

GROUND LEASE

THIS AGREEMENT, made and executed this 11th day of May, 1977, by and between GEORGE L. BEAUREGARD and DOROTHY J. BEAUREGARD, his wife, and DENNIS KRANZ, a single man, hereinafter collectively called "Lessee", and WILLIAM G. SPRINGER and HELEN M. SPRINGER, his wife, hereinafter collectively called "Lessor",

W I T N E S S E T H :

WHEREAS, the Lessor is the owner of certain real estate located in the City of Kent, County of King, State of Washington, the true and correct legal description of which is attached to this agreement, marked Exhibit "A" and by reference incorporated herein, which property shall hereinafter be called the "leased premises", and

WHEREAS, the Lessor and the Lessee desire to enter into a lease of the leased premises on the terms and conditions of this agreement, now, therefore, in consideration of the mutual covenants, agreements and undertakings of the parties and in further consideration of the payments provided for herein,

IT IS HEREBY AGREED AS FOLLOWS:

I. AGREEMENT TO LEASE

The Lessees do hereby individually, jointly and severally lease the leased premises from the Lessor for a period of sixty-two (62) years from the date of this agreement.

II. USE

It is intended by the parties that the Lessee shall construct and operate on the leased premises a modern motel containing eighty-five (85) rental units, more or less, plus a manager's apartment and the property shall not be used for any other purpose during the term of the lease without the written consent of the Lessor.

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III. COMMENCEMENT OF RENTAL

The first rental to be paid hereunder shall commence on the 1st day upon which the Lessee commences to rent motel units or six (6) months from the date of this agreement, whichever occurs first. The rental for the first month shall be prorated for that month and thereafter the rentals shall be payable on the 1st day of each succeeding month throughout the entire term of the lease.

IV. INITIAL RENT

The initial monthly rent shall be \$1062.50 per month provided that the construction results in a motel containing eighty-five (85) units plus a manager's apartment. If the number of units varies the initial rental shall be based upon \$12.50 per month per unit, payable to the Lessor without abatement, deduction or setoff.

V. ADJUSTMENTS TO MINIMUM RENT

As of the first day of April during each year of the lease term the monthly rental shall be adjusted on a prorata basis to the difference between the consumer price index for urban wage earners and clerical workers for the Seattle-Everett Metropolitan area as published by the United States Department of Labor, Bureau of Labor Statistics as of February 1977, and the said consumer price index as of February of each year thereafter. For the purposes of this agreement it is agreed that the consumer price index as of February 1977 is 171.4. The adjustment in rental shall be calculated by multiplying the initial minimum monthly rent times the new consumer price index and dividing that figure by the consumer price index as of February 1977. The result shall be the new minimum monthly rental until April 1 of the following year. In no event shall the adjusted monthly rental be less than the initial minimum monthly rent. In the event that at some future time during the lease term, the consumer price index as herein described, is replaced by a new Federal government index which is intended to and does replace the original consumer price index, the said

new index shall govern and control in connection herewith. If the parties are unable to agree as to which new index should replace the discontinued consumer price index, then the matter shall be submitted to arbitration as provided in the arbitration paragraph of this lease.

VI. SECURITY DEPOSIT

Lessee shall deposit with Lessor upon the first day of the term hereof, a security deposit in the amount of \$10,000.00. Lessee shall deliver to the Lessor a certificate of deposit in Lessor's and Lessee's name in a bank satisfactory to Lessor. Any interest earned on said security deposit shall belong and be paid to Lessee annually. The security deposit may be used by Lessor for any one or more of the following:

- 1) Damages, costs or deficiencies suffered by Lessor in reletting of the premises upon Lessee's default;
- 2) Damages or costs incurred by Lessor in repairing the premises in accordance with the provisions hereof;
- 3) Damages or costs incurred as the result of any other breach of covenants under this lease; it being agreed that as soon as said damages, costs or amount of delinquent rent is a liquidated figure, that Lessor is empowered to, as a co-owner of said security deposit, withdraw from said account the full amount of said damage, cost or rental delinquency.

In the event of full performance of this lease by the Lessee then Lessor agrees that said deposit, together with any accrued interest shall be returned to Lessee and be Lessee's property no later than five (5) years from the inception of this lease. If Lessor sells or leases his interest in the premises, or any part thereof, Lessor shall have the right to transfer the security deposit to a buyer, mortgagee or lessee of Lessor's interest in the premises, but Lessor shall arrange to have said

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buyer, mortgagee or lessee acknowledge Lessee's interest in said deposit, and Lessor shall thereupon be automatically released by Lessee from all liability for the return of the security deposit. In the event Lessor applies any part of the security deposit to cure any default or delinquency by Lessee, Lessee shall deposit with Lessor such additional sums as may be necessary to replace any amounts expended or withdrawn so that there shall always be a security deposit as specified herein.

VII. CONDITIONS OF AGREEMENT

The obligations of the Lessee herein are contingent upon Lessee obtaining a building permit and financing, including satisfying the reasonable legal requirements of the financing institution as provided herein within six (6) months from the date hereof. Lessee shall notify the Lessor as these conditions are satisfied. If the Lessee has failed to notify the Lessor of the satisfaction of all conditions by written notice as provided herein within six (6) months from the date hereof, this lease shall terminate and the Lessor shall return the lease deposit to the Lessee. Thereafter neither party shall have any further obligation under this agreement.

VIII. IMPROVEMENTS

A) Construction. Within six (6) months after the date of this agreement Lessee shall comply with the conditions of major construction below and shall commence the construction of improvements consisting of a modern motel of eighty-five (85) rental units, more or less, plus a manager's apartment to be located on the leased premises in accordance with the plot plan which is attached to this lease marked Exhibit "B" and by reference incorporated herein.

B) Conditions of Major Construction. Before the Lessee shall perform any destruction of existing improvements on the leased premises or commence any major work of construction, alteration or repair and before any building materials have been delivered to the premises by the Lessee or under Lessee's

authority, Lessee shall comply with all the following conditions or procure the Lessor's written waiver of the condition or conditions specified in the waiver.

1) Lessee shall deliver to Lessor for Lessor's approval two sets of the final plans which are to be submitted to the governmental authority having jurisdiction herein for approval, and all improvements shall be constructed consistent with said plans as approved by Lessor and further, all improvements shall be constructed within the exterior property lines of the premises; provided that work required beyond the premises on utilities, access, and conditional use requirements do not violate this provision. With said plans the Lessee shall deliver to Lessor the certificate of the person or persons who prepared the plans and specifications, certifying that Lessee has fully paid for them or waiving payment and waiving any right to lien for preparing them.

2) Lessor shall not unreasonably disapprove said plans and specifications. Approval or disapproval shall be communicated in the manner provided for notices and disapproval shall be accompanied by the specification of the grounds for disapproval; provided that Lessor's failure to disapprove within thirty (30) days after delivery to Lessor shall be conclusively considered to be approval.

3) Lessee shall deliver to Lessor the written approval of the plans and specification by the financial institution that shall have made the commitment for financing the construction.

4) Lessee shall deliver Lessor one complete set of building plans and specifications as approved by the governmental agency.

5) Lessee shall notify the Lessor of Lessee's intention to commence work or improvement at least thirty (30) days before commencement of any such work or delivery of any materials. The notice shall specify the approximate location and nature of the intended improvement. Lessor shall have the right to post and maintain on the premises any notices of nonresponsibility provided for under applicable law and to inspect the premises in relation to the construction at all reasonable times.

6) Lessee shall furnish Lessor with a true copy of Lessee's contract with the general contractor for Lessor's approval. The contract shall give Lessor the right but not the obligation to assume Lessee's obligations and rights under that contract if Lessee should default. The said contract shall provide for joint checks upon draws to be made payable to the general contractor and subcontractors where appropriate. Lessor may disapprove by notice given within ten (10) days following delivery of a copy of the contract. The notice shall specify the grounds for disapproval. Lessor shall not unreasonably disapprove and shall be considered to have approved in the absence of notice of disapproval within ten (10) days after Lessee furnishes the contract and the evidence specified above.

7) Lessee shall deliver to Lessor true copies of all documents to evidence the commitment of financing for any new construction. Financing includes both the construction financing and the permanent or long term loan. Lessor may require by notice that no construction commence until the permanent or long term financing is firmly committed, but may disapprove the financing only if it violates an express provision of this lease.

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8) Lessor shall have the right but not the obligation to assume Lessee's financing for any improvements on the premises. Lessee shall cause the lender to execute all documentation facilitative of this right. Lessor's exercise of this right shall not constitute a waiver of any other right Lessor may have against Lessee, any surety or guarantor or anyone else.

C) Commencement. Once the work is begun, Lessee shall with reasonable diligence prosecute to completion all construction of improvements, additions or alterations. Construction required at the inception of the lease shall be completed and ready for use within six (6) months after completion of construction, provided that the time for completion shall be extended for as long as Lessee shall be prevented from completing the construction by delays beyond Lessee's control. Failure, regardless of cause, to complete construction within two (2) years following the commencement date of this lease shall, at Lessor's election, exercised by notice terminate this lease. All work shall be performed in a good and workmanlike manner, shall substantially comply with plans and specifications submitted to the Lessor as required by this lease and shall substantially comply with all applicable governmental permits, laws, ordinances and regulations.

D) Lessee shall pay, or cause to be paid, the total cost and expense of all works of improvement, both labor and material. No such payments shall be construed as rent. Lessee shall not suffer or permit to be enforced against the premises or any part of it, any mechanic's, materialmen's, contractor's or subcontractor's liens arising from any work or improvement, however it may arise. However, Lessee may in good faith and at Lessee's own expense contest the validity of any such asserted lien, claim or demand provided that Lessee has furnished the bond in form and amount satisfactory to Lessor, assuring the payment of the said claim or lien in the event the contest is unsuccessful. Lessee shall defend and indemnify the



Lessor against all liability and loss of any type arising out of work performed on the premises by Lessee, together with reasonable attorney's fees and all costs and expenses incurred by Lessor in negotiating, settling, defending or otherwise protecting against such claims. If Lessee fails to protect the Lessor and the leased premises from liens and a final judgment has been rendered against the Lessee by a court of competent jurisdiction for the foreclosure of a mechanic's, materialmen's or contractor's or subcontractor's lien claim and if the Lessee fails to save the execution of the judgment by lawful means or to pay the judgment, the Lessor shall have the right but not the duty to pay or otherwise discharge, stay or prevent the execution of any such judgment or lien or both. Lessee shall re-imburse the Lessor for all sums paid by the Lessor under this paragraph together with all Lessor's reasonable attorney's fees and costs plus interest on those sums, fees and costs at the rate of nine percent (9%) per year from the date of payment until the date of re-imbusement.

E) There is a house and other outbuildings on the leased premises which must be removed prior to construction. Provided that Lessee has complied with all of the conditions of major construction, Lessor grants to Lessee permission to remove the said improvements at Lessee's sole cost and expense. Any rentals paid for the use of those improvements prior to the date when Lessee pays its first month's rent shall be the sole property of the Lessor.

IX. FINANCING AND SUBORDINATION

It is contemplated by the parties that the Lessee shall acquire and secure major financing for the cost of constructing the said motel and to furnish the chattels required in connection with a motel operation. Lessee agrees to subordinate to Lessee's lender, both for construction, financing and long-term financing, their interest in the leased premises under the following terms and conditions:

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A) That the amount of the indebtedness to which the Lessor shall subordinate shall not exceed seventy-five percent (75%) of the value at which the land and improvements are appraised by the lending institution making the loan to the Lessee or in the alternative not more than Ten Thousand Dollars (\$10,000.00) per motel unit whichever figure is lesser. Lessor shall not become obligated on any note or notes secured by said mortgage or mortgages.

B) Financing shall not be for a term in excess of twenty-five (25) years.

C) The debt to which the leased premises shall be subordinated shall not be in excess of the principal amount of the construction contract for the building and improvements on the grounds surrounding the building.

D) Lessee shall not at the end of the mortgage period, or in the interim, extend or alter the existing mortgage or refinance the said motel on a basis by which the Lessor is required to subordinate to such lender.

E) The Lessor's agreement herein to subordinate for the term of the mortgage to be given by the Lessee is conditioned upon a collateral agreement by the mortgagee, or mortgagees with the Lessor, that the Lessor will be given written notice by the mortgagee or mortgagees of any default by the Lessee in its note or mortgage obligation and such collateral agreement between mortgagee or mortgagees and Lessor shall further provide that notwithstanding strict foreclosure covenants contained in any mortgage or mortgages to which the Lessor as a land owner, will be co-mortgagor; that Lessor shall have not less than ninety (90) days after written notice from mortgagee or mortgagees within which they, the Lessor, may at their option cure any default prior to the institution of foreclosure proceedings by the mortgagee, and still provided that until said notice to the Lessor and the expiration of ninety (90) days, the balance of the unpaid principal with accrued interest,

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and all indebtedness secured by the said mortgage or mortgages, shall not be deemed to have been accelerated by virtue of any default so as to render the total indebtedness due and payable, but the Lessor shall have the opportunity to re-instate by curing the then existing defaults. In the absence of such a collateral agreement, the Lessor shall not be obligated to subordinate their title to the subject premises or enter into any mortgage or mortgages. Should the Lessee become in default with the mortgage, the notice given to the Lessor, and the Lessor, at their option, cure the default or the defaults and carry out the obligations of the note, notes, mortgage, or mortgages, all of the Lessor's expenditures therefor shall draw an interest until repaid at the rate of ten percent (10%) per annum, to be payable by the Lessee on demand and the Lessor may, at their option, sue to collect any and all of the aforesaid payments without terminating the lease and without affecting the right to terminate this lease at any future time and in the event such suit or action is instituted, Lessor shall be entitled to any such sum as attorney's fees as the court may adjudge reasonable therein, including attorney's fees and costs incurred in prosecuting said claim through the Washington State Supreme Court or any other Court of Appeal. Any failure or default by the Lessee in the faithful performance of keeping any of the covenants or any note, notes, mortgage or mortgages pertaining to the subject premises shall constitute a failure or default in the performance of this Lease Agreement. Provided further, that upon the expiration or termination of this lease, Lessee shall, at his expense, pay and clear any and all liens and other encumbrances then against the property subject of this lease.

X. TAXES AND ASSESSMENTS

All real and personal property taxes, general and special assessments and other charges of every description levied on or assessed against the premises, improvements located on the premises, personal property located on or in the land or improvements, the leasehold estate or any sub-leasehold estate to the full extent of installments falling due during the term, whether belonging to or chargeable against Lessor or Lessee, shall be paid by the Lessee. Lessee shall make all such payments direct to the charging authority at least thirty (30) days before delinquency and before any fine, interest or penalty shall become due or be imposed by operation of law for their non-payment. If however, the law expressly permits the payment of any or all of the above items in installments, (whether or not interest accrues on the unpaid balance) Lessee may, at Lessee's election, utilize the permitted installment method but shall pay each installment with any interest before delinquency.

Advalorem real estate taxes payable in 1977 shall be prorated between the Lessor and Lessee as of the date when rent is first due under this Lease. Advalorem real estate taxes payable on the year of termination of this Lease shall be prorated as of the date of termination.

Lessee shall have the right to contest the amount of any advalorem real estate taxes or assessments levied on the premises during the term of the Lease, provided, however, that the Lessee shall first pay the amount demanded and then contest the said amount by way of application for refund.

It is understood that as part of the charge for connecting to the sewer the City of Kent makes what is known as a "fee in lieu of assessment". The payment of such fee shall be the responsibility of the Lessee.

XI. MAINTENANCE, REPAIRS, ALTERATIONS, AND RECONSTRUCTION

Throughout the term the Lessee shall at Lessee's sole cost and expense maintain the premises and all improvements in first class condition and repair, ordinary wear and tear excepted, and in accordance with all applicable laws, rules, ordinances, orders and regulations of:

- 1) Federal, State, County, Municipal and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials;
- 2) The Insurance Underwriting Board or Insurance Inspection Bureau having or claiming jurisdiction; and
- 3) All insurance companies insuring all or any part of the premises or improvements, or both.

Lessee shall promptly and diligently repair, restore and replace as required to maintain or comply as above, or to remedy all damage to or destruction of all or any part of the improvements. The completed work of maintenance, compliance, repair, restoration or replacement shall be equal in value, quality and use to the condition of the improvements before the event giving rise to the work. Lessor shall not be required to furnish any services or facilities or to make any repairs or alterations of any kind in or on the premises.

No deprivation, impairment or limitation of use resulting from any event or work contemplated by this paragraph shall entitle Lessee to any off-set, abatement or reduction in rent nor to any termination or extension of the term.

During the course of repairs, alterations or reconstruction as provided herein, the Lessee shall not cause or allow any liens or encumbrances to be placed upon the leased premises of any sort whatsoever.

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XII. INSURANCE

A) Fire and Extended Coverage.

1) Lessee's Duty to Keep Improvements Insured.

Throughout the term at Lessee's sole cost and expense the Lessee shall keep or cause to be kept insured for the mutual benefit of Lessor and Lessee all improvements located on or appertinent to the premises against loss or damage by fire and other such risks are as now or hereafter included in an extended coverage endorsement in common use for commercial structures, including vandalism and malicious mischief. The amount of the insurance shall be sufficient to prevent either Lessor or Lessee from becoming a co-insurer under the provisions of the policies, but in no event shall the amount be less than ninety percent (90%) of the then actual replacement costs herein called full insurable value. Lessor shall not carry any insurance, the effect of which would be to reduce the protection or payment to Lessee under any insurance that this Lease obligates Lessee to carry. If any dispute whether the amount of the insurance complies with the above cannot be resolved by agreement, Lessor may not more often than once every twelve (12) months request the carrier of the insurance then in force to determine the full insurable value as defined in this provision, and the resulting determination shall be conclusive between the parties for the purpose of this paragraph. Lessee may include the holder of any mortgage on the leasehold or on the fee or both as a loss payee to the extent of that mortgage interest.

2) Proceeds of Fire and Extended Coverage Insurance.

Lessor shall, at Lessee's cost and expense, cooperate fully with Lessee to obtain the largest possible recovery and all policies of fire and extended coverage in-

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insurance required by Paragraph 1 above shall provide that the proceeds shall be paid to the Lessee as follows:

a) The proceeds shall be held by the Lessee and Mortgagee jointly for the uses and purposes prescribed by this lease. Unless mortgagee (lender) and borrower (lessee) otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the property damaged, provided such restoration or repair is economically feasible and the security of the mortgage is not thereby impaired. If such restoration or repair is not economically feasible or if the security of the mortgage would be impaired, insurance proceeds shall be applied to the sum secured by the mortgage, with the excess, if any, paid to Lessee and Lessor as their interests respectively may appear.

b) Payments or proceeds for repair, restoration or reconstruction of improvements shall be made promptly on architecture certificates until the work is completed and accepted.

c) Any insurance proceeds remaining after complying with the provision of this Lease relating to maintenance, repair and reconstruction of improvements shall be the Lessee's sole property.

B) Builder's Risk Coverage.

Before commencement of any demolition or construction, Lessee shall procure and shall maintain in force until completion and acceptance of the work "all risks" builder's risk insurance, including vandalism and malicious mischief in form and with a company reasonably acceptable to Lessor, covering improvements in place and all material and equipment at the job site furnished under control but excluding contractors, subcon-

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tractor's, and construction manager's tools and equipment and property owned by the contractor's or subcontractor's employees with limits of at least the amount of construction contract per loss for all work at the job site.

C) Public Liability Insurance.

Throughout the term, at Lessee's sole cost and expense, Lessee shall keep or cause to be kept in force for the mutual benefit of Lessor and Lessee, comprehensive broad form general public liability insurance against claims and liabilities for personal injury, death, or property damage, arising from the use, occupancy, disuse or condition of the premises, improvements, or adjoining areas or ways, providing protection of at least \$1 million dollars for bodily injury or death to any one person and at least \$1 million dollars for any one accident or occurrence and at least \$100,000.00 for property damage, said insurance policy or policies shall name the Lessor as an additional named insured and the Lessee shall supply the Lessor with a true and correct copy of the said liability insurance policy and each year thereafter shall supply the Lessor with a certificate of insurance demonstrating that the said insurance is in full force and effect.

D) Policy Form, Content, Insurer.

All insurance required by express provisions of this lease shall be carried only in responsible insurance companies licensed to do business in the state in which the premises are located. All such policies shall be non-assessable and shall contain language to the extent obtainable to the effect that (1) any loss shall be payable notwithstanding any act or negligence of the Lessor that might otherwise result in a forfeiture of the insurance (2) the insurer waives the right of subrogation against the Lessor and against the Lessor's agents or representatives (3) the policies are primary and non-contributing with any insurance that may be carried by the Lessor and (4) they cannot be cancelled or materially changed except after thirty (30) days notice by the insurer to the Lessor or Lessor's designated representative. Lessee may provide by blanket insurance covering the premises and any other location or locations any insurance required or permitted under this

Lease, provided it is acceptable to all mortgagees.

XIII. DEFAULT

A) Default in or breach of this agreement shall include, but not be limited to, the following:

1) Abandonment or surrender of the premises or of the leasehold estate or failure or refusal to pay when due any installment of rent or any other sum required by this Lease to be paid by Lessee or to perform as required or conditioned by any other covenant or condition of this Lease.

2) The subjection of any right or interest of the Lessee to attachment, execution or other levy or to seizure under legal process if not released within thirty (30) days provided that the foreclosure of any mortgage permitted by provisions of this Lease relating to purchase or construction of improvements shall not be construed as a default within the meaning of this paragraph.

3) The appointment of a receiver to take possession of the premises or improvements or of Lessee's interest in the leasehold estate or of Lessee's operations on the premises for any reason including but not to assignment for benefit of creditors, or voluntary or involuntary bankruptcy proceedings.

4) Assignment by Lessee for the benefit of creditors or the filing of voluntary or involuntary petition by or against the Lessee under any law for the purpose of adjudicating Lessee a bankrupt or for extending time for payment, adjustment or satisfaction of Lessee's liabilities or for re-organization, dissolution or arrangement on account of or to prevent bankruptcy or insolvency.

5) Default or delinquency in the payment of any loan secured by a mortgage permitted by this Lease to be placed by Lessee against Lessor's title or the leasehold or both.

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6) Failure to maintain fire and extended coverage insurance and liability insurance as provided herein.

7) Failure to rebuild, repair or maintain the improvements on the premises as required under the terms of this lease.

B) In the event the Lessee shall default or breach any of the terms of this lease, the Lessor shall give the Lessee thirty (30) days notice in writing within which time the Lessee shall be given the opportunity to cure the said default before the Lessor can pursue any of its remedies as provided herein.

C) If any default by the Lessee shall continue uncured following the notice of default as required by this lease for the period applicable to the default under the applicable provision of this lease, Lessor has the following remedies in addition to all other rights and remedies provided by law or equity to which Lessor may resort, cumulative, or in the alternative.

1) Lessor may, at Lessor's election, terminate this lease by giving Lessee notice of termination. On the giving of the notice all Lessee's rights in the premises and in all improvements shall terminate. Promptly after notice of termination Lessee shall surrender and vacate the premises and all improvements in broom clean condition and Lessor may re-enter and take possession of the premises and all remaining improvements and eject all parties in possession or eject some and not others or eject none. Termination under this paragraph shall not relieve the Lessee from the payment of any sum then due to Lessor or from any claim for damages previously incurred or then accruing against Lessee.

2) Lessor may, at Lessor's election, re-enter the premises and without terminating this lease at any time and from time to time, re-let the premises and improvements

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or any part or parts of them for the account and in the name of the Lessee or otherwise. Lessor may, at Lessor's election eject all persons or eject some and not others or eject none. Any re-letting may be for the remainder of the term or for a longer or shorter period. Lessor may execute any leases made under this provision either in Lessor's name or in Lessee's name and shall be entitled to all rents from use, operation or occupancy of the premises, or improvements, or both. Lessee shall nevertheless pay to the Lessor on the due dates specified in this lease the equivalent of all sums required of Lessee under this Lease, plus Lessor's expenses, less the avails of any re-letting or attornment. No act by or on behalf of Lessor under this provision shall constitute a termination of this lease unless the Lessor gives Lessee notice of termination.

3) Lessor may at Lessor's election use Lessee's personal property and trade fixtures or any of such property and fixtures without compensation and without liability for use or damage or store them for the account and at the cost of Lessee. The election of one remedy for any one item shall not foreclose the election of any other remedy for any other item, or for the same item at a later time.

4) Lessor shall be entitled, at Lessor's election, to each installment of rent or to any combination of installments for any period before termination plus interest at the rate of ten percent (10%) per year from the due date of each installment. Avails of re-letting or attornment sub-rents shall be applied when received as follows:

a) To Lessor to the extent that the avails for the period covered do not exceed the amount due from and charged to Lessee for the same period, and

b) The balance to Lessee.

5) Lessor shall be entitled at Lessor's election to damages in the following sums:

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a) All amounts that would have fallen due as rent between the time of termination of this lease and the time of claim, judgment, or other award, less the avails of all relettings and attornment, plus interest on the balance at the rate of ten percent (10%) per year, and

b) The worth at the time of the claim, judgment or other award of the amount by which the unpaid rent for the balance of the term exceeds the then fair rental value is then encumbered by the lease and improvements and the fair rental value unencumbered by the lease and improvements. "Worth" as used in this provision, is computed by discounting the total at the discount rate of the Federal Reserve Bank of San Francisco at the time of the claim, judgment, or award, plus one percent (1%).

D) Each mortgagee under a mortgage then existing under provisions of this lease permitting mortgages relating to purchase or construction of improvements shall have thirty (30) days after service of notice of default within which, at mortgagee's election, either:

1) To cure the default if it can be cured by the payment or expenditure of money; or

2) If mortgagee does not elect to cure by the payment or expenditure of money, or if the default cannot be so cured, to cause the prompt initiation of foreclosure, to prosecute it diligently to conclusion, and to perform and comply with all other covenants and conditions of this lease requiring the payment or expenditure of money by Lessee until the leasehold estate shall be released or reconveyed from the effect of the mortgage or until it shall be transferred or assigned pursuant to or in lieu of foreclosure.

E) After expiration of the applicable time for curing a particular default or before the expiration of that time in the event of an emergency, Lessor, may at Lessor's election, but is

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not obligated to, make any payment required of Lessee under this lease or under any note or other document pertaining to the financing of improvements or fixtures on the premises, or perform or comply with any covenant or condition imposed on Lessee under this lease or any such note or document and the amount so paid plus the reasonable cost of any such performance or compliance plus interest on such sum at the rate of ten percent (10%) per year from the date of payment, performance or compliance shall be deemed to be additional rent payable by Lessee within the next succeeding installment of rent. No such act shall constitute a waiver of default or of any remedy for default or render Lessor liable for any loss or damage resulting from any such act.

F) If in the course of pursuing any of the remedies available to the Lessor arising out of or by virtue of any default or breach of any of the terms and conditions of the lease the Lessor shall incur attorney's fees, the Lessee shall be liable in addition to any and all other remedies for all costs and reasonable attorney's fees incurred by the Lessor as a result of the said breach or default.

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XIV. CONDEMNATION

A) Definitions.

The following definitions apply in construing provisions of this Lease relating to at taking of or damage to all or part of the premises or improvements or any interest in them by eminent domain or inverse condemnation.

1) Taking means a taking or damaging, including severance damage by eminent domain or by inverse condemnation or by any public or quasi public use under any statute. The transfer of title may be either a transfer resulting from the recording of a final order in condemnation or a voluntary transfer or conveyance to the condemning agency or entity under threat of condemnation, in avoidance of an exercise of eminent domain, or while condemnation proceedings are pending. The taking shall be considered to take place as of the later of

a) the date actual physical possession is taken by the condemnor or

b) the date on which the right to compensation and damages accrues under the law applicable to the premises.

2) Total taking means the taking of the fee title to all the premises and the improvements on the premises which shall be considered to include any off site improvements affected by the Lessee to serve the premises or the improvements on the premises.

3) Substantial taking means the taking of so much of the premises or improvements or both, that the portion of the premises not so taken cannot be so repaired or reconstructed, taking into consideration the amount of the award available for repair or reconstruction as to constitute a complete rentable structure capable of producing a proportionately fair and reasonable net annual in-

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come after payment of all operating expenses, the fixed rent, additional rent and all other charges payable under this lease, and after performance of all covenants and conditions required of the Lessee by law and under this Lease.

4) Partial taking means any taking of the fee title that is not either a total or a substantial taking.

5) Award means compensation paid for the taking whether pursuant to judgment or by agreement or otherwise.

B) Total Taking.

1) On a total taking, the Lessee's obligation to pay rent shall terminate on and Lessee's interest in the leasehold shall continue until the date of taking.

2) On a total taking, all sums including damages and interest awarded for the fee or the leasehold or both, shall be distributed and disbursed in the following order or priority. First, all real and personal property taxes constituting a lien on the premises or improvements. Second, balance due under any note and mortgage encumbering the fee and having priority over the lease. Third, to the Lessee and the Lessor, their expenses or disbursements reasonably and necessarily incurred or paid on account of the condemnation proceedings including attorney's fees. Fourth, to Lessor a sum equal to the value of the premises taken, valued as unimproved land and unburdened by all leases or sub-leases, less that portion of the attorney's fees allocable to the Lessor. Attorney's fees shall be allocated to Lessor in that proportion of the total gross award that is allocable to the fair market value of the leased premises valued as unimproved land and unburdened by all leases or sub-leases. Fifth, balance to Lessee. If the parties are unable to agree as to the allocation of the award, the matter shall be submitted to arbitration as provided herein.

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C) Substantial Taking.

1) If the taking is substantial under the definition appearing above, Lessee may by notice to Lessor, within thirty (30) days after Lessee receives notice of intended taking, elect to treat the taking as a substantial taking. If the Lessee does not so notify the Lessor the taking shall be deemed a partial taking. If the Lessee gives such notice and the Lessor gives Lessee notice disputing Lessee's contention within thirty (30) days following Lessee's notice the dispute shall be promptly determined by arbitration. If the Lessor gives no such notice, the taking shall be considered a substantial taking. A substantial taking shall be treated as a total taking if:

a) Lessee delivers possession to Lessor within thirty (30) days after determination that the taking was a substantial taking, and

b) Lessee is not in default under the lease and has complied with all lease provisions concerning apportionment of the award. If these conditions are not met, the taking shall be treated as a partial taking.

D) Partial Taking.

1) On a partial taking this lease shall remain in full force and effect, covering the remaining property, except that the net rent shall be reduced in the same ratio as the value of the portion of the premises taken after deducting expenses of collection, including any attorney's fee and restoration costs, bears the value of the total premises, including improvements then in existence. In the event the Lessor and Lessee are unable to agree as to such reduction, the matter shall be submitted to arbitration.

2) On a partial taking all sums, including damages and interest, awarded for the fee title or the leasehold or both, shall be distributed and disbursed in the following order of priority. First, to the cost of restoring

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the leasehold improvements. Second, the Lessor, a sum equal to the value of the premises taken valued as unimproved land exclusive of improvements and unburdened by all leases and sub-leases. Third, to Lessor any expenses or disbursements reasonably and necessarily incurred or paid by or on behalf of Lessee for or in connection with the condemnation proceedings. Fifth, to leasehold mortgagee, a sum equal to any decrease in its security resulting from the taking. Sixth, to the Lessor any residue. In the event the parties are unable to agree as to the above apportionment, the matter shall be submitted to arbitration.

XV. ASSIGNMENT OR SUBLETTING

The Lessee shall not assign or transfer this Lease or any interest therein nor shall this lease or any interest thereunder be assignable or transferable by operation of law or by any process or proceeding in any court or otherwise, without first obtaining the written consent of the Lessor. Any assignment of this lease by the Lessee shall not relieve the Lessee of any of its duties or obligations hereunder. If the Lessee is a corporation, then any merger, consolidation or liquidation to which it may be a party, or any change in the ownership of or power to vote the majority of its outstanding voting stock, shall constitute an assignment or transfer of this lease for the purposes of this paragraph. The Lessor shall not unreasonably withhold his consent to an assignment or subletting. It is understood that an assignment of this lease by the Lessee for security purposes to its mortgagee under the mortgage to which the Lessor subordinates its interest, shall not be construed as an assignment in violation of this provision.

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XVI. ARBITRATION

Arbitration may be required only for matters for which arbitration is authorized in this Lease. The award, or decision of the arbitrators shall be final and binding on both parties hereto. Arbitration is initiated and required by giving notice, specifying the matter to be arbitrated. There shall be three arbitrators appointed as follows:

1) Within twenty (20) days after notice requiring arbitration, each party shall appoint one (1) arbitrator and give notice of the appointment to the other party.

2) The two (2) arbitrators shall choose the third arbitrator within twenty (20) days after appointment of the second.

3) If either party fails to appoint an arbitrator or if the two (2) arbitrators fail to choose a third, the appointment shall be made by the then presiding judge of the Superior Court for the county in which the premises are located, acting in his individual and non-official capacity on the application of either party and on ten (10) days notice to the other party. All arbitrations shall thereafter be conducted in conformity with the terms of Chapter 7.04 of the Revised Code of Washington, or such other code as may in the future be enacted concerning arbitration in the State of Washington.

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XVII. OWNERSHIP OF IMPROVEMENTS AT TERMINATION

A) Reversion to Lessor.

All improvements on the premises at the expiration of the term or sooner termination of this lease, shall without compensation to Lessee then become Lessor's property free and clear of all claims to or against them by Lessee or any third person, and Lessee shall defend and indemnify Lessor against all liability and loss arising from such claims or from Lessor's exercise of the rights conferred by this paragraph.

B) Lessee's Duty to Surrender.

At the expiration or earlier termination of the term, Lessee shall surrender to Lessor the possession of the premise. Surrender or removal of improvements, fixtures, trade fixtures, and improvements shall be as directed in provisions of this lease on ownership of improvements at termination. Lessee shall leave the surrendered premises and any other property in good and broom clean condition except as provided in any contrary provisions of this lease on maintenance and repair of improvements. All property that Lessee is required to surrender shall become Lessor's property at termination of the Lease. All property that Lessee is not required to surrender but that Lessee does abandon shall, at Lessor's election become Lessor's property at termination.

If Lessee fails to surrender the premises at the expiration or sooner termination of this lease, Lessee shall defend and indemnify Lessor from all liability and expense resulting from the delay or failure to surrender, including without limitation, claims made by any succeeding tenant founded on or resulting from Lessee's failure to surrender.

XVIII. EASEMENT AGREEMENT

Throughout the term of this lease the Lessee does grant to the Lessor an easement for ingress and egress over and across that portion of the leased premises indicated in red on the plot

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[Signature]

plan which is Exhibit "B" to this lease agreement, which easement is for the use and benefit of the property contiguous to the leased premises and northerly and westerly thereof. Throughout the lease term neither the Lessee nor its successors or assigns shall perform any act which would in any way hinder or inhibit the free travel by the Lessor or its assignees over and across the easement granted herein, nor shall the Lessee place any improvements upon the said easement except for asphalt road surfacing.

XIX. LESSOR'S NON-LIABILITY

Lessor shall not be liable and Lessee shall defend and indemnify Lessor against all liability and claims of liability for damage or injury to person or property on or about the premises from any cause. Lessee waives all claims against Lessor for damage or injury to person or property arising or asserted to have arisen from any cause whatsoever.

XX. NO RESTAURANT

Lessee shall not, at any time during the lease term, directly or indirectly construct or operate or cause to be constructed or operated any form of restaurant or cocktail lounge, or any business which might be construed as in competition with the restaurant on the adjoining premises. This paragraph shall not, however, be construed as preventing Lessee from supplying coffee, tea, soft drinks, ice, or cigarettes to its tenants.

XXI. GENERAL TERMS

A) It is agreed that this writing contains the entire agreement between the parties and there have been no other agreements, warranties or representations except as herein contained.

B) Both parties agree to execute a short-form lease for recording purposes, which short-form lease shall not contain any terms or conditions which are contrary to the terms contained herein.

C) Any and all parties to this agreement shall sign any and all documents necessary to carry out the purposes and intentions of this lease.

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D) In the event of a breach of any of the terms or conditions of this Lease, the breaching party shall be liable to the injured party for any and all costs, including reasonable attorneys' fees reasonably necessary incurred to enforce the terms of this lease, plus any and all damages which flow from the said breach.

E) Notices required herein shall be sent by registered mail, return receipt requested, to the Lessor at 36 - 157th Avenue Southeast, Bellevue, Washington 98008, and to the Lessee at 13375 Southwest Henry, Beaverton, Oregon 97005. Either party hereto may by notice in writing specify a new address to which notices are to be sent.

F) The Lessor and its agents shall have the right to inspect the premises at all reasonable times and to enter the same whenever it is reasonably necessary for the exercise of any right or privilege of the Lessor under this lease. Lessor shall have the right to place and maintain "for rent" signs in conspicuous places on the premises for sixty (60) days prior to the expiration or sooner termination of this lease.

G) Lessee and Lessor hereby mutually release each other from liability and waive all right of recovery against each other for any loss from perils insured against under their respective fire insurance policies, including any extended coverage and endorsements thereto, provided, however, that this paragraph 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.

H) All terms, conditions, covenants and agreements of this lease shall extend to and be binding upon Lessor, Lessee and their respective heirs, administrators, executors, personal representatives, successors and assigns and upon any person, firm or corporation, coming into ownership or possession of any interest in the premises by operation of law or otherwise and shall be construed as covenants running with the land.

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I) It is understood and agreed that it may be contemplated in the future by the Lessor that certain adjoining areas may be or become common areas and other businesses may be or become conducted thereon. The Lessee agrees to cooperate and enter into any reasonable agreements as may be necessary concerning the maintenance, occupation, use and control of any such prospective common areas.

J) Lessee and Lessor further agree that during the term of this lease, and any extensions thereof, they will not place any barriers on or about the boundaries of the demised premises which would in any way inhibit the flow of traffic to and from the contiguous land. The parties will cooperate with respect to parking area design and traffic control patterns which may be required as a result of future development of adjoining properties.

K) The invalidity of illegality of any provision shall not affect the remainder of the lease.

L) If either Lessor or Lessee consists of more than one (1) person, the obligation of all such persons is joint and several. Wherever appropriate the single shall include the plural and masculine, feminine and neuter gender shall be interchangeable.

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IN WITNESS WHEREOF, the parties have hereto set their hands and seals the day and date first above written.

LESSEE

George L. Beauregard
George L. Beauregard

Dorothy J. Beauregard
Dorothy J. Beauregard

Dennis Kranz
Dennis Kranz

LESSOR

William G. Springer
William G. Springer

Helen M. Springer
Helen M. Springer

STATE OF Oregon }
COUNTY OF Washington } ss

On this day before me, personally appeared GEORGE L. BEAUREGARD and DOROTHY J. BEAUREGARD, his wife, to me known to be the individuals described in and who executed the foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official seal this 11th day of May, 1977.

Carol Osborne
NOTARY PUBLIC in and for the State of Oregon, residing at Beaverton
My commission expires 5-7-78.

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STATE OF Oregon)
COUNTY OF Washington) ss

On this day before me, personally appeared DENNIS KRANZ, a single man, to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official seal this 11th day of May, 1977.

Carol Osborne
NOTARY PUBLIC in and for the State of Oregon, residing at Deaereton
My commission expires 5-7-78

STATE OF WASHINGTON)
COUNTY OF KING) ss

On this day before me, personally appeared WILLIAM G. SPRINGER and HELEN M. SPRINGER, his wife, to me known to be the individuals described in and who executed the foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official seal this 11th day of May, 1977.

Eleanor Bryan
NOTARY PUBLIC in and for the State of Washington, residing at Seattle

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EXHIBIT "A"

East 380 feet of the South 380 feet of the North 590 feet of the Southeast Quarter of the Northeast Quarter of Section 13, Township 22. Range 4 E.W.M., less the East 240 feet of the South 250 feet thereof and less the South 70 feet thereof except portion deeded for P.S.H. #5 by deed recorded under Auditor's File No. 5499517, subject to easement of record and subject to easement for ingress and egress approximately 85 feet in length on the Northwest corner thereof 30 feet in width at its maximum and parallel to the Right of-Way for State Sign Route 167 commonly known as the Valley Freeway.

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LEASE AMENDMENT

This lease amendment made and executed this 6th day of December, 1978 by and between GEORGE L. BEAUREGARD and DOROTHY J. BEAUREGARD, his wife, and DENNIS KRANZ, a single man, hereinafter collectively called "Lessee", and WILLIAM. G. SPRINGER and HELEN M. SPRINGER, his wife, hereinafter collectively called "Lessor",

W I T N E S S E T H :

WHEREAS, the parties hereto have previously executed a lease to certain real property located in the City of Kent, County of King, State of Washington more particularly described as follows:

The East 380 feet of the South 380 feet of the North 590 feet of the Southeast Quarter of the Northeast Quarter of Section 13, Township 22, Range 4 E.W.M., less the East 240 feet of the South 250 feet thereof and less the South 70 feet thereof except portion deeded for P.S. H. #5 by deed recorded under Auditor's File No. 5499517, subject to easement of record and subject to easement for ingress and egress approximately 85 feet in length on the Northwest corner thereof 30 feet in width at its maximum and parallel to the Right of Way for State Sign Route 167 commonly known as the Valley Freeway.

which lease is dated the 11th day of May, 1977, and,

WHEREAS, the parties hereto desire to amend paragraph V of the said lease to read as it is set out herein,

NOW THEREFORE, In consideration of the lease and the various promises, agreements, and undertakings of the parties it is hereby agreed as follows:

That paragraph V of the lease be and it is hereby amended to read as follows:

V. ADJUSTMENTS TO MINIMUM RENT

As of the first day of April during each year of the lease term the monthly rental shall be adjusted on a prorata basis to the difference between the Consumer price index for

Metropolitan area as published by the United States Department of Labor, Bureau of Labor Statistics as of February, 1977, and the revised Consumer Price Index for Urban wage earners and clerical workers (CPI-W) for the Seattle-Everett metropolitan area for the month of February of each year thereafter. For the purposes of this agreement it is agreed that the minimum monthly rental for the first year of the lease is \$1100.00 per month and the consumer price index as of February 1977 is 171.4. The adjustment in rental shall be calculated by multiplying the initial minimum monthly rent times the new Consumer price index and dividing that figure by the Consumer price index as of February 1977. The result shall be the new minimum monthly rental until April 1 of the following year. In no event shall the adjusted monthly rental be less than the initial minimum monthly rent for the first year of the term. In the event that at some future time during the lease term, the consumer price index as hereing described, is replaced by a new Federal government index which is intended to and does replace the original consumer price index or its successors, the new index shall govern and control in connection herewith. If the parties are unable to agree as to which new index should replace the discontinued consumer price index, then the matter shall be submitted to arbitration as provided in the arbitration paragraph of this lease.

It is further agreed that all other terms and conditions of the lease shall remain the same.

IN WITNESS WHEREOF, the parties have hereto set their hands and seals the day and date first above written.

L E S S E E


George L. Beauregard


Dorothy J. Beauregard


Dennis Kranz

L E S S O R

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William G. Springer
William G. Springer

Helen M. Springer
Helen M. Springer

STATE OF WASHINGTON)
COUNTY OF KING) ss

On this day before me, personally appeared William G. Springer and Helen M. Springer, his wife, to me known to be the individuals described in and who executed the foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official seal this 6th day of December, 1978.

Olma M. Quinn
NOTARY PUBLIC in and for the State
of Washington residing at Bellevue

STATE OF Oregon)
COUNTY OF Washington) ss

On this day before me, personally appeared GEORGE L. BEAUREGARD and DOROTHY J. BEAUREGARD, his wife, to me known to be the individuals described in and who executed the foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official seal this 19th day of July, 1979.

Carol Osborne
NOTARY PUBLIC in and for the State of
Oregon; residing at Aloha
Commission expires 5-11-82

STATE OF Oregon }
COUNTY OF Washington } ss

On this day before me, personally appeared DENNIS KRANZ, a single man, to me known to be the individual who executed the foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official seal this 19th day of July, 1979.

Carol Osborne
NOTARY PUBLIC in and for the State of Oregon residing at Aleka.

Commission expires 5-11-82.

SECOND LEASE AMENDMENT

THIS SECOND LEASE AMENDMENT made and executed as of the 15th day of April, 1987 by and between George L. Beauregard and Dorothy J. Beauregard, his wife, and Dennis Kranz, a single man, hereinafter collectively called "Lessee", and William G. Springer and Helen M. Springer, his wife, hereinafter collectively called "Lessor",

W I T N E S S E T H:

WHEREAS, the parties hereto on the 11th day of May, 1977 entered into a Ground Lease on the real property located in the City of Kent, King County, Washington, which property is described in Exhibit A to this agreement, and,

WHEREAS, the parties desire to change some of the terms of the original lease agreement under the terms and conditions set out herein,

NOW THEREFORE:

In consideration of the mutual covenants and agreements provided herein, it is agreed as follows:

I

That the Lessee shall supply the Lessor with documentation satisfactory in form to the Lessor and duly recorded evidencing the release of the lien on the property in favor of Lessee's lender to which the interest of the Lessor has been subordinated. If the Lessee shall fail to supply the above documentation, this lease amendment shall be null and void and the unmodified terms of the original lease shall remain in full force and effect.

II

Provided that the conditions of Paragraph I above have been met, the original lease shall be amended as follows:

III

Paragraph IX of the lease entitled Financing and Subordination shall be deleted in its entirety and a new Paragraph IX shall be substituted as follows:

IX FINANCING AND SUBORDINATION; The Lessor shall not be required to subordinate its fee interest in the property to the security interest of Lessee's lender, and Lessee shall at no time subject the Lessor's ownership interest in the property to debts or liens of any sort whatsoever.

IV

That Paragraph XV of the original lease entitled Assignment and Subletting shall be deleted in its entirety and its place a new Paragraph XV shall read as follows:

XV ASSIGNMENT AND SUBLETTING: Lessees shall have the right to assign this lease at any time to any assignee of good character, reputation, and financial responsibility. Before such assignment is made, Lessees shall furnish Lessors full information concerning any proposed assignee, and Lessors shall have a period of 30 days to investigate the qualifications of the prospective assignee. The Lessee shall not assign or transfer its leasehold interest or any portion thereof nor shall this lease or any interest thereunder be assignable or transferable by operation of law or by any process or proceeding in any court or otherwise, without first obtaining the written consent of the Lessor. If the Lessee is a corporation, then any merger, consolidation or liquidation to which it may be a party, or any change in the ownership of or power to vote the majority of its outstanding voting stock, shall constitute an assignment or transfer of this lease for the purposes of this paragraph. The Lessor shall not unreasonably withhold its consent to such assignment or subletting. Such consent, once obtained, shall operate to discharge the assignor Lessee from any further obligation under this lease. No such assignment shall operate to modify any of the terms of this lease except the identity of the Lessee. In the event that the Lessee feels that such consent is being unreasonable withheld, the matter of reasonableness shall be decided by arbitration under the provisions of Paragraph XVI of this Lease.

All of the other terms of the original lease as modified by the first lease amendment shall remain in full force and effect.

LESSOR:

William G. Springer
WILLIAM G. SPRINGER

Helen M. Springer
HELEN M. SPRINGER

LESSEE:

George L. Beauregard
GEORGE L. BEAUREGARD

Dorothy J. Beauregard
DOROTHY J. BEAUREGARD

Dennis B. Kranz
DENNIS B. KRANZ

STATE OF Washington)
County of King) SS.

On this day before me personally appeared WILLIAM G. SPRINGER and HELEN M. SPRINGER, his wife, to me known to be the individuals described in and who executed the foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official seal on May 27, 1987.

Elise L. Oanskow
NOTARY PUBLIC in and for the
State of Washington, residing
at Bellevue.

STATE OF OREGON)
)
County of Washington)

On this day before me personally appeared GEORGE L. BEAUREGARD and DOROTHY J. BEAUREGARD, his wife, to me known to be the individuals described in and who executed the foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official seal on April 15, 1987.

Kristine A. Johnson
NOTARY PUBLIC in and for the
State of Oregon, residing
at Hillsboro.

STATE OF OREGON)
)
County of Washington)

On this day before me personally appeared DENNIS B. KRANZ, a single man, to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official seal on April 15, 1987.

Kristine A. Johnson
NOTARY PUBLIC in and for the
State of Oregon, residing
at Hillsboro.

EXHIBIT "A"

Those portions of Lots 3 through 6, inclusive, and Lots 10 through 14, inclusive, in Block 7 Northlake Terrace Addition according to plat recorded in Volume 33 of Plats, Page 20, in King County, Washington described as follows:

Beginning at the Southeast corner of said Lot 6; South $87^{\circ}49'51''$ West, a distance of 169.40 feet; thence North $0^{\circ}14'08''$ West, a distance of 218.70 feet; thence North $89^{\circ}45'52''$ East, a distance of 233.50 feet; thence South $2^{\circ}52'54''$ West, a distance of 95.0 feet; thence South $73^{\circ}13'53''$ West, a distance of 55.20 feet; thence South $2^{\circ}52'54''$ East, a distance of 100.00 feet to the point of beginning.

SUBJECT TO: Easement for sanitary sewers recorded May 11, 1965 under Auditors File No. 5877346.

THIRD LEASE AMENDMENT

This lease amendment made and executed as of April 1, 1990 by and between William G. Springer and Helen W. Springer (hereinafter called "lessors"), and Dennis Krantz, a single person, and George L. Beauregard, a single person, (hereinafter called "lessees"),

WITNESSETH:

WHEREAS, the lessors and lessees have previously entered into a ground lease dated May 11, 1977 and amended as of December 6, 1978 and amended a second time as of April 15, 1987 concerning certain real property located in the City of Kent, County of King, State of Washington, and

WHEREAS, the parties hereto have agreed to an alteration of the William G. Springer Short Plat which realigns an easement on the leased premises as well as lot 1, which is the subject matter of this amendment filed under King County Auditor's file #8811160349.

NOW, THEREFOR:

I

There will be added to the leased premises the following property, to-wit:

Lot 1 William G. Springer Short Plat located in the Southeast quarter of the Northeast quarter of Section 13, Township 22, Range 4 E.W.M. in the City of Kent, County of King, State of Washington, subject easements restrictions and reservations of record.

II

The rent for the entire property as of April 1, 1990 shall be the sum of \$3,870.64 per month and shall be modified as of April 1, of each year thereafter as provided in previous agreements.

III

The owner of lot 3 which enters through the easement identified in the premises shall have the right to place a sign along the easterly border of lot 1 identifying the use to which lot 3 is being put and how to get to the said lot 3 on the easement, of reasonable size and dimensions as agreed between the owner of lot 3 and the lessees. If agree cannot be reached, the matter shall be submitted to arbitration.

IV

The owner of lot 3 will develop the said property for a use that will not unreasonable adversely affect or impact the lessees operations on the leased premises. In the event that the owner of lot 3 and lessees cannot agree as to any

proposed use of lot 3 the matter shall be submitted to arbitration.

V

The use to which the property being added to the lease shall be put shall be for an amenities building and additional sleeping units and for no other use. Specifically the lessees may not erect or cause to be erected or used as a restaurant thereon.

VI

The right to lease lot 1 shall not be conveyed, assigned, or subleased unless the entire leased premises shall be assigned in accordance with the provisions of the previous agreements.

VII

The lessors shall not be required to subordinate their fee ownership of the leased premises to assist in financing by the lessees of any proposed improvements. In the event that the lessees shall be unable to obtain financing without subordination, this lease amendment shall be null and void.

VIII

Lessors have previously obtained a grade and fill permit on lot 1 upon which a \$500.00 cash performance bond has been paid. Lessees may fill and grade the property in accordance with the permit at their own cost and when completed the cash bond shall be returned to lessors. In the event that the permit has expired any renewal of it shall be at lessees sole expense.

IX

Ad Valorem real estate taxes on lot 1, payable in 1990 shall be pro-rated as of April 1, 1990 and the existing assessment on lot 1 shall be paid equally by the lessees and the lessors. Thereafter any future taxes or assessments shall be paid by the lessees in accordance with the prior agreements.

X

It is further agreed that the lease term will be extended twelve years and terminate on May 11, 2049.

XI

All other terms of the original lease and lease

amendments agreed to prior to this lease amendment shall continue in full force and effect insofar as they have not been altered by this amendment.

IN WITNESS WHEREOF the parties have hereto set their hands and seals as of April 1, 1990.

William A. Springer

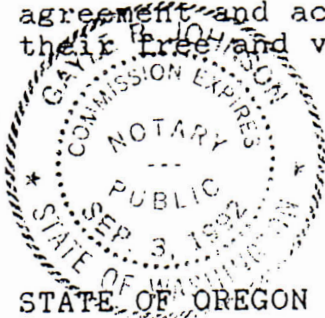
Helen M. Springer

LESSORS:

LESSEES:

STATE OF WASHINGTON)
COUNTY OF KING)ss.

On this 4th day of May, 1990 personally appeared before me, William G. Springer and Helen M. Springer, known to me to be the lessors in the above agreement and acknowledged that they signed the same as their free and voluntary act and deed.



Henry R. Jensen
Notary Public for the State of
Washington residing at Desquamet
9-3-90

STATE OF OREGON)
)ss.
COUNTY OF MULTNOMAH)

On this ____ day of _____, 1990 personally appeared before me Dennis Kranz known to me to be one of the lessees in the above lease amendment and acknowledged to me that he signed the same as his free and voluntary act and deed.

Notary Public for the State of
Oregon residing at _____

