

RECORD & RETURN TO:
TWEDE & SVAREN, INC., P.S.
P.O. BOX 526
BURLINGTON, WA 98233

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9510120072

SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax

OCT 12 1995

COMMERCIAL LEASE AGREEMENT

Amount Paid \$ 0
By Skagit Co. Treasurer
By Deputy

THIS IS A LEASE AGREEMENT entered into as of the 11th day of October, 1995, between MICHAEL M. HENERY and JANE A. HENERY, husband and wife, hereinafter referred to as "Lessor" and JAY OVERWAY and NANCY OVERWAY, husband and wife, hereinafter referred to as "Lessee".

WITNESSETH:

1. The Lessor does hereby lease to the Lessee and the Lessee does hereby lease from the Lessor property located at 728 East Fairhaven Avenue, Burlington, Skagit County, Washington, and legally described as follows:

Lot 1, Block 44, "AMENDED PLAT OF BURLINGTON, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 3 of Plats, page 17, records of Skagit County, Washington,

Situate in the County of Skagit, State of Washington.

2. Business Purpose. The premises are to be used for business purposes and shall not be used for unlawful purposes.

3. Term. The term of this lease shall be for a period of Ten (10) years commencing October 15, 1995, and ending on October 14, 2005.

4. Rent. Lessee covenants and agrees to pay to the Lessor as rental for said premises a monthly rental of ONE HUNDRED DOLLARS (\$100.00), in lawful money of the United States in advance on the 15th day of each and every calendar month during the term of the lease at such place as Lessor may designate.

5. Option to Renew. Lessee shall have an option to renew this Lease for an additional five (5) year term subject to the following conditions:

a) Lessee must notify Lessor of his exercise of this option at least 90 days prior to the expiration of the 10 year lease term. Said notification shall be given to Lessor at Lessor's last known address.

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b) Upon notifying Lessor that Lessee is exercising the option to renew provided for hereunder, Lessee and Lessor shall, in good faith, negotiate a new monthly rental fee. If Lessor and Lessee are able to reach an agreed amount of monthly rental, then said amount shall be the monthly rental due and payable on the 15th day of each month during the five year extension to this Lease. If Lessor and Lessee are unable to agree to a new monthly rental amount within 30 days of the expiration of the Lease then, in that event, this Lease shall terminate at the end of the original ten year term.

c) If the Lease is extended by reason of the Lessee's exercise of the option and Lessor and Lessee being able to agree to a monthly rental then, in that event, the terms of this Lease shall be binding upon Lessor and Lessee during the term of the five year extension.

6. Option to Purchase. Lessor hereby grants Lessee the option to purchase the premises described hereinabove subject to the following terms:

a) This option to purchase must be exercised during the initial ten year term of this Lease. Lessee's exercise of this option shall be made by written notification to Lessor at least 90 days prior to expiration of the original 10 year lease term provided for herein which written notification shall be sent to Lessor at Lessor's last known address.

b) The purchase shall be made upon an all cash sale and a price to be mutually agreed upon by Lessor and Lessee. If Lessor and Lessee are unable to negotiate a mutually agreeable price for the purchase of this property within thirty days of expiration of the original ten year lease term then, in that event, this option shall terminate.

c) In the event Lessor and Lessee are able to agree to a mutually acceptable price for which Lessee shall purchase Lessor's property, Lessor and Lessee agree that they shall each pay 1/2 of the closing costs associated with the sale of the subject property by Lessor to Lessee.

d) In the event Lessor and Lessee are unable to negotiate a mutually agreeable price for the sale of the subject property then, in that event, Lessor agrees that they will not sell the subject property to any other purchaser for a price less than the lowest price for which Lessor offered to sell the property to Lessee. This prohibition shall be in full force and effect for one year from the

date Lessor and Lessee's negotiations have failed to result in an agreed purchase price.

7. Repairs. The premises have been inspected and accepted by the Lessee in their present condition. Upon the expiration of the Lease, Lessee agrees to quit and surrender the premises in a neat and clean condition, except for the reasonable wear and tear and damage by fire or other unavoidable casualty. Lessee also agrees to replace broken glass.

8. Utilities. The monthly rental provided for herein DOES NOT INCLUDE Lessee's electrical and heating bills. Lessee hereby covenants and agrees to pay all charges for electrical, heating, telephone, sewer and garbage services and any other applicable utility charges.

9. Accidents. All personal property on said leased premises shall be at the risk at Lessee. Lessor or Lessor's agents shall not be liable for any damage either to personal property sustained by Lessee or others caused by any defects now in said premises or hereinafter occurring therein, or due to the building in which the leased premises are situate or any part or appurtenance thereof becoming out of repair or caused by fire or by the bursting or leaking of water, gas, sewer or steampipe, or from any act or neglect of employees, co-tenants, or other occupants of said building, or any other persons including Lessor or Lessor's agents, or due to the happening of any accident from whatsoever cause in and about said building. Lessee agrees to defend and hold harmless Lessor and Lessor's agents from any and all claims for damages suffered or alleged to be suffered in or about the leased premises by any person, firm or corporation.

10. Care of Premises. The Lessor shall not be called upon to make any improvements or repairs of any kind upon said premises, EXCEPT pursuant to Paragraph 17, and shall be obligated only to maintain the building structurally.

11. Assignment. Lessee shall not, without the written consent of the Lessor, assign or sublet the lease or any part thereof.

12. Fire and Other Casualty. In the event the premises are destroyed or damaged by fire, earthquake or other casualty to such an extent as to render the same untenable in whole or in any part thereof, it shall be optional with the Lessor to rebuild or repair the same and after the happening of any such contingency, the Lessee shall give Lessor or Lessor's agents immediate written notice thereof. Lessor shall immediately meet with Lessee and decide Lessor's intentions to rebuild or repair such premises, or the part so damaged as aforesaid, and if Lessor elects to rebuild or repair said premises, Lessor shall persecute the work of such

rebuilding or repairing without unnecessary delay and during such period the rent of said premises shall be abated in the same ratio that that portion of the premises rendered for the time being unfit for occupancy shall bear to the whole of the leased premises. If the Lessor and Lessee cannot get together on the repair of damaged premises, Lessee shall have the right to declare this lease terminated by written notice served upon the Lessor or Lessor's agents.

13. Default and Re-Entry. Time is of the essence and if any rents above reserved, or any part thereof, shall be and remain unpaid when the same shall become due, or if Lessee shall violate or default in any of the covenants and agreements herein contained, then the Lessor may cancel this lease upon giving the notice required by law, and re-enter said premises, but notwithstanding such re-entry by the Lessor the liability of the Lessee for the rent provided for herein shall not be extinguished for the balance of the term of this lease, and the Lessee covenants and agrees to make good to the Lessor any deficiency arising from a re-entry and re-letting of the premises for a lesser rental than herein agreed to. The Lessee shall pay such deficiency each month as the amount thereof is ascertained by the Lessor.

14. Non-Waiver of Breach. The failure of Lessor to insist upon strict performance of any of the covenants and agreements in this Lease or to exercise any options herein and conferred in any one or more instances, shall not be construed to be a waiver or relinquishment of any such, or any other covenants or agreements, but the same shall be and remain in full force and effect.

15. Heirs and Successors. Subject to the provisions hereof pertaining to assignment and subletting the covenants and agreements of this lease shall be binding upon the heirs, legal representatives, successors and assigns of any or all of the parties hereto.

16. Hold-Over. If the Lessee shall, with the written consent of Lessor, hold over after the expiration of the term of this lease, such tenancy shall be for an indefinite period of time on a month to month tenancy, which tenancy may be terminated as provided by the Laws of the State of Washington. During such tenancy Lessee agrees to pay to Lessor the same rate of rental as set forth herein unless a different rate is agreed upon, and to be bound by all of the terms, covenants and conditions as herein specified as far as is applicable.

17. Liens or Encumbrances. Lessee shall not do or suffer anything to be done whereby the land and buildings on which the demised premises or a part may be encumbered by any mechanic's or materialman's lien, and shall, whenever any such lien is filed against said land and building purporting to be for labor or materials furnished, discharge the same of record within ten (10)

days after the date of filing.

18. Alterations. Lessee shall not make any alterations, additions or improvements on said premises without the written consent of Lessor first had and obtained, which consent will not be unreasonably withheld; and all alterations, additions and improvements which shall be made shall be at the sole cost and expense of Lessee. All improvements made by Lessee shall remain a part of said premises, except trade fixtures; and upon termination of this lease, said improvements shall become the absolute property of the Lessor without cost or obligation on the part of Lessor to reimburse Lessee in any regard.

19. Payment of Real Estate Taxes. Lessee shall pay all real estate taxes levied against said premises during the term of this lease.

20. Insurance. Lessee agrees to keep improvements on the premises insured against casualty loss to the full value of said improvements and naming Lessor as primary insured.

21. Costs and Attorney's Fees. In the event it becomes necessary for either the Lessor or Lessee to employ an attorney to enforce the provisions of this lease agreement or bring an action for the breach of terms of this lease agreement, then the non-prevailing party agrees to pay all costs, expenses and attorney's fees expended or incurred by or to the Lessor or Lessee in connection therewith.

22. Destruction of Premises. In the event the premises are damaged or destroyed to the extent that they are no longer suitable for the purpose for which they are being leased, then, and in that event, the Lessor shall have the option of rebuilding the premises, or not, as they so desire. In the event the Lessor elect not to rebuild said premises, then, and in that event, the Lessee shall be excused of payment of any rent effective the date of substantial damage or destruction. In the event the Lessor elect to rebuild said premises, then, and in that event, the Lessee shall be excused from the payment of rent during the period of reconstruction. In the event the period of reconstruction exceeds thirty (30) days, then, and in that event, the Lessee shall be released from any obligation hereunder on the condition that said Lessee notifies the Lessor in writing of their election to terminate said obligations. Said Notice shall be delivered to Lessor within ten (10) days of the date said rights shall accrue to the Lessee.

23. Notices. Any notice required to be served in accordance with the terms of this Lease Agreement shall be personally served or shall be sent by Certified Mail. The Notices shall be sent to the parties at the addresses stated hereinbelow or at such other place as the parties may designate in writing.

The Lessee's address is:

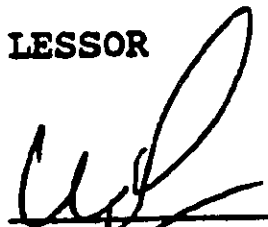
641 Dennis Ln.
Seabrook, Md 20784
Phone No. 301 856 4815

The Lessor's address is:

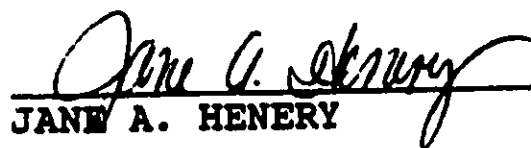
35 Parkplace Ct.
Port Townsend, WA 98368
Phone No. 206 379-0646

IN WITNESS WHEREOF the parties have set their hands hereunto
this Lease Agreement as to the day and year first written above.

LESSOR

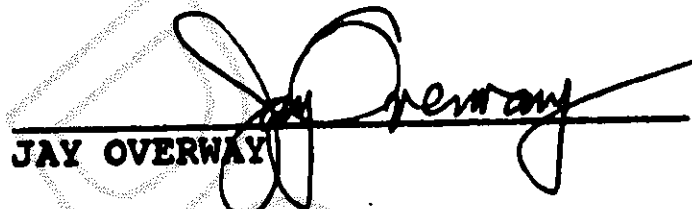


MICHAEL M. HENERY

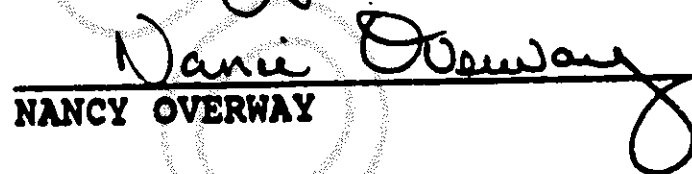


JANE A. HENERY

LESSEE



JAY OVERWAY

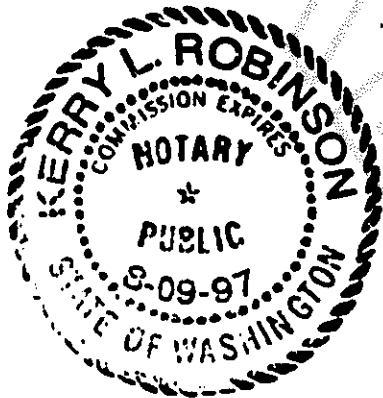


NANCY OVERWAY

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this day personally appeared before me MICHAEL M. HENERY and JANE A. HENERY, husband and wife, to me known to be the individuals (Lessors) described in and who executed the within and foregoing instrument, and acknowledged to me that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 10th day of OCTOBER, 1995.

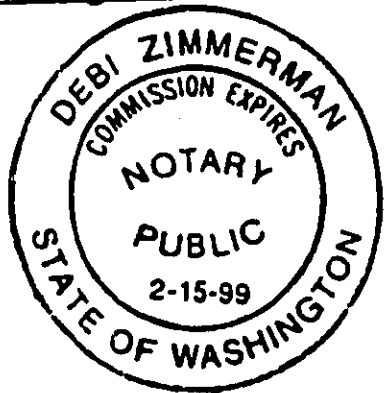


Kerry L. Robinson
NOTARY PUBLIC in and for the
State of Washington, residing at
PORT TOWNSEND, my commission
expires: 8/9/97
(Printed Name: KERRY L. ROBINSON)

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this day personally appeared before me JAY OVERWAY and NANCY OVERWAY, husband and wife, to me known to be the individuals (Lessees) described in and who executed the within and foregoing instrument, and acknowledged to me that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 11th day of October, 1995.



Debi Zimmerman
NOTARY PUBLIC in and for the
State of Washington, residing at
Burlington, my commission
expires: 2/15/99
(Printed Name: Debi Zimmerman)