



Verizon Northwest Inc.

P.O. Box 1003
Everett, WA 98206-1003
Fax: 425-261-5262

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REGISTRATION DIVISION
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May 24, 2006

Ms. Carole J. Washburn,
Executive Secretary
Washington Utilities and
Transportation Commission
Chandler Plaza Building
1300 S. Evergreen Park Drive SW
Olympia, Washington 98504

Subject: **COMPLIANCE FILING for DOCKET UT-041757**

Dear Ms. Washburn:

Enclosed for filing with the Commission, in compliance with Ordering Paragraph (2) of Order No. 1 in this matter, are verified copies of sale contract documents for a transaction addressed by the Order, which has closed, and statements describing the proceeds and related accounting entries.

Please call me at 425-261-5006 if you have any questions.

Very truly yours,

Richard E. Potter
Director
Public Policy Affairs, Policy & Communications

Enclosure

VERIFICATION

I verify that the enclosed are true copies of the sale contract documents for the property located at 12425 Meridian, Everett, Washington hat was addressed by Order No. 1 in Washington Utilities and Transportation Commission Docket No. UT-041757 and a statement of the related accounting entries.

Richard E. Potter Date: 5.24-06

Richard E. Potter
Director
Verizon Northwest Inc.



Fidelity National Title Company

601 S. Figueroa Street, Suite 2130 • Los Angeles, CA 90017
(213) 689-9301 • FAX (213) 689-9330

DATE: December 13, 2005
ESCROW NO: 101926-JD
ESCROW OFFICER: JULIA DAVIS

TIME: 09:18:11

CLOSING DATE: November 30, 2005

SELLER FINAL CLOSING STATEMENT

SELLER(S): VERIZON NORTHWEST INC.
BUYER(S): SNOHOMISH COUNTY FIRE DEPARTMENT, FIRE DISTRICT 1
PROPERTY: 12425 MERIDIAN AVENUE, EVERITT, WA

	\$ DEBITS	\$ CREDITS
FINANCIAL:		
Total Consideration		4,475,000.00
TITLE CHARGES:		
CLTA Standard Policy - 1990 Form for 4,475,000.00	5,941.00	
Sales Tax on Title Policy	548.77	
Recording Release	38.00	
SNOHOMISH COUNTY TREASURER, personal tax	1,288.85	
Excise Tax	79,660.00	
ESCROW CHARGES		
Escrow Fee	1,790.00	
Courier Fees	25.00	
COMMISSIONS:		
Listing Brokers Commission to CB RICHARD ELLIS	121,875.00	
<hr/>		
NET PROCEEDS DUE SELLER	\$ 4,263,833.38	
TOTALS	\$ 4,475,000.00	\$ 4,475,000.00

SAVE THIS STATEMENT FOR INCOME TAX PURPOSES

Permanent Property Removal Requisition (PPR)



Region:	<u>West Zone-Northwest</u>	Date:	<u>12/28/2005</u>
Company:	<u>Verizon Northwest Inc. (9WN)</u>	Property ID#:	<u>0610B01, 0611B091</u>
Requesting Department:	<u>Network Services</u>		
Contact Person:	<u>Jim Tousignant</u>	Work Order:	<u>TBD</u>
Telephone Number:	<u>(805) 372-6882</u>	PPR No.:	<u>TBD</u>

1. Authorization is requested to to sell 36,916 s.f office bldg, 2,230 s.f. out building on 228,240 s.f. of land

2. Property To Be Removed:

Property Address:	<u>12415 Meridian Ave. S, Everett, WA</u>
Legal Description:	<u>Title Report</u>
Year Asset Placed In Service:	<u></u>
Original Recording Information:	<u>See underlying docs on Title</u>
Present or Former Contel Property:	<u>No</u>
Previous Use of Property:	<u>Training Center</u>
Reason for Selling:	<u>Consolidation to underutilized facility</u>
Buyer:	<u>Snohomish County Fire District</u>
Closing Date:	<u>12/13/2005</u>
Annual Carrying Cost:	<u>\$82,000</u>
Sale Price:	<u>\$4,475,000</u>
Appraised Value:	<u>\$3,350,000</u>

3. Disposition Cost Analysis

Description	Sales Price (apportioned)	Original COST	Cumulative Depreciation	Net Book Value	Net Proceeds
Land	\$2,250,000	\$96,795	\$0	\$96,795	
Building	\$2,225,000	\$2,643,467	\$821,532	\$1,821,936	
Amount Authorized:	\$4,475,000	\$2,740,262		\$1,918,730	\$2,316,662

4. Approvals

Manager-Transactions (West Zone- Real Estate Services) (Jim Tousignant)	Date

**AGREEMENT OF PURCHASE AND SALE
AND ESCROW INSTRUCTIONS**

This Agreement of Purchase and Sale and Escrow Instructions (the "Agreement") is made as of _____, 200__ by and between Verizon Northwest Inc., a Washington corporation ("Seller"), and Snohomish County Fire Department, Fire District 1, a municipal corporation ("Buyer").

Recitals

A. Seller is the owner of the "Property" (as defined in Paragraph 1.1 below) which includes approximately 5.24 acres of improved land, including a building consisting of approximately 39,916 square feet (the "Building") and an out building consisting of approximately 2,230 square feet (the "Out Building") commonly referred to as the Terrell Training / Education Center and located at 12425 Meridian Avenue, Everett, Washington.

B. Seller desires to sell the Property to Buyer and Buyer desires to purchase the Property from Seller on the terms and conditions contained in this Agreement.

THE PARTIES AGREE AS FOLLOWS:

1. Sale of Property, Purchase Price.

1.1 Sale of Property. Seller shall sell to Buyer and Buyer shall purchase from Seller, at the price and upon the terms and conditions set forth in this Agreement: (i) that certain real property containing approximately 5.24 acres of land located at 12425 Meridian Avenue, Everett, Washington and more particularly described in Exhibit "1.1" (the "Land"); (ii) any improvements situated on the Land (the "Improvements"); and (iii) all appurtenances to the Land owned by Seller, including, without limitation, all development rights, air rights, mineral rights, water, water rights and water stock relating to the Land (the "Appurtenant Rights"). The Land, the Improvements, and the Appurtenant Rights are collectively referred to herein as the "Real Property." The Real Property, and the Personal Property, if any, as described in Paragraph 1.2 below are collectively referred to herein as the "Property."

1.2 Sale of Personal Property. Buyer acknowledges that no personal property ("Personal Property") is being conveyed to Buyer pursuant to this Agreement.

1.3 Purchase Price. Buyer shall pay to Seller as the total purchase price for the Property (the "Purchase Price") the sum of Four Million Four Hundred Seventy Five Thousand and NO/100 Dollars (\$4,475,000.00) payable as follows:

1.3.1 Deposit. Buyer shall deliver the sum of One Hundred Thirty Five Thousand and NO/100 Dollars (\$135,000.00) (the "Deposit") to "Escrow Holder" (as defined in Paragraph 2.1 below) in immediately available funds concurrently with the delivery of this Agreement executed by Buyer. Buyer acknowledges and agrees that notwithstanding the initial execution of the Agreement, no agreement shall exist between Seller and Buyer until the

Deposit is delivered to Escrow Holder, and Seller shall have no obligations to Buyer with respect to the Property until the Deposit is delivered. Escrow Holder is irrevocably authorized and instructed to deliver the Deposit to Seller upon the expiration of the "Feasibility Period" (as defined in Paragraph 2.9.1 below) if Buyer has not terminated this Agreement prior to such expiration date. Buyer agrees to execute all documentation reasonably required by Escrow Holder to effectuate the release of funds in accordance with the terms of this Subparagraph 1.3.1.

1.3.2 Balance. The sum of Four Million Three Hundred Forty Thousand and NO/100 Dollars (\$4,340,000.00) (the "Balance"), constituting the balance of the Purchase Price, shall be deposited by Buyer in immediately available funds into Escrow no later than two (2) business days before the Closing Date (as defined in Paragraph 2.2 below).

2. Escrow; Closing Conditions.

2.1 Escrow. No later than five (5) business days after the execution of this Agreement by Buyer and Seller, Buyer and Seller shall open an escrow (the "Escrow") with Fidelity National Title Company (the "Escrow Holder") and shall deliver a fully executed copy of this Agreement to Escrow Holder. The deposit with Escrow Holder of (1) a fully executed original of this Agreement and (2) the Deposit by Buyer shall constitute the opening of Escrow (the "Opening of Escrow") and authorization to Escrow Holder to act in accordance with the terms of this Agreement. Escrow Holder's standard provisions are attached hereto as Exhibit "2.1" and shall become a part hereof; provided, however that if there is any conflict or inconsistency between such standard provisions and this Agreement, then this Agreement shall control.

2.2 Closing Date. The Escrow shall close thirty (30) days after Seller has obtained the "PUC Approval" (as defined in Paragraph 2.10.4 below), but not later than November 30, 2005 (the "Closing Date"). Notwithstanding the foregoing, the "Closing" (as defined in Paragraph 2.7 below) or Close of Escrow shall not occur unless the conditions to the Close of Escrow set forth in this Agreement have been satisfied or waived, including, without limitation, (i) the conditions set forth in Paragraphs 2.9 and 2.10 below, (ii) the condition that all items described in Paragraphs 2.5 and 2.6 below shall have been deposited with Escrow Holder, and (iii) the condition that the "Title Company" (as defined in Paragraph 2.3 below) has unconditionally committed to issue the "Title Policy" (as defined in Paragraph 2.3 below). If any of such conditions have not been satisfied or waived on or before the Closing Date, this Agreement and the Escrow shall terminate; provided, however that such termination shall not affect any claims that either party may have against the other for any breach of this Agreement. If neither party is in default hereunder, upon any termination of this Agreement, the provisions of Paragraph 2.11 below shall apply.

2.3 Title and Title Insurance. Seller shall convey title to the Real Property to Buyer by a bargain and sale deed in the form of Exhibit "2.3" attached hereto and incorporated herein (the "Bargain and Sale Deed"). At the "Close of Escrow," Fidelity National Title Company (the "Title Company"), shall issue through Escrow a Standard Washington Owner's Policy of Title Insurance (the "Title Policy") with liability in the amount of the Purchase Price, insuring fee title to the Real Property vested in Buyer, subject only to the following exceptions (the "Permitted Exceptions"):

- (a) the standard printed exceptions set forth in the Title Policy;
- (b) general and special taxes and assessments that are due and payable after the Closing Date;
- (c) those certain exceptions which have been approved by Buyer as provided in Paragraph 2.9.4 below; and
- (d) any exceptions to title created by or made through Buyer.

2.4 Costs.

2.4.1 Escrow Holder's fees with respect to the Escrow shall be shared equally by Seller and Buyer.

2.4.2 Seller shall pay the premium for the Title Policy. The additional cost for any extended coverage, if selected by Buyer, and any endorsements to the Title Policy requested by Buyer shall be paid for by Buyer. Buyer shall pay all costs and expenses, if any, incurred in connection with its obtaining a survey of the Property.

2.4.3 All expenses and charges incurred in connection with the discharge of delinquent taxes, if any, or monetary liens or monetary encumbrances on the Property, other than (a) those created by or made through Buyer, (b) bonds, taxes and assessments payable over time, except to the extent payable by Seller under Paragraph 2.4.4 below, (c) interests granting royalties to third parties, (d) liens arising out of any legal proceedings encumbering the Property, notwithstanding the fact that such liens could be discharged by the payment of money, and (e) any exception to title that cannot expressly, by its terms, be discharged by payment of money, shall be paid by Seller.

2.4.4 All installments of bonds, special taxes or assessments which are a lien on the Property and due and payable in full prior to the time of Closing shall be prorated in the manner set forth in Paragraph 2.8.1 below; provided, however, that in determining any amount payable by Seller, such assessments shall be amortized over the longest period of time permitted by the taxing authority to make such payment, even if the assessment is assessed as a lump sum.

2.4.5 Each party shall be responsible for payment of the fees and expenses of its counsel relating to this Agreement and the transactions contemplated hereby.

2.4.6 Any county documentary or transfer taxes and recording fees shall be paid by Seller. Any city documentary or transfer taxes shall be paid one-half by Buyer and one-half by Seller.

2.4.7 Any other closing costs or charges shall be paid by the party that customarily pays such costs or charges in the County of Snohomish, Washington.

2.5 Deposit of Documents and Funds by Seller. Seller shall deposit with Escrow Holder the following items no later than two (2) business days prior to the Closing Date, duly executed and acknowledged where required:

2.5.1 The Bargain and Sale Deed.

2.5.2 An affidavit certifying that Seller is not a "foreign person" as defined in the Internal Revenue Code.

2.5.3 All other documents as may reasonably be required by Escrow Holder or the Title Company to close the Escrow in accordance with this Agreement.

2.6 Deposit of Documents and Funds by Buyer. Buyer shall deposit with Escrow Holder the following items no later than two (2) business days prior to the Closing Date, duly executed and acknowledged where required:

2.6.1 The Balance plus such additional funds as are required to pay Buyer's costs and prorations as provided in Paragraph 2.4 above and Paragraph 2.8 below, less any credits Buyer is entitled to hereunder.

2.6.2 A certified copy of resolutions of the Board of Fire Commissioners of Buyer adopted at a meeting of the Board of Fire Commissioners approving this Agreement and the transactions contemplated hereunder ("Buyer's Resolutions"), as soon after such meeting as Buyer's Resolutions are available.

2.6.3 All other funds and documents as may be reasonably required by Escrow Holder to close the Escrow in accordance with this Agreement.

2.7 Delivery of Documents and Funds at Closing. The performance of the acts set forth in this paragraph shall constitute the "Closing" or the "Close of Escrow" as such terms are used in this Agreement. The Escrow Holder shall conduct the Closing by recording and distributing the following described documents and funds in the following manner:

2.7.1 Deliver Buyer's Resolutions to Seller.

2.7.2 Deliver to Seller on the Closing Date immediately available funds in the sum of the Balance, and such other funds, if any, due Seller by reason of prorations, less Seller's closing costs and prorations, if any, as provided in Paragraph 2.4 above and Paragraph 2.8 below, and any credits Buyer is entitled to hereunder.

2.7.3 Pay the costs referred to in Paragraph 2.4 above.

2.7.4 Record the Bargain and Sale Deed in the Office of the County Auditor of Snohomish County.

2.7.5 Obtain and deliver the original Title Policy to Buyer and a copy to Seller.

2.8 Prorations.

2.8.1 Taxes. Escrow Holder shall prepare and deliver to the parties for informational purposes and to assist Seller in obtaining a refund as described below, a statement prorating on a 365 day basis the ad valorem taxes on the Real Property for the current fiscal year and all installments of bonds, special taxes, and assessments payable over time as of the Close of Escrow based upon the most current real estate tax information available. Buyer acknowledges that Seller is obligated to pay to the Washington State Board of Equalization the ad valorem taxes on the Real Property for the entire tax fiscal year during which the Close of Escrow occurs even though (a) Seller will own the Property for less than the entire fiscal year, and (b) such payment may be due following the Close of Escrow. Therefore, Buyer agrees to cooperate with Seller so that Seller shall be able to obtain a refund in an amount equal to that portion of the ad valorem taxes on the Property attributable to the period from the Close of Escrow to the end of the tax fiscal year in which the Close of Escrow occurs. Notwithstanding the proration procedure described above, Buyer shall assume and shall pay all taxes and assessments (including all roll-back taxes and assessments) levied or assessed against any portion of the Real Property as the result of a change in the use or ownership of the Real Property occurring from and after the Closing Date, and to the extent permitted by applicable law, Buyer shall defend, indemnify, and hold Seller harmless from any cost, expense, liability, or obligation (including, without limitation, reasonable attorneys' fees and costs) with respect to any such taxes or assessments. This provision shall survive the Close of Escrow.

2.8.2 Utilities. Escrow Holder shall prorate through Escrow, on a 365-day basis, all water, gas, electric and other utility services, if any, on the Property.

2.9 Buyer's Conditions to Closing. Buyer shall not be obligated to proceed to the Close of Escrow and the Closing shall not occur unless and until, in addition to all other conditions contained in this Agreement, the following conditions have been satisfied or waived in writing by Buyer:

2.9.1 Evaluation of Property. On or before November 18, 2005 (the "Feasibility Period"), Buyer, in Buyer's sole discretion, shall have approved the Property, including, without limitation, the results of all inspections, tests or studies of the Property conducted by or on behalf of Buyer. Buyer shall deliver to Seller, promptly upon the expiration of the Feasibility Period, copies of all written inspection results, tests and studies of the Property (collectively, the "Reports") conducted by or on behalf of Buyer. Notwithstanding the foregoing to the contrary, Buyer shall have no obligation to deliver the Reports to Seller if this Agreement and the Escrow is terminated due to (i) Seller's election to terminate this Agreement pursuant to Paragraph 6.4 below or (ii) a material inaction on Seller's part which resulted in Buyer's termination of this Agreement and the Escrow. However, if Buyer discovers the existence of any Hazardous Materials (as defined in Paragraph 6.1 below) at, on or beneath the Property, Buyer shall immediately provide Seller with written notice of such discovery along with a copy of the report containing such discovery. Further, without limiting the generality of the foregoing, Buyer shall have approved the feasibility of its obtaining such governmental approvals as may be required for Buyer's proposed use of the Property, including, without limitation, any changes in zoning (the "Zoning Approvals"), and shall have delivered written notice thereof to Seller and Escrow Holder. Buyer's failure to notify Seller or Escrow Holder prior to the expiration of the

Feasibility Period of Buyer's disapproval of the Property or any of Buyer's feasibility studies shall constitute Buyer's election to proceed to the Close of Escrow. All inspections, tests and studies conducted by Buyer shall be at Buyer's sole cost and expense. Buyer shall deliver to Seller copies of all applications, plans and specifications, environmental reports and other documentation for Zoning Approvals for Seller's information concurrently with Buyer's submission thereof to any applicable government authority and shall invite Seller to attend all meetings and hearings related to such Zoning Approvals. Buyer agrees that Buyer shall keep Seller reasonably informed as to the status of Buyer's progress in obtaining all Zoning Approvals. Seller shall cooperate with Buyer as reasonably requested by and at the sole expense of Buyer (and to the extent possible) for the purpose of obtaining all Zoning Approvals and permits required in connection with Buyer's proposed use of the Property; provided, however, that the effectiveness of any such Zoning Approvals affecting the Property shall be expressly conditioned upon the occurrence of the Close of Escrow and shall not be binding upon Seller.

2.9.2 Related Documents. Within ten (10) business days of the execution of this Agreement by Buyer and Seller, Seller shall have delivered to Buyer copies of any technical studies or reports in Seller's possession and which are located at the office of (1) Seller's Broker (defined in Paragraph 12 below), (2) Verizon Northwest Inc. Building Services Department, and (3) Verizon Northwest Inc. Environmental Compliance Department regarding the environmental, seismic, or geological condition of the Property. Seller (a) has not independently investigated any information included in such studies or report; and (b) has not made and does not make any representations or warranty regarding the truth, accuracy or completeness of the information made available to Buyer. Seller shall use commercially reasonable efforts to deliver the documentation described above to Buyer; provided, however that Buyer acknowledges and agrees that despite Seller's commercially reasonable efforts to deliver to Buyer the documentation described herein, documents may inadvertently not be provided to Buyer, and Buyer shall make its own independent inspection of the Property in the manner set forth in Paragraph 5 below. Notwithstanding anything to the contrary contained in this Paragraph 2.9.2, Seller does not represent or warrant that any such studies or reports exist or are in Seller's possession, and Buyer assumes the entire risk of any inadvertent failure by Seller to deliver any documents to Buyer.

2.9.3 Evaluation of Title Report. Promptly following the execution of this Agreement by Buyer and Seller, the Title Company shall have delivered to Buyer a preliminary title report issued by the Title Company (the "Preliminary Report") for the Property (as well as copies of all title documents referred to therein).

2.9.4 Title Review.

2.9.4.1 Approval. Buyer shall not have disapproved the Preliminary Report within the earlier of (a) fifteen (15) calendar days after the receipt of the Preliminary Report and copies of all documents referenced therein, or (b) the expiration of the Feasibility Period. Buyer shall provide to Seller and Escrow Holder written notice of Buyer's disapproval of any title exception (the "First Notice"). Any title exception not so disapproved shall be deemed approved, provided that if a supplemental report is issued showing any exception not shown on the Preliminary Report, Buyer shall have an additional ten (10) calendar days after receipt of such supplemental report and copies of all documents referred to therein

(not previously provided to Buyer) to approve or disapprove any such title exception. Notwithstanding anything to the contrary contained in this paragraph, Buyer shall not be entitled to extend the title review beyond the expiration of the Feasibility Period for any supplemental title report issued in connection with a survey of the Property obtained on behalf of Buyer. Buyer shall not be entitled to disapprove liens for current non-delinquent property taxes or any exception to title created or made through Buyer.

2.9.4.2 Disapproval. Should Buyer disapprove any matters of title, then within ten (10) calendar days after Seller's receipt of such First Notice (the "Second Notice Period"), Seller shall provide notice to Buyer and Escrow Holder whether Seller is willing or able, in Seller's sole discretion, to attempt to cause such disapproved items to be eliminated prior to or at Closing (the "Second Notice"); provided, however, that if Seller does not provide such Second Notice, Seller shall be deemed to have elected not to attempt to remove the disapproved title exceptions. If the Second Notice states that Seller will attempt to cause such disapproved title exceptions to be removed from title to the Real Property prior to or at Closing, then Seller covenants to use commercially reasonable efforts to so remove them. If the Second Notice states that Seller is unable or unwilling to remove such disapproved title exceptions (or if Seller fails to send the Second Notice), then within ten (10) calendar days after (a) receipt of such Second Notice, or (b) expiration of the Second Notice Period if Seller fails to send the Second Notice, Buyer shall provide a notice to Seller and Escrow Holder stating whether Buyer will waive, in Buyer's sole discretion, Seller's inability or unwillingness to remove all the specified disapproved title exceptions from title to the Real Property (the "Third Notice"); provided, however, Buyer's failure to give such Third Notice shall be deemed to be a refusal to waive Buyer's disapproval of the title exceptions. If Buyer's Third Notice specifies that Buyer waives prior disapprovals except as to those matters Seller has eliminated or will eliminate prior to or at the Closing, the condition contained in this Paragraph 2.9.4 shall be deemed satisfied, so long as any disapproved title exceptions which Seller has agreed to eliminate prior to or at the Closing have been eliminated prior to or at the Closing. If the Third Notice specifies that Buyer refuses to waive its prior disapprovals (or if the Third Notice is not provided), this Agreement and the Escrow shall terminate in accordance with Paragraph 2.11 herein.

2.9.5 Issuance of Title Policy. The Title Company shall have issued the Title Policy as of the Close of Escrow.

2.9.6 Waiver. The foregoing conditions set forth in Paragraphs 2.9.1 through 2.9.5 above are for the benefit of Buyer, and may be waived by Buyer in writing delivered to Seller and Escrow Holder. In satisfying the foregoing conditions, Buyer and Seller shall each exercise good faith, reasonableness and diligence. However, decisions authorized to be made in the sole discretion of either Buyer or Seller shall be final and not subject to review or challenge on any basis.

2.10 Seller's Conditions to Closing. Seller shall not be obligated to proceed to the Close of Escrow and the Closing shall not occur unless and until, in addition to all other conditions contained in this Agreement, the following conditions have been satisfied or waived in writing by Seller:

2.10.1 Approval by Board of Directors. Seller's Board of Directors shall have approved this Agreement in writing (the "Approval").

2.10.2 Release of Trust Indenture. At or prior to the Closing Date, Seller shall have obtained a release of that certain trust indenture currently encumbering the Property (the "Release of Trust Indenture").

2.10.3 PUC Approval. At or prior to the Closing Date, the Washington Public Utilities Commission ("PUC") shall have approved the sale of the Property to Buyer in writing in a form which has been accepted by Seller in its sole and absolute discretion. No such approval shall be considered as final until any applicable appeal period following initial PUC approval shall have expired, or the final decision regarding any appeals, if so filed, shall have been rendered (the "PUC Approval").

2.10.4 Performance of Obligations. At or prior to the Closing Date, Buyer shall have performed all of Buyer's obligations herein that are to be performed prior to the Closing.

2.10.5 Waiver. It is hereby understood that the conditions set forth in Paragraphs 2.10.1, 2.10.2, 2.10.3, and 2.10.4 above are for the benefit of Seller and may be waived by Seller in writing delivered to Buyer and Escrow Holder. In satisfying the conditions in this Paragraph 2.10, Seller and Buyer shall each exercise good faith, reasonableness, and diligence. However, decisions authorized to be made in the sole discretion of either Buyer or Seller shall be final and not subject to review or challenge on any basis.

2.11 Termination. Upon any termination of this Agreement and the Escrow (if applicable) for any reason, including the inability of Seller to obtain the Approval, the Release of the Trust Indenture or the PUC Approval as required under Paragraphs 2.10.1, 2.10.2, and 2.10.3 above, and other than either party's default hereunder (i) each party shall execute such documents as Escrow Holder may reasonably require to evidence such termination, (ii) Escrow Holder shall charge its fees and expenses to both parties equally, (iii) subject to the provisions of Subparagraph (ii) above, Escrow Holder shall return all documents and funds to the party who deposited them, (iv) Buyer shall return to Seller all documents delivered to it by Seller relating to the Property, (v) Buyer shall deliver to Seller all Documents Relating to the Property, as defined in Paragraph 11 below, (vi) Seller shall return to Buyer any portion of the Deposit previously delivered to Seller, and (vii) all obligations of either party relating to this Agreement and the Property shall terminate.

3. Seller's Representations and Warranties. Seller hereby represents and warrants to Buyer that, unless otherwise provided, at the date of execution hereof and at and as of the Closing Date:

3.1 Corporate Existence and Authority. Seller is a corporation (i) validly existing under the laws of the State of Washington; and (ii) duly authorized, qualified and licensed under any and all laws, ordinances, rules, regulations and requirements of all governmental authorities to do all things required of it under or in connection with this Agreement. This Agreement and all agreements, instruments and documents herein provided to

be executed or to be caused to be executed by Seller are duly executed by and binding upon Seller; provided, however, that Seller shall have obtained the Approval and the PUC Approval pursuant to Subparagraphs 2.10.1 and 2.10.3 above. Each individual executing this Agreement on behalf of Seller represents and warrants that he or she is duly authorized to execute and deliver this Agreement on Seller's behalf.

3.2 Non-Foreign Person. Seller is not a "foreign person" within the meaning of Internal Revenue Code §1445.

4. Buyer's Representations and Warranties. Buyer hereby represents and warrants to Seller that at the date of execution hereof and at and as of the Closing Date, Buyer is a municipal corporation (i) validly existing under the laws of the state of its formation and the State of Washington; and (ii) duly authorized, qualified and licensed under any and all laws, ordinances, rules, regulations and requirements of all governmental authorities to do all things required of it under or in connection with this Agreement. This Agreement and all agreements, instruments and documents herein provided to be executed or to be caused to be executed by Buyer are duly executed and binding on Buyer. Each individual executing this Agreement on behalf of Buyer represents and warrants that he or she is duly authorized to execute and deliver this Agreement on Buyer's behalf

5. Buyer's Examination of the Property. Except as provided in Paragraph 3 of this Agreement, Seller makes no representation or warranty respecting the Property, or any portion thereof, or otherwise in connection with the transaction contemplated hereby. Without limiting the generality of the foregoing, Buyer hereby acknowledges and agrees that Buyer will be purchasing the Property "AS IS" with all faults, without representation, warranty or guarantee of any kind, either express or implied, including, without limitation, any warranty of condition, merchantability, habitability or fitness for a particular use or purpose or the value, accuracy of information, marketability, prospects for future development, use or occupancy, except as provided in Paragraph 3 above, and more specifically that:

(a) Prior to the Close of Escrow, Buyer will have made its own independent investigation of the Property and all other aspects of this transaction, including, without limitation, the financial value of the Property and projected future income and expenses for the Property, and has relied entirely thereon and on the advice of its independent consultants (if any) in entering into this Agreement, and not on any information or material supplied by or on behalf of Seller.

(b) Prior to the Close of Escrow, Buyer will have reviewed all instruments, records and documents which Buyer deemed appropriate or advisable to review in connection with the Property and this transaction, and Buyer will have determined that the information and data contained therein or evidenced thereby was satisfactory to Buyer.

(c) Seller makes no representation or warranty with respect to the zoning or permitted use of any portion of the Property.

(d) Prior to the Close of Escrow, Buyer will be fully satisfied that the Purchase Price is fair and adequate consideration for the Property.

(e) Subject to the conditions, covenants, representations and warranties of the parties set forth herein, notwithstanding any adverse effect on the marketability, desirability or value of the Property or any portion thereof which occurs between the execution of this Agreement and the Closing Date, including, without limitation, any adverse effect arising from or related to any changes or proposed changes to any governmental laws, ordinances, statutes, rules or regulations, the transactions contemplated by this Agreement shall be consummated on the terms and conditions contained herein.

6. Hazardous Material.

6.1 Definition of Hazardous Material. As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material, or waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) defined as a "hazardous waste," "hazardous substance" or similar term under the Federal Water Pollution Control Act (33 U.S.C. §1317), (ii) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq. (42 U.S.C. §6903), (iii) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et seq. (42 U.S.C. §9601), (iv) defined as a "hazardous waste," "hazardous substance" or similar term under the Washington Model Toxic Control Act (v) petroleum, (vi) asbestos or (vii) which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action, policy or common law,

6.2 Presence of Hazardous Material. Buyer has obtained a copy of that certain environmental report prepared at Buyer's request by Antonio Herrera of NVL Laboratories, Inc., dated September 21, 2005, which is attached hereto as Exhibit 2.4 (the "Environmental Report"). The Environmental Report discloses that the Property contains certain identified Hazardous Materials, including without limitation asbestos containing materials in certain vinyl floor tile located in the Building and the Out Building and the mastic underneath such floor tile (the vinyl floor tile and the mastic are hereinafter referred to as the "Asbestos Containing Floor Tile") and asbestos containing materials in a sink located in the staff lounge of the Building (the "Sink"). In addition to the Hazardous Materials identified in the Environmental Report, Buyer acknowledges that the Property may or may not contain other Hazardous Materials and Seller makes no representation or warranty to Buyer regarding the presence or absence of any Hazardous Materials on or under the Property. It shall be Buyer's responsibility under this Paragraph 6 to examine the Property and to review such reports or other documents it deems necessary to satisfy itself as to the presence or absence of any such Hazardous Materials. Seller agrees to remove the Asbestos Containing Floor Tile and the Sink in accordance with the terms of Subparagraph 6.8 below. Except as provided below in Subparagraph 6.8, Buyer accepts responsibility for the Hazardous Materials identified in the Environmental Report and Subparagraphs 6.4 and 6.5 below shall not apply to such Hazardous Materials.

6.3 Right to Inspect. Prior to the expiration of the Feasibility Period, Buyer shall have the right, at its cost and expense, to conduct such physical inspections of the Property as necessary in order to determine the presence or absence of Hazardous Material on or under the Property. Such inspections by Buyer shall not interfere with the ongoing operations at

the Property, shall be conducted at reasonable times and under reasonable circumstances and shall be subject to the prior approval of Seller. Buyer shall promptly deliver the results of such inspections to Seller.

6.4 Cleanup of Hazardous Material. If, prior to the expiration of the Feasibility Period, either Seller or Buyer determines that a legally unacceptable level, according to applicable governmental standards, of Hazardous Material exists on or under the Property, then Buyer may, in Buyer's sole discretion, terminate this Agreement. In such case, Buyer shall bear its own inspection costs, and the provisions of Paragraph 2.11 shall apply. If Buyer elects not to so terminate this Agreement, then Seller may, in Seller's sole discretion, either (1) terminate this Agreement, in which event the provisions of Paragraph 2.11 shall apply, or (2) commence to remove such Hazardous Material from the Property in which event the Close of Escrow shall be delayed until following Seller's completion of such removal. If Seller commences to remove such Hazardous Material, Seller shall thereafter diligently proceed with such removal at Seller's sole cost and expense, and in accordance with all applicable laws, rules, and regulations.

6.5 Buyer's Inspection. If Seller elects to remove such Hazardous Material pursuant to Paragraph 6.4 above, upon completion of such removal, Seller shall deliver to Buyer and to Escrow Holder notice stating that such removal has been completed. Within thirty (30) days following Buyer's receipt of such notice, Buyer shall inspect the Property in order to determine the presence or absence of Hazardous Material on or under the Property; provided, however, that Seller shall have the right to reasonably approve Buyer's agent who is to conduct such inspection. If such inspection reveals that the level of Hazardous Material remaining on or under the Property is at or less than the allowable level under applicable governmental rules or regulations, then Buyer shall be obligated to proceed to the Close of Escrow, and the Close of Escrow shall occur upon the first to occur of (1) the Closing Date, if such removal of Hazardous Material is completed at such time, or (2) within two (2) weeks following Buyer's inspection.

6.6 Indemnification. If the parties proceed to the Close of Escrow, to the extent permitted by applicable law, Buyer shall indemnify, defend and hold Seller harmless from any and all claims, demands (including demands by any governmental agency), liabilities, costs, expenses, penalties, damages, losses and liens, including without limitation reasonable attorneys' fees, arising out of or with respect to (1) Hazardous Material on or under the Property, or migrating to or from the Property at the Close of Escrow or released on or under the Property subsequent thereto, and (2) any clean-up of any and all Hazardous Material which might remain or subsequently be placed on or under the Property. The indemnity provided for herein shall survive the Close of Escrow hereunder and shall not be merged into the Bargain and Sale Deed.

6.7 Release. If the parties proceed to the Close of Escrow, then:

6.7.1 Buyer and its employees, contractors, agents, and each of them, and its successors, assigns, heirs, devisees and executors, agree to forever release, discharge and acquit Seller and its parent, subsidiary and/or affiliate corporations, partnerships (general and limited), partners, directors, officers, shareholders, and employees, and each of them (collectively, "Releasees"), of and from any and all claims, demands, obligations,

liabilities, indebtedness, breaches of duty of any relationship, acts, omissions, misfeasance, malfeasance, cause or causes of action, costs, sums of money, accounts, compensations, contracts, controversies, promises, damages, costs, losses and expenses, of every type, kind, nature, description or character (including without limitation reasonable attorneys' fees) (collectively "Claims"), and irrespective of how, why or by reason of what facts, whether heretofore or now existing, or which could, might or may be claimed to exist in the future, whether known or unknown, suspected or unsuspected, liquidated or unliquidated, including all Claims for nondisclosure, or unsuitable recommendation, each as if fully set forth herein at length, which in any way arise out of, or are connected with or relate to (1) any Hazardous Material on or under the Property, or migrating to or from the Property, at the Close of Escrow or released on or under the Property subsequent thereto, and (2) any required clean-up of any and all Hazardous Material which might remain or subsequently be placed on or under the Property, including without limitation any personal injuries suffered by any person or persons. The release provided for herein shall survive the Close of Escrow hereunder and shall not be merged into the Bargain and Sale Deed.

6.7.2 Buyer and its successors, assigns, heirs, devisees and executors, agrees, represents and warrants that the matters released in Paragraph 6.7.1 hereof are not limited to matters which are known or disclosed, and hereby waives any and all rights and benefits which it now has, or in the future may have, conferred upon it by virtue of any statutes, rights, remedies or benefits of any jurisdictions, state and federal with regard to releases of unknown or undisclosed claims. In connection with the release contained in Paragraph 6.7.1, Buyer agrees, represents and warrants that it realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to Claims which are presently unknown, unanticipated and unsuspected, and further agrees, represents and warrants that the release contained in Paragraph 6.7.1 has been negotiated and agreed upon in light of that realization and that it nevertheless hereby intends to release, discharge and acquit Seller and Releasees from any such unknown Claims to the extent provided herein.

6.7.3 Buyer hereby agrees, represents and warrants that it has had advice of counsel of its own choosing in negotiations for and the preparation of this Agreement (including, without limitation, Paragraphs 6.7.1 and 6.7.2 herein), that it has read Paragraph 6.7.1 hereof and Paragraph 6.7.2, that it has had such Paragraphs fully explained by such counsel, and that it is fully aware of their contents and legal effect.

6.7.4 Buyer acknowledges and agrees that no employee, agent, legal counsel, or other representative of Seller, including Seller's Broker (as defined below) has been authorized to make, and in executing this Agreement Buyer has not relied upon, any statement of Seller, Seller's employees, agents, Seller's Broker, or legal counsel, and should Buyer be mistaken in its belief with regard to some issue of fact or law regarding the matters herein released, it specifically agrees to assume the risk of such mistake, if any exists. Buyer hereby acknowledges that Buyer is capable of performing or causing to be performed a thorough and independent investigation, analysis and evaluation of the Property and all other aspects of the transaction contemplated by this Agreement, and that it has had an opportunity to make, and to have its experts make its and their investigation regarding the matters herein released and all laws, rules and regulations related thereto.

6.8 Asbestos Containing Floor Tile.

6.8.1 Remediation of Asbestos Containing Floor Tile. At Seller's sole cost and expense, Seller, or a contractor selected by Seller, shall commence to remove the Asbestos Containing Floor Tile (and any other vinyl floor tile in the Building or the Outbuilding containing asbestos containing material that are discovered during such remediation work) and the Sink described in the locations set forth in Exhibit 2.4 attached hereto after the Close of Escrow and shall proceed to remove the Asbestos Containing Floor Tile and Sink on or prior to January 31, 2006. The parties further acknowledge that Seller's cleanup obligations contained in this Paragraph pertain exclusively to the removal of the Asbestos Containing Floor Tile and Sink identified in Exhibit 2.4 (the "Remediation Work"), provided, however, if Seller or its contractor discover additional vinyl floor tile or mastic with asbestos containing material during such work, Seller or its contractor agree to remove such additional materials at no cost to Buyer. No later than two (2) business days before the Closing Date, Seller shall deposit \$15,000.00 into Escrow, which amount exceeds 100% of the expected remediation cost (the "Remediation Deposit"). Upon completion of the Remediation Work, Seller shall send written notice to Buyer and Escrow Holder stating that such work has been completed. Within fifteen (15) days following Buyer's receipt of such written notice, Buyer shall (i) inspect the areas of the Building and Out Building identified in Exhibit 2.4 in order to confirm that the Remediation Work has been satisfactorily completed and (ii) provide Seller and Escrow Holder with written approval, which approval shall not be unreasonably withheld (the "Remediation Approval") or disapproval of the Remediation Work. Buyer's failure to provide such notice within such time period shall be deemed approval. Upon Escrow Holder's receipt of the Remediation Approval, or if the Remediation Work is deemed approved, Escrow Holder shall immediately release the Remediation Deposit to Seller. Upon reasonable request from Seller, Buyer shall cooperate with Seller, including, without limitation, executing all necessary documentation required by Escrow Holder to authorize the release of the Remediation Deposit in accordance with the terms of this Paragraph.

6.8.2 Buyer's Disapproval. In the event of a dispute regarding the satisfaction of the completion of the Remediation Work, it is agreed that the resolution of such dispute shall be decided by a qualified environmental consultant, reasonably satisfactory to Buyer and Seller. If the parties are unable to agree on a consultant, then Buyer and Seller shall each choose a consultant, who will pick a third consultant, and the dispute will be resolved by a majority vote of the three (3) consultants. Following the resolution of such dispute, if any, the Remediation Deposit shall be released by Escrow Holder in accordance with joint instructions from Seller and Buyer.

6.8.3 Access and Non-Interference. Buyer hereby grants a temporary non-exclusive license to Seller, its contractor, consultants and agents to access the Property and perform the Remediation Work, including access rights for personnel, vehicles and machinery, and the right to park vehicles and store various equipment and personal property belonging to Seller on the Property until the completion of the Remediation Work. Buyer shall not interfere with Seller's undertaking of the Remediation Work; provided, however that Seller shall use reasonable efforts to minimize any interference with Buyer or with Buyer's operations on the Property as a result of the Remediation Work. Notwithstanding anything to the contrary contained in the foregoing, Buyer acknowledges and agrees that during the period in which Seller undertakes the Remediation Work, Seller shall have the right to restrict Buyer's and any

other tenant's, invitee's, or licensee's access to the areas of the Property affected by the Asbestos Containing Floor Tile or the Remediation Work until the completion of such work if required in accordance with laws, or for the health and safety of Seller or Seller's personnel, agents, consultants, and contractor. Buyer shall comply with all reasonable restrictions imposed by Seller in connection with its undertaking of the Remediation Work.

6.8.4 Survival. The provisions of this Paragraph 6.8 shall survive the Closing.

7. Removal of Personal Property. Except as provided above in Subparagraph 6.8.3, prior to the Close of Escrow, Seller shall remove from the Property any items of personal property owned by Seller. Such removal shall not affect the amount of the Purchase Price or any other terms or conditions of this Agreement.

8. Entry.

8.1 Right of Entry. Buyer and its representatives, employees, contractors, agents and designees shall have the right to enter upon the Property, at Buyer's sole cost and expense, in order to inspect and investigate the Property and to conduct any and all surveys, tests and studies Buyer deems necessary or convenient, provided that Buyer shall immediately restore any damage done to the Property as the result of any such tests, surveys or studies. Prior to any entry upon the Property, Buyer shall designate in writing to Seller one or more representatives of Buyer who shall accompany any of such persons each time they enter upon the Property. Such entry or review shall be made only after reasonable advance written notice to Seller by Buyer (in no event less than 24 hours advance notice) and at times reasonably acceptable to Seller. Buyer shall indemnify and defend Seller against and hold Seller and the Property free and harmless from any and all claims, demands, liabilities, costs, expenses, penalties, damages, losses and liens, including without limitation, reasonable attorneys' fees, arising out of any such entry by Buyer or its representatives, employees, agents, contractors or designees. The indemnity provided for herein shall survive the termination of this Agreement or the Close of Escrow hereunder and shall not be merged into the Bargain and Sale Deed. The inspections of the Property shall be subject to the terms of this Paragraph 8.1 and shall be considered entries upon the Property for the purposes of this Paragraph 8.1.

8.2 Insurance. Commencing with Buyer's execution of this Agreement and at all times prior to the Close of Escrow, Buyer shall have in effect worker's compensation and employer's liability insurance with statutory limits of coverage as required by law, and with a limit of liability for coverage B of at least \$1,000,000/\$2,000,000 each occurrence/aggregate, and commercial general liability insurance naming Seller as an additional insured, with limits of not less than \$1,000,000 each occurrence, with \$2,000,000 aggregate for bodily injury, including death resulting therefrom, and broad form property damage, including collapse and underground property damage, and (b) waiver of subrogation. Prior to entering the Property, Buyer shall deliver to Seller certificates of insurance evidencing such coverage and further evidencing that such coverage may only be terminated or modified upon thirty (30) day's prior written notice to Seller. These covenants in this Paragraph 8.2 shall survive the Close of Escrow and shall not be merged into the Bargain and Sale Deed.

9. Condemnation; Damage and Destruction.

9.1 Condemnation. If condemnation proceedings are commenced against all or a portion of the Property (or if a public announcement or written notice is issued contemplating such proceeding) between the date this Agreement is executed by both parties and the Closing Date, Buyer may terminate this Agreement upon notice to Seller within ten (10) days after Seller notifies Buyer of the condemnation, and the Deposit shall be returned to Buyer. If Buyer does not terminate this Agreement, then the parties shall proceed to the Closing, and all proceeds and condemnation awards payable by reason of such condemnation shall be paid to Buyer or credited to Buyer at Closing. Seller shall give to Buyer prompt written notice of any condemnation that is commenced or of which Seller receives actual notice. Any condemnation shall be governed by the foregoing provisions, and not by any contrary statute or legal rule.

9.2 Damage and Destruction. Damage or destruction to the Property shall be deemed to affect a "material part" if the cost to repair such damage (as reasonably determined by Seller) exceeds \$1,125,000.00. In the event of such damage affecting less than a material part of the Property, Buyer and Seller shall, nonetheless proceed to Closing without abatement of the Purchase Price, but Seller shall assign to Buyer proceeds from any casualty insurance received by Seller on account of any such damage which has not been remedied or repaired by Seller prior to the Closing Date. Seller agrees that it will both before and after the Closing Date execute such documents or instruments and further assurances as Buyer may reasonably request in order to facilitate such recovery by Buyer and Seller will cooperate in any manner reasonably requested by Buyer. Any such assignment shall be without representation or warranty by Seller.

10. Delivery of Possession. Subject to the rights of all tenants on the Property, if any, Seller shall deliver possession of the Property to Buyer at the Close of Escrow.

11. Delivery of Documents Relating to the Property. Within ten (10) days after the termination of this Agreement and the Escrow (if applicable) for whatever reason, Buyer shall deliver to Seller, without warranty and to the extent assignable by Buyer, at no cost to Seller, (a) all technical data prepared or obtained by Buyer, its agents or contractors in connection with the Property, including, but not limited to, land plans, maps, engineering studies, soils studies, geological studies and other engineering information in Buyer's possession or under Buyer's control, (b) all written documentation prepared or obtained by Buyer or filed with the applicable governmental authority in connection with the Zoning Approvals, including without limitation, applications, plans and specifications and environmental reports, and (c) all other written information relating to the Property in any manner whatsoever that is in Buyer's possession or under Buyer's control, including without limitation, appraisals, drawings and sketches, memoranda, construction documents, reports, studies and other technical or business information ((a), (b), and (c) are collectively referred to herein as, "Documents Relating to the Property"). All Documents Relating to the Property shall be the property of Seller; provided, however, that Buyer hereby confirms to Seller that all Documents Relating to the Property prepared by Buyer's independent consultants are assignable to Seller. Buyer shall keep and shall require its agents to keep all such information confidential both prior to and after any termination of this Agreement. Notwithstanding anything to the contrary contained in this Agreement, (i) if this Agreement is terminated in accordance with Paragraph 2.11 above, Seller shall not be

required to deliver any portion of the Deposit previously delivered to Seller or any other funds to which Buyer is entitled and Escrow Holder is irrevocably authorized and instructed not to deliver the Deposit or any other funds to which Buyer is entitled until Buyer has complied with the obligations set forth in this Paragraph 11 and (ii) if this Agreement and the Escrow is terminated due to Seller's election pursuant to Paragraph 6.4 above or a material inaction on Seller's part which resulted in Buyer's termination of this Agreement and the Escrow, Buyer shall not be required to deliver to Seller the Documents Relating to the Property.

12. Commissions. Buyer and Seller represent and warrant to one another that no broker, salesman or finder has been engaged by them in connection with the transactions contemplated by this Agreement other than CB Richard Ellis, Inc. representing Seller ("Seller's Broker"). Seller shall pay through Escrow Seller's Broker a commission upon the Close of Escrow pursuant to a separate written agreement. In the event of a claim for brokers' or finders' fees or commissions in connection with the negotiation or execution of this Agreement or the transactions contemplated hereby, Seller shall indemnify, hold harmless and defend Buyer from and against such claim if it shall be based upon any statement, representation, or agreement alleged to have been made by Seller (including any claim asserted by Seller's Broker), and Buyer shall indemnify, hold harmless and defend Seller if such claim shall be based upon any statement, representation, or agreement alleged to have been made by Buyer (excluding any claim asserted by Seller's Broker).

13. LIQUIDATED DAMAGES.

13.1 BUYER'S DEFAULT. NOTWITHSTANDING ANY OTHER PROVISION HEREIN CONTAINED, IF THE SALE OF THE PROPERTY IS NOT CONSUMMATED BY REASON OF ANY DEFAULT BY BUYER, THEN SELLER SHALL BE ENTITLED TO LIQUIDATED DAMAGES FROM BUYER IN THE AMOUNT OF THE DEPOSIT (\$135,000.00) AND ANY INTEREST ACCRUED THEREON, WHICH SUM THE PARTIES AGREE IS A REASONABLE ESTIMATE OF THE DAMAGES TO BE INCURRED BY SELLER AS A RESULT OF SUCH DEFAULT, CONSIDERING ALL OF THE CIRCUMSTANCES EXISTING ON THE DATE OF THIS AGREEMENT, INCLUDING THE RELATIONSHIP OF SUCH SUM TO THE RANGE OF HARM TO SELLER THAT REASONABLY COULD BE ANTICIPATED, THE ANTICIPATION THAT PROOF OF ACTUAL DAMAGES WOULD BE COSTLY, DIFFICULT AND IMPRACTICABLE, AND THE INCONVENIENCE OR NONFEASIBILITY OF SELLER OTHERWISE OBTAINING AN ADEQUATE REMEDY. THE PARTIES, IN DETERMINING THE BASIS FOR THE LIQUIDATED DAMAGES AMOUNT, HAVE CONSIDERED POTENTIAL ELEMENTS OF DAMAGE, INCLUDING THE FOLLOWING: (1) LOSS OF USE OF THE PURCHASE PRICE FUNDS; (2) ATTORNEYS' FEES INCURRED IN NEGOTIATING AND DOCUMENTING THE PROPOSED TRANSACTION; (3) REAL ESTATE TAXES; (4) INSURANCE COSTS; (5) UTILITY COSTS; (6) RISK OF LOSS DUE TO POSSIBLE ADVERSE CHANGES IN THE REAL ESTATE MARKET; AND (7) RISK OF LOSS DUE TO POSSIBLE ADVERSE CHANGES IN APPLICABLE TAX LAWS.

SELLER'S RIGHT TO LIQUIDATED DAMAGES DESCRIBED IN THIS PARAGRAPH SHALL BE SELLER'S SOLE REMEDY AS A RESULT OF A FAILURE BY BUYER TO CLOSE THE ESCROW DESCRIBED IN THIS PARAGRAPH. BY PLACING

THEIR INITIALS AT THE PLACES PROVIDED, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY WAS REPRESENTED BY COUNSEL WHO EXPLAINED THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION AT THE TIME THIS AGREEMENT WAS MADE.

SELLER AND BUYER ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE PROVISIONS OF THIS PARAGRAPH 13.1 AND BY THEIR INITIALS IMMEDIATELY BELOW AGREE TO BE BOUND BY ITS TERMS.

THE PROVISIONS OF THIS PARAGRAPH 13.1 ARE NOT INTENDED AND SHALL NOT BE CONSTRUED TO LIMIT OR NEGATE BUYER'S INDEMNIFICATION OBLIGATIONS AS SET FORTH ELSEWHERE IN THIS AGREEMENT.

Seller's Initials



Buyer's Initials

13.2 SELLER'S DEFAULT. NOTWITHSTANDING ANY OTHER PROVISION HEREIN CONTAINED, IF THE SALE OF THE PROPERTY IS NOT CONSUMMATED BY REASON OF ANY DEFAULT BY SELLER, THEN BUYER SHALL BE ENTITLED, AS ITS SOLE AND EXCLUSIVE REMEDY, WHETHER AT LAW OR IN EQUITY, EITHER (A) TO TERMINATE THIS AGREEMENT AND RECOVER ITS DEPOSIT AND ITS ACTUAL, REASONABLE, OUT-OF-POCKET EXPENSES INCURRED IN CONDUCTING ITS DUE DILIGENCE INVESTIGATION OF THE PROPERTY IN AN AMOUNT NOT TO EXCEED FIFTY THOUSAND DOLLARS (\$50,000) (THE "DUE DILIGENCE REIMBURSEMENT"), OR (B) IN LIEU OF TERMINATING THE AGREEMENT AND RECOVERING ITS DEPOSIT AND THE DUE DILIGENCE REIMBURSEMENT, BUYER SHALL BE ENTITLED TO PURSUE SPECIFIC PERFORMANCE OF THIS AGREEMENT WITHOUT RIGHT TO ANY DAMAGES (OTHER THAN A RETURN OF THE DEPOSIT AND THE DUE DILIGENCE REIMBURSEMENT IF SPECIFIC PERFORMANCE IS NOT GRANTED) OR OTHER EQUITABLE RELIEF WHATSOEVER, BUT ONLY IF BUYER FILES SUCH SPECIFIC PERFORMANCE ACTION ONE HUNDRED EIGHTY (180) DAYS AFTER THE SCHEDULED CLOSING DATE, AND BUYER'S FAILURE TO INITIATE SUCH ACTION WITHIN SUCH ONE HUNDRED EIGHTY (180) DAY PERIOD CONSTITUTES AN ABSOLUTE BAR FROM BUYER'S INSTITUTION OF ANY SUCH PROCEEDINGS. BUYER SHALL NOT BE ENTITLED TO RECORD A LIEN OR LIS PENDENS AGAINST THE PROPERTY OTHER THAN IN CONNECTION AND CONCURRENTLY WITH THE FILING OF SUCH SPECIFIC PERFORMANCE ACTION.

SELLER AND BUYER ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE PROVISIONS OF THIS PARAGRAPH 13.2 AND BY THEIR INITIALS IMMEDIATELY BELOW AGREE TO BE BOUND BY ITS TERMS.

Seller's Initials



Buyer's Initials

14. Attorneys' Fees. If any action or proceeding shall be brought by either party in order to enforce the provisions of this Agreement, or to collect damages as a result of the breach of any of the provisions of this Agreement, whether or not such action or proceeding is pursued to a judgment, the prevailing party shall be entitled to recover all reasonable attorneys' fees costs incurred in connection therewith, including costs.

15. Notices. Whenever Escrow Holder or any party hereto shall desire to deliver to the other any notice, demand, request or other communication, each such notice, demand, request or other communication shall be in writing, shall be given by personal delivery, by registered or certified United States mail, return receipt requested, or by overnight courier, postage prepaid, addressed as follows:

TO SELLER: Verizon Northwest Inc.
c/o Verizon Corporate Real Estate
112 S. Lakeview Canyon Rd. (CA501CW)
Thousand Oaks, CA 91362
Attention: Mr. James Tousignant

WITH COPIES TO: Van Etten, Suzumoto & Becket LLP
1620 26th Street, Suite 6000 North
Santa Monica, California 90404
Attention: Michael J. Brill, Esq.

CB Richard Ellis, Inc.
c/o Verizon Corporate Real Estate
112 S. Lakeview Canyon Rd. (CA501CW)
Thousand Oaks, CA 91362
Attention: Mr. James Pobanz

TO BUYER: Snohomish County Fire Department, Fire District 1
12310 Meridian Avenue
Everett, WA 98208
Attention: District Secretary

WITH COPY TO: Chmelik Sitkin & Davis P.S.
1500 Railroad Avenue
Bellingham, Washington 98225
Attention: Richard A. Davis III, Esq.

TO ESCROW HOLDER:

Fidelity National Title Insurance Company
National Accounts Group
601 South Figueroa Street, Suite 2130
Los Angeles, CA 90017
Attention: Ms. Julia Davis, Escrow Officer

Any such notice, demand, request or other communication shall be deemed effective on the day of actual delivery or refusal to accept as shown by the addressee's return receipt. If the date on which any notice required to be delivered hereunder falls on a weekend or legal holiday, then such notice may be delivered on the next business day immediately following such weekend or holiday. If the date of Closing, or any other date, such as the expiration of the Feasibility Period fall on a weekend or legal holiday, then such date shall automatically be extended to the next business day immediately following such weekend or holiday. The foregoing addresses may be changed by notice given in accordance with this Paragraph 15.

16. Amendment; Complete Agreement. All amendments and supplements to this Agreement must be in writing and executed by Buyer and Seller. All understandings and agreements between the parties (including any printed offer of sale provided by Seller to Buyer) regarding the Property are merged in this Agreement, which alone fully and completely expresses the agreement of the parties regarding the Property. This Agreement has been entered into after full investigation of the facts by both parties and neither party has relied on any statement or representation not embodied in this document. This Agreement has been drafted through a joint effort of the parties and their counsel and therefore shall not be construed against either of the parties as the draftsman.

17. Governing Law. This Agreement shall be governed under the laws of the State of Washington.

18. Counterparts, Headings and Defined Terms. This Agreement may be executed in several counterparts each of which shall be an original, but all of such counterparts shall constitute one such Agreement. The headings used herein are for convenience only and are not to be construed to be part of this Agreement. For the purposes of this Agreement, (a) the term "including" means "including without limitation," and (b) when a time period is specified in this Agreement for the performance of an act or the occurrence of an event, "days" shall mean "calendar days," unless otherwise specified herein.

19. No Offer. Submission of this Agreement for examination or signature by Buyer is not effective as an agreement to sell the Property or otherwise until execution by and delivery to both Buyer and Seller of an original of this Agreement.

20. Time of the Essence. Time is of the essence of this Agreement.

21. Waiver. The waiver by one party of performance of any covenant, condition or promise shall not invalidate this Agreement, nor shall it be considered to be a waiver by it of any other covenant, condition or promise. The waiver by either or both parties of

the time for performing any act shall not constitute a waiver of the time for performing any other act or an identical act required to be performed at a later time. Except as specifically provided in Paragraph 13 above, the exercise of any remedy provided in this Agreement shall not be a waiver of any other remedy provided by law.

22. Third Parties. Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person, other than the parties hereto and their successors and assigns, any rights or remedies under or by reason of this Agreement.

23. Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein, unless such invalidity, illegality or unenforceability materially affects the transactions contemplated by this Agreement or the ability of either party to perform its obligations under this Agreement. In such case, either party may terminate this Agreement and the Escrow on written notice to the other party given no later than ten (10) business days after the party giving such notice becomes aware of such invalidity, illegality or unenforceability, and the provisions of Paragraph 2.11 above shall apply.

24. Tax-Deferred Exchange. Each party shall reasonably cooperate with the other if such other party elects to either acquire the Property or convey the Property in connection with a tax-deferred exchange within the meaning of Section 1031 of the Internal Revenue Code of 1986, as amended, provided that (a) either party's election to effect a tax-deferred exchange shall not create any additional conditions to the Close of Escrow or extend the Closing Date; and (b) Seller shall not be obligated in any event to take or receive title to any other real property in connection with such exchange. Any such exchange shall be accomplished by supplemental instructions, exchange documents and an exchange accommodator, if any, reasonably acceptable to both parties. The party electing to enter into a tax-deferred exchange shall indemnify and hold the other party harmless from and against any and all liens, claims, damages, liabilities, losses, costs and expenses, including reasonable attorneys' fees, arising out of or relating to the cooperating party's participation in the tax-deferred exchange contemplated by this Paragraph. The Close of Escrow shall not be conditioned on the closing of any proposed tax-deferred exchange, and if such proposed tax-deferred exchange is not in a position to close concurrently with the Close of Escrow, Buyer shall nevertheless be obligated to complete the purchase of the Property from Seller on the Closing Date on the terms and conditions of this Agreement.

25. Additional Documents. Each party hereto agrees to perform any further acts and to execute and deliver any further documents which may be reasonably necessary to carry out the provisions of this Agreement.

26. Assignment; Binding Effect. This Agreement shall not be assignable by Buyer to any other party without the prior written consent of Seller, which consent Seller may withhold in its sole discretion. For purposes of this Paragraph, any agreement entered into between Buyer and a third party prior to the Close of Escrow to sell or otherwise transfer any interest in the Property, including, without limitation, the execution of escrow instructions

contemplating such a sale or transfer shall be deemed an assignment. Any such assignment without Seller's consent as provided herein, shall be deemed a material breach of this Agreement, and Seller, may, in Seller's sole discretion, elect to terminate this Agreement, in which case this Agreement shall be null and void, Buyer shall have no further rights hereunder, and Seller shall be entitled to damages as provided in Paragraph 13. Subject to the foregoing, this Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of Seller and Buyer.

27. Waiver of Trial by Jury. SELLER AND BUYER KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE (TO THE EXTENT PERMITTED BY APPLICABLE LAW) ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT, AND THE PARTIES AGREE THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

28. Independent Counsel. Each party acknowledges that it has consulted with and had the opportunity to consult with independent counsel of its own choosing in connection with the negotiation and execution of this Agreement.

29. Backup Offer. Until the Closing, Seller may consider back-up offers for a portion or all of the Property.

30. Limitation of Liability. Buyer acknowledges and agrees that neither the shareholders, officers, employees nor affiliates of Seller shall be liable for obligations entered into by or on behalf of Seller. Seller shall not be liable for any indirect, incidental, speculative, punitive, special, or consequential damages of any kind including, but not limited to, loss of revenue, loss of goodwill, loss of business opportunity, loss of profits, losses related to third party claims or any one or more of them arising in any manner from this Agreement or the performance or nonperformance of obligations related thereto regardless of the foreseeability thereof. Notwithstanding anything to the contrary set forth in Paragraph 13.2 above, if prior to the Closing Date Buyer becomes aware of any existing or new item, fact or circumstance which renders a representation or warranty of Seller set forth herein incorrect or untrue in any material respect (collectively, the "Representation Matter") or that has a material, adverse impact on the value of the Property, then provided such representation or warranty was true when made by Seller, Buyer's sole remedy shall be the right to terminate this Agreement and obtain a refund of the Deposit by providing written notice thereof to Seller no later than seven (7) business days after Buyer learns of such Representation Matter. If Buyer does not timely terminate this Agreement, then Seller's representations and warranties shall be automatically limited to account for the Representation Matter, Buyer shall be deemed to have waived Buyer's right to pursue any remedy for breach of the representation or warranty made untrue on account of such Representation Matter, and the parties shall proceed to the Close of Escrow. Notwithstanding anything to the contrary contained in this Agreement, Buyer hereby agrees that Seller's maximum liability under this Agreement for actual, direct damages shall not exceed \$50,000.00 in the aggregate and that any action or claim asserted by Buyer against Seller must be filed (if at all) within twelve (12) months following the Closing, and Buyer hereby waives any right to bring any such claim or action thereafter. The provisions of this Paragraph 30 shall survive the Closing and shall not merge with the Bargain and Sale Deed.

[SIGNATURES BEGIN ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written below.

SELLER:

VERIZON NORTHWEST INC.,
a Washington corporation

By: _____

Title: _____

By: _____

Title: _____

**APPROVED AS TO FORM
VAN ETTEN SUZUMOTO & BECKET LLP**

By: *[Signature]*

Date: 11/18/2005

BUYER:

SNOHOMISH COUNTY FIRE
DEPARTMENT, FIRE DISTRICT 1, a
municipal corporation

By: *James Kenny 11-15-05*

Title: *Chair*

By: _____

Title: _____

Receipt of the foregoing instructions by Escrow Holder is acknowledged, said escrow holding is accepted and Escrow Holder agrees to hold and dispose of the funds and documents deposited in the escrow in accordance with these instructions.

Dated: _____, 200__.

Fidelity National Title Company

By: _____

_____, Escrow Officer