Christa

QUENDALL TERMINALS
P. O. BOX 477
RENTON, WA. 98057

June 28, 1996

DNR
P.O. Box 68
Enumclaw, Wa

Re: Aquatic Lease Renewal
No 22-002627

The attached lease agreement (sub-Lease) was not included in our application for renewal. Refer to Sec II page 2 regarding Sublease.

Thank You

Dean R. Dolan

RECEIVED
JUL 01 1996
DNR-SPS

LEASE

THIS AGREEMENT, effective July 1, 1996, between QUENDALL TERMINALS, a joint venture of Altino Properties, Inc. and J. H. Baxter & Co. ("Lessor") and JOHN J. TORTORELLI d/b/a Western Wood Lumber Company, 10128 NE 62nd Street, Kirkland, WA, 98033 ("Lessee");

FOR AND IN CONSIDERATION of the mutual covenants contained herein, the parties agree as follows:

1. DESCRIPTION OF PREMISES: The Lessor does hereby lease and demise unto the Lessee those certain premises (the "Property") situated in King County, Washington, described as follows:

A. The South ½ of that portion of Government Lot 5, in Section 29, Township 24 North, Range 5 East, W.M. and shoreland adjoining lying Westerly of the Northern Pacific Railroad Right of Way and Southerly of a line described as follows:

Beginning at the quarter corner on the South line of said Section 29; thence North 89°58'36" West along the South line of said Lot 5 1,113.01 feet to the Westerly line of said Northern Pacific Railroad Right of Way; thence North 29°44'54" East 849.62 feet along said Right of Way line to a point hereinafter referred to as Point A; thence continuing North 29°44'54" East 200.01 feet to the true point of beginning of the line herein described; thence South 56°28'50" West 222.32 feet to a point which bears North 59°24'56" West 100.01 feet from said Point A; thence North 59°24'56" West to the inner harbor line and the end of said line description; Also that portion of said Government Lot 5 lying Southeasterly of Lake Washington Boulevard, Westerly of Secondary State Highway Number 2A and Northwesterly of the Right of Way of Public State Highway Number 1 as established by deed recorded under Auditor's File No. 5687408.

Together with the submerged shorelands adjacent to the uplands described reserving access rights to piers located with said submerged shorelands.

B. This Lease also includes 200 square feet of office space located on the Property, said office building to be shared between Lessee and Lessor to the extent that they are presently sharing the space. Lessee will pay all utilities on the property. Lessee will pay real estate taxes and charges against real estate as against the first $500,000.00 of assessed valuation which shall be paid monthly.

C. This Lease shall also include the right to utilize and operate in the Harbor Area leased to Quendall Terminals under an Aquatic Land Lease so long as Lessee makes all payments and performs all obligations required by the Aquatic Land Lease and the Department of Natural Resources of the State of Washington. These payments may be made to Lessor on a monthly basis.

D. Any portable toilets, if required for use of Lessee personnel, shall be provided and paid for by Lessee.

2. TERM OF LEASE: The term of this Lease shall be for twelve months commencing of the 1st day of July, 1996. The Lease may be terminated by Lessor after six (6) months by a written notice given 90 days prior to the termination date.

3. RENTAL: Lessee agrees to pay Lessor as rental for the Property Three Dollars and Eighty Cents ($3.80) per thousand board feet of throughput (including culls and cordwood) received at the site as indicated by Puget Sound Log Scaling and Grading Bureau slips. The scale shall be net. Cordwood shall be measured at three cords per thousand board feet. There will be a minimum annual rental of $36,000.00 throughput. Monthly rental shall be payable upon the 7th day of each month that this Lease is in effect. This amount is set for the first twelve months.

4. CONDITION OF PROPERTY: Lessor represents that the Property is being investigated for possible environmental contamination by the State of Washington Department of Ecology and the United States Environmental Protection Agency. As of the date this Lease is executed, Lessor is not aware of any contamination or other condition of the Property which may prevent Lessee's use of the Property during the lease term. Lessor agrees that during the term of this Lease it will disclose to Lessee all information regarding contamination or other adverse conditions of the Property within ten (10) days of the date such information becomes known to Lessor. Lessee may terminate this Lease at any time if it, in its sole discretion reasonably exercised, determines that the contaminated condition of the Property is environmentally unsuitable. In such case, Lessee will give Lessor ten (10) days written notice. At the end of said ten (10) day notice (which commences on the date Lessee deposits the notice in the United States mail) all Lessee's obligations hereunder will terminate.

5. RESTORATION OF PREMISES: Lessee agrees to return the Property to Lessor upon termination reasonably in the same condition, reasonable wear and tear accepted. Lessee agrees to remove equipment and improvements placed on the premises by Lessee prior to termination of the Lease, except non-portable improvements placed or constructed on the Property with Lessor's approval. Lessee may remove such non-portable improvements installed by Lessee prior to the end of the lease term, so long as the Property

is reasonably restored after this removal. Lessee shall also remove, as much as is reasonable, bark and wood fiber debris, cull logs and abandoned logs at conclusion of the lease term.

6. INDEMNIFICATION AND INSURANCE - LESSEE: Lessee agrees to indemnify and hold Lessor, Lessor's employees and/or agents, wholly harmless from any damages, claims, demands or suits by any person or persons, including Lessee, arising out of any acts or omissions by Lessee, its agents, servants, or employees as a result of any activity conducted by Lessee or Lessee's agents or servants; provided, however, that such indemnification shall not cover damages, claims, demands or suits arising out of disposal of hazardous substances on the Property, the release of hazardous substances from the Property or any other matter related to contamination of the soils, water, air or ground water on or underlying the Property. In addition, the Lessor has, in connection with the issuance of crossing permits with Burlington Northern Railroad, agreed, among other things, as follows:

> "9. Permittee shall and hereby does release and discharge Railroad of and from any and all liability for damage to or destruction of the said roadway, or any property of Permittee thereon; and shall and hereby does assume any and all liability for injury to or death of persons, or loss of or damage to property in any manner arising from or during the construction, use, maintenance, repair or removal of said roadway, however such injury, death, loss, damage or destruction aforesaid may occur or be caused; and shall and hereby does indemnify and save harmless Railroad of and from any and all claims, demands, suits, actions, damages, recoveries, judgments, costs or expenses arising or growing out of or in connection with any such injury, death, loss, damage or destruction aforesaid. Permittee further agrees to appear and defend in the name of Railroad any suits or actions at law brought against it on account of any such personal injuries, death or damage to property, and to pay and satisfy any final judgment that may be rendered against the Railroad in any such suit or action. The liability assumed by Permittee herein shall not be affected or diminished by the fact, if it be a fact, that any such suit or action brought against Railroad may arise out of negligence of Railroad, its officers, agents, servants or employees, or be contributed to by such negligence.
>
> 10. In the event Railroad shall require the use of its premises occupied by the said roadway or any part thereof for any purpose whatsoever, or if Permittee shall fail to keep and perform any of the terms and conditions of this agreement herein agreed by Permittee to be kept and performed, Railroad shall have the right to terminate

this agreement at any time upon giving to Permittee thirty (30) days' written notice of its intention so to do and shall, upon expiration of said thirty (30) days, have the right to remove said crossing and barricade said roadway at the cost and expense of Permittee. Said notice shall be good if served personally upon Permittee or posted upon the premises or deposited postpaid in a United States Post Office, addressed to Permittee at Permittee's Post Office address above stated. No portion of any payments made hereunder will be refunded upon termination of this agreement.

11. Permittee shall not assign this agreement or permit any other person or persons to use or occupy any portion of the premises of Railroad occupied by the said roadway without first having obtained the written consent of Railroad.

12. This agreement shall inure to the benefit of and be binding upon the parties hereto and their respective executors, administrators, successors, and assigns."

The Lessee specifically agrees that any use of the said railroad crossing or future crossing shall be subject to the prior consent of Burlington Northern, and further agrees to indemnify the Lessor for any liability to Burlington under this above paragraph as a result of any activities of Lessee, its agents, assigns, visitors or anyone else coming on the Property in furtherance of Lessee's business or at their direction or with their permission.

7. INDEMNIFICATION AND INSURANCE - LESSOR: Lessor agrees to indemnify and hold Lessee, Lessee's employees and/or agents, wholly harmless from any damages, claims, demands or suits by any person or persons including Lessor arising out of any acts or omissions by Lessor, its agents, servants, or employees, as a result of any activity conducted and heretofore conducted by Lessor or Lessor's agents, servants, or employees.

8. ASSIGNMENT AND SUBLETTING: The Lessee shall not assign or sublet the whole or any part of the Property without the prior written consent of the Lessor, which consent the Lessor shall not unreasonably withhold. If said consent is obtained, and the Lessee assigns or sublets the whole or any portion of the Property, it shall nevertheless remain liable to the Lessor for the full payment of the rent according to the terms of the Lease. This Lease shall not be subject to involuntary assignment, transfer or sale, or to assignment, transfer, or sale by operation of law in any manner whatsoever by Lessee and any such attempted involuntary assignment, transfer or sale shall be void and of no effect. Lessor shall have the right to assign its interest under this Lease without prior written consent of Lessee.

9. EFFECT OF BANKRUPTCY: Without limiting the generality of the provisions of the preceding sections, if a proceeding under the Bankruptcy Act or any amendment thereto shall be commenced by or against the Lessee, and, if against the Lessee, such proceedings shall not be dismissed before either an adjudication in bankruptcy or the conformation of a composition, arrangement, or plan of reorganization, or in the event the Lessee is adjudged insolvent or makes an assignment for the benefit of its creditors, or if a receiver is appointed in any proceeding or action to which the Lessee is a party, with authority to take possession or control of the Property, and such receiver is not discharged within a period of thirty (30) days after his appointment, any such event or involuntary assignment prohibited by the provisions of this Section shall be deemed to constitute a breach of this Lease by the Lessee and shall, at the election of Lessor, terminate this Lease and all rights of any and all persons claiming under the Lease.

10. WAIVER OF BREACH: It is agreed that no waiver by either Lessor or Lessee of the performance of any provision herein by either of any covenant, agreement, stipulation or condition of this Lease shall be construed to be a waiver of any succeeding performance of the same covenant, agreement, stipulation or condition or a breach of any other covenant, agreement, stipulation or condition; also that all of the covenants, stipulations, conditions and agreements herein contained shall extend to and be binding on the heirs, executors, administrators, successors and assigns of the parties hereto.

11. IMPROVEMENTS: The Lessee shall not make any alterations, additions or improvements in the Property or equipment or facilities thereon, without the consent of the Lessor in writing first had and obtained, and all alterations, additions and improvements which shall be made, shall be at the sole cost and expense of the Lessee.

12. INSURANCE: During the term of this Lease and any other future time the Lessee shall hold the Property, the Lessee shall obtain and maintain at its expense, naming Lessee and Lessor as co-insured to the extent of their respective interests, liability insurance for bodily injury or property damage on the Property in the amount of $1,000,000 and such additional property insurance that will insure the rebuilding or repairing of the present structures in event of fire or other casualty. All insurance is to be subject to approval of Lessor as to terms and conditions. In the event that the Property is destroyed or damaged by fire, or other casualty, which is covered by insurance, the proceeds may be used to rebuild or repair the same at the sole option of Lessor. In the event the Property is damaged to such an extent as to render the same untenantable in whole or in a substantial part thereof, it shall be optional with the Lessor to rebuild the same or to terminate the Lease. During the time any portion of the Property has been destroyed or damaged until the rebuilding or repair is

completed, the rent for the Property shall be abated in the same proportion as the damaged portion bears to the entire Property.

13. MUTUAL WAIVER OF SUBROGATION:

A. Mutual release of liability for all hazards covered by insurance. The Lessor and the Lessee and all parties claiming under them hereby mutually waive, release and discharge each other from all claims and liabilities arising from or caused by any hazard covered by insurance on the leased property, or covered by insurance in connection with property on or activities conducted on the leased property, regardless of the cause of the damage or loss.

B. Mutual release from liability covered by insurance-limited to extent of insurance collected-conditioned on terms of insurance policy and cost. Each party releases the other party (which term as used in this Article includes employees, agents, officers and directors of the other party) from all liability, whether for negligence or otherwise, in connection with loss covered by any insurance policies which the releasor carries with respect to the leased premises or any interest or property therein or thereon (whether or not such insurance is required to be carried under this Lease), but only to the extent that such loss is collected under said insurance policies. Such release is also conditioned upon the inclusion in the policy or policies of a provision whereby any such release shall not adversely affect said policies or prejudice any right of the releasor to recover thereunder. Each party agrees that its insurance policies will include such a provision so long as the same shall be obtainable without extra cost, or if extra cost shall be charged therefor, so long as the party for whose benefit the clause or endorsement is obtained shall pay such extra cost. If extra cost shall be chargeable therefor, each party shall advise the other thereof of the amount of the extra cost, and the other party, at its election, may pay the same, but shall not be obligated to do so.

14. FORCE MAJEURE: Should either Lessor or Lessee hereto be delayed in or prevented, in whole or in part, from performing any obligation or conditions hereunder or from exercising its rights by reason of or as a result of any force majeure, such party shall be excused from performing such obligations or conditions and the term of this Lease shall be extended and continued while such party is so delayed or prevented and for 30 days thereafter. Should the delay exceed 180 days, the Lease may be terminated by either party. The term "force majeure" as used herein means acts of God; strikes, lockouts, or other industrial disturbances; acts of public enemy, blockades, wars, insurrections, or riots; epidemics; landslides, earthquakes, fires, storms, floods, or washouts; arrests, governmental restraints or requirements, either federal or state, civil or military; civil disturbances; explosions; inability to obtain necessary materials, supplies, labor or permits due to existing or future rules, regulations, orders, laws, or

proclamations, either federal or state, civil or military; and other causes beyond the control of such party.

15. COMPLIANCE WITH STATUTES: The Lessee agrees that it will comply with all federal, state or local statutes, regulations or ordinances of any type in its use of the Property and in particular, to statutes relating to ecology provided it is in Lessee's best interest in its sole discretion to do so. Otherwise, it may terminate this Lease in accordance with Paragraph 4 and at any time during the term hereby. If Lessor's or Lessee's use of the Property for the purposes herein stated shall be restrained or enjoined by judicial process, terminated by municipal or other government authority, terminated by law, or terminated by the right of imminent domain, Lessor may terminate this Lease upon ten (10) days written notice to Lessee, and Lessor shall not be liable for any damage resulting from said termination. Upon receipt of such notice, Lessee will remove equipment and improvements from the Property pursuant to the terms of Paragraph 5 hereof as quickly as is reasonably practicable, and Lessee may remove non-portable improvements placed or constructed on the Property by Lessee so long as such non-portable improvements are removed no later than sixty (60) days following receipt of the written notice and the Property is restored after this removal.

16. EASEMENTS, AGREEMENTS OR ENCUMBRANCES: The parties shall be bound by all existing easements, agreements and encumbrances of record relating to the Property.

17. DEFAULTS: In the event of any breach of this Lease by the Lessee, the Lessor shall give written notice to the Lessee of the specific default and shall provide in that written notice that the Lessee has (a) ten (10) days in which to cure the default, if such default be the failure to pay rent, or (b) thirty (30) days in which to cure any other default or vacate the Property as provided herein. Re-delivery of the Property to the Lessor shall in no way relieve the Lessee of any of its obligations to pay rent or other obligations or liability for breach under this Lease, except if it is for reasons herein set forth in which event all obligations under this Lease are terminated. Notwithstanding the above, Lessor shall not be entitled to terminate this Lease for Lessee's default other than payment of rent if Lessee shall commence to cure such default and continues to do so in good faith. If the Property is relet by the Lessor, the amounts received from the new Lessee shall be applied, first, to the payment of any expenses of such reletting and of any alterations or repair necessitated by the default of the Lessee; second, to the payment of rent due and unpaid hereunder and the residue, if any, shall be held by the Lessor and applied in payment of future rent as the same may become due and payable hereunder. No such re-entry or taking possession of the Property by the Lessor shall be construed as an election on the part of Lessor to terminate this Lease unless a written notice of such intention is given to the Lessee, or unless the termination is

decreed by a court of competent jurisdiction. In the event of breach, the party not at fault may recover from the other any and all damage incurred or suffered by reason of such breach. In addition, if Lessee fails within a reasonable time to remove all product from the Property upon termination of the Lease, Lessor is hereby specifically authorized, in its sole discretion, to sell the product at private or public sale, utilizing a procedure similar to that authorized under RCW 62A, Section 9 for private or public sales, and apply the proceeds to pay obligations of Lessee to Lessor hereunder and to retain any balance against future obligations of Lessee to Lessor hereunder and to retain any balance against future obligations of Lessee under Lease.

18. GOVERNING LAW: This Lease shall be construed according to the Laws of the State of Washington. In the event of any litigation involving this Lease, the losing party shall pay all costs incurred by prevailing party including any attorneys' fees and costs of title search.

19. ENTIRE AGREEMENT: This agreement contains the entire understanding of the parties and cannot be modified except in writing to all parties hereto.

20. NOTICES: Any notices required under this Lease shall be in writing, personally delivered or sent by certified mail, postage prepaid, addressed as follows:

To Lessee: John J. Tortorelli d/b/a
Western Wood Lumber Company
10128 NE 62nd Street
Kirkland, WA, 98033

To Lessor: Quendall Terminals Company
4503 Lake Washington Blvd.
P. O. Box 477
Renton, WA 98055

Any notice shall be deemed effective upon posting in U.S. mails.

21. CONDEMNATION: In the event of a whole or partial taking of the Property by eminent domain, the Lessor and Lessee shall share in any award of damages as their respective interests appear. In the event that any such taking of Property renders the property reasonably unusable for a log dump and sorting operation, Lessee may, upon fifteen (15) days written notice to Lessor, terminate this Lease and, subject to removal of Lessee's property as provided herein, shall thereafter have no further obligation with respect to the Property or this Lease.

22. LEASE SUBJECT TO OTHER AGREEMENTS: This Lease is conditioned upon the benefits of the following agreements accruing to Lessee:

A. That certain Harbor Area Lease between the Port of Seattle and Quendall Terminals, a copy of which is attached hereto as Exhibit "B" and any renewals thereof.

B. That certain crossing permit agreement dated May 1, 1975, between Quendall Terminals and Burlington Northern Railroad, a copy of which is attached hereto as Exhibit "C."

In the event that, during the term of this Lease, any of the above agreements fail to accrue to Lessee, then, at its sole option, Lessee may terminate this Lease upon written notice to Lessor, and Lessee shall have no further obligations under this Lease.

This Lease is also conditioned upon the following restrictions and limitations affecting the Lessee:

A. Any order requiring environmental mitigation of the site will permit Lessee to cancel this Lease at its sole discretion.

B. Any approval of a phased development of the site pursuant to existing Master Plan under Renton Planned Unit Development Ordinance as it is currently adopted or hereafter amended will permit the Lessor, at its sole discretion, to cancel said Lease. Lessor, however, shall notify Lessee of any such application prior to filing.

In the event that, during the term of this Lease, either of the itemized events occur or are elected by Lessor, this Lease will terminate and become a nullity.

DATED this _____ day of _____, 1996.

JOHN J. TORTORELLI, d/b/a
Western Wood Lumber Company

By: _____

QUENDALL TERMINALS,
a joint venture

By: Altino Properties, Inc.

By: _____

By: J. H. Baxter & Co.

By: _____

STATE OF WASHINGTON)
ss:
COUNTY OF KING)

On this 24th day of June, 1996, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared John J. Tortorelli, to me known to be the individual who executed the foregoing instrument, and acknowledged the said instrument to be his free and voluntary act and deed for the uses and purposes therein mentioned.

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

Pamela A. Bahrbaum
Notary Public in and for the State
of Washington, residing at:
My commission expires: 1-19-00

STATE OF WASHINGTON)
)ss.
COUNTY OF KING)

On this 24th day of June, 1996, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Alex Cugine, to me known to be the _____ of Altino Properties, Inc., a member of the Joint Venture Quendall Terminals, that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said Joint Venture for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument on behalf of said Joint Venture.

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

Pamela A. Bahrbaum
Notary Public in and for the State
of Washington, residing at:
My commission expires:
1-19-00

STATE OF)
)ss.
COUNTY OF)

On this 24th day of June, 1996, before me, the undersigned, a Notary Public in and for the State of Wa, duly commissioned and sworn, personally appeared Dean H. Brolan, to me known to be the _____ of J. H. Baxter & Co., a member of the Joint Venture Quendall Terminals, that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said Joint Venture for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument on behalf of said Joint Venture.

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

Nancy A. Behrbaum
Notary Public in and for the State of Renton, residing at:
My commission expires: 1-19-00