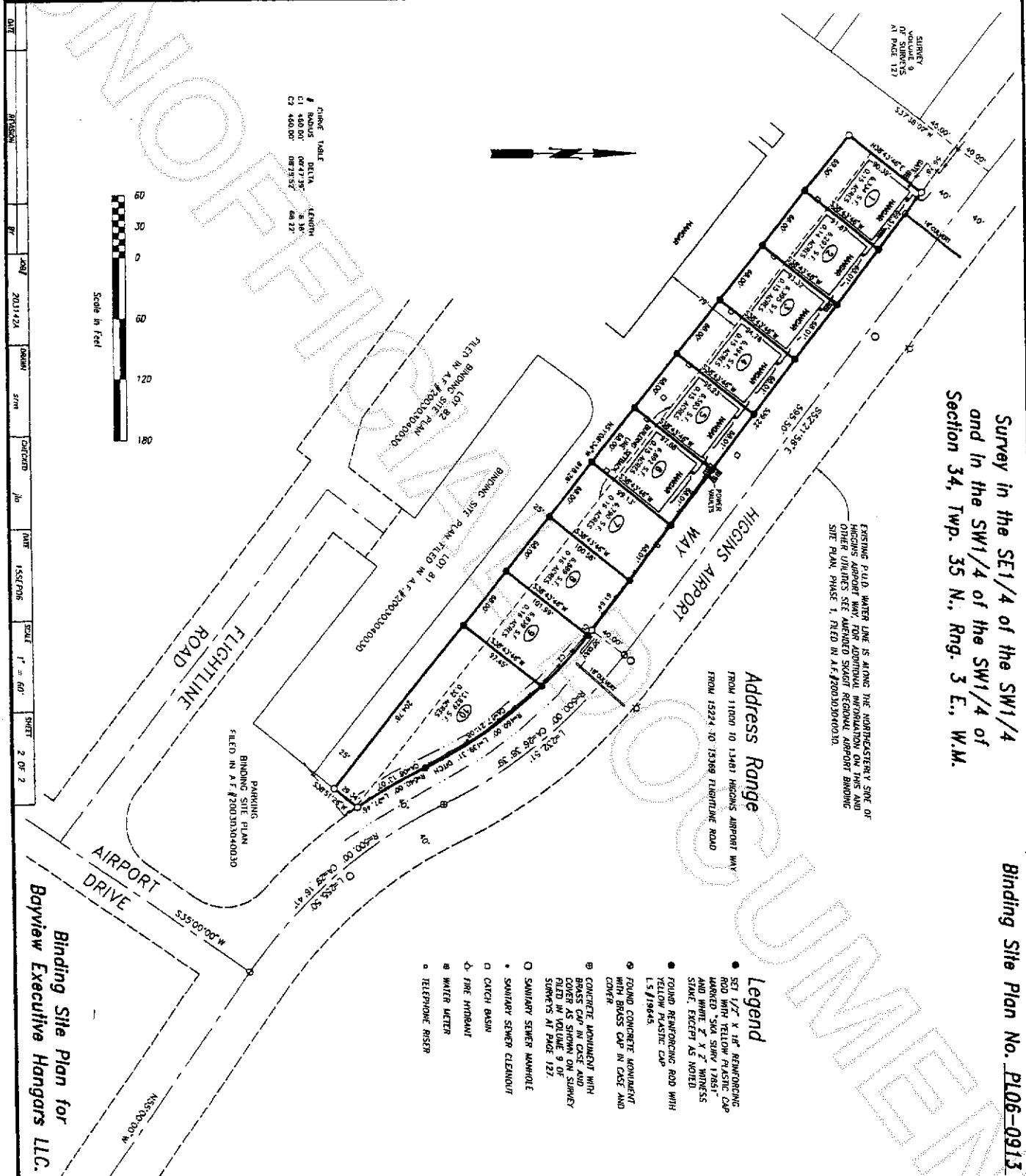


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Lessor: Port of Skagit County
Lessee: Offspring Investments, LLC

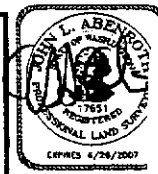
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Binding Site Plan for
Bayview Executive Hangars LLC.

Skagit
Surveyors & Engineers
806 Metcalf St., Sedro-Woolley, WA 98284 Phone: (360) 855-2121 FAX: (360) 855-1658

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SURVEYOR'S CERTIFICATE
I, L. ABBENOT, do hereby certify that the foregoing is a true and correct copy of the original survey as shown to me by the client.

AUDITOR'S CERTIFICATE
I, [Name], do hereby certify that the foregoing is a true and correct copy of the original survey as shown to me by the client.



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