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Document Title:

Wade

Reference Number :

Grantor(s):

additional grantor names on page ____

1. Lee, Frederick M

2.

Grantee(s):

additional grantee names on page ____

1. Mount Vernon Beauty School

2.

Abbreviated legal description:

full legal on page(s) ____

Lot 3, Block 1, 'MAP OF GATES' THIRD ADDITION TO MT. VERNON SKAGIT CO., WASHINGTON,"
as per plat recorded in Volume 2 of Plats, page 86, records of Skagit County, EXCEPT
the North 6 inches thereof.

Assessor Parcel / Tax ID Number:

additional tax parcel number(s) on page ____

D62172

SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax
PAID

OCT 15 2003

Amount Paid \$
Skagit County Treasurer
By: *[Signature]* Deputy

BUILDING LEASE

THIS AGREEMENT OF LEASE, made and entered into this 16th day of OCTOBER 2003 By and between Fred and Carolyn Lee, hereinafter referred to as "Lessor," and Mount Vernon Beauty School, hereinafter referred to as "Lessee".

W I T N E S E T H:

That for and in consideration of the rentals to be paid as hereinafter provide and the performance of each and all of the covenants and agreements to be performed by the Lessee, the Lessor does hereby lease to the Lessee, and the Lessee does hereby take and lease from the Lessor those certain premises situate in the City of Mount Vernon, Skagit County, Washington, described as follows:

EXHIBIT "A" attached hereto and by this reference made a part hereof hereinafter referred to as the "premises."
EXHIBIT "B" Second story floor plan.

1) Business Purpose. The premises are to be used for the purpose of conducting therein as follows: Mount Vernon Beauty School and for no other business or purpose, without the written consent of the Lessor.

2) Condition of Property. Lessee accepts the above described property in the condition prevailing on the date of this lease subject to completion of the plans and specs hereto attached, and has examined and knows the condition of said premises, and has received the same in good order and repair, and agrees that no representations as to the condition of repair thereof have been made by the Lessors prior to or at the execution of this lease, other than that is herein expressed.

3) Term. The term of this lease shall be for Three Years and shall commence on the 1st day of December 2003 or within 5 days of receipt of and occupancy permit issued by the City of Mount Vernon and expire on the 30th day of November 2006.

4) Option to Renew. Lessee is hereby granted the right to renew this agreement for One additional term of Three Years, by giving written notice of Lessee's intention to Lessor not less than (60) days prior to the expiration of the initial term, conditioned upon the fact that all terms, covenants and conditions of the initial term have been fulfilled. All terms and conditions of the initial lease term shall continue with the exception that the rent shall be the accumulated cost-of-living changes in the "Consumers Price Index for Moderate Income Families in the City of Mount Vernon or the nearest city or town for which figures are published for the previous three years.

5) Rental for Initial Term. Lessee agrees to pay Lessor the sum of \$ 700.00 per month in advance, the first of said payments to be made on the 1st day of Dec. 2003, and subsequent payments to be made on the 1st day of each month thereafter.



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6) Late Charge. If the Lessor has not received the full amount of any monthly Lease Payment by the end of five (5) calendar days after the date it is due, Lessee will pay a late charge to the Lessor. The amount of the charge will be five (5) percent of the overdue Lease Payment.

7) Use of Premises. It is understood that the leased premis shall not be used for any illegal purpose whatsoever.

8) Laws and Regulations. Lessee agrees to conform to and abide by all lawful regulations, rules, codes and laws of the United States, the State of Washington, the County of Skagit and the City of Mount Vernon, applicable to Lessee's use and operation of said premises, including the construction of any improvement thereon, and not to permit said premis to be used in violation of any said rules, codes laws or regulations.

9) Commit No Waste. Lessee agrees not commit or permit waste upon said premis and to keep the premises in a neat clean and orderly condition and to be responsible for all damages caused to the leased premis by Lessee, Lessee's agents, or any third party on the premises at the instance of Lessee.

10) Repairs, Alterations and Maintenance. The Lessee will at all times replace the glass of all windows and doors that may become cracked or broken. Except for reasonable wear and tear and damage by fire or other unavoidable casualty, Lessee will at all times preserve said premis in as good repair as they now are or hereafter may be put to, through improvements. Said repairs shall be at Lessee's sole expense and cost, except outside walls, roof and foundation, which shall be Lessor's obligation to maintain. Any alterations to be made by Lessee shall be only with the consent of the Lessor, of Lesson's agents. Lessee agrees that the alterations will not damage said premis and in case of damage will repair the same to the satisfaction of the Lessor.



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11) **Disposition of Improvements at End of Lease.** Lessee shall have the right to remove all equipment, personal property and trade fixtures which may have been placed upon the premises by Lessee during the period of this lease, provided that the same are removed upon termination and that the lease is in good standing. Any such equipment personal property and trade fixtures not removed from the premises by the conclusion of the lease, shall revert to the Lessor. Improvements other than trade fixtures shall become the property of the Lessor. Lessee shall remove all equipment personal property and trade fixtures which have been placed upon the premises by Lessee during the period of this lease. If Lessee does not remove the same and Lessor desires that the property be removed, then same may be removed and stored at Lessee's expense and Lessor may recover any costs and expenses from the Lessee resulting from the removal. Following the removal of said described property, the premises shall be restored to its original condition, or to a condition satisfactory to Lessor, prior to termination of the lease, normal depreciation, loss by unavoidable fire or unavoidable casualty excepted.

12) **Utilities, Property Taxes and Insurance.** Lessee agrees to pay all charges for electricity and/or gas which may be used by Lessee. In the event that such utility bills are not segregated among the various tenants in the same building, the Lessee agrees to pay Lessee's proportionate share of the said utility bill. Lessee agrees to pay Lessee's proportionate share of the said property insurance and property taxes for the said premises.

13) **Hold Harmless Agreement.** Lessee agrees to hold harmless Lessor and his agents from all damages of any and every kind whatsoever that may be claimed or may arise by reason of any accident on, in or about the leased premises, or from Lessee's use or occupation of the leased premises and areas adjacent thereto, or caused by acts of negligence of the Lessee or any agents of the Lessee. Lessee agrees to defend and hold and save the Lessor, and Lessor's agents harmless from any and all liability or expense, including expense of litigation, in connection with any such items of actual or alleged injury or damage.

14) **Insurance.** Lessor shall adequately insure the premises against loss by fire and other natural disasters. Lessee shall obtain insurance in a sufficient amount to insure Lessee against personal injuries occurring upon said premises and against damage to improvements, personal property and business losses caused by said natural disasters.

15) **Sublet and Assignment.** Lessee shall not without the consent of the Lessor let or sublet the full or any part of said premises, nor assign this lease or any part thereof without the prior written consent of the Lessor or Lessor's agents. Lessor shall not unreasonably withhold its consent to an assignment or subletting. If consent is once given by the Lessor to the assignment of this lease, or any interest



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therein, Lessor shall not be barred thereafter from refusing to consent to any further assignment.

16) Fire and Other Casualty. In the event the premises are destroyed or damaged by fire, earthquake or other casualty to such an extent as to render the same untenable in whole or in a substantial part thereof, Lessor shall prosecute the work of rebuilding or repairing without unnecessary delay, and during such period the rent of said premises shall be abated in the same ratio that portion of the premises rendered for the time being unfit for occupancy shall bear to the whole of the lease premises. If the Lessor shall fail to begin work or complete said work within a reasonable period of time, Lessee shall have the right to declare this lease terminated by written notice served upon the Lessor or Lessor's agents.

In the event the building in which the premises hereby leased are located shall be destroyed or damaged by fire, earthquake or other casualty (even though the premises hereby leased shall not be damaged thereby) to such extent that in the opinion of Lessor it shall not be practicable to rebuild or repair, then it shall be optional with Lessor to terminate this lease by written notice on Lessee within ninety (90) days after such destruction or damage.

17) Liens and Insolvency. Lessee shall keep the leased premises free from lien arising out of any work performed, materials furnished, or obligations incurred by Lessee. In the event that Lessee become insolvent, voluntarily bankrupt, or if a receiver, assignee, or other liquidating officer is appointed for the business of the Lessee, then Lessor may cancel this lease at Lessor's option.

18) Termination. Upon termination of this lease or any extension thereof, whether by expiration of the stated terms or sooner termination thereon as herein provided, Lessee will surrender to Lessor said premises peaceably and quietly and in the same condition in which the same now are, or shall hereafter be modified, reasonable depreciation and loss by unavoidable fire or other unavoidable casualty excepted.

19) Default. Time is of the essence of this agreement. If any rents above reserved, or any part thereof, shall be and remain unpaid, and the same shall become due, or if the Lessee shall violate or default in any of the covenants and agreements herein contained, then the lessor may cancel this lease upon giving the notice required by law and re-enter said premises. But notwithstanding such re-entry by the Lessor, the liability of the Lessee for the rent provided for herein shall not be extinguished for the balance of the term of this lease and Lessee covenants and agrees to make good to the Lessor any deficiency arising from a re-entry and reletting of the premises at a lesser rental than herein agreed to. The Lessor shall, in good faith, make all reasonable efforts to relet the premises at a price equal to that paid by Lessees, and Lessee shall pay such deficiency each month as the amount is thereafter ascertained by the Lessor. Lessee reserves the right to dispute the amount of the deficiency under the terms and conditions set out in paragraph 24 herein.



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20) Lessor's Right to Enter Premises. It is agreed that the duly authorized officers or agents of the Lessor may enter to view said premises at any reasonable time, and if the business or normal function of the Lessor should at any time require that he enter upon the premises to do any work or make any improvements, he may do so, but not in such a manner as to materially damage Lessee or interfere with Lessee's normal and said operation. Such right shall not obligate Lessor to any duty of replacement or repair or the premises, and this paragraph shall not be construed as being inconsistent with the paragraph entitled, "Repairs, Alterations and Maintenance." Any repairs or expense incurred by Lessor to maintain the premises because of Lessee's failure so to do shall be repaid by Lessee within thirty (30) days of an invoice to Lessee, and failure to repay shall constitute a material default and shall allow Lessor to pursue such legal remedies as are available to collect reasonable costs and reasonable attorney's fees.

21) Right of Quiet Enjoyment. Lessor acknowledges that he has ownership of the property heretofore described and that he has the legal authority to lease said property unto Lessee. Lessor covenants that Lessee's right of occupancy shall not be disturbed during the term of this lease so long as the terms are complied with by Lessee, and such to that clause in this lease dealing with the right of Lessor to enter upon the leased premises.

22) Time is of the Essence. It is mutually agreed and understood that time is of the essence of this lease and that a waiver of any default of Lessee shall not be construed as a waiver of any subsequent default and that any notice required to be given under this lease may be given by United States Mail, addressed to the party to be notified at the last known post office address.

23) Notice. Any notice required to be served in accordance with the terms of this lease shall be sent by certified mail, or may be served personally, as in the case of a summons.

24) Dispute Resolution. The parties hereby agree to refer any disputes over the terms, covenants, and conditions of this agreement to arbitration before a mutually acceptable third party. If the parties cannot agree upon a single arbitrator, then each will select their own arbitrators. The persons selected will then confer and select a third arbitrator, and the panel thus constituted will hear the dispute.

25) Cost and Attorney's Fees. In the event it is necessary for either of the above parties herein to bring an action to enforce the terms, conditions or covenants of this lease, then the prevailing party shall be entitled to reasonable attorney's fees costs and necessary disbursements.

26) Nonwaiver of Breach. The failure of the Lessor to insist upon strict performance of any of the covenants and agreements of this lease, or to exercise any option herein conferred in any one or more instances, shall not be construed to be a waiver or relinquishment of any such term of this lease, or any other covenants or agreements, but the same shall be and remain in full force and effect.



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27) Holding Over. If the Lessee shall, with the written consent of Lessor, hold over after the expiration of the term of this lease, said tenancy shall be for an indefinite period of time on a month to month tenancy, which tenancy may be terminated as proceeded by the laws of the State of Washington. During such tenancy, Lessee agrees to pay to the Lessor 125% of rental as set forth herein, unless a different rate is agreed upon, and to be bound by all of the terms, covenants and conditions as herein specified, so far as is applicable.

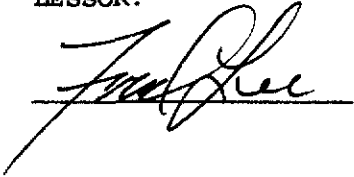
28) Heirs and Successors. The covenants and agreements of this lease shall be binding upon the heirs, legal representatives, successors, and assigns of any or all of the parties hereto.

29) Titles of Paragraphs. Titles of paragraphs in this document are for convenience and reference purposes only and shall not in any way construe the purpose and intent of the document.

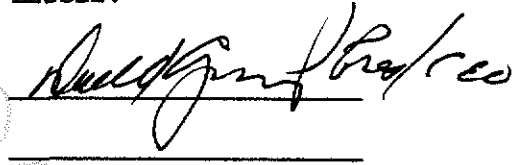
30) Definitions. Unless some other meaning and intent is apparent from the context, the plurals shall include the singular and vice versa, and masculine, feminine and neuter words shall be used interchangeably.

IN WITNESS WHEREOF, the parties have executed this lease as of the day and year first above written.

LESSOR:



LESSEE:

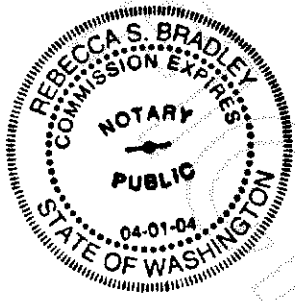




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STATE OF WASHINGTON)
)
COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that Darrell B. Land an Individual are the persons who appeared before me, and said persons acknowledged that they signed this instrument and acknowledged it to be their free and voluntary act for the uses and purposes mentioned in the instrument.



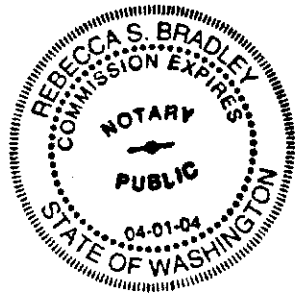
DATED: 10/15, 2003
Signature of Notary Public

[Signature]
Rebecca Bradley
(Print Name)

Notary Public in and for the State of Washington, residing At BURLINGTON
My appointment expires 4/1/04

STATE OF WASHINGTON)
)
COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that Frederick M. Lee is the person who appeared before me, and said person acknowledged that he/she signed this instrument on oath stated that he/she was authorized to execute the instrument and acknowledged it as the Lessor of said property to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.



DATED: 10/15, 2003
Signature of Notary Public

[Signature]
Rebecca Bradley
(Print Name)

Notary Public in and for the State of Washington, residing At BURLINGTON
My appointment expires 4/1/04

