

Island Title Company

P. O. BOX 1228

ANACORTES, WA. 98221

QA-2777, A-2000

LEASE AGREEMENT 4/15/96 REZVANI TO JONES

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LEASE AGREEMENT

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Page 1 of 5

THIS AGREEMENT, made this day by and between EZATOLAH REZVANI and FERESHTEH REZVANI, husband and wife of 2503 Highland Drive, Anacortes, Skagit County, Washington, 98221 parties of the first part and hereinafter referred to as Lessors, and DAVID R. JONES, a single man, 4821 S. 124th Street, Seattle, King County, Washington 98178, parties of the second part and hereinafter referred to as Lessee, WITNESSETH:

****RE-RECORD TO ATTACH EXHIBIT A****

For and in consideration of the mutual covenants, conditions and considerations herein contained, the parties hereto agree as follows:

1. DESCRIPTION OF PREMISES. Lessors hereby lease to Lessee, and Lessee leases and rents from Lessors, on the terms and conditions hereinafter set forth those certain premises, together with the appurtenances thereto, commonly known as 3015 B Commercial Avenue, Anacortes, Washington, located at 918 31st Street in said City, and more particularly described as follows:

A portion of Lots 11 to 13 inclusive, Block 4, WHITNEY'S FIRST ADDITION TO THE CITY OF ANACORTES: as shown on Exhibit A, attached hereto and incorporated herein, together with all and singular the tenements, hereitaments and appurtenances thereunto belonging or in any wise appertaining.

SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax
PAID

APR 15 1996

Amount Paid \$
Skagit County Treasurer
By Deputy

2. TERM OF LEASE. The term of this lease shall be for 120 months, commencing on the 15th day of April 1996, and continuing through the 14th day of April 2006, unless sooner terminated as hereinafter set forth. Lessee has the option to renew at two additional five year intervals with lease term and consideration to be renegotiated by both parties, Lessors and Lessee.

3. LEASE CONSIDERATION. The agreed sum which the Lessee shall pay to the Lessors for the first twelve months of this lease shall be the sum of TEN THOUSAND EIGHT HUNDRED DOLLARS (\$10,800.00) payable monthly, in advance, at the rate of NINE HUNDRED DOLLARS (\$900.00) per month, which shall be the base rental hereunder, on or before the 1st day of each month, commencing on or before April 15, 1996. As of April 15, 1997, and every year thereafter to the end of the lease, said monthly rental shall be increased to 5% of the previous year. The increase each year to be 5% greater than the rental amount for the previous year. Lessors acknowledge receipt of the sum of FOUR HUNDRED FIFTY DOLLARS for the first one-half months rent. All additional monthly payments will be due the first day of each succeeding month according to the terms of the lease, with the first full month payment of \$900 due May 1, 1996. All remittance of rental payments shall be made to the Lessors at 1220 - 22nd Street, Anacortes, Washington, or to such other address as they may hereafter in writing direct. The Lessee agrees to provide the Lessors with a TWO THOUSAND DOLLAR (\$2000.00) check to be held by the Lessors as a security deposit in an interest bearing Trust at US Savings Bank account to be mutually agreed. At the end of the first year lease period the deposit, plus any accumulated interest shall be refunded, together with any accrued interest to the tenant, if tenant is not in default.

SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax

APR 19 1996

Amount Paid \$
Skagit Co. Treasurer
By Deputy

4. USE OF PREMISES. The premises are leased to the Lessee for the purpose of conducting a commercial business and/or for residential use, which Lessee agrees shall be conducted in accordance with all applicable ordinances of the City of Anacortes and Skagit County, and the laws, rules and regulations of the State of Washington.

5. POSSESSION. Lessee shall be granted possession of the described premises on or before April 15, 1996.

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6. UTILITIES. Lessee shall be responsible for and agree to pay all charges for power, gas, telephone, water, sewer, storm drain and garbage collection service to the leased premises.

7. MAINTENANCE. Lessee shall be responsible for maintaining all parts and sections of building, plumbing, electrical fixtures, windows and door glass, painting, water tank, heater and all other maintenance of the premises during the lease period.

8. ALTERATIONS. Lessee is authorized and permitted to make alterations in the building leased, provided any alterations exceeding ONE THOUSAND DOLLARS (\$1,000.00) in cost must first have Lessors' approval. At the end of the lease, Lessee is required to return to the original state any alteration that he makes in the building or yard if it has not been approved and is not satisfactory to the Lessors. Tenant intends on remodeling the premises for use as a restaurant at a cost of approximately \$25,000.00 and these improvements are hereby consented to.

Landlord acknowledges that Tenant will be remodeling the premises and installing trade fixtures for restaurant purposes. Trade fixtures placed on the premises by Tenant shall remain the property of the Tenant and Tenant shall have the right to remove same at the end of the term of this lease provided that Tenant shall repair any damage caused by such removal or alteration and provided further that such trade fixtures or other property remaining on the premises more than 30 days after the end of the term of this lease shall be conclusively presumed to be abandoned.

9. ASSIGNMENT OR SUBLETTING. Lessees are specifically authorized to sublet all or a portion of the premises leased for any lawful use, but there shall be no assignment of the lease without Lessors written consent, and said consent shall not be unreasonably withheld. A consent to one assignment shall not be deemed to be a consent to any subsequent assignment.

10. SIGNS. Lessees shall have the right to erect, maintain and operate any type or size of sign or signs, attached to or on the walls of the building leased, provided that the sign or signs installed shall meet with the consent and approval of the Building Inspector of the City of Anacortes and in all ways comply with applicable City ordinances, and shall in no way damage or deface the building.

11. INSURANCE.

A. Fire and Extended Insurance. (Premises/Structure)

Tenant shall provide insurance on the leased premises for loss by fire and casualty (excluding earthquake). The landlord and Tenant shall be the named insured with a loss payable to the extent of their respective interests as follows:

If the premises are a total loss and not rebuilt or replaced then Landlord shall be entitled to 75% of the loss proceeds and Tenant shall be entitled to 25% of the loss proceeds.

If the Landlord elects to rebuild under Paragraph 13 then the proceeds shall be used for rebuilding.

B. Fire and Extended Coverage (Personal Property)

Tenant shall provide insurance on the leased premises for loss by fire and casualty (excluding earthquake) to fixtures, equipment, and personal property on the premises belonging to the Tenant. Risk of loss to the fixtures, equipment and personal property is on the Tenant.

C. Liability Insurance.

The tenant shall purchase at his own expense public liability insurance in the amount of \$500,000/\$1,000,000 (per individual/per occurrence for bodily injury and \$50,000 property damage per occurrence.

D. Waiver of Subrogation. Landlord and Tenant hereby mutually release each other from every and all right, claim, and demand that either may hereafter have against each other, their successors, or assigns arising out of, or in connection with, any loss or losses extended coverage clauses of fire insurance policies, including risk of all physical losses if

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so endorsed, and do hereby waive all rights of subrogation in favor of insurance carriers against either Landlord or Tenant arising out of any losses occasioned by fire, and such items as are included under the normal extended coverage clauses of fire insurance policies including risks of all physical losses, if so endorsed, and sustained by landlord or Tenant in or around the premises including trade fixtures, equipment, and merchandise on the premises. There will be no waiver of subrogation regarding any employee claim covered by Workmans's Compensation because such waivers are not allowed by the State of Washington. The waivers provided for in this paragraph shall be applicable and effective only in the event such waivers are obtained from the insurance carriers concerned.

12. **HOLD HARMLESS.** The Lessors shall not be liable for any damage, either to person or property, sustained by the Lessees due to the interior of said premises or any part or appurtenance thereof becoming out of repair, or arising from bursting of pipes or leakage of water, gas or sewer, as a result of negligent act or omission of the Lessee, or due to the happening of any accident in said storeroom. Lessee hereby covenants and agrees to hold the Lessors harmless from and to indemnify the Lessors against any and all damage of whatsoever kind or nature that might be claimed or might accrue by reason of any accident in or about the leased premises or in connections with the Lessee's use or occupancy of said premises and in areas adjacent thereto, caused by the acts or neglect of the Lessee or any agent of the Lessee. The Lessee covenants and agrees that he shall keep said property free and clear of any and all hazards to third parties, whether occasioned by act or omission of the Lessee or as a result of weather conditions.

13 DESTRUCTION OF PREMISES.

A Total Destruction. In the event the leased premises shall be totally destroyed by fire or other casualty, then in that event each party hereto shall have a right to terminate this lease by giving written notice of such termination to the other party within 30 days after the date of such fire or other casualty, whereupon this lease shall be deemed to have been terminated as of the date of such fire or other casualty. The rent for such month shall be prorated to the date of such fire or casualty and paid or refunded as the case be.

In the event either party terminates this lease as a result of such fire or other casualty, then any fire or casualty insurance proceeds payable as a result of such fire or casualty shall be payable as provided in Paragraph 11 above.

B. Partial Destruction of Premises. In the event that the premises are only partially destroyed by fire or other casualty, Landlord shall repair the same within 90 days provided the repairs can be made under the laws of the applicable governmental agencies, and such partial destruction shall not annul or void this lease, except Tenant shall be entitled to a proportionate reduction of rent to be based upon the extent to which the making of repairs shall interfere with the business carried on by the Tenant at the premises.

14. **CONFORMITY TO LAW.** The Lessee covenants and agrees in his use and occupancy of the premises to comply with and abide by all applicable laws, rules, regulations and ordinances of the City of Anacortes, County of Skagit, State of Washington and the federal government.

15. **ACCESS BY LESSORS.** Lessee shall permit Lessors and Lessors' agents to enter into and upon said premises at all reasonable times during business hours upon proper notice, for the purpose of inspecting said premises, for the purpose of maintaining the building on the premises, or in the event of pending of termination of tenancy by Lessee for any reason, to exhibit the premises to other prospective tenants.

16. **DEFAULT.** It is expressly understood and agreed by and between the parties to the instrument that if the Lessee shall fail to make payment of the rentals as herein provided, or for any reason the rent on said premises shall be behind or unpaid on the required date of payment, or if default shall be made in any of the covenants and agreements herein contained to be kept by the Lessee, his successors or assigns, it shall be lawful for the Lessors or Lessors' agents, heirs, executors, administrators or assigns, at

their election, to declare this lease agreement terminated and to reenter upon said premises or any part thereof, either with or without process of law, and to expel or remove the Lessee or any other person or persons occupying the same, so as to fully repossess the said premises; provided, however, that such action on the part of the Lessors shall not in any way relieve or terminate the liability of the Lessee to pay the rent provided for herein for the balance of the term of this lease, nor shall the responsibility and liability of the Lessee to pay said rent be terminated, and the Lessee covenants and agrees to make good to the Lessors any deficiencies arising from reentry and reletting the premises at a lesser rental than herein agreed to. The Lessee shall pay such deficiency each month as the amount is ascertained by the Lessors. If by reason of any default on the part of the Lessee or Lessors in the performance of any of the provisions of this lease, it becomes necessary for the Lessors or Lessee to employ an attorney in order to require compliance herewith, the unsuccessful party agrees to pay all costs, expenses and attorney's fees expended or incurred by the prevailing party in connection herewith.

17. **SUCCESSORS AND ASSIGNS.** The covenants and conditions hereof shall apply to and bind and benefit the heirs, executors, administrators, successors and assigns of the parties hereto.

18. **FIRST RIGHT OF REFUSAL.** So long as Tenant is not in default under the terms of this lease, then Tenant shall have a First right of Refusal to purchase the leased premises. In the event, during the term of this lease, or any renewal thereof, if landlord receives a bona fide offer from a third party to purchase the leased premises, then in that event, the Tenant shall have a right to purchase the leased premises upon the same terms and conditions as the offer received by the Landlord.

Landlord shall give written notice to tenant of such offer within 5 days of landlord's receipt of such offer and Tenant shall have 10 days to notify Landlord of Tenant's exercise of his first right of refusal. Such notice shall be in writing.

19. **LIENS.** The Lessee shall keep the leased premises and the property in which the leased premises are situated free from any liens arising out of any of the work performed, materials furnished, or obligations incurred by Lessee, and shall promptly pay the cost of installation of any trade fixtures.

20. **SURRENDER OF PREMISES.** The Lessee further agrees that upon the expiration of this lease or any renewal thereof, without the requirement of any notice, they will deliver and return to the Lessors the property herein leased and the complete possession thereof, in as good condition as received, fair wear and tear, damage by the elements and fire, and damage as the result of defective construction excepted. All keys to the premises shall be returned to the Lessors upon termination hereof.

21. **RENTAL PAYMENTS.** All rentals provided for in this lease shall be paid in advance, on or before the 1st day of each month of the lease period, in lawful money of the United States, and the Lessee agrees to make prompt payment of all such rentals in the amounts and at the times hereinabove provided.

22. Time and exact performance are of the essence of this agreement.

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IN WITNESS WHEREOF, the parties have hereunto set their hands and seals this the day of April, 1996.

Ezatolah Rezvani (SEAL)
LESSOR

Fereshteh Rezvani (SEAL)
LESSOR

David R. Jones (SEAL)
LESSEE

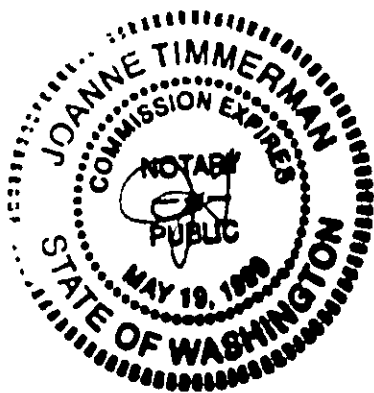
STATE OF WASHINGTON)

COUNTY OF SKAGIT)

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On this day personally appeared before me EZATOLAH REZVANI AND FERESHTEH REZVANI, to me known to be the individuals described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

DATED this 15th of April, 1996



Joanne Timmerman
Notary Public in and for the State
of Washington, residing at

Anacortes
My appointment expires: 5/19/99
Joanne Timmerman
Printed name

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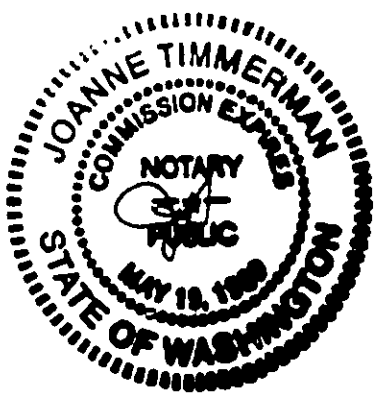
STATE OF WASHINGTON)

COUNTY OF SKAGIT)

ss

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

Dated this 15th of April, 1996



Joanne Timmerman
Notary Public in and for the State
of Washington, residing at

Anacortes
My appointment expires: 5/19/99
Joanne Timmerman
Printed name

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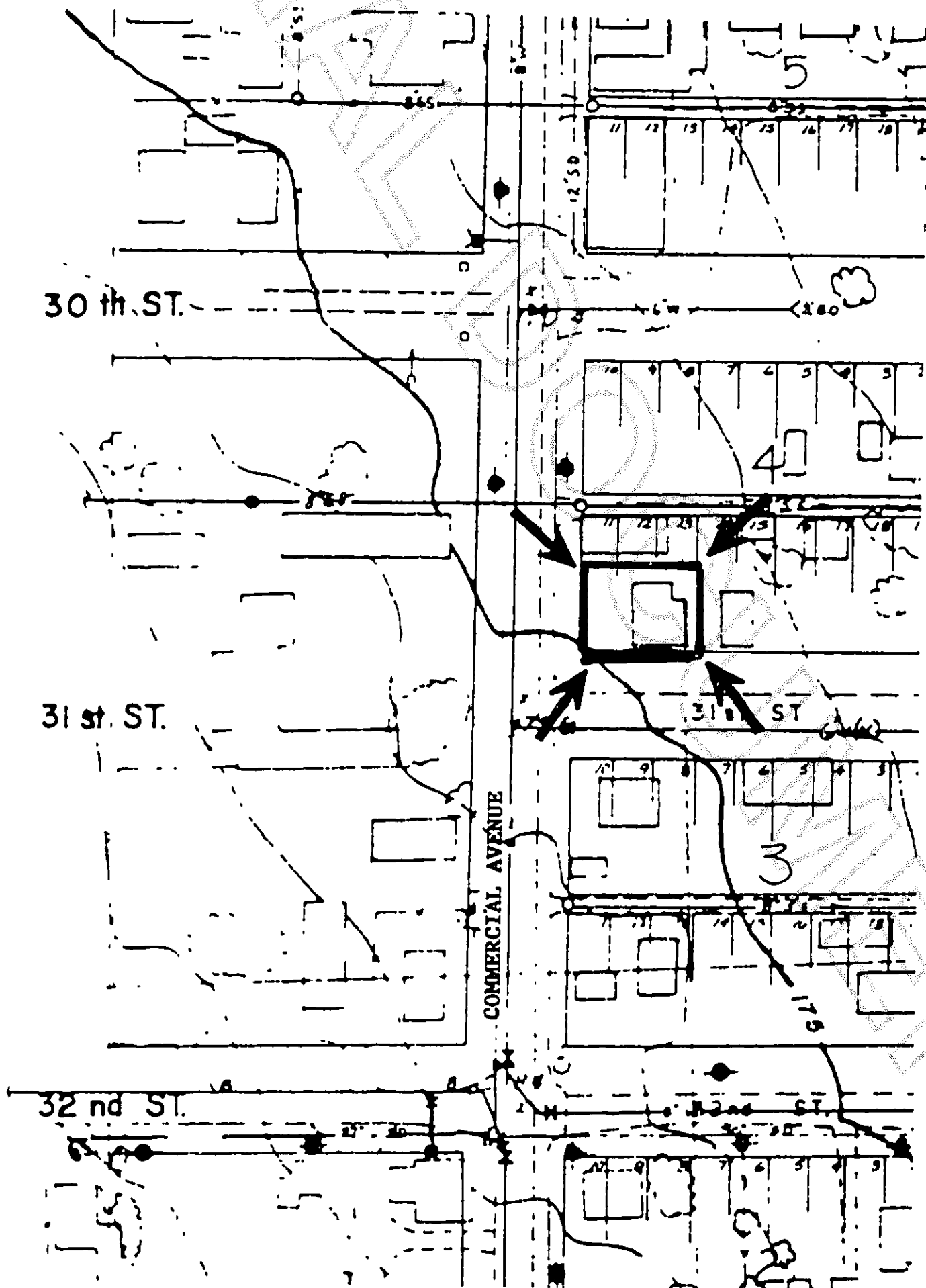
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EXHIBIT A TO LEASE AGREEMENT
DATED APRIL 15, 1996 REZVANI TO JONES

PLAT MAP WITH LOCATION OF SUBJECT PROPERTY KNOWN AS 3015B COMMERCIAL AVENUE, ANACORTES



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