

Return Address:

Robert F. Scarzafava
Kelley F. Scarzafava
3916 West Third Street
Anacortes, WA 98221



200308280231
Skagit County Auditor
8/28/2003 Page 1 of 10 3:45PM

Please print or type information **WASHINGTON STATE RECORDER'S Cover Sheet** (RCW 65.04)

Document Title(s) (or transactions contained therein): (all areas applicable to your document must be filled in)

1. Lease 2. _____
3. _____ 4. _____

Reference Number(s) of Documents assigned or released:

Additional reference #'s on page _____ of document N/A

Grantor(s) (Last name, first name, initials)

1. Hugh Michael Andersen, _____
2. Sandra Andersen, _____

Additional names on page _____ of document.

Grantee(s) (Last name first, then first name and initials)

1. Wendy L. Snowden, _____
2. The Hair Shoppe, _____

Additional names on page _____ of document.

Legal description (abbreviated: i.e. lot, block, plat or section, township, range)

Hensler's 1st to Ana. Lts 1 & 2 Blk 3

Additional legal is on page _____ of document.

Assessor's Property Tax Parcel/Account Number

Assessor Tax # not yet

assigned
3794-003-002-0006 / P57317

The Auditor/Recorder will rely on the information provided on the form. The staff will not read the document to verify the accuracy or completeness of the indexing information provided herein.

I am requesting an emergency nonstandard recording for an additional fee as provided in RCW 36.18.010. I understand that the recording processing requirements may cover up or otherwise obscure some part of the text of the original document.

Signature of Requesting Party

Office Building Commercial Lease

This lease is made this **July 22, 2003**, by and between **Mike Andersen and Sandi Andersen** hereinafter referred to as Landlord, and **Wendy Snowden (DBA The Hair Shoppe)** hereinafter referred to as Tenant. In consideration of the mutual promises and covenants contained in this Lease, Landlord and Tenant do hereby agree:

1. PREMISES: Landlord leases to Tenant and Tenant leases from Landlord the following Premises all on terms contained in this Lease: Suite A on ground floor of building located at 2502 Commercial Ave, Anacortes, WA.
2. USE: Tenant shall use the Premises only for the purpose of a hair salon and for no other purpose. Tenant shall not commit any waste upon the Premises or disturb the quiet enjoyment of any occupant of the Building or use the Premises for any illegal activity, or any activity which is dangerous to persons in or around the Building or which will increase the cost of or cause cancellation of any insurance applicable to the Premises or the Building.
3. TERM: The term of this Lease shall be for ~~-36-~~ months, commencing on August 15, 2003 and ending August 15, 2006. If Landlord is unable to deliver possession of the Premises on the date set for commencement of this Lease, Landlord shall not be liable for any damage caused thereby, nor shall this Lease thereby become void or liable, nor shall the term herein specified be in any way extended, but in such event. Tenant shall not be liable for any rent until such date set for commencement of this Lease and Tenant accepts same or enters into possession of the Premises at that time, Landlord and Tenant agree to be bound by all terms of this Lease during the prior period, including the payment of rent, prorated for any partial month.
4. MONTHLY BASE RENT: The monthly rent of \$ 575.00 per month, plus one installment of \$0 representing prorated rent, shall be paid to the Landlord without notice or demand and without offset or deduction, payable in advance on the fifteenth day of each calendar month, commencing on August 15, 2003. Tenant will pay the monthly rent at such place the Landlord shall specify in writing, in lawful money of the United States.
5. RENTAL ADJUSTMENT: The monthly rent for the Premises shall be increased each year as follows: Approximately three percent cost of living.

- A) August 2003 – 2004 \$575.00 per month
- B) August 2004 – 2005 \$593.00 per month
- C) August 2005 – 2006 \$610.00 per month

6. SECURITY DEPOSIT: On execution of this Lease, Tenant shall deposit with the Landlord the sum of \$ 0.00. If Tenant fully complies with all of the covenants, terms and conditions of the Lease, said sum shall be returned to tenant within thirty days after the tenant has vacated the premises.

7. SERVICE: Landlord shall furnish the Premises with electric current for standard lighting. Landlord will not pay for electricity in the unit. This will be tenants responsibility. Landlord shall furnish water to any existing plumbing in the Premises. Tenant shall be responsible for the janitorial services, and supplies for the interior portion of the Premises. Landlord shall not be liable for any loss or damage caused by or resulting from any variation, interruption, or failure of utility service due to any cause whatsoever, and no temporary interruption or failure of utility services shall relieve Tenant from any of Tenant's obligations hereunder or render Landlord liable for Tenant's damages. The Owner pays/~~doesn't pay~~ basic service for Water/Sewer/Garbage. M7

7.1 REPAIRS AND MAINTENANCE: Landlord, at their expense, shall maintain and repair the external and structural portions of the Building consisting of roof, foundation, and exterior walls, and building systems. Tenant, at their expense, shall maintain all other portions of the Premises and keep them in good order and condition. They will at all times preserve the premises in as good condition and repair as they now are. Any maintenance or repair caused by



tenants actions or negligence, tenant shall pay the cost thereof to Landlord immediately on demand.

8. **ACCEPTANCE OF PREMISES:** Tenant acknowledges having examined the Premises and, subject to such alterations as Landlord specifically undertakes in Exhibit B to this Lease, hereby accepts them in their present condition.

9. **ASSIGNING AND SUBLETTING:**

9.1 **Transfer:** Tenant shall not voluntarily or involuntarily assign or encumber its interest in this Lease, or sublet the whole or any part of the Premises (any of which being a "Transfer" and any such assignee, purchaser, or other transferee being a "Transferee") without first obtaining Landlord's written consent, which shall not be unreasonably withheld. No Transfer shall relieve Tenant of any liability under this lease. Consent to any Transfer shall not operate as a waiver of the necessity of consent to any subsequent Transfer, and the terms of such consent shall be binding upon any person holding by, under or through Tenant. Any increase in sublease rent is the property of landlord.

9.2 **Entity Ownership:** The cumulative transfer of an aggregate of fifty percent (50%) or more of (i) the voting stock of a corporate Tenant; or (ii) the ownership interest in a general or limited partnership which is Tenant, shall be deemed a Transfer of this Lease and shall be subject to the provisions of Section 9.1. Any entity, which has undergone any of the changes described in this Section, shall be deemed to be a Transferee.

9.3 **Assignee Obligation:** Any Transferee approved by Landlord shall assume all obligations of Tenant and shall be jointly and severally liable with Tenant for the payment of rent, and performance of all Tenants' obligations under this Lease. Tenant shall provide Landlord with duplicate originals of all instruments of assignment, sublease or assumption.

10. **CARE OF PREMISES:** Tenant will keep the Premises in good order and condition and will at all times preserve them in as good condition and repair as they now are, or may hereafter be put into, reasonable use and wear and damage by fire or other unavoidable casualty excepted. If Tenant fails to do so, landlord may at its option cause any appropriate maintenance or repair to be performed and Tenant shall pay the cost thereof to Landlord immediately on demand.

11. **ALTERATIONS:** Tenant will not make any alterations, additions, or improvements in or to the Premises including, without limitation, changing any plumbing or wiring therein, without the written consent of Landlord. If Landlord consents to any alterations, additions or improvements, Landlord may impose conditions on performance of the work and all work shall be done in compliance with the following:

- a) No such work shall proceed without Landlord's prior written approval of: (i) Tenant's architect (if any), contractor and subcontractors, (ii) the public liability and property damage insurance carried by the contractor, (iii) detailed plans and specifications for the work.
- b) All work shall be done in conformity with valid permits, if required, copies of which shall be furnished to Landlord before the work is commenced, and any work not acceptable to the City of Anacortes Building Department, or not reasonably satisfactory to Landlord, shall be promptly replaced at Tenant's expense. Notwithstanding any failure by Landlord to object to any such work, Landlord shall have no responsibility therefore.
- c) All work by Tenant or its contractors shall be scheduled through Landlord.
- d) Tenant shall reimburse Landlord for any extra expense incurred by Landlord by reason of Tenant's work, including without limitation, by reason of faulty work done by Tenant or its contractors, by delays caused by such work, or by inadequate cleanup.
- e) All work shall be installed using new material to the most suitable grade for the purpose intended and shall be done in a good workmanlike manner. Landlord shall have the right to inspect and reasonably test all such materials and workmanship at reasonable times, and Tenant or its contractor shall without any cost to the Landlord, replace any material or correct any deficient materials or workmanship and any items not in compliance with the plans and specifications approved by Landlord.
- f) Installation of data processing or other special electronic or electrical equipment requiring closely controlled atmospheric conditions shall be installed strictly in accordance with Tenant's plans and specifications therefore as previously approved by Landlord. Further, Tenant understands that the installation of data processing or other equipment requiring such controlled atmospheric conditions may have unforeseen effects on the Building's air conditioning system either in the Premises or elsewhere in the



Building, and Tenant hereby agrees to hold landlord harmless from any cost or expense resulting from or inspection by Landlord, or any failure by Landlord to inspect any such work done by or for Tenant, Landlord shall have no responsibility for Tenant's work.

- g) All work shall be in compliance with all governmental requirements, codes and recommendations.

Landlord, at its option and expense, may make any repairs, alterations or improvements which Landlord deems necessary or advisable for the preservation, safety or improvement of the Premises or the Building, including modernizing, improving, changing or moving the existing elevators and entranceways to the Building, provided only that Tenant shall at all times have reasonable access to the Premises.

12. **INSPECTONS AND REPAIRS:** Landlord may inspect the Premises at all reasonable times and may enter the Premises for the purpose of cleaning, repairing, altering or improving the Premises, or the Building, but nothing contained in this Lease shall be construed so as to impose any obligation on Landlord to make any repairs, alterations or improvements. Landlord shall also have access to the Premises to show the Premises or the Building for lease or sale.

13. **FIRE OR OTHER CASUALTY:** If any portion of the Premises or the Building is destroyed or damaged by fire or other casualty, Landlord may elect either to (i) terminate this Lease, or (ii) restore the Premises to its previous condition. During the period the damage remains unrepaired, the rent shall be abated in the same proportion as the portion of the Premises, which is not usable, by Tenant bears to the whole of the Premises. Unless Landlord notifies Tenant of its election to restore the Premises within forty-five (45) days after the date of the damage, Landlord shall be deemed to have elected to terminate this Lease. If damage is caused by Tenant or its agents, employees or invitees, then Tenant shall reimburse Landlord for any portion of the cost of repairing the damage not covered by insurance.

Each party shall insure its real and personal property and interests therein, including economic interests, as and to the extent it sees fit. Except as provided above, each of Landlord and Tenant on behalf of its insurers and itself hereby fully and completely waives and releases and relieves the other, its agents and employees, from responsibility for, and waives its entire claim of recovery against the other for, any loss of or damage hereafter occurring to that party's real or personal property located anywhere in on or about the Building, including the Building itself, except to the Building itself, except to the extent that loss or damage is caused by the deliberate and intentional wrongdoing of the other, its agents or employees.

14. **INSURANCE:** Tenant shall, at its expense, maintain at all times during the Lease term (1) comprehensive general liability insurance covering the Premises with combined single limits of at least One Million Dollars (\$1,000,000) per person and per occurrence for personal injury (including bodily injury and death) and property damage having combined single limits of at least Five Hundred Thousand Dollars (\$500,000) per person and per occurrence, for injury to persons and property (or such higher amounts as Landlord may from time to time reasonably designate) arising out of the ownership, maintenance, use or occupancy of the Premises, and which insurance shall not contain deductible amounts in excess of Five Thousand Dollars (\$5,000) without Landlord's prior written consent; and (ii) fire and extended coverage insurance (with endorsements covering vandalism, malicious mischief, sprinkler leakage, water damage and business interruption) for Tenant's fixtures, and furniture, to their full replacement value. Such policies shall be written by insurers acceptable to Landlord, shall name both Landlord and its mortgagees as additional insureds, as their interests may appear, and provide that such policies shall not be canceled or amended without a least thirty (30) days prior written notice to Landlord and its mortgagees. Each such policy shall also provide that no act or default of any person other than Landlord or its agent shall render the policy void as to Landlord or its mortgagee or affect Landlord's or its mortgagee's right to recover thereon and shall be written as a primary policy not contributing with and not in excess of coverage Landlord may carry. Tenant shall furnish Landlord with certificates of insurance evidencing coverage at all times during the Lease term.

15. **SIGNS AND ADVERTISING:** Tenant will not in any manner display any sign notice, picture or any advertising matter whatsoever anywhere in or about the Premises or the Building which is visible from outside the Premises, without the prior written consent of Landlord. Landlord may prohibit any advertising by Tenant, which in its opinion impairs the reputation of the Building. Tenant shall remove all signage, belonging to them, from the property and premises upon termination of the lease.



16. INDEMNIFICATIONS AND RELEASE:

16.1 Tenant's Indemnity. Tenant shall, at its expense, indemnify, defend (using legal counsel acceptable to Landlord) and hold harmless Landlord, its mortgagees, officers, agents, and employees from and against any and all claims, damages, expenses (including attorneys' fees), or other liabilities, arising out of the occupancy or use of the Premises by Tenant, its agents, invitees, or employees (including, without limitation, any work undertaken or contracted for by Tenant, its agents or employees) but excluding any matter arising out of the negligence or willful misconduct of Landlord. The Provisions of this Section 16 shall survive expiration or termination of this Lease and shall include, but not be limited to, all claims against Landlord by any employee or former employee of Tenant, and Tenant hereby waives all immunity and limitation of liability under any industrial insurance act, including Title 51 of the Revised Code of Washington as now or hereafter amended, or other worker's compensation act, disability benefit act, or any other employee benefit act of any jurisdiction which would otherwise be applicable in the case of such a claim, but such waiver is not intended and shall not be construed or interpreted as applying to or benefiting any Person except Landlord or Tenant.

16.2 Release of Certain Claims. Tenant hereby fully and completely waives and releases all claims against Landlord for any losses or other damages sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises, including but not limited to: any equipment or appurtenances becoming out of repair, any defect, failure, surge in, or interruption of, electrical, heating, ventilating, air conditioning, gas, water, or storm sewer or sanitary sewer facilities or service; any defect in or failure of the plumbing, or failure of stairs, railings or walks; broken glass; water being upon or coming into the Premises or the Building; the failing of any fixture, plaster, tile or stucco; or any act of Persons or occupants of the Building, or of an adjoining building or of adjacent property.

17. CANCELLATION: If Landlord decides to demolish the Building, or undertakes a major alteration of the Building, which in the judgment of Landlord requires vacancy of the Premises, Landlord may cancel this Lease at any time by giving Tenant no less than twelve (12) months notice.

18. EMINENT DOMAIN: If all or substantially all of the Building or the Premises is condemned or taken in any manner by a governmental entity, including transfer in lieu of condemnation, this Lease shall terminate as of the date of taking of possession for such use or purpose. If less than all or substantially all of the Building or the Premises is so condemned or taken, then Landlord (whether or not the Premises is affected) may, at its option, by notice to Tenant terminate this Lease as of the date of the taking of possession. If Landlord does not elect to terminate this Lease, then as to that portion of the Premises not so taken or condemned, the rent shall be reduced pro-rata in accordance with the floor area of the Premises which is condemned or taken, and Landlord shall, at its expense, proceed with reasonable diligence to repair and restore the remaining part of the Premises to substantially its former condition to the extent reasonably feasible. Landlord shall be entitled to receive the entire award in any condemnation proceeding, including any award for the value of any unexpired Lease term, and Tenant shall have no claim against Landlord or against the proceeds of the condemnation (and Tenant shall also execute and deliver to Landlord such documents, in recordable form, as Landlord may require to confirm the same) except that Tenant shall have the right to claim and recover from the condemning authority compensation for Tenant's moving expenses, business interruption or taking of Tenant's personal property (not including Tenant's leasehold interest); provided that such damages may be claimed only if they are separately awarded and not out of or as part of the damages recoverable by Landlord.

19. INSOLVENCY AND DEFAULT:

19.1 Insolvency. Tenant shall be deemed to be in default upon the occurrence of one or more of the following events: (i) any judicial determination of the insolvency of Tenant or any guarantor of Tenant's obligations hereunder (a "Tenant's Guarantor") including, without limitation, the entry of an Order for Relief pursuant to the provisions of the Bankruptcy Code whether voluntary or involuntary; (ii) appointment of a receiver or a custodian or other similar officer for any portion of Tenant's property or the property of any tenant's Guarantor; or (iii) the assignment for the benefit of creditors of any portion of Tenant's property or the property of any Tenant's Guarantor {provided, however, that if any such action, case or petition has been commenced against Tenant or any tenant's Guarantor and the same is dismissed within a period of sixty (60) days, then the event of default shall be deemed cured for purposes hereof



whereupon Landlord may elect, by notice to Tenant, to terminate this Lease, in which event neither Tenant nor any person claiming through or under Tenant by virtue of any statute or of an order of any court shall be entitled to possession or to remain in possession of the Premises but shall forthwith quit and surrender the same, and Landlord, in addition to the other rights and remedies Landlord has by virtue of this Lease or any statute or rule of law, may retain as security for its damages any rent, security deposit or monies received by Landlord from Tenant or others on behalf of Tenant. This Lease is upon the further condition that if a petition for relief under any chapter of the Bankruptcy Code is filed by or against Tenant or any Tenant's Guarantor and the trustee or debtor in possession has not cured all defaults hereunder and assigned or assumed this Lease under the Bankruptcy Code within sixty (60) days after the entry of the notice from either party. In case of termination pursuant to any of the foregoing provisions of this Section 19.1, Tenant shall indemnify Landlord against all costs and expenses and loss of rent and additional rent, including, without limitation, amounts due under Section 19.3.

19.2 Other Defaults. Tenant shall be in default under this Lease if: (i) Tenant fails to pay any rent or any other charges hereunder when due; (ii) Tenant fails to perform any other covenant, term or condition of this Lease when such performance is due; or (iii) Tenant vacates or abandons or ceases to do business in the Premises.

If Tenant fails to timely cure any such default, after notice as set forth in the last paragraph of this Section 19.2, Landlord may, immediately or at any thereafter, elect to terminate this Lease by notice, lawful entry or otherwise, whereupon Landlord shall be entitled to recover possession of the Premises from Tenant and those claiming through or under Tenant. Such termination of this Lease and any repossession of the Premises shall be without prejudice to any remedies, which Landlord might otherwise have for arrears of rent or for prior breach of any of the provision of this Lease. Landlord and Tenant agree that a notice by Landlord requesting cure of a pre-existing default hereunder shall constitute a statutory notice to quit.

In case of such termination, Tenant shall indemnify Landlord against all costs and expense including the amounts due under Section 19.3 and loss of rent. This Lease is upon the further condition that if Tenant neglects or fails to perform or observe any of Tenant's covenants, which Tenant has neglected or failed to perform or observe at least twice previously in any twelve (12) month period (although Tenant shall have cured any such previous breach or breaches after notice from Landlord), then Landlord lawfully may, but shall not be obligated to, immediately or at any time thereafter and without demand or further notice exercise any remedies and benefits permitted by this Section 19 or by law, including but not limited to termination of this Lease.

With respect to default occurring under clause (i) of the first sentence of this Section 19.2, Tenant shall have three (3) days following receipt of notice from the Landlord within which to cure any such default. With respect to a default arising under clause (ii) of the first sentence of this Section 19.2, Tenant shall have ten (10) days following the receipt of notice from the Landlord within which to cure any such default; provided, however, that if the nature of such default is such that the same cannot reasonably be cured within such 10-day period, Tenant shall be deemed to have cured the default if Tenant shall commence such cure within said 10-day period and thereafter diligently prosecute the same to completion and shall furnish landlord with such assurances and indemnities that Landlord may require to ensure completion thereof and fully and completely protect Landlord from any loss or liability by reason of any delay. With respect to a default arising under clause (iii) of the first sentence of this Section 19.2, Landlord shall not be required to provide any notice to cure to Tenant prior to exercising Landlord's right of termination.

19.3 Expense Recovery. Items of expense for which Tenant shall indemnify Landlord shall include but not be limited to all costs and expenses incurred in collecting amounts due from Tenant under this Lease (including attorneys' fees, litigation expenses and the like); the unamortized portion of (i) amounts in the nature of commissions paid by Landlord to leasing agents in connection with this Lease, (ii) all costs and expenses incurred by Landlord to improve the Premises for Tenant, and (iii) any additional amount furnished to Tenant in the nature of an allowance (all of such amortization to be based upon the assumption that such costs and expenses are amortized on a straight line basis over the initial lease term); and all Landlord's other reasonable expenditures proximately caused by the termination. All such sums shall be payable immediately upon notice from Landlord that a cost has been incurred without regard to whether the cost was incurred before or after the termination of this Lease. If proceedings are brought under the Bankruptcy Code, including proceedings for the termination, assumption or



assignment thereof or proceeding to secure adequate protection for Landlord or proceedings involving objections to the allowance of Landlord's claim (any of which a "proceeding"), then Landlord shall be paid in addition to all other amounts due landlord the amount of all cost incurred by Landlord with respect to the Proceeding, including the reasonable compensation, costs and advances of Landlord, its agents and attorneys.

19.4 Damages. Notwithstanding termination of this Lease and reentry by Landlord pursuant to Section 19.1, or Section 19.2, the liability of Tenant for rent and other charges provided herein shall not be extinguished for the balance of the term, and Landlord shall be entitled to recover from Tenant:

- (i) The worth at the time of an award (including interest at the rate set forth in Section 19.8, of any unpaid rent which had been earned by Landlord at the time of termination; plus
- (ii) The worth at the time of an award (including interest at the rate set forth in Section 19.8), of the amount by which the unpaid rent which would have been earned after termination until the time of an award exceeds the amount of loss of rent that Tenant proves could have been reasonably avoided; plus
- (iii) The worth at the time of an award (including interest at the rate set forth in Section 19.8), of the amount by which the unpaid rent for the balance of the term of this Lease (as extended, if at all prior to termination) exceeds the amount of such loss of rent that Tenant proves could have been reasonably avoided; plus
- (iv) Any other amount necessary to compensate Landlord for all the damage proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, including amounts due and payable pursuant to Section 19.3

19.5 Non-Termination of Lease. If Landlord reenters the Premises pursuant to Section 19.1 or Section 19.2, Landlord may elect, by notice to Tenant, not to terminate this Lease, in which case Tenant shall indemnify Landlord for the loss of rent by a payment at the end of each month during the remaining term representing the difference between the rent which would have been paid in accordance with this Lease and the rental actually derived from the Premises by Landlord for such month. Without any previous notice or demand, separate actions may be maintained by Landlord against Tenant from time to time to recover any damages which, at the commencement of any action, have then or theretofore become due and payable to Landlord under this Section 19 without waiting until the end of the original term of this Lease.

19.6 Reletting. If this Lease is terminated, Landlord may at time and from time to time relet the Premises in whole or in part either in its own name or as agent of Tenant for any period to or greater or less than the remainder of the Lease term for a rental, and for use, consistent with the other tenants of the Building. All rental received by Landlord from such reletting shall be applied first to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any costs of reletting and any alteration and repairs; third, to the payment of rent due and unpaid hereunder, and the residue, if any, shall be held by Landlord and applied to payment of future rent due hereunder. Landlord shall not be required to pay Tenant any sums received by Landlord in excess of amounts due from Tenant hereunder.

19.7 Right of Landlord to Cure Defaults. If Tenant defaults in the performance of any term or covenant of this Lease, or if Tenant fails to pay any expense (other than rent or other charges) required to be paid by Tenant hereunder, Landlord may, but shall not be obligated to, and without waiving or releasing Tenant from its obligations, remedy such default at the expense of Tenant, immediately and without notice in case of emergency, or in any other case only upon Tenant's failure to remedy such default within ten (10) days after Landlord has notified tenant in writing of the default. If Landlord makes any expenditures or incurs any obligations in connection with Tenant's default including, but not limited to, attorney's fees, in instituting, prosecuting or defending any action or proceeding, tenant shall pay to Landlord as additional rent such sums paid or obligations incurred, with interest.

19.8 Unpaid Sums and Service Charge. If any payment of rent, additional rent, or other charges, is not paid within five (5) days of its due date, Tenant shall pay a late charge equal to ten percent (10%) of the amount of such overdue payment as liquidated damages for Landlord's extra expense and handling of such past due account. In addition, any amounts owing from Tenant to Landlord under this Lease shall bear interest at eighteen (18%) per annum; provided that interest shall not begin to accrue until 30 days after the due date on any overdue amounts on which Tenant has paid the ten percent late fee. Returned checks are to be treated as unpaid rent until honored by landlords bank.



19.9 Landlord's Default. Landlord shall not be deemed in default of any obligation to be performed by it until it has failed to perform such obligation within thirty (30) days after written notice by Tenant specifying the default; provided that if Landlord's obligation is such that more than thirty (30) days are required for its performance, Landlord shall not be deemed in default if it commences such performance within such thirty (30) day period and diligently prosecutes the same to completion.

20. **REMOVAL OF PROPERTY:** If Tenant fails to remove any of its property from the Premises or the Building at the termination of this Lease or when Landlord has the right of re-entry, Landlord may, at its option, remove and store said property without liability for loss thereof or damage thereto, such storage to be for the account and at the expense of Tenant. If Tenant fails to pay the storage costs after thirty (30) days or more, Landlord, may at its option, sell any or all of such property at public or private sale, in such manner and at such times and places as Landlord in its sole discretion may deem appropriate, without notice to Tenant, and shall apply the proceeds of the sale, first to the costs of the sale, including attorneys' fees, second to the storage and handling costs, third to the payment of any amounts then or thereafter due to Landlord from Tenant under this Lease. The balance, if any, shall be returned to Tenant.

21. **NON-WAIVER:** Neither the acceptance of rent nor any other act or omission of Landlord after a default by Tenant shall operate as a waiver of any past or future default by Tenant, or to deprive Landlord or its right to terminate this Lease, or be construed to prevent Landlord from promptly exercising any other right or remedy it has under this Lease.

22. **COST AND ATTORNEY'S FEES:** In the event of litigation between the parties hereto, declaratory or otherwise, for the enforcement of any of the covenants, terms and conditions of this Lease, the non-prevailing party shall pay the costs and attorneys' fees of the prevailing party.

23. **SUCCESSORS:** Subject to Section 9, all the covenants, terms and conditions of Lease shall inure to the benefit of and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns.

24. **TENANT'S PAYABLES AS RENT:** All amounts payable by Tenant to Landlord hereunder, including amounts paid by Landlord in behalf to Tenant and reimbursable to Landlord, and whether specifically called rent or not, shall be deemed to be additional rent and Landlord shall have all rights and remedies as stated in this Lease and as provided by law with respect to the collection of rent.

25. **RULES AND REGULATIONS:** Tenant agrees to abide by such reasonable general rules and regulations for the operation of the Building as Landlord may, from time to time, establish.

26. **RIDERS:** The exhibits, riders and addenda, if any, attached hereto, are made a part of this Lease by reference.

27. **TAXES:** The rent set forth in Section 4 is exclusive of any sales, business or occupation or other taxes based on rents, and should any such taxes apply, or be enacted during the term of this Lease, the rent shall be increased by such amount. Tenant shall also pay prior to delinquency the personal property taxes imposed on Tenant's personal property.

28. **HAZARDOUS MATERIALS:** Tenant shall not store, use or dispose of any hazardous materials in, on or about the Premises or the Building. Tenant shall be solely responsible for and shall defend, indemnify and hold Landlord, its agents and employees harmless from and against all claims, costs and liabilities, including attorneys' fees and costs, arising out of or in connection with Tenant's breach of its obligations contained in this Section 28. Tenant shall be solely responsible for and shall defend, indemnify and hold Landlord, its agents and employees harmless from and against any and all claims, cost and liabilities, including attorneys' fees and costs, arising out of or in connection with the removal, cleanup and restoration work and materials necessary to return the Premises and the Building, and any other property to their condition existing prior to the appearance of Tenant's hazardous materials. Tenant's obligations under this Section 28 shall survive the expiration or other termination of this Lease. The term "hazardous materials" shall include all materials regulated be federal, state or local law.

29. **LIENS:** Tenant shall, at it expense, cause to be fully and completely discharged of record, with ten (10) days of Landlord's demand, and labor or materialman's lien or other lien field for



work claimed to have been for, or materials claimed to have been furnished to, or on behalf of Tenant.

30. COMPLIANCE: Tenant shall, at its expense, comply with all laws, orders, ordinances and regulations of federal, state, county and municipal authorities and with any direction of any public officer or officers, which shall, with respect to the use of the Premises or the abatement of nuisance, impose any violation, order or duty upon Landlord or Tenant arising from Tenant's use of the Premises or from conditions which have been created by Tenant or are required by reason of a breach of any of Tenant's obligations hereunder.

31. LANDLORD'S LIABILITY: The liability of Landlord to Tenant for any default by Landlord under this Lease shall be limited to the interest of Landlord in the Building (and the proceeds thereof). Tenant agrees to look solely to Landlord's interest in the Building (and the proceeds thereof) for the recovery of any judgment against Landlord, and Landlord shall not be personally liable for any such judgment or deficiency after execution thereon. Notwithstanding the foregoing, however, Landlord shall have personal liability for insured claims beyond Landlord's interest in the Building (and the proceeds thereof) but only to the extent of Landlord's liability insurance coverage respecting such claims.

32. LANDLORD'S INTEREST IN PREMISES: This Lease shall be subordinate to any mortgage or a deed of trust or sale and leaseback used for financing purposes, now existing or hereafter placed upon the building or the premises, created by or at the instance of Landlord, and to any and all advances to be made thereunder and to interest thereon and all modifications, renewals, replacements, or extensions thereof (a "Mortgage"); this provision shall be self-operative and no further instrument or subordination shall be required by and Landlord's mortgagee. Notwithstanding the foregoing, however, Tenant shall execute and deliver any subordination agreement satisfactory in form and substance to the holder of a Mortgage, but only if any such subordination agreement shall provide that so long as Tenant is not in default under this Lease, Tenant shall have the continued enjoyment of the Premises from any disturbance or interruption by any holder of a Mortgage or any purchaser at a foreclosure or private sale of the Building or the Premises as a result of Landlord's default under a Mortgage.

33. ESTOPPEL CERTIFICATES: Tenant shall, within ten (10) days of demand, execute, acknowledge and deliver to Landlord or its designee a written statement certifying: (i) the date the Lease term commenced or will commence and the date it expires; (ii) the date Tenant entered into occupancy of and commenced business operations in the Premises, (iii) the amount of rent and the date to which rent has been paid; (iv) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way (or specifying the date and terms of each agreement so affecting this Lease) and that no part of the Premises has been sublet (or to the extent such is not the case, a copy of any sublease); (v) that Landlord is not in default under this Lease (or if such is not the case, a copy of nature of such default); (vi) that tenant improvements agreed to be provided by Landlord to Tenant have been made (or the extent that such is not the case); (vii) the amount of any security deposit paid to Landlord; and (viii) any other fact or representation that Landlord, a mortgagee or purchaser may reasonably request. It is intended that any such statement delivered pursuant to this Section 33 shall be fully and completely binding upon Tenant and may be relied upon by a prospective purchaser or mortgagee of Landlord's interest, or any assignee of any mortgage upon Landlord's interest in the Building. If Tenant fails to respond within ten (10) days of receipt of a written request by Landlord therefore, Tenant shall be deemed to have given a certificate as above provided without modification and shall be conclusively deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee.

34. NOTICES: All notices under this Lease shall be in writing and delivered in person or sent by private courier or registered or certified mail, return receipt requested, to Landlord at its office in the Building and to Tenant at the Premises, or to such other single address as may hereafter be designated by either party in writing. Notice shall be deemed given when hand delivered or, if mailed as aforesaid, shall be deemed given three (3) days after mailing.

35. HOLDOVER: Tenant hereby waives any notice to vacate upon expiration of the term. If Tenant remains in possession of the Premises after the termination of this Lease, Tenant shall be deemed to be occupying the Premises as a tenancy from month-to-month subject to all provisions of this lease, except rent. If Tenant holds over without consent of Landlord, the rent for the holdover period shall be twice the prior rent. If Tenant holds over with Landlord's consent, the rent shall be 150% of the prior rent.



37. ARBITRATION: Disputes between Landlord and Tenant shall be subject to mandatory arbitration in accordance with the provisions of this paragraph, excluding disputes in which either party seeks termination of the Lease or the right to possession of the Premises. The arbitration shall be by a three-arbitrator panel with the arbitrators selected from lists provided by the American Arbitration Association. (the "AAA"), with one arbitrator selected by Landlord; one arbitration selected by Tenant and the third arbitrator jointly selected by the first two arbitrators. The arbitration rules applied shall be those of the AAA, modified as follows: (i) the total time from date of demand for arbitration to final award shall not exceed twenty-five (25) days; (ii) all notices may be by telephone or other electronic communication with later confirmation in writing; (iii) the time, date, and place of the hearing shall be jointly set by the arbitration panel in their sole discretion, provided that there shall be at least three (3) days prior notice of the hearing; (iv) there shall be no post-hearing briefs; (v) there shall be no discovery except by order of the arbitration panel; and (vi) the arbitration panel shall issue their award within seven (7) days after the close of the hearing. The arbitration shall be held in the county in which the Premises is located. The decision of the arbitration panel shall be final and binding on the parties. The parties shall each hold harmless and indemnify the arbitrators from any claims arising in connection with the arbitration. The fees of the arbitrators shall be paid by the non-prevailing party.

Wendy Snowden
Lessee

8/27/03
Date

Mr. Amel
Landlord

8-27-03
Date



SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax
AUG 28 2003
Amount Paid \$
Skagit County Treasurer
By: *[Signature]* Deputy

