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Skagit County Auditor

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Return Address:

J. Duffy
3819 Ridge Court
MV 98274

LAND TITLE COMPANY OF SKAGIT COUNTY

109102P

Document Title(s) (or transactions contained therein):

1. Lease
- 2.

Reference Number(s) of Documents assigned or released:

on page of _____ of document

Grantor(s) (Last name, First, Middle Initial)

1. Trail Road Shell
- 2.
- 3.
4. _____ Additional names on page _____ of document.

Grantee(s) (Last name, First, Middle Initial)

1. Jitterbugs Espresso
- 2.
- 3.
4. _____ Additional names on page _____ of document.

Legal description: (lot, block, plat name, section-township-range)

SW SE 23-35-4

_____ Additional legal is on page _____ of document.

Assessor's Property Tax Parcel Account Number(s):

350423-0-033-0009

REAL ESTATE LEASE

This Lease Agreement (this "Lease") is dated the 15th day of July 2003 by and between Trail Road Shell ("Landlord") and Jitterbugs Espresso ("Tenant"). The parties agree as follows:

Article 1 – Leased Premises

Landlord, in consideration of the lease payments provided in this Lease, Leases to Tenant for the purpose of conducting thereon a drive-through espresso business, approximately 6,216 square feet of the property legally described on Exhibit A and attached and incorporated herein, located at 802 W SR 20, Sedro-Woolley, WA. 98284. The Premises is illustrated on the proposed Jitterbugs Espresso site plan, which is attached as Exhibit B and made a part hereof. As used herein, the term "Premises" refers to the portion of the real property Leased to Tenant for the Jitterbug site and to any improvements located thereon from time to time during the term of the Lease.

Article 2 - Term

The term of this Lease shall be for a period commencing on the date of execution of this agreement and ending Ten (10) years from the date upon which the Jitterbug Espresso stand referred to in this Lease is opened for business to the public. When the term of the Lease is ascertainable or otherwise agreed to by Landlord and Tenant, Landlord and Tenant shall execute a Commencement Date Agreement in the form of the attached Exhibit C, which shall be completed within 30 days of the actual rent commencement date.

Article 3 - Rent

Rent Commencement Date

With regard to the beginning rent payment date, it is understood that said date is not now known. Rent payments shall begin at the earlier of the date that Tenant opens for business or ninety days after the date that permits are issued by the governmental authorities for construction of the Jitterbug Espresso building that is to be built on the Premises.

Monthly Rent Payments

From the commencement date until the last day of the month that is 12 full months from the date Jitterbugs opens for business, Tenant shall pay monthly rent of \$500.00. Each year of rent referenced below shall commence after the 12th month of the prior year. Rent for the second through the tenth years shall be as follows:

Year 2:	\$ 1,000 per month	Year 7:	\$ 1,685 per month
Year 3	\$ 1,500 per month	Year 8:	\$ 1,685 per month
Year 4:	\$ 1,500 per month	Year 9:	\$ 1,785 per month
Year 5:	\$ 1,590 per month	Year 10:	\$ 1,785 per month
Year 6:	\$ 1,590 per month		

Rent payments shall be made to the Landlord at PO Box 409 Anacortes, WA 98221, which address may be changed by written notice to Tenant.

Rent Abatement

Commencing on the date on which Tenant is deprived of the use of any portion of the leased Premises or of any rights under this Lease by reason of condemnation or casualty damage or restoration thereof or by reason of any repairs, improvements or alterations by Landlord under any provision of this Lease, the Rent shall be equitably abated according to the nature of the use or rights affected and the extent to which Tenant is deprived of such use or rights.

Late Payments

For each payment that is not paid within 5 days after its due date, Tenant shall pay a late fee of \$10.00 per day, beginning with the day after the due date.

Non-Sufficient Funds

Tenant shall be charged \$50.00 for each check that is returned to Landlord for lack of sufficient funds.

Article 4 – Option to Renew

Option to Renew

Provided that all payments and taxes are current, Tenant will have three (3) 5-year options to renew this Lease agreement and all the provisions contained in this Lease, except for monthly rent. Landlord must receive written notice from Tenant 90-days prior to Lease expiration date for each option. Lease payments will be as follows:

5-Year Option # 1

Year 11: \$ 1,895 per month
Year 12: \$ 1,895 per month
Year 13: \$ 2,005 per month
Year 14: \$ 2,005 per month
Year 15: \$ 2,130 per month

5-Year Option # 2

Year 16: \$ 2,130 per month
Year 17: \$ 2,255 per month
Year 18: \$ 2,255 per month
Year 19: \$ 2,390 per month
Year 20: \$ 2,390 per month

5-Year Option # 3

Year 21: \$ 2,460 per month
Year 22: \$ 2,460 per month
Year 23: \$ 2,535 per month

Year 24: \$ 2,535 per month
Year 25: \$ 2,610 per month

Article 5 – Right to Terminate

Permits

Tenant has entered into this Lease in the expectation of obtaining, after expiration of all applicable appeal periods, all permits, variances, special use permits, licenses, permissions or other authorizations (collectively called "Permits") necessary for the construction and operation of a complete Jitterbugs Espresso facility, including Tenant's signs and special service windows, built according to Tenant's plans and specifications, and that is similar to the existing facility located in Burlington WA at the Cook Road Shell. Tenant agrees to apply for Permits without unreasonable delay after execution of this Lease and Landlord agrees to execute such documents, make such appearances and do such things as Tenant may reasonably request. Tenant or Landlord may, but shall not be obligated to, terminate this Lease if after first application, Permits are denied or are not obtained within 90 days.

Title

If the report on title discloses any conditions, restrictions, liens, encumbrances, easements or covenants which, in Tenant's opinion would effect Tenant's use and enjoyment of the Premises, Landlord shall have thirty (30) days from the date Tenant notifies Landlord of such defects to make a good faith effort to cure such defects and to furnish a title report showing such defects are cured or removed. If such defects in title are not cured within thirty- (30) days, Tenant may, at its option, terminate this Lease. Additionally, Landlord shall permit such security devices as Tenant's Lender may require to finance a construction loan for the facilities Tenant desires to place upon the Leased Premises.



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Survey

Tenant may at Tenant's expense order a current certified topographical survey by a licensed surveyor with thirty - (30) days from the date of execution of this Lease. If survey discloses unsuitable or interfering easements, encroachments, or that the location, area, dimension or shape of the Premises are not as represented by the Landlord, the Tenant shall have the right to terminate this Lease and declare it null and void and have no further effect.

Article 6 – Landlord Warranties and Covenants

Zoning

Landlord covenants, represents and warrants that Landlord shall, if necessary, use its best efforts to obtain the approval of all public and governmental authorities as to all matters relating to zoning, subdivision or similar requirements for use of the Premises as a Jitterbugs Espresso stand in accordance with Tenant's plans and specifications as will permit Tenant to obtain all necessary Permits, licenses and approvals to build Tenant's building.

Utilities

Landlord covenants, represents and warrants that all water and gas mains, electric power lines, and sanitary and storm sewers are available for Tenants intended use. Tenant has agreed to pay for any site improvements with regard to available utilities as provided by Article 13.

Hazardous Substances

Landlord covenants, represents and warrants that Landlord shall remove any dirt or soil impacted by Landlords present and/or prior Gasoline Service Station and Xpress Lube use of the land upon which the Premises are a part that many contain Hazardous Substances. For purposes of this Lease, Hazardous Substances shall be interpreted broadly to include any oil, gasoline or petroleum products as well as any substance or material defined or designated as hazardous or toxic waste or similar term by any federal, state or local law, regulation or rule presently in effect or promulgated in the future.

Site Maintenance

Landlord covenants, represents and warrants that because Tenant is in the business of serving espresso coffee and related food products for human consumption, and Landlord operates a Gasoline Service Station together with a Motor Vehicle Lube and Oil change facility, it is agreed by the parties that Landlord shall be responsible for all Hazardous Substances that may in the future be found, if any, on the Leased Premises. Landlord shall indemnify and hold harmless Tenant from any action brought against either of the parties related to Hazardous Substances.

Possession

Landlord covenants, represents and warrants that the Premises are free and clear of all tenancies, whether oral or written, and the Tenant shall have sole and actual possession from the date of the execution of this Lease.

Covenant of Title and Quiet Enjoyment

That Landlord has good title to the Premises and warrants that it will defend the title, and will indemnify Tenant against any damage and expense, which Tenant may suffer by reason of any claim against title or defect in the title or description of the Premises. If at any time Landlord's title or right to receive rent under this Lease is disputed, or there is a change of ownership of Landlord's estate, by act of the parties or operation of law, Tenant may withhold rent thereafter accruing until Tenant is furnished proof satisfactory to it as to the party entitled to the rent. Landlord shall provide Tenant with any and all non-disturbance agreements, in form acceptable to Tenant, from any holder of an encumbrance.



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Covenant Not to Compete

Landlord covenants and agrees that no property (other than the Premises) now owned or, leased or controlled, directly or indirectly, by Landlord or any subsidiary of Landlord, adjacent or contiguous to the Premises or the land upon which the Premises constitutes a part, nor any land located within a three (3) mile radius of the Premises shall, during the term of this Lease and any extensions, be Leased, used or occupied as a drive through espresso business. Landlord further agrees that upon commencement of the Lease term, the Landlord will cause the Shell Service Station located on Landlord's property to discontinue and or not commence the sales of full-service espresso, milkshakes, and or Flavor Burst Ice Cream and shall not offer full-service espresso, sales of milkshakes and or Flavor Burst Ice Cream during the term of this Lease (including any properly exercised renewal terms). Provided however the Shell Service Station located on Landlord's property may continue to sell drip coffee, deli sandwiches and self-service ice-cream products.

Article 7 – Maintenance

Tenant shall have the responsibility to maintain the Premises in good repair at all times during the term of this Lease.

Article 8 - Payment of Taxes

Real Estate Taxes

The Tenant shall pay and discharge all taxes, charged, or imposed, upon the Premises or any erections thereon, or upon the owner or occupier in respect thereof, and shall deliver to the Landlord promptly proper and sufficient receipts and other evidence of the payment and discharge of the same. In the event that the real property taxes for the Premises continue to be included with the remainder of the Landlord's property, the Tenant's share of the land portion of property tax shall be calculated based upon the square footage occupied by Tenant of 6,216 square feet as the numerator and 50,880 as the denominator on tax parcel namely P37183 resulting in Tenant's tax liability being 12.2% of the land portion of P37183. Said portion of land is further shown on the attached Exhibit B. Additionally, Tenant shall pay for the building portion of property tax calculated based upon the value of Tenant's actual improvements as determined by the Skagit County Assessor. Tenant shall have the right at its sole cost and expense to contest any such valuation that the Skagit County Assessor may place on said improvements. Landlord shall advise Tenant of the value placed upon said improvements and advise Tenant in a timely manner to raise objection to such valuation. Failure by Landlord to timely advise Tenant making it impossible to contest such valuation shall result in Landlord being liable for all taxes imposed upon Tenant's improvements in excess of the cost of such improvements.

Personal Taxes

Tenant shall pay all personal taxes and any other charges which may be levied against the Premises and which are attributable to Tenant's use of the Premises, along with all sales and/or use taxes (if any) that may be due in connection with rent payments.

Article 9 – Insurance

Property Insurance

Tenant shall maintain casualty insurance on the Premises in an amount not less than \$100,000.00. Landlord shall be named as an additional insured in such policies. Tenant shall deliver appropriate evidence to Landlord as proof that adequate insurance is in force issued by companies reasonably satisfactory to Landlord. Landlord shall receive advance written notice from the insurer prior to any termination of such insurance policies. Tenant shall also maintain any other insurance, which Landlord may reasonably require for the protection of Landlord's interest in the Premises. Tenant is responsible for maintaining casualty insurance on its own property.



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Liability Insurance

Tenant shall maintain liability insurance on the Premises in a total aggregate sum of at least \$1,000,000.00. Tenant shall deliver appropriate evidence to Landlord as proof that adequate insurance is in force issued by companies reasonably satisfactory to Landlord. Landlord shall receive advance written notice from the insurer prior to any termination of such.

Article 10 - Covenants Against Waste and To Repair and Maintain the Premises

Covenants Against Waste

Tenant shall not cause or permit any waste, damage, or injury to the Premises.

Repair and Maintain the Premises

Tenant shall keep the building to be erected and appurtenances in good condition and repair.

Article 11 - Compliance with Regulations

Tenant shall promptly comply with all laws, ordinances, requirements and regulations of the federal, state, county, municipal and other authorities, and the fire insurance underwriters. However, Tenant shall not by this provision be required to make alterations to the exterior of the building or alterations of a structural nature.

Article 12 - Condemnation

Condemnation

If the entire Premises or a part of the Premises are condemned or taken in any manner for public or quasi-public use, including, but not limited to, a conveyance or assignment in lieu of a condemnation or taking, this Lease shall automatically terminate on the earlier of the date when title vests or the Tenant is dispossessed by the condemnation or other taking. If the portion of the Building or Complex that is condemned or otherwise taken requires, in the opinion of Landlord or Tenant, substantial alteration or reconstruction of the remaining portions, this Lease may be terminated by either party to this Lease on the earlier of the date when title vests or Tenant is dispossessed by the condemnation or taking, after written notice to the other party within sixty (60) days following notice to Landlord of the date when the vesting or dispossession is to occur. If the portion of the Premises taken renders the remaining portion unleaseable and unusable by Tenant, this Lease may be terminated by Tenant as of the earlier of the date when title vests or Tenant is dispossessed by the condemnation or taking, after written notice to Landlord within sixty (60) days following notice to Tenant of the date when the vesting or dispossession is to occur.

Each party to this Lease shall be entitled to a pro rata portion of the award in any condemnation proceeding or other proceeding for taking for public or quasi-public use. Such award proceeds shall be allocated to each parties interest in the taken land, including, without limitation, consideration given for the value of the Leasehold estate created by this Lease, Tenant's relocation expenses, and the taking of personal property and fixtures belonging to Tenant, or the interruption of, or damage to, Tenant's business.

In the event of a partial condemnation or other taking that does not result in a termination of this Lease as to the entire Premises, the Rent and Additional Charges shall abate in proportion to the portion (determined by the percentage decline in gross sales) of the Premises taken by condemnation or other taking.

If all or a portion of the Premises are condemned or otherwise taken for public or quasi-public use for a limited period of time, this Lease shall remain in full force and effect, and Tenant shall continue to perform all of the terms, conditions, and covenants of this Lease; provided, however, that the Rent and



Additional Charges shall abate during the limited period in proportion to the portion of the Premises that is rendered unleaseable and unusable or inaccessible as a result of the condemnation or other taking. Landlord shall be entitled to receive the entire award made in connection with any such temporary condemnation or other taking and from such proceeds shall refund to Tenant the same amount of funds equal to thirty (30%) of the lost gross sales that Tenant had during the same months sales in the prior year.

Article 13 – Site Work and Tenant Building

Completion of Site Work

Tenant agrees to install, finish and complete at Tenant's own expense, with all reasonable dispatch, and with no further delays than may be necessary and unavoidable, on the Premises, all Site work necessary for the operation of the Jitterbugs Espresso. Tenant shall have the same, in any event, complete and free from all mechanics' liens and free from any and all claims liable to ripen into mechanics' liens, within 30 days of the Rent Commencement Date.

Erection of Building by Tenant

Tenant agrees to erect, finish and complete at Tenant's own expense, with all reasonable dispatch, and with no further delays than may be necessary and unavoidable, on the Premises, a building in the standard format of the existing Jitterbugs Espresso facility in Burlington WA. Tenant shall have the same, in any event, complete and ready for occupancy, and free from all mechanics' liens and free from any and all claims liable to ripen into mechanics' liens, within 30 days of the Rent Commencement Date. Tenant shall have the right to remove said building at the completion of the term of this Lease or at the end of any option term in the event Tenant does not elect to continue on with this Lease. In such event Tenant shall return the Premises to their previously existing status of a landscaped lot.

Mechanics' and Materialmens' Liens

Tenant shall not suffer the premises or any erections or improvements thereto to become subject to any mechanics' and materialmens' liens. If the premises or any erections or improvements thereto become subject to any mechanics' and materialmens' liens, only the Tenant's interest in the premises or any erections or improvements thereto shall be subjected to such lien. Landlord's interest in the premises or any erections or improvements thereon shall not be subject to such liens.

Mortgage by Tenant

Tenant may at any time mortgage or convey by deed of trust in the nature of a mortgage, Tenant's estate in Premises and any building or improvement then or thereafter situate thereon; provided, that Tenant shall not be in default in any agreements herein contained to be kept, observed and performed by Tenant and shall have paid all rents, taxes, assessments, insurance premiums and all other charges of every kind which shall have accrued hereunder, and provided further, that no mortgagee or trustee or anyone to claim by, through or under such mortgage or deed of trust, shall, by virtue thereof, acquire any greater rights in Premises and any building or improvement thereon than Tenant then has under this Lease; and provided further, that such mortgage or deed of trust shall be subject to the conditions and obligations of this Lease and to the rights of Landlord hereunder.

Article 14 - Damage or Destruction

In case of damage or destruction by fire or otherwise, the Tenant shall commence repair, restoration, or rebuilding of the buildings and improvements on the Premises, with all reasonable dispatch, and in any event within two (2) months from the time of permit issuance to rebuild such damage or destruction; provided, that in case of any such damage or destruction the Landlord shall apply any insurance money recovered by Landlord to such repair, restoration or rebuild



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Article 15 – Alterations

The Tenant shall have the obligation to conduct any construction or remodeling, at Tenants sole cost and expense, for alterations to Tenants building.

Article 16 – Holdover

If Tenant maintains possession of the Premises for any period after the termination of this Lease ("Holdover Period"), Tenant shall pay to Landlord lease payment(s) during the Holdover Period at a rate equal to the most recent rate preceding the Holdover Period. Such holdover shall constitute a month-to-month extension of this Lease.

Article 17 - Liens or Encumbrances

The Tenant shall not suffer the Premises or any erection or improvements thereon to become subject to any lien, charge, or encumbrance whatsoever, other than a mortgage as provided in Article 13, and shall indemnify the Landlord against all such liens, charges, and encumbrances; it being expressly agreed that the Tenant shall have no authority, express or implied, to create any lien, charge, or encumbrance, other than a mortgage upon the Premises or the improvements thereon.

Article 18 - Use; Surrender of the Premises; Inspection of the Premises

Permitted Uses under Lease

Tenant shall use the Premises for the purpose of conducting a drive through coffee / espresso business. Tenant shall be entitled to sell all types of merchandise customarily sold in and by such businesses including but not limited to teas, milkshakes, sandwiches, cookies, rolls etc. Landlord acknowledges that any such common merchandise carried in other Jitterbugs Espresso - units shall be permitted under this Lease.

Alterations and Title to Improvements

Tenant shall have the right to make, or permit any Subtenant to make alterations, additions and improvements to the Premises from time to time. All such alterations, additions and improvements constructed by Tenant or such Subtenant during the term of this Lease and any extension of this Lease, shall be and remain the property of Tenant or any Subtenant, as the case may be, at all times during the term of this Lease and any extensions or renewals. Landlord agrees to execute such documents, make such appearances and do such other things as Tenant may reasonably request so as to comply with the intent of this Article. Tenant and any Subtenant shall have the right to remove any such alterations, additions and improvements at any time during the term of this Lease or any extensions or renewals, and for a period of sixty (60) days after the termination of this Lease and any extension or renewal, by lapse of time or otherwise and, for such purpose to enter upon the Premises. However, Tenant shall not be required to remove any such alterations, additions or improvements, and Tenant's failure to do so after the expiration of such period of sixty (60) days shall be deemed to be an abandonment and the same shall, at such time, be and become a part of the real estate with title vesting in the owner of the land. In case of removal of any building by Tenant or any Subtenant occurring at or within 60 days after the termination of this Lease, Tenant shall level the area formerly occupied by any building so removed, and shall return the Premises to their pre-existing condition. In the event that Tenant abandons the building then Tenant shall surrender to Landlord the Premises in good order and repair (except in the event of termination upon a constructive total taking in condemnation proceedings or pursuant to Article 12), reasonable wear and tear excepted and also except as Tenant may have been prevented from maintaining the Premises in good order and repair by occupation thereof by any entity having the power of eminent domain which shall have taken the temporary use thereof and shall then be in possession thereof. Upon such termination with building abandonment, Tenant shall also deliver to Landlord all Leases, Lease files, plans, records, registers, and all other papers and documents which



may be necessary or appropriate for the proper operation and management of the Premises.

In the event Tenant intends to abandon the building then Tenant shall, during the final three (3) months of occupancy, permit Landlord and its authorized representatives to enter the Premises at all reasonable times during usual business hours upon reasonable advance notice for the purpose of exhibiting the same to prospective purchasers or mortgagees of Landlord's fee title, excluding from the foregoing rights-of-entry areas used as security areas by Tenant or any Subtenant.

Article 19 – Assignment / Transfer

It is agreed that Tenant may not assign or transfer this Lease and all of its rights under this Lease, to an unrelated party, without the prior written consent of Landlord, which shall not be unreasonably withheld. Such assignment or transfer shall not occur unless all rent and all taxes, assessments, duties, impositions, and burdens which the Tenant has covenanted to pay, and all liens, charges, and encumbrances, other than mortgages as hereinafter provided, shall have been duly paid and discharged, and unless the assignee shall in the instrument of Assignment expressly assume the obligations hereunder, and unless the instrument of assignment shall be legal and sufficient for that purpose. In the event of such assignment or transfer, Tenant shall be relieved of all further liability under the Lease and for the performance of all terms, covenants, and conditions undertaken by Tenant. Notwithstanding the above, Landlord will have a first right of refusal to assume the Lease assignment or transfer on the same terms and conditions as offered to the Tenant.

Article 20 – Indemnity

The Tenant shall indemnify Landlord against all costs and expenses, including attorney fees, lawfully and reasonably incurred in or about the Premises, or in the defense of any action or proceeding, or in discharging the Premises from any charge, lien, or encumbrance, or in obtaining possession after default of the Tenant or the termination of this Lease.

Article 21 Re-Entry

If Tenant shall fail to pay any installments of rent promptly on the day when they shall become due and payable, and shall continue in default for a period of ten (10) days after written notice by Landlord, or if Tenant shall fail to promptly keep and perform any other affirmative covenants of this Lease in accordance with the terms of this Lease and shall continue in default for a period of thirty (30) days after written notice by Landlord of demand for performance then, as often as any such event shall occur, Landlord may (a) declare the term ended, and enter into the Premises and expel Tenant or any person occupying the same in or upon the Premises and repossess and enjoy the Premises as in Landlord's former estate; and/or (b) re-let the Premises, applying the rent from the new Tenant on this Lease, and Tenant or its successor and/or assigns shall be responsible for no more than the balance that may be due, should a balance exist. Anything contained in this Lease to the contrary notwithstanding, if any default shall occur other than the payment of money, which cannot with due diligence be cured within a period of thirty (30) days, and Tenant, prior to the expiration of thirty (30) days from and after the giving of the notice, commences to substantially eliminate the cause of such default, then Landlord shall not have the right to declare the term ended and/or re-let the Premises by reason of such default.

It being expressly understood that Landlord's right of reentry shall not automatically be deemed an abandonment of the Lease and accordingly such right of reentry shall be subject to Tenant's right to remove any such alterations, additions and improvements for a period of sixty (60) days after the termination of this Lease unless otherwise waived in writing by Tenant.

Article 22 - Attorney Fees



In the event any action or proceeding is brought by either party against the other arising out of or in connection with this Lease, the prevailing party shall be entitled to recover its cost, including, but not limited to, reasonable attorney's and accountant's fee, incurred in such action or proceedings, including any appeal.

Article 23 – Notices

Notices under this Lease shall not be deemed valid unless given or served in writing and forwarded by mail, postage prepaid, addressed as follows:

LANDLORD:

Trailroad Shell
802 W SR 20
Sedro-Woolley, WA 98284

TENANT:

Jitterbugs Espresso
3819 Ridge Court
Mt. Vernon, WA 98274

Either party may change such addresses from time to time by providing notice as set forth above. Notices mailed in accordance with the above provisions shall be deemed received on the third day after posting.

Article 24 – Waivers

No waiver of a breach of any of the agreements or provisions contained in this Lease shall be construed to be a waiver of any subsequent breach of the same or of any other provision in the Lease.

Article 25 – Time of the Essence

Time is of the essence of this Lease, and of each and every covenant, term, condition, and provision hereof.

Article 26 – Integration, Modification, Waiver

This agreement constitutes the complete and final expression of the agreement of the parties relating to the Premises, and supersedes all previous contracts, agreements and understandings of the parties, either oral or written, relating to the Premises. This agreement cannot be modified, or any of the terms hereof waived, except by an instrument in writing (referring specifically to this agreement) executed by Landlord and Tenant.

Article 27 – Severability

If any portion of this Lease shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Lease is invalid or unenforceable, but that by limiting such provision, it would become valid and enforceable, then such provision shall be deemed to be written, construed, and enforced as so limited.

Article 28 – Governing Law/Jurisdiction and Venue

This agreement shall be governed by the laws of the State of Washington as to all matters, including but not limited to matters of validity, construction, effect and performance of this agreement and any action



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thereon shall be brought in Skagit County Superior Court.

Article 29 - Waiver

The failure of either party to enforce any provisions of this Lease shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Lease.

Article 30 - Binding Effect

This agreement shall be binding upon and inure to the benefit of Landlord and Tenant and their respective heirs, personal representatives, successors and assigns.

Executed this 15th day of July, 2003.

Landlord:
Trailroad Shell

Tenant:
Jitterbugs Espresso

By Daniel Curtil
Its Owner

By [Signature]
Its PARTNER

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

SEP 12 2003

Amount Paid [Signature]
Skagit Co. Treasurer
By [Signature] Deputy



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LISSER & ASSOCIATES, PLLC

320 Milwaukee St, PO Box 1109, Mount Vernon WA 98273 (360) 419-7442 FAX (360) 419-0581

Exhibit "A"

Lease Agreement

Lessor: Sedro Trail Corporation
Lessee: DDD Investments, LLC

That portion of the Southwest 1/4 of the Southeast 1/4 of Section 23, Township 35 North, Range 4 East, W.M. being more particularly described as follows:

BEGINNING at a point on the northerly right-of-way margin of State Highway 20 (called Dollarway County Road on previous descriptions) 240.00 feet westerly (as measured perpendicular) of the East line of said Southwest 1/4 of the Southeast 1/4, being the southwesterly corner of that certain parcel conveyed to Sedro Trail Corporation by Purchaser's Assignment of Contract and Deed recorded under Skagit County Auditor's File No. 9012200064;
thence North 60°44'22" East along said northerly right-of-way margin of State Highway 20 for a distance of 37.77 feet to the TRUE POINT OF BEGINNING;
thence continue North 60°44'22" East along said northerly margin for a distance of 49.67 feet;
thence North 29°13'29" West for a distance of 37.49 feet;
thence North 16°11'54" West for a distance of 21.75 feet;
thence North 4°57'04" West for a distance of 15.79 feet;
thence North 14°30'16" West for a distance of 33.20 feet;
thence North 76°13'53" West for a distance of 43.47 feet, more or less, to said West line of the East 240.00 feet of said subdivision, also being the West line of said Sedro Trail Corporation parcel;
thence South 0°00'11" West along said West line for a distance of 77.30 feet, more or less, to a point bearing North 29°15'38" West from the TRUE POINT OF BEGINNING;
thence South 29°15'38" East for a distance of 67.41 feet, more or less, to the TRUE POINT OF BEGINNING.

TOGETHER WITH the rights to ingress, egress and utilities as necessary to service the above-described leased site over, under and across those portions of property described on documents recorded under Skagit County Auditor's File Numbers 8911210042 and 9012200064.



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AND ALSO SUBJECT TO and TOGETHER WITH easements, reservations, restrictions, covenants, liens, leases, court causes and other instruments of record.

Situate in the City of Sedro Woolley, County of Skagit, State of Washington.

Containing 6,216 square feet, 0.14 acres

The meridian and boundary for this lease description is based upon that certain Record of Survey map recorded under Skagit County Auditor's File No. 9110230027.



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EXHIBIT D

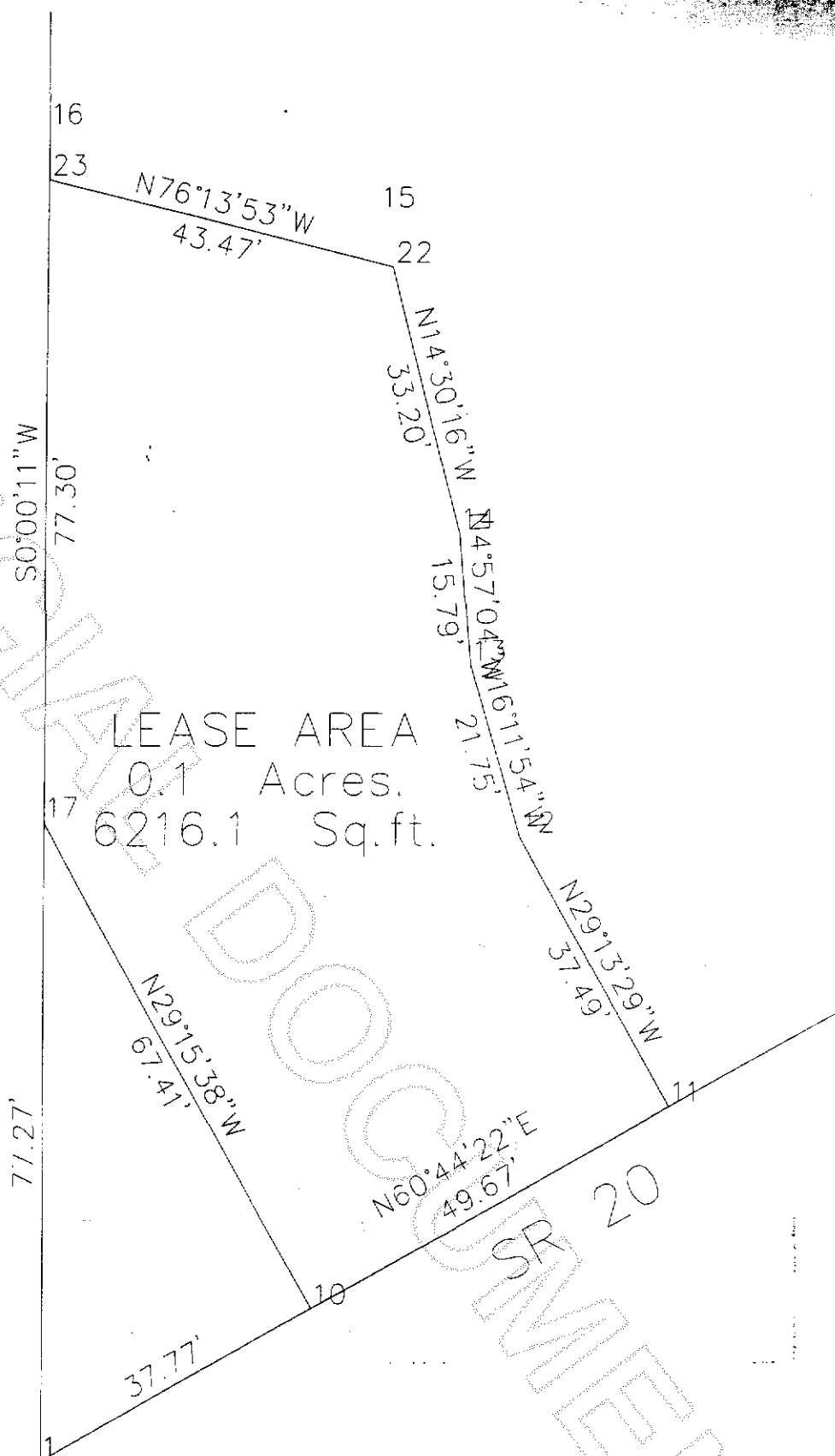
SITE PLAN

See Attached Plan



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LEASE AREA FOR DDD INVESTMENTS
AUGUST 20, 2003

Calculating Area...

10	N60°44'22"E	49.670	2042.739	2076.283	11 T
11	N29°13'29"W	37.490	2075.457	2057.979	12 T
12	N16°11'54"W	21.750	2096.344	2051.912	13 T
13	N04°57'04"W	15.790	2112.075	2050.549	14 T
14	N14°30'16"W	33.200	2144.217	2042.234	22 T
22	N76°13'53"W	43.475	2154.564	2000.008	23 T
23	S00°00'11"W	77.297	2077.266	2000.004	17 T
17	S29°15'38"E	67.406	2018.461	2032.951	10 T

Results:

Square Feet	:	6216.1 Acres	:	0.143
Square Metres:	:	577.50 Hectares	:	0.058



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EXHIBIT C

COMMENCEMENT DATE AGREEMENT

An agreement made this _____ day of _____, 2003 by and between Trailroad Shell ("Landlord"), and Jitterbugs Espresso ("Tenant")

On the _____ day of _____, 2003 Landlord and Tenant entered into a ground Lease (the "Lease") relating to certain Premises in Sedro Woolley, Washington. The term of the Lease has commenced. The parties desire to confirm the dates of commencement and expiration of the term.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, Landlord and Tenant agree as follows;

1. The term of the Lease commenced on the _____ day of _____, 2003.
2. Tenant's rental obligation under the Lease commenced on the _____ day of _____, 2003.
3. The initial term of the Lease shall expire on the _____ day of _____, 2013
4. The last day that Tenant has to notify Landlord in writing that it desires to exercise its first option to extend the Lease term shall expire on the _____ day of _____ 2013, provided however that the execution of this Agreement shall not constitute the exercise by Tenant of any option it may have to extend the term of the Lease.
5. The Lease is in full force and effect and is hereby ratified and confirmed.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Agreement to be duly executed on the day and year herein above indicated.

Landlord:

Trailroad Shell

Tenant:

Jitterbugs Espresso

By _____

By _____

Its _____

Its _____



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