

**PORT OF ANACORTES
LEASE AGREEMENT**

THIS LEASE AGREEMENT, hereinafter referred to as "this Lease", is made as of Sept. 28th 1995 by and between the PORT OF ANACORTES, a Washington municipal corporation, hereinafter referred to as "Lessor", and Frontier Industries, Inc., a Washington corporation, hereinafter referred to as "Lessee".

RECITALS

A. The Lessor is the owner of real property in Anacortes, Washington, as legally described in Exhibit "A" attached hereto and incorporated herein as though fully set forth here, and sometimes hereinafter referred to as the "Property".

B. The Lessee desires to lease the area highlighted and depicted in Exhibit "B" attached hereto and incorporated herein as though fully set forth here, and sometimes hereinafter referred to as the "Premises" to use as an office area.

C. Lessor is agreeable to entering into a lease with Lessee for the Premises, subject to Lessee accepting the terms and conditions of this Lease, all as more specifically hereinafter set forth.

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 Lessor has real property at Anacortes, Skagit County, Washington upon which it has constructed a facility known as the Maintenance Building, hereinafter referred to as "the facility", which is situated on certain real property described in Exhibit "A" attached hereto and incorporated herein as though fully set forth here. The facility consists primarily of a building designed to accommodate maintenance work along with related offices, storage, and associated parking. The Lessor hereby leases to Lessee and Lessee hereby leases from the Lessor, that portion of the facility as depicted in illustration marked Exhibit "B", of approximately 360 square feet, attached hereto and incorporated herein as though fully set forth here. The floor area as depicted on attached Exhibit "B", together with the interior walls thereof, shall hereinafter be termed "the Premises".

The Lessor's facility, like any similar structure, is served by various common service/structural components and utilities. Said common service/structural components and utility services are subject to inspection, repair, alteration, and/or modification from time to time. As such, the Lessor reserves for itself and its agents a non-exclusive easement over and across the Premises to make inspections, repairs, alterations, and/or modifications to the common service/structural components and utility services. The Lessor shall not be responsible to Lessee for any loss or damage occasioned by Lessor's exercise of said easement rights, including without limitation any reduced efficiency or loss of business, unless the same serve to substantially deprive Lessee from its beneficial use or occupancy of the Premises for a period of time in excess of thirty (30) working days.

2. TERM: This Lease shall be on a month to month basis beginning October 1, 1995.

3. POSSESSION AND RIGHT OF QUIET ENJOYMENT.

a. If the Lessor shall be unable for any reason to deliver possession of the Premises, or any portion thereof, at the time of the commencement of the term of this Lease, the Lessor shall not be liable for any damage caused thereby to Lessee, nor shall this Lease thereby become void or voidable, nor shall the term specified herein be in any way extended, but in such event Lessee shall not be liable for any rent (unless hereinafter provided for to the contrary) until such time as the Lessor can deliver possession. If Lessee shall, in the interim take possession of any portion of the Premises, Lessee shall pay as rent (unless hereinafter provided for to the contrary) the full rent specified herein reduced pro rata for the portion of the Premises not available for possession by Lessee. If the Lessor shall be unable to deliver possession of the Premises at the commencement of the term of this Lease, Lessee shall have the option to terminate this Lease by at least thirty (30) days' written notice unless the Lessor shall deliver possession of the Premises prior to the effective date of termination specified in such notice. If Lessee shall, with the Lessor's consent, take possession of all or any part of the Premises prior to the commencement of the term of this Lease, all of the terms and conditions of this Lease shall immediately become applicable, with the exception that Lessee shall not be obligated to pay any rent for the period prior to the commencement of the term of this Lease unless otherwise mutually agreed herein to the contrary.

b. Lessor acknowledges that it has ownership of the Premises heretofore described and that it has the legal authority to lease said Premises to Lessee. Lessor covenants that Lessee's right of occupancy shall not be disturbed during the term of this Lease so long as the terms and conditions

hereof are complied with by Lessee and subject to the provisions of the succeeding section entitled "LESSOR'S RIGHT TO ENTER PREMISES".

4. RENTAL. 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 base rent for the Premises of TWO HUNDRED SIXTEEN AND NO/100 DOLLARS (\$ 216.00) per month **plus applicable Washington State leasehold tax** during the term of this Lease. The initial base rent is computed on the basis of:

360 S.F. @ \$.60/S.F. = \$ 216.00/per month

plus applicable Washington State leasehold tax. Rental payments shall commence October 1, 1995. The rental amount 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 rental may be adjusted periodically to allow for increase in market value and 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 rental.

5. ABATED RENTAL. If this Lease provides for a postponement of any monthly rental payments, a period of free rent or other rent concession, such postponed rent or free rent is called the "Abated Rental". Lessee shall be credited with having paid all of the Abated Rental on the expiration of the term of this Lease only if Lessee has fully, faithfully, and punctually performed all of Lessee's obligations hereunder, including the payment of all rent (other than the Abated Rental) and all other monetary obligations and the surrender of the Premises in the physical condition required by this Lease. Lessee acknowledges that its right to receive credit for the Abated Rental is absolutely conditioned upon Lessee's full, faithful and punctual performance of its obligations under this Lease. If Lessee defaults and does not cure within any applicable grace period, the Abated Rental shall immediately become due and payable in full and this Lease shall be enforced as if there were no such rent abatement or other rent concession. In such case, Abated Rental shall be calculated based on the full initial rent payable under this Lease, plus interest thereon at the rate of twelve percent (12%) per annum from date each monthly rental payment was postponed.

6. SECURITY:

a. Lessee shall, upon execution of this Lease, obtain and deliver to the Lessor, a cash deposit hereinafter referred to

as the "Lease Security") in an initial amount equal to one (1) month's rental to secure the full performance by Lessee of all terms, conditions, covenants and provisions of this Lease, including the payment by Lessee of all amounts now or hereafter payable to Lessor during the full term hereof. This obligation shall be in effect during the full term of this Lease and this Lease is not deemed effective until the Lease Security has been delivered to the Lessor. The amount of the Lease Security shall be adjusted to coincide with all adjustments in rental and as required elsewhere herein and/or by the laws of the State of Washington. No interest shall be paid on the Lease Security and the Lessor shall not be required to keep the Lease Security separate from its other accounts. No trust relationship is created with respect to the Lease Security. If the amount of the Lease Security is not so adjusted, Lessee shall be considered in default hereunder, and subject to the Lessor's rights under section b. hereof and succeeding section entitled "DEFAULT AND RE-ENTRY".

b. Lessee shall be deemed in material default of this Lease if at any time or times during the stated term of this Lease or extension thereof Lessee ceases to be in compliance with the provisions of section a. above, with or without notice from Lessor. Pending Lessee's cure of its default, Lessee shall pay rent and all other sums owing to the Lessor under this Lease computed as though this Lease had been originally awarded on a month-to-month basis.

c. The Lease Security is a part of the consideration for execution of this Lease. If Lessee shall have fully performed all terms and conditions of this Lease, any cash deposit security shall be paid to Lessee within thirty (30) days following the termination (or expiration) date without interest; otherwise the Lessor shall, in addition to any and all other rights and remedies available under this Lease or at law or equity, retain title thereto. The Lessor may apply all or part of the Lease Security to unpaid rent or any other unpaid sum due hereunder, or to cure other defaults of Lessee. If the Lessor uses any part of the Lease Security, Lessee shall restore the Lease Security to an amount acceptable to the Lessor within ten (10) days after the receipt of the Lessor's written request to do so. Lessee's failure to do so shall be a material default under this Lease.

d. Forfeiture of the Lease Security by Lessee shall not constitute liquidated damages to the Lessor. Lessee shall also pay the Lessor for any and all damages incurred by the Lessor by reason of said forfeiture.

e. It is further agreed that in the event the laws of the State of Washington applicable hereto shall hereafter be

amended, the provisions of this entire section (which are minimal) shall be deemed likewise automatically amended upon the effective date of such statutory amendments, to the extent and in the manner necessary to comply therewith.

7. CONDITION OF PROPERTY. Lessee has inspected the Premises, and accepts the Premises 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 Premises, 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.

8. BUSINESS PURPOSE AND TYPE OF ACTIVITY. It is understood and agreed that Lessee intends to use the Premises as an office with related storage. It is further understood that the above activities are the only type of activities to be conducted upon the Premises. Failure to perform the above type of activities or cessation of such activities, except for temporary closures for such periods as may be reasonably necessary for repairs, decorating, vacations, or for reasons beyond Lessee's reasonable control, or the carrying on of other type(s) of unauthorized activities, without first obtaining a lease modification with Lessor's written approval of such other type(s) or cessation of activities, or written approval of such other type(s) or cessation of activities shall constitute a material default by Lessee of this Lease. Any temporary closure for a period of more than two (2) weeks as may be reasonably necessary for repairs, decorating, vacations, or for reasons beyond Lessee's reasonable control, shall be approved in advance in writing by the Executive Director, or the Executive Director's designated subordinate. Lessee specifically agrees that this section shall be strictly construed to assure that the Premises and operations or activities conducted on said Premises are in full compliance with all applicable environmental or other laws and regulations. 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 disturbance or any unusual noise, vibration or other condition on or in the Premises.

9. PARKING. Lessor may designate certain areas for employee parking, and if it does, the Lessee and its employees shall not park vehicles on the roadways or parking areas directly adjacent to the Premises or any area designated for the general public, but shall park in the areas designated by the Lessor from time to time for Lessee and employee parking. The Lessee agrees, upon request of the Lessor, to furnish it promptly with vehicular license numbers of its vehicles and the vehicles of all its employees.

10. ADVERTISING AND SIGNS: No signs, symbols, or other advertising matter, shades, canopies or awnings shall be

installed, displayed, attached to or painted on or within the Premises, including the windows and doors thereof, without the prior written approval of the Lessor's Executive Director, or the Executive Director's designated subordinate. At the expiration or sooner termination of this Lease, all such signs, symbols, advertising matter, shades, canopies or awnings installed, displayed, attached to or painted by Lessee shall be removed by Lessee at its sole expense, and Lessee shall repair any damage or injury to the Premises and correct any unsightly condition caused by the maintenance of or removal of said signs, etc.

11. 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, color, sex, age, or presence of handicap. 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, color, creed, sex, age, national origin or presence of a handicap.

12. LAWS AND REGULATIONS. The Lessee agrees, at its sole cost and expense, to conform to, comply with and abide by all lawful rules, codes, ordinances, requirements, orders, directions, laws and regulations of the United States, the State of Washington, and any municipality or agency of any of said entities, including rules and regulations of Lessor, including without limitation those relating to environmental matters and the American's With Disabilities Act, 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. It is agreed that Lessee's noncompliance with the provisions of this clause shall constitute a material breach of this Lease.

13. LESSEE WILL OBTAIN PERMITS. Lessee shall be solely responsible for obtaining and complying with all permits, approvals or licenses required for the operation and conduct of Lessee's business activities and the construction, installation, erection and/or operation of any structures, facilities or equipment, including but not limited to, items constituting alterations or defined as trade fixtures on the Premises. If Lessee fails to obtain and comply with such permits, then Lessee

accepts full responsibility for any and all costs incurred by the Lessor, including actual attorney's fees, occasioned by Lessor pursuing Lessee's default for its failure to obtain and/or comply with such permits. Lessee agrees to hold the Lessor harmless from any liability and to fully reimburse expenses of the Lessor for Lessee's failure to obtain and/or fully comply with any necessary permit.

14. CONSTRUCTION OF IMPROVEMENTS. Lessee shall not commence construction of any improvements or alterations (alterations include, but are not limited to: structural changes, painting of the interior of the Premises, changes to wiring and plumbing) or install any fixtures (other than fixtures which can be removed without injury to the Premises) without prior written consent of Lessor and subject to any and all conditions in such approval. Lessee shall submit to Lessor all plans and specifications relating to such construction of improvements, alterations or installation of any fixtures (other than fixtures which can be removed without injury to the Premises). When Lessee intends to construct improvements or alterations, Lessee shall notify the Lessor in writing in advance of the date upon which Lessee shall commence construction on the Premises and the Lessor shall have the right to post notices of nonresponsibility with respect to liens arising out of such construction. If Lessee shall fail to so notify the Lessor, Lessee shall reimburse the Lessor for all costs and loss whatsoever suffered by the Lessor because of Lessee's failure to notify the Lessor as required herein. The construction of all improvements, alterations and/or installation of fixtures shall be carried out by Lessee in a first-class manner at its sole cost and expense, and in full compliance with all federal, state, county and other governmental statutory and regulatory requirements. Until the expiration or sooner termination of this Lease, 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.

15. REPAIRS:

a. Lessor shall at its own cost and expense be responsible for undertaking repairs of the common areas of the facility. These are defined as repairs to the roof and exterior of the building, painting of the exterior of the building, and repairs to the foundations of the building or structure (expressly included in the term "foundation" are all flooring and decking, whether structural or finished of which the premises are a part, any bearing columns and bearing walls, and the exterior walls of the building or structure). Lessor shall at its sole cost and expense be responsible for repair of all water heaters and heating units. When and how such repairs are to be undertaken shall be at Lessor's sole

discretion.

b. Lessee shall, at all times, preserve the Premises in as good repair as that on date of possession. Lessee shall have the full responsibility of making prompt repairs and shall pay, at its sole cost and expense, the cost of making all repairs to the Premises, including but not limited to, replacement of any cracked or broken window or door glass (except that caused should the building settle), plumbing repairs such as faucet leaks and clogged toilets, electrical repairs such as replacement of lightbulbs/fluorescent tubes and switch/outlet components and their respective covers, and repairs to ceiling, wall surfaces, and floor coverings.

16. MAINTENANCE. 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 neat, clean and in a safe and sanitary condition free from infestation of pests and conditions which might result in harborage for, or infestation of pests, (the word "pests" as used herein, shall include, without limitation, rodents, insects and birds in numbers to the extent that a nuisance is created), and in compliance with all federal, state and local environmental and other laws and regulations. Lessee shall provide for regular janitorial service to the Premises at its sole cost and expense, so as to keep, amongst other things, the glass of all windows and doors of the Premises clean and presentable. Lessee agrees that if, as a result of its use, occupancy or operations on the Premises, or because of any action of its agents, invitees, employees, contractors or others, any environmental or health hazard occurs on the Premises, Lessee shall take all necessary remedial action to bring the Premises and operations or activities conducted thereon into full compliance with applicable federal, state and local laws and regulations.

Lessee specifically warrants that in conducting its business or other activities on the Premises as authorized in this Lease, that such business or activities shall be conducted in a first-class manner which includes standards of maintenance which insures continued compliance with all applicable environmental and other laws and regulations.

17. COMMIT NO WASTE. Lessee agrees not to allow conditions of waste and refuse to exist on the Premises and to keep the Premises in a neat, clean, and orderly condition and to be responsible for all damages caused to the Premises by Lessee, its officers, direct or indirect employees, contractors, subcontractors, agents, servants, invitees or guests, including without limitation any damages resulting from Hazardous Substances on the Premises or migrating from the Premises, or the violation of any Environmental Law. Lessee shall notify Lessor within twenty-four (24) hours of any release of a reportable quantity of any Hazardous Substance in

or on the Premises, and Lessee shall notify Lessor, as soon as practicable, of any release of a reportable quantity of any Hazardous Substance it should have known about in or on the Premises or released on adjacent property which might reasonably be expected to affect the Premises. Lessee shall annually, on the anniversary date of the execution of this Lease, provide Lessor with a sworn statement detailing its compliance with all requirements of this section.

The term "Hazardous Substance" shall mean any hazardous, toxic or dangerous waste, substance or material defined as such in any Environmental Law. The term "Environmental law" shall mean any federal, state or local law, regulation or ordinance relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, including without limitation the Model Toxics Control Act (RCW Chapter 70.105D), the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9601, et. seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section 6901, et. seq.), any "superfund" law, and any other similar law or regulation thereunder now or at any time hereafter in effect.

18. DISPOSITION OF IMPROVEMENTS AT END OF LEASE. At the expiration or sooner termination of this Lease, Lessee shall return Lessor's Premises to Lessor in the same condition in which received or if altered by Lessee with Lessor's consent then the Premises shall be returned in such altered condition, and title to such alterations shall be vested in Lessor immediately upon such expiration or termination, reasonable wear and tear and damage by fire or unavoidable casualty not resulting in environmental or health hazard excepted.

19. UTILITIES. Lessee shall be liable, and shall pay throughout the term of this Lease, for all utility services furnished to the Premises, and Lessee agrees to hold the Lessor harmless from payment of all such charges for utility services. In the event that the Premises are part of any larger property to which any utility services are furnished on a consolidated or joint basis, Lessee agrees to pay to Lessor Lessee's pro rata share of the cost of such utility services. Lessee's pro rata share of any such service may be computed by the Lessor on any reasonable basis, and separate metering or other exact segregation of cost shall not be required. The Lessor shall provide documentation supporting the Lessor's computation of Lessee's share of such services upon request. The Lessor makes no warranty that any utility service will not be interrupted and any interruption shall not excuse Lessee's performance (including the payment of rent and other fees, taxes and charges) or render the Lessor liable in any manner; provided, that if an interruption of utility service is caused solely by the negligence of the Lessor and prevents the Lessee from operating its business at the Premises or any portion thereof for a period in excess of 48 hours, Lessee, as its sole remedy, shall be entitled to an abatement of rent during the period

of interruption in the same proportion as the untenable portion of the Premises bears to the whole.

20. TAXES AND ASSESSMENTS. Lessee shall be responsible for, and shall pay and discharge promptly when due and before delinquency, all taxes, excise taxes, fees, licenses, monetary assessments and other governmental charges of whatever character, including all charges of every kind and nature and all assessments for all road, fire protection, and/or utility services charged or imposed upon the Premises, or any improvements situated thereon, including, but not limited to, road, fire protection, light, heat, electricity, gas, water, sanitary sewerage, storm sewer, garbage disposal and janitorial services, arising out of, or attributable to the Premises or to the Lessee's use and/or leasing thereof, payable for, or on account of, the activities conducted on the Premises, charged or imposed upon the property of Lessee on the Premises and/or on the leasehold interest created by this Lease and/or levied in lieu of a tax on said leasehold interest required to make the Premises conform to government regulations, and/or levied on or measured by, the rentals payable hereunder, throughout the term of this Lease, whether imposed on Lessee or on the Lessor. Lessee shall promptly reimburse the Lessor for all such taxes and other charges herein described which are paid or payable by the Lessor. With respect to any such taxes payable by the Lessor which are on or measured by the rent payments hereunder, Lessee shall pay to the Lessor with each rent payment an amount equal to the tax on, or measured by, that particular payment. All other tax amounts and charges for which the Lessor is or will be entitled to reimbursement from Lessee shall be payable by Lessee to the Lessor at least fifteen (15) days prior to the due dates of the respective tax amounts involved; Provided, that Lessee shall be entitled to a minimum of ten (10) days written notice of the amounts payable by it.

21. HOLD HARMLESS. Lessee shall protect, indemnify, defend and hold and save harmless the Lessor, its elected officials, agents and employees, their successors and assigns, heirs, executors, and administrators from and against all liabilities, obligations, fines, claims, claims for mechanics' liens, damages, penalties, law suits, governmental proceedings, judgments, costs and expenses (including without limitation attorney's fees, costs and expenses of litigation), and any and all claims by or on behalf of any person or persons, firm or corporation, in connection with any such items of actual or alleged injury (including without limitation, death) or damage, (including without limitation, loss of business income),

- arising out of acts or omissions of the Lessee, its officers, agents, servants, invitees, contractors, subcontractors, guests and direct and/or indirect employees on or about the Premises, the Property, or any other property of Lessor, or any portion thereof, or

- arising out of the use or occupancy of the Premises, the Property, or any other property of Lessor or any portion thereof, including but not limited to, floats, docks or piers, ramps and approaches, buildings, sidewalks, curbs, parking lots, streets or ways, or

- arising out of the presence of any Hazardous Substance on the Premises or the violation of any Environmental Law by Lessee, its officers, agents, servants, invitees, contractors, subcontractors, guests and direct and/or indirect employees, or

- due to or arising out of any failure on the part of the Lessee to perform or comply with any rule, ordinance, or law to be kept and performed.

THE LESSEE HEREBY WAIVES (GIVES UP) ITS IMMUNITY UNDER THE INDUSTRIAL INSURANCE ACT RCW TITLE 51 AND/OR THE LONGSHOREMEN'S AND HARBOR WORKERS' COMPENSATION ACT.

THE LESSEE HEREBY AGREES TO INDEMNIFY THE LESSOR FOR THE CONCURRENT NEGLIGENCE OF THE LESSOR AND LESSEE.

Lessee's Initials

This indemnity agreement does not apply when such damage or injury be caused solely by negligent or intentional acts of the Lessor, its elected officials, agents and/or employees.

22. INSURANCE.

a. Lessee shall procure and maintain at all times during the term of this Lease, at its sole expense, a policy of standard fire insurance with broad form coverage, including coverage against, glass breakage, vandalism and malicious mischief, on all leasehold improvements constructed upon the Premises on a full replacement value basis with the amount of insurance sufficient to prevent the operation of the co-insurance provisions in the policy.

b. Lessee shall procure and maintain at all times during the term of this Lease, at its sole expense, comprehensive liability insurance in full force and effect at all times while operating on or about Lessor's property, insuring the Lessor from all claims, demands, and/or actions for injury and/or death of any person or persons and/or for damage to property and/or cargo, regardless of how such injury or damage be caused, sustained or alleged to have been sustained by said Lessee or by others as a result of any condition (including existing or future defects in the

Premises) or occurrence (including failure or interruption of utility service) whatsoever related in any way to said Lessee's operation on or about the Premises, the Property, or any other property of Lessor, in such amounts as to meet the minimum liability coverage specified below. The insurance policy or policies shall be for standard Commercial General Liability (CGL) with Broad Form CGL Endorsement coverage, (with watercraft exclusion deleted, including contractual liability coverage, or protection and indemnity coverage under marine insurance, or both, as solely determined by the Lessor) Automobile Liability, including coverage for owned, nonowned, leased or hired vehicles covering all operations of the Lessee so that the risks of liability created by the Lessee are covered. The coverage shall not be less than One Million Dollars, (\$ 1,000,000.00) combined single limit for property damage, bodily injury or death. Providing coverage in the stated amounts shall not be construed to relieve the Lessee from liability in excess of such limits. The insurance requirements under this section shall, amongst other things, provide coverage for the indemnitor undertakings in the preceding section entitled "HOLD HARMLESS".

c. Lessee shall, on demand of the Lessor, procure and maintain such other forms, types, and amounts of insurance as may be appropriate, customary, and generally required for the Premises and types of improvements made to the Premises by responsible and reasonable owners of property. The rights herein granted Lessor are intended to protect Lessor from changes in law and insurance policies apt to occur during the term of this Lease.

d. Lessee shall not use the Premises in such a manner as to increase the existing rates of insurance carried by the Lessor. If it nevertheless does so, then, at the option of the Lessor, the full amount of any resulting increase in premiums paid by the Lessor and to the extent allocable to the term of this Lease, may be added to the amount of the rent hereinabove specified and shall be paid by Lessee to the Lessor upon the monthly rental day next thereafter occurring.

e. With regards to that which is set forth in a., b., and c, above:

i. Such insurance shall be placed with a reputable insurance company(ies) or underwriter(s) satisfactory to the Lessor, with the amount of deductible satisfactory to Lessor.

ii. The Lessor shall be named as an additional insured by endorsement to the policy or policies. Also, by endorsement to the policy, there shall be a cross

liabilities clause and a statement that Lessee's policy is primary and not contributory with any insurance carried by the Lessor. The inclusion of the Lessor as an additional insured shall not create premium liability for the Lessor. Lessee shall furnish the Lessor with appropriate documentation in form and content satisfactory to the Lessor evidencing the coverage required to be kept are in full force and effect.

iii. The insurance policy or policies shall not be subject to cancellation or material change except after written notice to the Lessor at least thirty (30) days prior to the date of such cancellation or material change.

f. The Lessee shall, if it desires coverage from loss, carry insurance against loss by fire or other insurable cause upon its personal property, fixtures, furniture and equipment situated on the Premises during the term of this Lease, and, at Lessee's election on Lessee's leasehold interest.

23. 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.

24. DAMAGE OR DESTRUCTION. Should the Premises or the building or facility of which the Premises is a part be damaged by fire or other casualty, and if the damage is repairable and satisfactory financing for said repairs is obtainable (with the repair work and the preparations therefor to be done during regular working hours or regular working days), the Premises may be repaired at the sole option of the Lessor. Should the Lessor elect to make such repairs the monthly 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 occurrence of the damage to the completion of the repairs. In the event the damage is extensive and/or satisfactory financing for repairs is not obtainable or the Lessor decides not to repair or rebuild, this Lease, at the option of the Lessor, shall be terminated upon written notice to Lessee within ninety (90) days of the occurrence of the damage and the rent shall, in such event, be paid to or adjusted as of the date of such damage, and Lessee shall thereupon vacate the Premises and surrender the same to the Lessor.

25. LIENS. Lessee shall keep the Premises free and clear of all liens, including mechanics', materialmen's, or other liens for

work or labor done, and liens for services, materials, appliances and power performed, contributed, furnished or used or to be used in or about the Premises for or in connection with any operations of Lessee or any alteration, improvement, repair, or addition which Lessee may make, permit, or cause to be made or any work or construction by, for, or permitted by Lessee on or about the Premises. Nothing in this Lease shall be deemed or construed in any way as constituting the consent or request of the Lessor, express or implied, by inference or otherwise, to any contractor, subcontractor, laborer, or materialman, for the performance of any labor or the furnishing of any materials for any specific improvement, alteration to, or repair of the Premises or any part thereof, nor as giving Lessee any right, power, or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any lien against the Premises or any part thereof.

In the event than any lien, charge, or order for the payment of money is filed against the Lessor or any portion of the Premises, Lessee shall, at its own cost and expense, cause the same to be discharged of record or bonded within sixty (60) days after written notice from the Lessor to Lessee of the filing thereof; and Lessee shall indemnify and save harmless the Lessor against and from all costs, liabilities, suits, penalties, claims, and demands, including reasonable counsel fees, resulting therefrom.

26. CONTESTING LIENS AND TAXES: Lessee may contest any lien of the nature set forth in the preceding section hereof or any tax, assessment, or other charge which Lessee shall pay under preceding sections hereof entitled "UTILITIES" and/or "TAXES", provided that Lessee notifies the Lessor, in writing, of its intention to do so within thirty (30) days of the filing of such lien or within thirty (30) days of receipt of notice of such tax, assessment, or other charge; and provided further that Lessee posts a bond or other security with the Lessor, prior to the contest, in an amount equal to the amount of the contested lien or tax, assessment, or other charge.

Within thirty (30) days of the determination of the validity thereof, Lessee shall satisfy and discharge such lien or pay and discharge such tax, assessment, or other charge and all penalties, interest, and costs in connection therewith. Satisfaction and discharge of any such lien shall not be delayed until execution is had on any judgment rendered thereon, nor shall the payment and discharge of any such tax, assessment, or other charge be delayed until sale is made of the whole or any part of Lessee's property on account thereof. Any such delay shall be a default of Lessee hereunder.

In the event of any such contest, Lessee shall protect and indemnify the Lessor against all loss, expense, and damage

resulting therefrom.

27. LESSOR'S RIGHT TO ENTER PREMISES. Lessor and/or its authorized representatives shall have the right to enter the Premises at all reasonable times for any of the following purposes:

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

b. To do any necessary repair, maintenance, improvement 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, as well as, within thirty (30) days prior to the expiration or sooner termination of this Lease.

d. To enter and inspect the Premises, conduct any testing, sampling, borings and analysis it deems necessary to assure compliance with environmental or other laws and regulations; and in the event of an emergency, to comply with lawful orders or to reduce or mitigate environmental loss or damages, to take such reasonable actions on the Premises as may be necessary to bring the Premises or operations on the Premises in compliance with environmental or other laws and regulations. Lessee agrees to cooperate with Lessor and all appropriate authorities to assure that operations on the Premises and the uses of the Premises, shall at all times be in full compliance with all applicable laws and regulations, including but not limited to those established for the purpose of protecting the environment and public health.

e. To do any other act or thing necessary for the safety or preservation of the Premises.

The rights reserved to the Lessor hereunder shall impose no obligation on the Lessor to make inspections or undertake other actions, and shall impose no liability upon the Lessor for failure to make such inspections or undertake other actions. 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.

28. LITIGATION. In the event this Lease, its terms, Lessee's use, its occupation or the Premises in any way becomes a matter of litigation, the Lessor shall be notified of such litigation within fifteen days after such litigation is begun. Failure to so notify Lessor of such action shall not be a cause for cancellation or termination of this Lease, but the Lessee shall indemnify the

Lessor for any damages sustained by Lessor resulting from such failure.

29. DEFAULT AND RE-ENTRY. Time and exact performance are of the essence of this agreement. The occurrence of any one or more of the following events makes Lessee immediately in material default of this Lease with or without notice from the Lessor:

- a. any rent or other payment due from Lessee hereunder remains unpaid for more than ten (10) days after the date it is due;
- b. Lessee files a voluntary petition in bankruptcy or for reorganization, or makes a general assignment to the benefit of, or a general arrangement with creditors;
- c. there is an involuntary bankruptcy filed against Lessee;
- d. Lessee becomes insolvent;
- e. a receiver, trustee, or liquidating officer is appointed for Lessee's business;
- f. any proceeding is commenced to foreclose any mortgage or any other lien on Lessee's interest in the Premises or on any personal property kept or maintained on the Premises by Lessee;
- g. the Lessor discovers that any financial or background statement provided to the Lessor by Lessee, its successor, grantee or assign was materially false; or
- h. Lessee violates or breaches any of the other terms, conditions, covenants or provisions of this Lease.

If the Lessee is in default according to a. and/or g. above, then this Lease shall at Lessor's option terminate. If Lessee is in default according to b., d., e., and/or f. above, then this Lease shall automatically terminate. If Lessee is in default according to c. above, Lessee has thirty (30) days from the filing of such involuntary bankruptcy to cure the default by having the involuntary bankruptcy dismissed. If Lessee is in default according to c. above, and fails to cure the default within the cure period, then this Lease shall automatically terminate. If the Lessee is in default as to h. above, Lessee has thirty (30) days after Lessor sends Lessee written notice of such violations or breach in which to cure the default. If Lessee is in default according to h. above, and fails to cure the default within the cure period, then this Lease shall automatically terminate.

Upon termination of this Lease the full rent for the balance of the term of this Lease shall become immediately due and payable. The

Lessor, may at its option, delay efforts to immediately collect the full rent for the balance of the term of this Lease and re-enter and attempt 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 rental or rentals and upon such other terms and conditions as Lessor in its sole discretion deems advisable, provided Lessee performs as hereinafter set forth. Upon each such reletting, all rentals 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 would have become due and payable hereunder. If rental received from such reletting during any month is less than that which would have been paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor each month as the amount thereof is ascertained by the 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 costs and the reasonable cost of converting the Premises for the benefit of the next lessee.

Delinquent rental and other payments shall bear interest at the rate of one percent (1%) per month commencing thirty (30) days after the date each sum is due and payable. In the event of any default hereunder and Lessor enters upon or takes 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, 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. Payment by Lessee to the Lessor of interest on rents and/or on any other charges due and owing under this Lease shall not cure or excuse Lessee's default in connection with such rents and/or other charges. Interest, default and all other remedies of the Lessor hereunder are in addition to any other remedies available at law or in equity and are cumulative and not alternative.

30. TERMINATION. This Lease may be terminated by either party with thirty (30) days advance written notice, unless it is sooner terminated as elsewhere provided in other sections of this Lease.

31. TERMINATION FOR GOVERNMENT USE. In the event that any 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 Lessor 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 provisions 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 termination, be promptly refunded to Lessee.

32. TERMINATION BECAUSE OF COURT DECREE. In the event that any court having jurisdiction in the matter shall render a decision which has become final and which will prevent the performance by the Lessor of any of its obligations under this Lease, then either party hereto may terminate this Lease by written notice, and all rights and obligations hereunder (with the exception of any undischarged rights and obligations that accrued prior to the effective date of termination) shall thereupon terminate. If Lessee is not in default under any of the provisions of this Lease on the effective 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.

33. LESSOR'S RIGHT TO CURE DEFAULTS: If Lessee shall default in the performance of any provision under this Lease, other than the payment of rental, the Lessor, at its option, may perform the same for the account and at the expense of Lessee. Upon notification to Lessee of the cost thereof to the Lessor, Lessee shall promptly reimburse the Lessor the amount of that cost, plus interest at a rate of one percent per month accrued from the date of expenditure by the Lessor to the day of repayment. In the event of such default by Lessee, the Lessor may enter upon the Premises for the purpose of causing such provisions to be fulfilled. Such entry shall not be deemed an eviction of Lessee. The Lessor's action hereunder shall not be deemed a waiver of Lessee's default. The Lessor, at its option, without relinquishing any remedy or right, may separately commence proceedings against Lessee for reimbursement of the Lessor and for any other remedies for breach of this Lease.

34. ASSIGNMENT AND SUBLEASE.

a. Lessee shall not assign, mortgage, pledge, hypothecate, encumber or transfer this Lease, or any portion thereof, or any interest therein, nor sublet the whole or any part of the Premises, nor convey any right or privilege appurtenant thereto, nor allow any other person (the employees, agents, servants and invitees of Lessee excepted) to occupy or use the Premises, or any portion thereof, nor shall this Lease or any interest thereunder be assigned, mortgaged, pledged, hypothecated, encumbered or be transferable by operation of

law or by any process or proceeding of any court, or otherwise, without the written consent of the Lessor first had and obtained. That which is hereinabove restricted is hereinafter collectively referred to as "assignment and sublease". The form and content of any writing to evidence an assignment or sublease requires Lessor's written consent. If Lessee is a partnership or corporation, then any change in the ownership of the partnership, or any transfer of this Lease by merger, consolidation or liquidation shall be deemed an assignment of this Lease. Lessee further agrees that if at any time during the term of this Lease more than one-half (1/2) of the outstanding shares of any class of stock of Lessee corporation shall belong to any stockholders other than those who own more than one-half (1/2) of the outstanding shares of that class of stock at the time of the execution 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 section. Failure to obtain written approval of any assignment or sublease of this Lease shall make Lessee in material default of this Lease.

b. Lessor shall not unreasonably withhold consent to a reasonable request for assignment or sublease, however, it may reasonably withhold consent to any proposed assignment or sublease pending receipt of verification that:

i. the proposed assignee has the financial ability and/or experience to assume Lessee's obligations herein set forth and the proposed assignee's intended use of the Premises is consistent with applicable zoning and development/land use requirements of the Lessor; or

ii. the proposed sublessee's intended use of the Premises sought to be sublet is consistent with applicable zoning and development/land use requirements of the Lessor.

c. The consent of Lessor to any assignment or sublease shall not in any manner be construed to relieve Lessee from obtaining Lessor's express written consent to any other or further assignment or sublease, and the provisions of this section shall continue in full force and effect.

d. Any assignee or sublessee of any portion of the Premises shall expressly assume, and by reason of such assignment or sublease shall be considered as having assumed, and become bound to all of Lessee's obligations hereunder. Lessee shall only be relieved from payment of rent, the performance of the covenants herein contained, and from the terms and conditions of this Lease, upon Lessor consenting to such an assignment wherein the Lessee assigns all of its interests in this Lease

to an assignee who agrees to assume all of the obligations of this Lease.

e. In the event that Lessor shall consent to a sublease or assignment hereunder, Lessee shall pay Lessor a reasonable fee for each such assignment or sublease to offset Lessor's expenses incurred in connection with the processing of documents necessary to giving of such consent. The reasonable fees for each such assignment or sublease are as follows:

Current Monthly Rent of this Lease:	Reasonable Fee:
up to \$450.00	\$100.00
\$451.00 to \$1200.00	\$200.00
\$1201.00 and over	\$300.00

35. NONWAIVER. Failure of the Lessor to complain of any act or omission on the part of Lessee, no matter how long the same may continue, or the receipt of rent by the Lessor with knowledge of any breach or default of this Lease by Lessee, shall not be deemed to be a waiver by the Lessor of any of its rights herein. No waiver by the Lessor at any time, express or implied, of any breach of any provision of this Lease shall be deemed a waiver of any subsequent breach of the same or any other provision. Failure of the Lessor to insist upon strict performance or to exercise any option herein conferred in any one or more instances in the event of default shall not be construed to be a waiver or relinquishment of any such or any other right herein extended to the Lessor.

36. DISPUTES. Lessee agrees to use its best efforts to avoid disruption to the Lessor, other tenants or members of the public, arising from disputes involving Lessee, and in the event of a strike, picketing, demonstration or other labor difficulty involving Lessee, to use its good offices, including the utilization of available legal remedies, to minimize and or eliminate any disruption to the Lessor, its tenants or members of the public, arising from such strike, picketing, demonstration or other labor difficulty.

37. SURRENDER OF PREMISES - ATTORNEY'S FEES. At the expiration of the stated term of this Lease or any extension thereof, or sooner termination of this Lease as herein provided, Lessee shall promptly surrender to Lessor possession of the Premises peacefully and quietly, and in the condition required under preceding sections, including but not limited to the section entitled "DISPOSITION OF IMPROVEMENTS AT END OF LEASE", and shall deliver to the Lessor all keys that it may have to any and all parts of the Premises. In the event either party hereto brings an action to enforce any of the terms, conditions covenants or provisions of this Lease, then the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in

the trial court and in the appellate courts.

38. NOTICES. All notices and payments hereunder may be delivered or mailed. If delivered by messenger, courier (including overnight air courier) or facsimile transmittal, they shall be deemed delivered when received at the street addresses or facsimile numbers listed below. All notices and payments mailed, whether sent by regular post or by certified or registered mail, shall be deemed to have been given on the second business day following the date of mailing, if properly mailed to the mailing addresses provided below, and shall be conclusive evidence of the date of mailing. The parties may designate new or additional addresses for mail or delivery by providing notice to the other party as provided in this section.

To Lessor:

Street Address:

Port of Anacortes
1st Street and Commercial Ave.
Anacortes, WA 98221

Phone No. (206) 293-3134
FAX No. (206) 293-9608

Mailing Address:

Port of Anacortes
P.O. Box 297
Anacortes, WA 98221

To Lessee:

Street Address:

Frontier Industries, Inc.
1610 Commercial Ave.
Anacortes, Wa. 98221

Phone No. (206) 293-4596

Mailing Address:

Frontier Industries, Inc.
Same
Anacortes, Wa. 98221

39. JOINT AND SEVERAL LIABILITY. Each and every party who signs this Lease, other than expressly in a representative capacity, as Lessee, shall be solely and individually, jointly and severally liable hereunder. The signature of each Lessee, whether the same be in a representative capacity or individually, evidences both agreement to all matters herein referenced, as well as, guarantee of performance of all obligations herein referenced. The Lessor signs this Lease only as Lessor, and shall not be deemed a partner, joint venturer, or agent of Lessee even if Lessee's payments to the Lessor hereunder vary with the amount of Lessee's revenues from the Premises.

40. "LESSEE" INCLUDES LESSEES, ETC. It is understood and agreed that for convenience the word "Lessee" and verbs and pronouns in the singular number and neuter gender are uniformly used throughout this Lease, regardless of the number, gender or fact of

incorporation of the party who is, or of the parties who are, the actual Lessee or Lessees under this Lease.

41. CONSTRUCTION AND VENUE. The captions in this Lease are for convenience only and do not in any way limit or amplify the provisions of this Lease. This Lease shall be construed according to Washington State law. Jurisdiction and venue shall be in Skagit County Superior Court, Mount Vernon, Washington.

42. INVALIDITY OF PARTICULAR PROVISIONS. The invalidity of any term or provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity or enforceability of any other provision hereof.

43. SUCCESSION AND SURVIVAL OF INDEMNITIES. This Lease shall be binding upon, and inure to the benefit of the parties, their respective heirs, executors, administrators, successors and assigns. Nothing contained in this section shall serve to waive Lessee's liabilities or transfer Lessee's interest. All indemnities provided in this Lease shall survive the expiration or any earlier termination of this Lease. In any litigation or proceeding within the scope of any indemnity provided in this Lease, Lessee shall, at the Lessor's option, defend the Lessor at Lessee's expense by counsel satisfactory to the Lessor.

44. ENTIRE AGREEMENT AMENDMENTS. This Lease consists of sections 1-44 of this instrument, and attached Exhibits A - B inclusive. Each of the Exhibits referenced in the preceding sentence is hereby incorporated into this Lease in its entirety. Together, this instrument and above-referenced Exhibits constitute the entire agreement of the parties. There are no terms, obligations, covenants or conditions other than those contained herein. No modification or amendment of this Lease shall be valid or effective unless evidenced by an agreement in writing signed by both parties with like formality to this Lease.

IN WITNESS WHEREOF, the parties hereto have signed this Lease as of the day and year first above written.

SIGNATURE FOR LESSEE

Frontier Industries, Inc.

BY 

Mike Johnson, President

SIGNATURE FOR LESSOR

PORT OF ANACORTES

(Lessor)

BY 

Francisco Barrett
President

BY 

J.C. Moore
Secretary

(ACKNOWLEDGEMENT FOR CORPORATE LESSEE)

STATE OF WASHINGTON)

: ss.

COUNTY OF SKAGIT)

On this 27th day of September, 1995, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Mike Johnson and _____ to me known to be the President and Secretary, respectively, of the corporation that executed the foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were duly authorized to execute the same and that the seal affixed is the corporate seal of said corporation.

WITNESS my hand and official seal hereto the day and year in this certificate first above written.

Aucille Mostafawi Nassab
Signature

Aucille Mostafawi Nassab
Print Name

Notary Public in and for the State of
Washington, residing at Anacortes
My appointment expires 04-03-97

ACKNOWLEDGEMENT FOR LESSOR)

STATE OF WASHINGTON)

: ss.

COUNTY OF SKAGIT)

On this 28th day of September 1995, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared FRANCIS BARCOTT and KEN MOORE to me known to be the President and Secretary, respectively, of the Port Commission of the PORT OF ANACORTES, a municipal corporation, the corporation that executed the foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were duly authorized to execute the same and that the seal affixed is the corporate seal of said corporation.

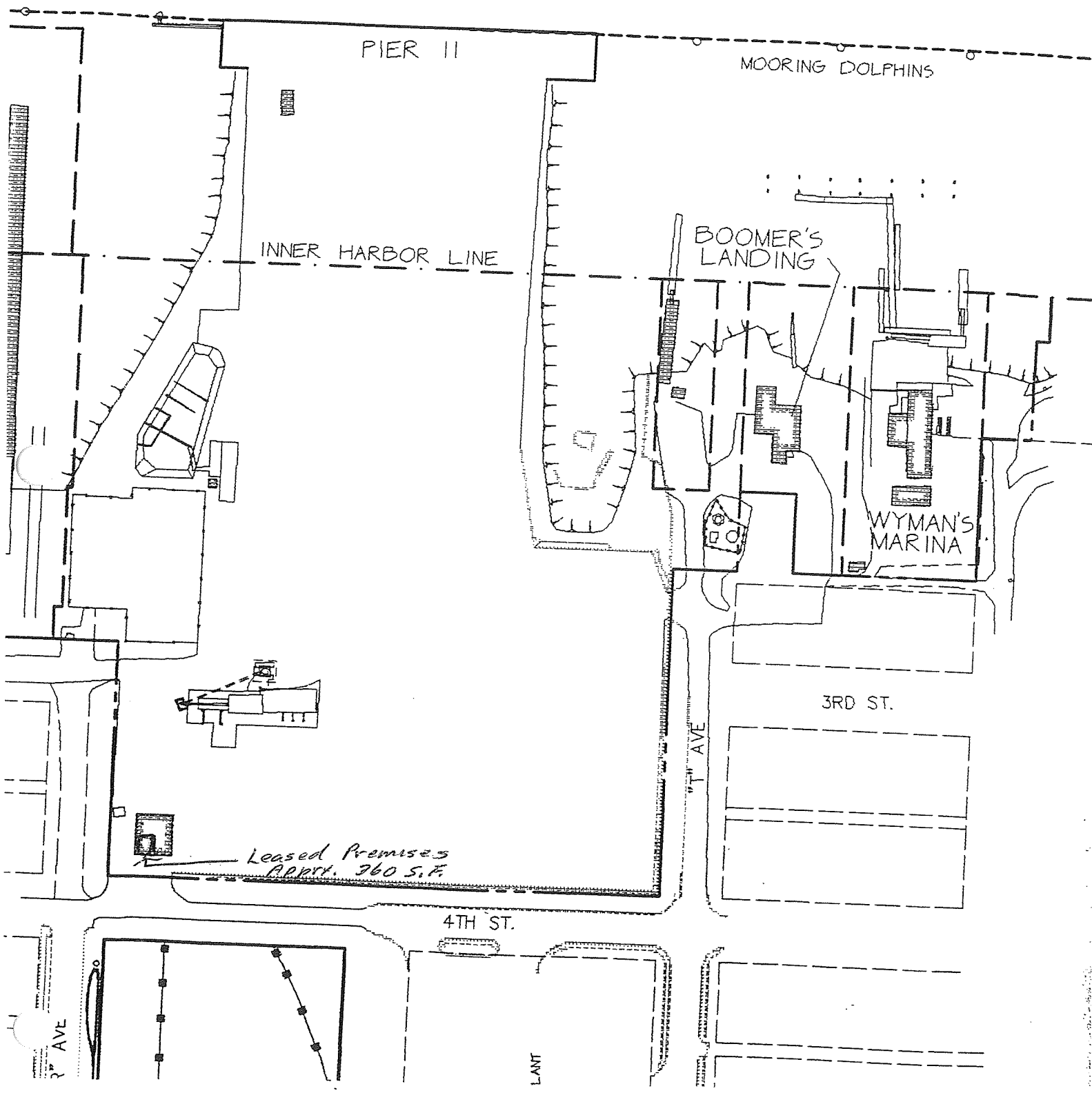
WITNESS my hand and official seal hereto the day and year in this certificate first above written.

Ruth Sutton
Signature

RUTH SUTTON
Print Name

Notary Public in and for the State of Washington, residing at Mt. Vernon, Wa
My appointment expires 9/28/95

[3c:fidalgo.lse]



PIER II

MOORING DOLPHINS

INNER HARBOR LINE

BOOMER'S LANDING

WYMAN'S MARINA

3RD ST.

11th AVE

4TH ST.

2nd AVE

LANT

Leased Premises
APPROX. 360 S.F.

LEGAL DESCRIPTION

That portion of property located in the southwest section of Block 295, Original Plat of Anacortes and more particularly described as follows:

Beginning at a point 40 feet east and 40 feet north of the intersection of 4th Street and "R" Avenue, said point being the intersection of the east right-of-way line of "R" Avenue and the north right-of-way line of 4th Street; then continuing east along the north right-of-way line of 4th Street 35 feet; thence north parallel to the east right-of-way line of "R" Avenue 30 feet to the TRUE POINT OF BEGINNING; thence easterly on a line parallel to the north right-of-way of 4th Street 45 feet; thence north on a line parallel to the east line of "R" Avenue 50 feet; thence west on a line parallel to the north right-of-way line of 4th Street 45 feet; thence southerly 50 feet to the True Point of Beginning.