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PORT OF ANACORTES

LEASE

THIS LEASE made as of April 1, 1978, by and between the  
PORT OF ANACORTES, a Washington municipal corporation as Lessor, hereinafter re-  
ferred to as "the Port", and FRONTIER INDUSTRIES, INC.  
hereinafter referred to as "Lessee",

WITNESSETH:

In consideration of their mutual promises the parties hereto do hereby  
mutually agree as follows:

1. LEASED PREMISES: The Port hereby leases to Lessee, and Lessee hereby  
hires and leases from the Port, the following described premises situated in  
Skagit County, State of Washington:

Buildings and realty in Anacortes, Washington as described in Exhibit "A".

hereinafter called "the premises".

2. TERM: The period or term of this lease shall be for five (5)  
years, commencing as of April 1, 1978, and terminating on March 31, 1983,  
unless sooner terminated as hereinafter provided, and  
subject to the option to renew hereinafter set forth.

3. RENT:

(a) Lessee agrees to pay as rent for the premises the sum of  
NINE HUNDRED THIRTY-FOUR DOLLARS EIGHTY-FIVE CENTS  
(\$934.85) per month for the first year of the period or term of this lease. The  
rent for each month shall be paid to the Port in advance on or before the first  
day of each and every month of the lease term, and shall be payable at such place  
as the Port may hereinafter designate. Except to the extent, if any, expressly  
provided below, payment of rent shall not relieve Lessee and/or cargo from their  
respective obligations to pay all applicable Port tariff charges.

Rent is computed as follows:

Area "A", 4050 sq. ft. @ \$.075 sq. ft. = \$ 303.75  
Area "B", 7808 sq. ft. @ \$. 02 sq. ft. = 156.16  
  
Improvements \$26,263.89 ÷ 60 months = 437.73  
\$437.73 x \$.085 interest = 37.21  
  
\$ 934.85 plus leasehold tax

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(b) The rent stated in subparagraph (a) above for Areas "A" and "B" of \$459.91 shall be adjusted, at the end of the twelfth month following the commencement of this lease and every twelve months thereafter, upward or downward in the same proportion that the U. S. Department of Labor Consumer Price Index (Seattle - Everett, Washington All Items - All Urban Consumers), hereinafter referred to as consumer price index, for the twelfth month of each annual period or term of the lease bears to the consumer price index for the beginning month of each annual lease period or term.

3.5 OPTION: For and in consideration of the sum of ONE DOLLAR (\$1.00) in hand paid, the Port hereby grants to Lessee the first and exclusive right and option to renew this lease and all provisions herein contained, except the rental provision, for an additional five year period, conditioned on Lessee's full and complete compliance with this lease agreement, it being understood and agreed that the basic rental for said second five year term shall be subject to negotiation. Lessee shall advise the Port of its intention to exercise the option, in writing, not less than 180 nor more than 270 days prior to the expiration of this lease agreement. Promptly following such a notice the parties shall negotiate in good faith for a monthly rent figure for the following rent period. Unless expressly provided to the contrary in another paragraph of this lease, such negotiated rent shall be the fair market rental value of the premises determined on a square footage or other appropriate basis customarily used for comparable properties as compared with such rental value being obtained on other premises for similar use in the Greater Anacortes area. In the event that the parties cannot agree on the rent prior to sixty (60) days before the effective date for rent negotiation, the option shall lapse and the Lessee shall proceed to make preparation to return possession of the premises to the Port pursuant to the terms of this lease.

4. BOND OR OTHER SECURITY:

(a) Lessee shall, upon execution of this lease, file with the Port a good and sufficient corporate surety company bond, rental insurance policy, or other security (hereinafter referred to as the "Bond") in accordance with the requirements of the laws of the State of Washington to secure the full performance by Lessee of all terms and conditions of this lease, including the payment by Lessee of all amounts now or hereafter payable to the Port during the full term hereof. The form and provisions of the Bond, and the identity of the surety or insurer thereon, shall be subject to the approval of the Port. The amount of the Bond shall be based upon the rents payable hereunder and determined in accordance with the laws of the State of Washington, and shall be adjusted if required by said laws. If the amount of the Bond is not so adjusted, Lessee shall be considered in default hereunder, and subject to the Port's rights under

1 subparagraph (b) of this paragraph and 20 "Defaults" below. No future  
2 amendment or extension to this lease shall be effective until the  
3 surety or insurer has given its consent thereto and the amount of  
4 the Bond has been adjusted as required. The Bond may provide for  
5 termination on the anniversary date thereof upon not less than one  
6 (1) year's written notice to the Port if the lease is not in default  
7 at the time of said notice. In the event of any such termination,  
8 Lessee shall obtain a new Bond, also subject to Port approval, to  
9 replace the Bond being so terminated to be effective on or before  
10 the date of termination.

11 (b) Until such time as Lessee furnishes the Bond in  
12 accordance with the provisions of subparagraph (a) above, and in  
13 the event Lessee at any time or times during the stated term of  
14 this lease shall cease to be in compliance with the provisions of  
15 this paragraph 4, the Port at its sole option may elect to exercise  
16 any or all of its rights under paragraph 20 "Defaults" below fol-  
17 lowing fifteen (15) days' prior written notice to Lessee. Pending  
18 Lessee's cure of its default or the effective date of any termina-  
19 tion for default so elected by the Port, Lessee shall pay rent and  
20 all other sums owing to the Port under this lease computed as though  
21 this lease had been originally awarded on a month-to-month basis.

22 (c) It is further agreed that in the event the laws of  
23 the State of Washington applicable hereto shall hereafter be amended,  
24 the provisions of this entire paragraph 4 shall be deemed likewise  
25 automatically amended upon the effective date of such statutory  
26 amendments, to the extent and in a manner necessary to comply there-  
27 with.

28 5. USE OF PREMISES: Lessee shall use the premises for  
29 manufacture, storage and shipment of cedar shingles and/or  
30 shakes and  
31 shall not use them for any other purpose without the written con-  
32 sent of the Port. Lessee shall use the entire premises for the  
conduct of said business in a first-class manner continuously during  
the entire term of this lease, with the exception of temporary  
closures for such periods as may reasonably be necessary for repairs  
or redecorating or for reasons beyond Lessee's reasonable control.  
Lessee agrees that it will not disturb the Port or any other tenant  
of the Port by making or permitting any disturbance or any unusual  
noise, vibration or other condition on or in the premises. Lessee  
shall comply with any and all signs affixed by the Port in the  
premises as of the commencement of the lease term relative to max-  
imum floor loadings.

6. UTILITIES: Lessee shall be liable for, and shall pay  
throughout the term of this lease, all charges for all utility ser-  
vices furnished to the premises, including, but not limited to,  
light, heat, electricity, gas, water, sewerage, garbage disposal  
and janitorial services. In the event that the premises are part  
of any larger premises to which any utility services are furnished  
on a consolidated or joint basis, Lessee agrees to pay to the Port  
Lessee's pro rata share of the cost of any such utility services.  
Lessee's pro rata share of any such services may be computed by the  
Port on any reasonable basis, and separate metering or other exact  
segregation of cost shall not be required.

7. ACCEPTANCE OF PREMISES: Lessee has examined the premises,  
accepts them in their present condition, and agrees to make any  
changes in the premises necessary to conform to federal, state and

1 local law applicable to Lessee's use of the premises.

2 8. MAINTENANCE AND REPAIR: At the expiration or sooner term-  
3 ination of this lease, Lessee shall return the premises to the Port  
4 in the same condition in which received (or, if altered by Lessee  
5 with the Port's consent, then the premises shall be returned in  
6 such altered condition), reasonable wear and tear and damage by  
7 fire or unavoidable casualty excepted. Lessee shall, at its own  
8 expense, at all times keep the premises, and the adjoining roadways  
9 and sidewalks, neat, clean and in a safe and sanitary condition,  
10 free from infestation of pests and conditions which might result in  
11 harborage for, or infestation of, pests. (The word "pests", as  
12 used herein, shall include, without limitation, rodents, insects  
13 and birds in numbers to the extent that a nuisance is created.)  
14 Lessee shall also keep the glass of all windows and doors on the  
15 premises clean and presentable, and shall maintain and keep the pre-  
16 mises in a good state of repair, and shall commit no waste of any  
17 kind, and, without limiting the generalities thereof, shall replace  
18 all cracked or broken glass in the premises, and keep the electrical  
19 system and the sprinkler system and all drains clean and in a good  
20 state of repair, and shall protect the sprinkler system and all pipes  
21 and drains so that they will not freeze or become clogged; Provided,  
22 that Lessee's said obligation to make all necessary repairs shall  
23 not extend to any repairs to the roof (structure or covering) or to  
24 the foundations of the building or structure (but expressly ex-  
25 cluding from the term "foundations" all flooring and decking, whether  
26 structural or finish) of which the premises are a part, or to any  
27 repairs to any bearing columns or bearing walls or to the exterior  
28 walls of the building or structure that may be necessary to maintain  
29 the structural soundness of those columns or walls, except to the  
30 extent that any of the repairs described in this proviso may be re-  
31 quired as a result of damage caused by negligence of Lessee or its  
32 agents, employees, invitees or licensees. Lessee shall remove all  
snow and ice from the sidewalk in front of the premises and shall  
remove all snow and ice from the roof thereof.

19 9. ALTERATIONS AND IMPROVEMENTS: Lessee shall make no alter-  
20 ations or improvements to or upon the premises or install any fix-  
21 tures (other than trade fixtures which can be removed without in-  
22 jury to the premises) without first obtaining written approval from  
23 the General Manager of the Port and subject to any and all conditions  
24 in such approval. In the event any alterations or improvements  
25 shall be made or fixtures (other than trade fixtures which can be  
26 removed without injury to the premises) installed by Lessee, they  
27 shall at once become a part of the realty and become the property  
28 of the Port. Movable furniture and trade fixtures which are re-  
29 movable without injury to the premises shall be and remain the prop-  
30 erty of Lessee.

26 10. INSPECTION "FOR RENT" SIGNS: The Port reserves the right  
27 to inspect the premises at any and all reasonable times throughout  
28 the term of this lease; Provided, that the Port shall not interfere  
29 unduly with Lessee's operations. The right of inspection reserved  
30 to the Port hereunder shall impose no obligation on the Port to  
31 make inspections to ascertain the condition of the premises; and  
32 shall impose no liability upon the Port for failure to make such  
inspections. The Port shall have the right to place and maintain  
"For Rent" signs in conspicuous places on the premises for thirty  
(30) days prior to the expiration or sooner termination of this  
Lease.

1 11. OUTSIDE AREAS AND ROOF: The use of the outside area of  
2 the walls (other than the front of the premises) and the roof of  
3 the building in which the premises are located is reserved to the  
Port, which shall have the right to utilize the same for any pur-  
pose, including the maintenance of signs.

4 12. POSSESSION: If the Port shall be unable for any reason  
5 to deliver possession of the premises, or any portion thereof, at  
6 the time of the commencement of the term of this lease, the Port  
7 shall not be liable for any damage caused thereby to Lessee, nor  
8 shall this lease thereby become void or voidable, nor shall the  
9 term specified herein be in any way extended, but in such event  
10 Lessee shall not be liable for any rent until such time as the Port  
11 can deliver possession. If Lessee shall, in the interim, take pos-  
12 session of any portion of the premises, Lessee shall pay as rent  
13 the full rent specified herein reduced prorata for the portion of  
14 the premises not available for possession by Lessee. If the Port  
15 shall be unable to deliver possession of the premises at the com-  
16 mencement of the term of this lease, Lessee shall have the option  
17 to terminate this lease by at least thirty (30) days' written notice,  
18 unless the Port shall deliver possession of the premises prior to  
19 the effective date of termination specified in such notice. If  
20 Lessee shall, with the Port's consent, take possession of all or  
21 any part of the premises prior to the commencement of the term of  
22 this lease, all of the terms and conditions of this lease shall  
23 immediately become applicable, with the exception that Lessee shall  
24 not be obligated to pay any rent for the period prior to the com-  
25 mencement of the term of this lease unless otherwise mutually agreed.

16 13. DAMAGE OR DESTRUCTION:

17 (a) Should the premises or the buildings or structures  
18 of which the premises are a part be damaged by fire or other  
19 casualty, and if the damage is repairable within four (4) weeks  
20 from the date of the occurrence (with the repair work and the pre-  
21 parations therefor to be done during regular working hours on regu-  
lar work days), the premises shall be repaired with due diligence  
by the Port, and in the meantime the monthly minimum rent shall be  
abated in the same proportion that the untenable portion of the  
premises bears to the whole thereof, for the period from the occur-  
rence of the damages to the completion of the repairs.

22 (b) Should the premises or any buildings or structures  
23 of which the premises are a part be completely destroyed by fire  
24 or other casualty, or should they be damaged to such an extent that  
25 the damage cannot be repaired within four (4) weeks of the occurrence,  
26 the Port shall have the option to terminate this lease on thirty  
27 (30) days' notice, effective as of any date not more than sixty (60)  
28 days after the occurrence. In the event that this paragraph shall  
29 become applicable, the Port shall advise Lessee within thirty (30)  
30 days after the happening of any such damage whether the Port has  
31 elected to continue the lease in effect or to terminate it; If the  
Port shall elect to continue this lease in effect, it shall commence  
and prosecute with due diligence any work necessary to restore or  
repair the premises. If the Port shall fail to notify Lessee of its  
election within said thirty (30) day period, the Port shall be  
deemed to have elected to terminate this lease, and the lease shall  
automatically terminate sixty (60) days after the occurrence of the  
damage. For the period from the occurrence of any damage to the  
premises to the date of completion of the repairs to the premises  
(or to the date of termination of the lease if the Port shall elect

1 not to restore the premises), the monthly minimum rent shall be  
2 abated in the same proportion as the untenable portion of the  
premises bears to the whole thereof.

3 14. INDEMNIFICATION - LIABILITY INSURANCE: The Port, its  
4 employees and agents shall not be liable for any injury (including  
5 death) to any persons or for damage to any property regardless of  
6 how such injury or damage be caused, sustained or alleged to have  
7 been sustained by Lessee or by others as a result of any condition  
8 (including existing or future defects in the premises) or occurrence  
9 (including failure or interruption of utility service) whatsoever re-  
10 lated in any way to the premises and the areas adjacent thereto or  
11 related in any way to Lessee's use or occupancy of the premises and  
12 of the areas adjacent thereto. Lessee agrees to defend and to hold  
13 and save the Port harmless from all liability or expense (including  
14 expense of litigation) in connection with any such items of actual  
15 or alleged injury or damage. In addition, Lessee shall, at its  
16 own expense, maintain proper liability insurance with a reputable  
17 insurance company or companies satisfactory to the Port in the min-  
18 imum limits of \$250,000 (per person) and \$500,000 (per accident or  
19 occurrence) for bodily injuries and death, and in the minimum limit  
20 of \$250,000 (per accident) for property damage, and hereafter in such  
21 increased amounts as the parties may from time to time mutually  
agree upon, to indemnify both the Port and Lessee against any such  
liability or expense. The Port shall be named as additional insured,  
and shall be furnished with appropriate evidence to establish (1)  
that Lessee's insurance obligations as herein provided have been  
met, and (2) that the insurance policy or policies as herein re-  
quired are not subject to cancellation without at least ninety (90)  
days' advance written notice to the Port. Lessee shall furnish to  
the Port from time to time evidence of renewal of insurance as re-  
quired.

17 15. WAIVER OF SUBROGATION: The Port and Lessee hereby mutually  
18 release each other from liability and waive all right of recovery  
19 against each other for any loss from perils insured against under  
20 the respective fire insurance contracts, including any extended  
21 coverage endorsements thereto; Provided, that this paragraph 15  
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 Port or Lessee.

22 16. INCREASE IN COST OF INSURANCE: Lessee shall not use the  
23 premises in such a manner as to increase the existing rates of in-  
24 surance applicable to the buildings or structures of which the pre-  
25 mises are a part. If it nevertheless does so, then, at the option  
26 of the Port, the full amount of any resulting increase in premiums  
27 paid by the Port with respect to the buildings or structures of  
28 which the premises are a part, and to the extent allocable to the  
29 term of this lease, may be added to the amount of rent hereinabove  
30 specified and shall be paid by Lessee to the Port upon the monthly  
31 rental day next thereafter occurring.

27 17. TAXES: Lessee shall be liable for, and shall pay through-  
28 out the term of this lease, all license fees and all excise taxes  
29 payable for, or on account of, the activities conducted on the pre-  
30 mises and all taxes on the property of Lessee on the premises and  
31 any taxes on the premises and/or on the leasehold interest created  
by this lease and/or any taxes levied in lieu of a tax on said  
leasehold interest and/or any taxes levied on, or measured by, the  
rentals payable hereunder, whether imposed on Lessee or on the Port.

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1 Lessee shall reimburse the Port for all such taxes paid or payable  
2 by the Port. With respect to any such taxes payable by the Port  
3 which are on or measured by the rent payments hereunder, Lessee  
4 shall pay to the Port with each rent payment an amount equal to the  
5 tax on, or measured by, that particular payment. All other tax  
6 amounts for which the Port is or will be entitled to reimbursement  
7 from Lessee shall be payable by Lessee to the Port at least fifteen  
8 (15) days prior to the due dates of the respective tax amounts in-  
9 volved; Provided, that Lessee shall be entitled to a minimum of  
10 ten (10) days' written notice of the amounts payable by it.

11 18. COMPLIANCE WITH PORT REGULATIONS AND WITH ALL LAWS: Les-  
12 see agrees to comply with all applicable rules and regulations of  
13 the Port pertaining to the building or other realty of which the  
14 premises are a part now in existence or hereafter promulgated for  
15 the general safety and convenience of the Port, its various tenants,  
16 invitees, licensees and the general public. Lessee further agrees  
17 to comply with all applicable federal, state and municipal laws,  
18 ordinances, and regulations, including without limitation those re-  
19 lating to environmental matters. Any fees for any inspection of  
20 the premises during or for the lease term by any federal, state or  
21 municipal officer and the fees for any so-called "Certificate of  
22 Occupancy" shall be paid by Lessee.

23 19. ASSIGNMENT OR SUBLEASE: Lessee shall not assign or trans-  
24 fer this lease or any interest therein nor sublet the whole or any  
25 part of the premises, nor shall this lease or any interest there-  
26 under be assignable or transferable by operation of law or by any  
27 process or proceeding of any court, or otherwise, without the writ-  
28 ten consent of the Port first had and obtained. If Lessee is a  
29 corporation, Lessee further agrees that if at any time during the  
30 term of this lease more than one-half ( $\frac{1}{2}$ ) of the outstanding shares  
31 of any class of stock of Lessee corporation shall belong to any  
32 stockholders other than those who own more than one-half ( $\frac{1}{2}$ ) of the  
outstanding shares of that class of stock at the time of the execu-  
tion of this lease or to members of their immediate families, such  
change in the ownership of the stock of Lessee shall be deemed an  
assignment of this lease within the meaning of this paragraph. If  
the Port shall give its consent to any assignment or sublease, this  
paragraph shall nevertheless continue in full force and effect and  
no further assignment or sublease shall be made without the Port's  
consent.

23 20. DEFAULTS: Time is of the essence of this agreement.  
24 Lessee shall pay interest monthly at the annual rate of twelve per-  
25 cent (12%), or the maximum rate permitted from time to time by ap-  
26 plicable law, whichever is less, on all sums owing to the Port under  
27 this lease, commencing thirty (30) days after the date each sum is  
28 due and payable. In the event of the failure of Lessee to pay the  
29 rents, interest, and any and all other charges provided for in this  
30 lease at the time and in the manner herein specified, or to keep  
31 any of the covenants or agreements herein set forth to be kept and  
32 performed, including without limitation the provisions of paragraph  
4 relating to the Bond which must be furnished by Lessee and main-  
tained throughout the term of this lease, the Port may elect to  
terminate this lease and reenter and take possession of the premises  
with or without process of law; Provided, however, that Lessee shall  
be given fifteen (15) days' notice in writing stating the nature of  
the default in order to permit such default to be remedied by Lessee  
within said fifteen (15) day period. Payment by Lessee to the Port  
of interest on rents and/or on any other charges due and owing under

1 this lease shall not cure or excuse Lessee's default in connection  
2 with such rents and/or other charges. Interest, default and all  
3 other remedies of the Port hereunder are cumulative and not alterna-  
4 tive. If upon such reentry there remains any personal property of  
5 Lessee or of any other person upon the premises, the Port may, but  
6 without the obligation so to do, remove said personal property and  
7 hold it for the owners thereof or may place the same in a public  
8 garage or warehouse, all at the expense and risk of the owners  
9 thereof, and Lessee shall reimburse the Port for any expense in-  
10 curred by the Port in connection with such removal and storage.  
11 The Port shall have the right to sell such stored property, without  
12 notice to Lessee, after it has been stored for a period of thirty  
13 (30) days or more, the proceeds of such sale to be applied first to  
14 the cost of such sale, second to the payment of the charges for  
15 storage, and third to the payment of any other amounts which may  
16 then be due from Lessee to the Port, and the balance, if any, shall  
17 be paid to Lessee. Notwithstanding any such reentry, the liability  
18 of Lessee for the full rents and interest provided for herein shall  
19 not be extinguished for the balance of the term of this lease, and  
20 Lessee shall make good to the Port any deficiency arising from a  
21 reletting of the premises at a lesser rental than that hereinbefore  
22 agreed upon. Lessee shall pay such deficiency each month as the  
23 amount thereof is ascertained by the Port.

24 21. TERMINATION: In the event that the Port, at its sole  
25 discretion, shall require the use of the premises for a major cap-  
26 ital improvement for public or private use in connection with the  
27 operation of the business of the Port, then this lease may be  
28 terminated by the Port by written notice delivered or mailed by the  
29 Port to Lessee not less than ONE HUNDRED TWENTY (120) days  
30 before the termination date specified in the notice.

31 22. TERMINATION FOR GOVERNMENT USE: In the event that any  
32 federal, state or local government or agency or instrumentality  
thereof shall, by condemnation or otherwise, take title, possession  
or the right to possession of the premises or any part thereof, the  
Port may, at its option, terminate this lease as of the date of  
such taking, and, if Lessee is not in default under any of the pro-  
visions of this lease on said date, any rent prepaid by Lessee shall,  
to the extent allocable to any period subsequent to the effective  
date of the termination, be promptly refunded to Lessee.

23 23. TERMINATION BECAUSE OF COURT DECREE: In the event that  
24 any court having jurisdiction in the matter shall render a decision  
25 which has become final and which will prevent the performance by  
26 the Port of any of its obligations under this lease, then either  
27 party hereto may terminate this lease by written notice, and all  
28 rights and obligations hereunder (with the exception of any undis-  
29 charged rights and obligations that accrued prior to the effective  
30 date of termination) shall thereupon terminate. If Lessee is not  
31 in default under any of the provisions of this lease on the effective  
32 date of such termination, any rent prepaid by Lessee shall, to the  
extent allocable to any period subsequent to the effective date of  
the termination, be promptly refunded to Lessee.

24 24. SIGNS: No signs or other advertising matter, symbols,  
25 canopies or awnings shall be attached to or painted on or within  
26 the premises, including the windows and doors thereof, without the  
27 approval of the General Manager of the Port first had and obtained.  
28 At the termination or sooner expiration of this lease, all such  
29 signs, advertising matter, symbols, canopies or awnings attached to  
30



1 or painted by Lessee shall be removed by Lessee at its own expense,  
2 and Lessee shall repair any damage or injury to the premises and  
correct any unsightly condition caused by the maintenance and re-  
3 moval of said signs, etc.

4 25. INSOLVENCY: If Lessee shall file a petition in bankruptcy,  
or if Lessee shall be adjudged bankrupt or insolvent by any court,  
5 or if a receiver of the property of Lessee shall be appointed in any  
proceeding brought by or against Lessee, or if Lessee shall make an  
6 assignment for the benefit of creditors, or if any proceedings shall  
be commenced to foreclose any mortgage or any other lien on Lessee's  
7 interest in the premises or on any personal property kept or main-  
tained on the premises by Lessee, the Port may, at its option,  
8 terminate this lease.

9 26. NONWAIVER: The acceptance of rent by the Port for any  
period or periods after a default by Lessee hereunder shall not be  
10 deemed a waiver of such default unless the Port shall so intend and  
shall so advise Lessee in writing. No waiver by the Port of any  
11 default hereunder shall be construed to be or act as a waiver of  
any subsequent default by Lessee. After any default shall have been  
12 timely cured by Lessee, it shall not thereafter be used by the Port  
as a ground for the commencement of any action under the provisions  
13 of paragraph 20 hereof.

14 27. PROMOTION OF PORT COMMERCE: Lessee agrees that through-  
out the term of this lease it will, insofar as practicable, promote  
15 and aid the movement of passengers and freight through facilities  
within the territorial limits of the Port. Lessee further agrees  
16 that all incoming shipments of commodities that it may be able to  
control or direct shall be made through facilities within the ter-  
17 ritorial limits of the Port if there will be no resulting cost or  
time disadvantage to Lessee.

18 28. SURRENDER OF PREMISES - ATTORNEYS' FEES: At the expira-  
tion or sooner termination of this lease, Lessee shall promptly  
19 surrender possession of the premises to the Port, and shall deliver  
to the Port all keys that it may have to any and all parts of the  
20 premises. In the event that either party shall be required to bring  
any action to enforce any of the provisions of this lease, or shall  
21 be required to defend any action brought by the other party with  
respect to this lease, and in the further event that one party shall  
22 entirely prevail in such action, the losing party shall, in addition  
to all other payments required therein, pay all of the prevailing  
23 party's actual costs in connection with such action, including such  
sums as the court or courts may adjudge reasonable as attorneys'  
24 fees in the trial court and in any appellate courts.

25 29. HOLDING OVER: If Lessee shall, with the consent of the  
Port, hold over after the expiration or sooner termination of the  
26 term of this lease, the resulting tenancy shall, unless otherwise  
mutually agreed, be for an indefinite period of time on a month-to-  
27 month basis. During such month-to-month tenancy, Lessee shall pay  
to the Port the same rate of rent as set forth herein, unless a  
28 different rate shall be agreed upon, and shall be bound by all of  
the additional provisions of this lease insofar as they may be per-  
29 tinent.

30 30. ADVANCES BY PORT FOR LESSEE: If Lessee shall fail to do  
anything required to be done by it under the terms of this lease,  
31 except to pay rent, the Port may, at its sole option, do such act

32

1 or thing on behalf of Lessee, and upon notification to Lessee of  
2 the cost thereof to the Port, Lessee shall promptly pay the Port  
the amount of that cost.

3 31. LIENS AND ENCUMBRANCES: Lessee shall keep the premises  
4 free and clear of any liens and encumbrances arising or growing  
out of the use and occupancy of the said premises by Lessee. At  
5 the Port's request, Lessee shall furnish the Port with written proof  
of payment of any item which would or might constitute the basis for  
such a lien on the premises if not paid.

6 32. NOTICES: All notices and payments hereunder may be de-  
7 livered or mailed. If mailed, they shall be sent to the following  
respective addresses:

8 To Lessor:

9  
10 The Port of Anacortes  
11 P. O. Box 297  
12 Anacortes, Washington 98221

13  
14 To Lessee:

15 Frontier Industries, Inc.  
16 901 3rd Street  
17 Anacortes, Washington 98221  
18

19 or to such other respective addresses as either party hereto may  
20 hereafter from time to time designate in writing. Notices and pay-  
ments sent by certified or registered mail and subsequently re-  
21 ceived by the Port shall be deemed to have been given when and if  
properly mailed, and the postmark affixed by the United States Post  
Office shall be conclusive evidence of the date of mailing.

22 33. JOINT AND SEVERAL LIABILITY: Each and every party who  
23 signs this lease, other than in a representative capacity, as lessee, shall  
be jointly and severally liable hereunder.

24 34. "LESSEE" INCLUDES LESSEES, ETC.: It is understood and  
25 agreed that for convenience the word "Lessee" and verbs and pro-  
nouns in the singular number and neuter gender are uniformly used  
26 throughout this lease, regardless of the number, gender or fact of  
incorporation of the party who is, or of the parties who are, the  
27 actual lessee or lessees under this agreement.

28 35. CAPTIONS: The captions in this lease are for convenience  
29 only and do not in any way limit or amplify the provisions of this  
lease.

30 36. INVALIDITY OF PARTICULAR PROVISIONS: If any term or pro-  
31 vision of this lease or the application thereof to any person or  
circumstance shall, to any extent, be invalid or unenforceable, the  
32 remainder of this lease or the application of such term or provision

1 to persons or circumstances other than as to which it is held in-  
2 valid or unenforceable shall not be affected thereby and shall con-  
tinue in full force and effect.

3 37. NONDISCRIMINATION - SERVICES:

4 (a) Lessee agrees that it will not discriminate by seg-  
5regation or otherwise against any person or persons because of race,  
6 sex, age, creed, color or national origin in furnishing, or by re-  
fusing to furnish, to such person, or persons, the use of the fac-  
7 ility herein provided, including any and all services, privileges,  
accommodations, and activities provided thereby.

8 (b) It is agreed that Lessee's noncompliance with the  
9 provisions of this clause shall constitute a material breach of  
this lease. In the event of such noncompliance, the Port may take  
10 appropriate action to enforce compliance, may terminate this lease,  
or may pursue such other remedies as may be provided by law.

11 38. NONDISCRIMINATION - EMPLOYMENT: Lessee covenants and  
12 agrees that in all matters pertaining to the performance of this  
13 lease, Lessee shall at all times conduct its business in a manner  
which assures fair, equal and nondiscriminatory treatment of all  
persons without respect to race, sex, age, color, creed or national  
origin and, in particular:

14 (a) Lessee will maintain open hiring and employment  
15 practices and will welcome applications for employment in all po-  
sitions from qualified individuals who are members of racial or  
other minorities, and

16 (b) Lessee will comply strictly with all requirements of  
17 applicable federal, state and local laws or regulations issued pur-  
18 suant thereto relating to the establishment of nondiscriminatory  
requirements in hiring and employment practices and assuring the  
19 service of all patrons or customers without discrimination as to  
any person's race, sex, age, creed, color or national origin.

20 39. LABOR UNREST: Lessee agrees to join with the Port and use  
21 its best efforts in avoiding labor unrest, or in the event of a  
wildcat strike or other labor difficulty, to use its good offices  
22 in negotiating and bringing to a swift and satisfactory conclusion  
any kind of labor dispute that may affect the interests of the Port.

23 40. EASEMENTS:

24 (a) The parties recognize that the Port facilities are  
25 continuously being modified to improve the utilities, services and  
premises used and provided by the Port. The Port, or its agents,  
26 shall have the right to enter the premises of Lessee, and to cross  
over, construct, move, reconstruct, rearrange, alter, maintain, re-  
27 pair and operate the sewer, water, and drainage lines, and the  
electrical service, and all other services and facilities required  
28 by the Port for its use. The Port is hereby granted a continuous  
easement or easements that the Port believes is necessary within  
29 the premises of Lessee, without any additional cost to the Port for  
the purposes expressed hereinabove. Provided, however, that the  
30 Port by virtue of such use, does not substantially deprive Lessee  
from its beneficial use or occupancy of its leased area for an un-  
31 reasonable period of time, not to exceed thirty (30) working days,  
without consent of Lessee.

1 (b) In the event that the Port permanently deprives  
2 Lessee from such beneficial use or occupancy, then an equitable  
3 adjustment in rent, or in the cost required to modify its premises  
4 to allow the Lessee to operate its business, will be negotiated and  
5 paid by the Port to Lessee. In the event that such entry by the  
6 Port is temporary in nature, then the Port shall reimburse Lessee  
7 for the cost required to modify its premises for the temporary per-  
8 iod that Lessee is inconvenienced by such Port entry. The Port  
9 will not be responsible to Lessee for any reduced efficiency or  
10 loss of business occasioned by such entry.


11 41. FEDERAL MARITIME COMMISSION REGULATIONS:

12 (a) This instrument shall be submitted to the Federal  
13 Maritime Commission for determination as to whether it may be sub-  
14 ject to the provisions of Section 15 of the Shipping Act, 1916, as  
15 amended. In the event that the Commission or its staff shall de-  
16 termine approval of this instrument is required under said Section  
17 15, this instrument shall not become effective until both of the  
18 parties hereto have been informed that such approval has been given.  
19 No future amendment or modification to this instrument (other than  
20 a termination of the entire agreement between the parties by their  
21 mutual consent) shall become effective until such amendment or mod-  
22 ification has been submitted to and reviewed by the Federal Mari-  
23 time Commission and its staff in the manner outlined above.

24 (b) Pending approval by the Federal Maritime Commission,  
25 Lessee will be assessed rent pursuant to the Port tariffs. Once  
26 Federal Maritime Commission approval is received, Lessee will be  
27 obligated to pay the rent thereafter pursuant to the lease. If it  
28 is found by the FMC that this lease is not subject to Federal Mari-  
29 time Commission approval, then and in that event the rent will be  
30 assessed retroactively from the first date of occupancy at the rate  
31 stated herein, and Lessee will be given credit for the amount of  
32 rent paid heretofore under the tariff rate.

33 42. ENTIRE AGREEMENT - AMENDMENTS: Prior to signing this  
34 lease the parties modified printed paragraph(s) NONE  
35 \_\_\_\_\_, deleted printed paragraph(s) \_\_\_\_\_  
36 NONE, added typewritten paragraph(s) \_\_\_\_\_  
37 NONE set forth on the attached Addendum to this  
38 lease which is incorporated herein and made a part hereof by this  
39 reference, and added attached Exhibits "A". This  
40 printed lease together with any attached Addendum incorporated by  
41 the preceding sentence and any and all exhibits expressly incorpor-  
42 ated herein by reference and attached hereto shall constitute the  
43 whole agreement between the parties. There are no terms, obligations,  
44 covenants or conditions other than those contained herein. No mod-  
45 ification or amendment of this agreement shall be valid or effective  
46 unless evidenced by an agreement in writing signed by both parties.

47 IN WITNESS WHEREOF the parties hereto have signed this lease  
48 as of the day and year first above written.

49 SIGNATURE FOR LESSEE  
50 IF INCORPORATED: FRONTIER INDUSTRIES, INC.  
51 By  \_\_\_\_\_  
52 President  
53 Lessee

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ATTEST:

By Bern Johnson  
Secretary  
(Corporate Seal)

SIGNATURE FOR LESSEE  
IF UNINCORPORATED:

\_\_\_\_\_

\_\_\_\_\_

Lessee

PORT OF ANACORTES

By [Signature]  
President  
Lessor

ATTEST:



By [Signature]  
Secretary  
(Corporate Seal)



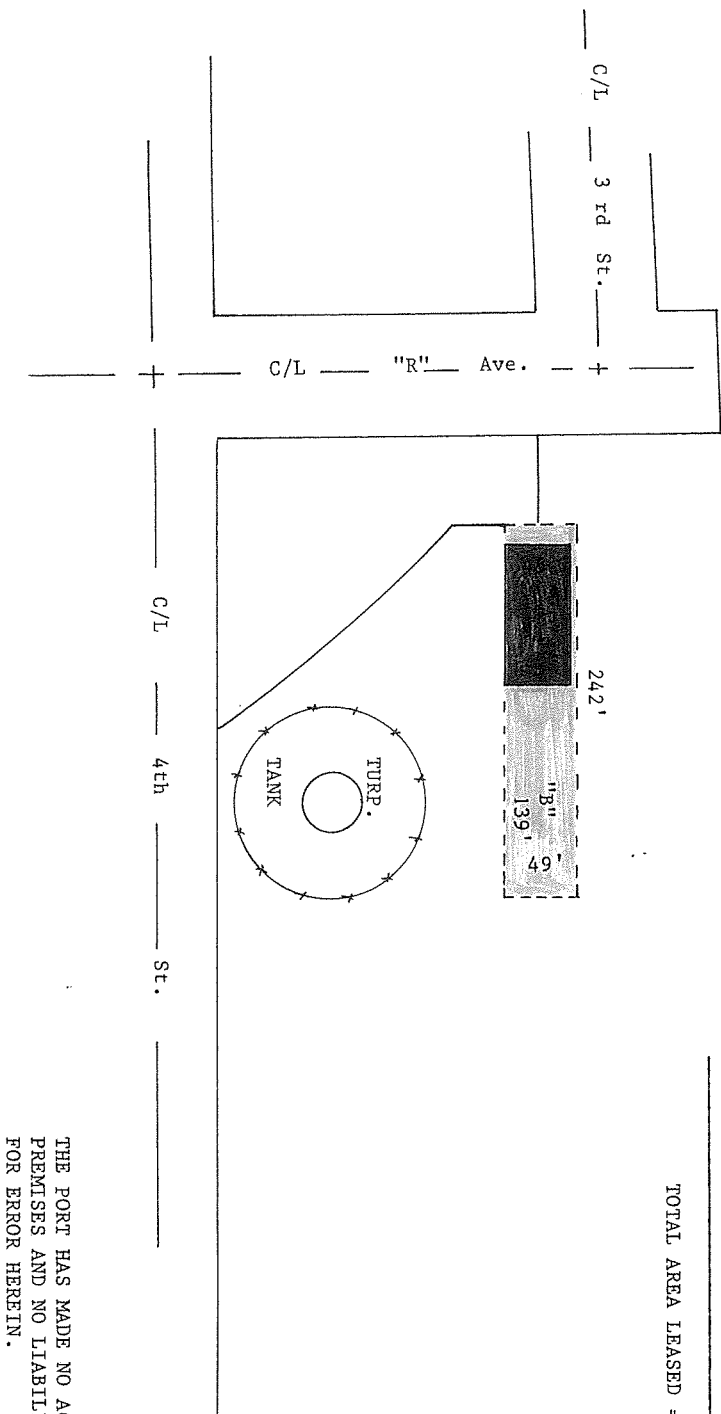
E X H I B I T " A "

LEASED PREMISES IN ANACORTES, WASHINGTON

LEGEND

-  AREA "A" SHOP AREA Approx. 4,050 sq.ft.
-  AREA "B" MILL AREA Approx. 7,808 sq.ft.

TOTAL AREA LEASED = Approx. 11,858 sq.ft.



THE PORT HAS MADE NO ACTUAL SURVEY OF THE  
PREMISES AND NO LIABILITY CAN BE ASSUMED  
FOR ERROR HEREIN.