

93-12
When Recorded Return To: Bendich, Stobaugh & Strong
Attn: David Stobaugh
2010 Smith Tower
Seattle, WA 98104

FIRST AMERICAN TITLE CO.

49102-3

SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax
PAID

KATHY HILL
SKAGIT COUNTY AUDITOR

SEP 6 1996

'96 SEP -6 P3:54

Amount Paid \$
By: Skagit County Treasurer Deputy

9609060117 LEASE

RECORDED & FILED
REQUEST OF

THIS LEASE made this 30th day of August, 1996, by and between Skagit Valley Toy Boys and (hereafter "Lessor") and Skagit Powersports, Inc., a Washington corporation (hereafter "Lessee").

1. PREMISES: Lessor does hereby lease to Lessee, the property described on the attached exhibit A.
2. TERM: The term of this Lease shall commence on Oct. 1, 1996 and shall terminate 20 years from the date that the Evergreen Community Development Association's debenture is sold pursuant to a United States Small Business Administration (hereafter SBA) authorization and debenture guaranty number CDC 865965-30-00 WA (hereafter "Authorization") or when the loan is paid in full, whichever shall sooner occur.
3. RENT: Lessee shall pay to Lessor as rent for the premises equal monthly installments of \$ 7000⁰⁰, in advance of the first day of each month of the term of the lease. The lessor may increase the rent with 30 days notice to lessee.
4. UTILITIES AND FEES: Lessee agrees to pay all charges for light, heat, water sewer, garbage, drainage, metro and all other utilities and services to the premises during the full term of the Lease. All other items including all license fees and other governmental charges levied on the operation of Lessee's business on the premises will be paid directly by Lessee. In the event the lease premises are a part of a building or larger premises to which such charges are charged as a whole, with the consent of the Lessor, then Lessee agrees to pay, upon demand, a proper and fair share of said charges.
5. TAXES: The Lessee shall pay any taxes that are levied on the premises or on the rent payments and shall ensure the premise's as required by the lessor's lender and shall maintain liability insurance in the amount of \$1,500,000 per year.
6. REPAIRS AND MAINTENANCE: Premises have been inspected and are accepted by Lessee in their present condition. Lessee shall, at its own expense and at all times, keep the premises neat, clean and in a sanitary condition, and keep and use the premises in accordance with applicable laws, ordinances, rules, regulations and requirements of governmental authorities. Lessee shall permit no waste, damage or injury to the premises; keep all drain pipes free and open; protect water, heating, gas and other pipes to prevent freezing or clogging; repair all leaks and damage caused by leaks; replace all glass in windows and doors of the premises which may become cracked or broken; and remove ice and snow from sidewalks adjoining the premises. Except for the roof, exterior walls and foundations, which are the responsibility of the Lessor, Lessee shall make such repairs as necessary to maintain the premises in as good condition as they now are, reasonable use and wear and damage by fire and other casualty excepted.
7. SIGNS: All signs or symbols placed by Lessee in the windows and doors of the premises, or upon any exterior part of the building, shall be subject to Lessor's prior written approval. Lessor may demand the removal of signs which are not so approved, and Lessee's failure to comply with said request within forty-eight (48) hours will constitute a breach of this paragraph and will entitle Lessor to terminate this Lease or, in lieu thereof, to cause the sign to be removed and the building repaired at the sole expense of the Lessee. At the termination of this Lease, Lessee will remove all signs placed by it upon the premises, and will repair any damage caused by such removal. All signs must comply with sign ordinances and be placed in accordance with required permits.
8. ALTERATIONS: After prior written consent of Lessor, Lessee may make alterations, additions and improvements in said premises, at Lessee's sole cost and expense. In the performance of such work, Lessee agrees to comply with all laws, ordinances, rules and regulations of any proper public authority, and to save Lessor harmless from damage, loss or expense. Upon termination of this Lease and upon Lessor's request, or Lessor's approval, Lessee shall remove such improvements and restore the premises to its original condition not later than the termination date, at Lessee's sole cost and expense. Any improvement not so removed shall be removed at Lessee's expense provided that Lessee shall pay for any damage caused by such removal.

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9. **CONDEMNATION:** In the event a substantial part of the premises is taken or damaged by the right of eminent domain, or purchased by the condemnor, in lieu thereof, so as to render the remaining premises economically untenable, then this Lease shall be cancelled as of the time of taking at the option of either party. In the event of a partial taking which does not render the premises economically untenable, the rent shall be reduced in direct proportion to the leased property taken. Lessee shall have no claim to any portion of the compensation for the taking or damaging of the land or building. Nothing herein contained shall prevent the Lessee from its entitlement to negotiate for its own moving costs and its leasehold improvements.
10. **PARKING:** Lessee understands that parking is apportioned in conformity with controlling zoning ordinances and the Lessor shall have the right to make such regulations as Lessor deems desirable for the control of parking automobiles on the real property described in paragraph 1 or property under Lessor's control, including the right to designate certain areas for parking of the Lessee, employees of Lessee, its customers and other Lessees of said buildings.
11. **LIENS AND INSOLVENCY:** Lessee shall keep the premises free from any liens arising out of any work performed for materials furnished to, or obligations incurred by Lessee and shall hold Lessor harmless against the same. In the event Lessee becomes insolvent, bankrupt, or if a receiver, assignee or other liquidating officer is appointed for the business of Lessee, Lessor may cancel this Lease at its option.
12. **SUBORDINATION OF LEASE TO ECDA'S DEED OF TRUST:** This lease is subordinate to the \$248,000 deed of trust that the Lessor has granted or will grant to the Evergreen Community Development Association as security for a loan and to the \$364,600 deed of trust that Lessor has granted or will grant to Key Bank.
13. **ASSIGNMENT:** Lessee may assign its interest in this lease to Evergreen Community Development Association and Key Bank as security for loans. These lenders may freely assign the lease without the Lessor's consent. Except as noted above, the Lessee shall not assign or encumber the lease without the prior written consent of the Lessor.
14. **ACCESS:** Lessor shall have the right to enter the premises at all reasonable times for the purpose of inspection or of making repairs, additions or alterations, and to show the premises to prospective tenants for sixty (60) days prior to the expiration of the lease term.
15. **POSSESSION:** If for any reason Lessor is unable to deliver possession of the premises at the commencement of the term of the Lease, Lessee may give Lessor written notice of its intention to cancel this Lease if possession is not delivered within thirty (30) days after receipt of such notice by Lessor. Lessee shall not be liable for any rent until such times as Lessor delivers possession. A delay of possession shall not extend the term or the termination date. If Lessor offers possession of the premises prior to the commencement date of the term of this Lease, and if Lessee accepts such early possession, then both parties shall be bound by all of the covenants and terms contained herein, including the payment of rent during such period of early possession.
16. **DAMAGE OR DESTRUCTION:** In the event the premises are rendered untenable in whole or in part by fire, the elements, or other casualty, Lessor may elect, at its option, not to restore or rebuild the premises and shall so notify Lessee, in which event Lessee shall vacate the premises and this Lease shall be terminated; or, in the alternative, Lessor shall notify Lessee, within thirty (30) days after the notice of such casualty, that Lessor will undertake to rebuild or restore the premises, and that such work can be completed within one hundred eighty (180) days from date of such notice of intent, and Lessee may elect, at its option, to terminate this Lease. If Lessor is unable to restore or rebuild the premises within the said one hundred eighty (180) days, and Lessee did not earlier elect to terminate, then the Lease may be terminated at Lessee's option by written ten (10) day notice to Lessor. During the period of untenability, rent shall abate in the same ratio as the portion of the premises rendered untenable bears to the whole of the premises.

17. **ACCIDENTS AND LIABILITY:** Lessor or Lessor's agent shall not be liable for, and Lessee agrees to defend and hold Lessor and Lessor's agents harmless from any claim, action and/or judgment for damages to property or injury to persons suffered or alleged to be suffered on the premises by any person, firm or corporation, unless caused by Lessor's negligence. Lessee agrees to maintain general public liability insurance on the premises in the minimum limit of \$300,000 and hazard insurance (fire and extended coverage) in an amount covering the replacement cost of the building and building improvements, and covering machinery, equipment, furniture and fixtures located at the building. Lessee shall furnish Lessor a certificate indicating that the insurance policy is in full force and effect, the Lessor has been named as an additional insured, and that the policy may not be cancelled unless ten (10) days' written notice of the proposed cancellation has been given to Lessor.

18. **SUBROGATION WAIVER:** Lessor and Lessee each herewith and hereby releases and relieves the other and waives its entire right of recovery against the other for loss or damage arising out of or incident to the perils described in standard fire insurance policies and all perils described in the "Extended Coverage" insurance endorsement approved for use in the state where the premises are located, which occurs in, on or about the Premises, unless due to the negligence of either party, their agents, employees or otherwise.

19. **DEFAULT AND RE-ENTRY:** If Lessee shall fail to keep and perform any of the covenants and agreements herein contained, other than the payment of rent, and such failure continues for thirty (30) days after written notice from Lessor, unless appropriate action has been taken by Lessee in good faith to cure such failure, Lessor may terminate this Lease and re-enter the premises, or Lessor may, without terminating this Lease, re-enter said premises, and sublet the whole or any part thereof for the account of the Lessee upon as favorable terms and conditions as the market will allow, for the balance of the term of this Lease and Lessee covenants and agrees to pay to Lessor any deficiency arising from a re-letting of the premises at a lesser amount than herein agreed to. Lessee shall pay such deficiency each month as the amount hereof is ascertained by Lessor. However, the ability of Lessor to re-enter and sublet shall not impose upon Lessor the obligation to do so.

20. **REMOVAL OF PROPERTY:** In the event Lessor lawfully re-enters the premises as provided herein, Lessor shall have the right, but not the obligation, to remove all the personal property located therein and to place such property in storage at the expense and risk of Lessee.

21. **COSTS AND ATTORNEY'S FEES:** If, by reason of any default or breach on the part of either party in the performance of any of the provisions of this Lease, a legal action is instituted, the losing party agrees to pay all reasonable costs and attorney's fees in connection therewith. It is agreed that the venue of any legal action brought under the terms of this Lease may be in the county in which the premises are situated.

22. **NO WAIVER OF COVENANTS:** Any waiver by either party of any breach hereof by the other shall not be considered a waiver of any future similar breach. This Lease contains all the agreements between the parties; and there shall be no modification of the agreements contained herein except by written instrument.

23. **SURRENDER OF PREMISES:** Lessee agrees, upon termination of this Lease, to peacefully quit and surrender the premises without notice, leave the premises neat and clean and to deliver all keys to the premises to Lessor.

24. **HOLDING OVER:** If Lessee, with the implied or express consent of Lessor, shall hold over after the expiration of the term of this Lease, Lessee shall remain bound by all covenants and agreements herein, except that the tenancy shall be from month to month.

25. **BINDING ON HEIRS, SUCCESSORS AND ASSIGNS:** The covenants and agreements of this Lease shall be binding upon the heirs, executors, administrators, successors and assigns of both parties hereto, except as hereinabove provided.

26. **USE:** Lessee shall use the premises for the purposes of operation of Skagit Powersports, Inc., and for no other purposes, without written consent of Lessor. In the event Lessee's use of the premises increases the fire and extended coverage or liability insurance rates on the building of which the premises are a part, Lessee agrees to pay for such increase.

27. NOTICE: Any notice required to be given by either party to the other shall be deposited in the United States mail, postage prepaid, addressed to the Lessor or Lessee at Lot #7 Burlington Business Park, Burlington, Washington, or at such other address as either party may designate to the other in writing from time to time.

Lessor
Skagit Valley Toy Boys

Lessee
Skagit Powersports, Inc.

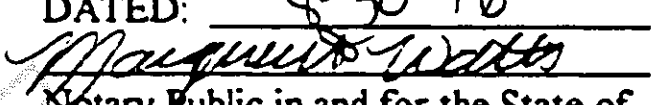

Gary S. Lawver, Partner


Gary S. Lawver, President

STATE OF WASHINGTON)
County of Skagit) ss.

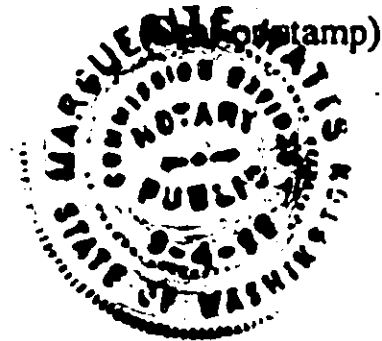
I certify that I know or have satisfactory evidence that Gary S. Lawver signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the President of Skagit Powersports, Inc. to be the free and voluntary act of such a party for the uses and purposes mentioned in the instrument.

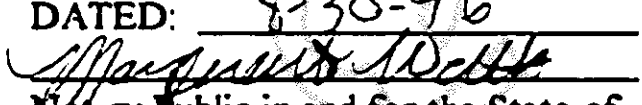


DATED: 8-30-96

Notary Public in and for the State of
Washington, residing at Burlington
My appointment expires 9-4-99

STATE OF WASHINGTON)
County of Skagit) ss.

I certify that I know or have satisfactory evidence that Gary S. Lawver signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as a partner of Skagit Valley Toy Boys to be the free and voluntary act of such a party for the uses and purposes mentioned in the instrument.



DATED: 8-30-96

Notary Public in and for the State of
Washington, residing at Burlington
My appointment expires 9-4-99

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EXHIBIT A

All of Tract 7, and the South 5 feet of Tract 8, (as measured at right angles to the South line thereof), "BURLINGTON HILL BUSINESS PARK BINDING SITE PLAN", approved September 7, 1994, recorded September 8, 1994, in Volume 11 of Short Plats, Pages 109 through 112, under Auditor's File No. 9409080C52, records of Skagit County, Washington, being a portion of the Southwest 1/4 of Section 29, Township 35 North, Range 4 East, W.M.

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