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COMMERCIAL LEASE AGREEMENT

PARTIES:

LESSOR: R. DAVID NOURSE, DDS and KATHY S. NOURSE,
Husband and Wife.
Address: 5504 James Street SE
Lacey, WA 98513

LESSEE: RYAN COLLINS, DDS and UTE COLLINS, DDS,
Husband and Wife.
Address: 215 War Eagle Drive
Mountain Home, ID 83647

R. CHARLIE COLLINS and UTE J. COLLINS,
D.D.S., PLLC.
Address: 215 War Eagle Drive
Mountain Home, ID 83647

Parcel No.'s: P82655; 4451-000-003-0003

Legal: Unit C, MOUNTAIN VIEW PROFESSIONAL CENTER, County of
Skagit, State of Washington.

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RECITALS:

A. This Lease (the "agreement") is made between the Lessor and the Lessee above named.

B. The leased Premises consist of approximately 2,220 square feet of office space, including common areas, commonly known as 1220 22nd Street, Unit C, Anacortes, Washington (hereinafter referred to as "the Premises") more fully described as follows:

See Schedule "A" attached hereto.

C. Lessor desires to lease to Lessee with option to purchase, and Lessee desires to lease from Lessor with option to purchase, the Premises.

IN CONSIDERATION OF THEIR MUTUAL PROMISES, THE PARTIES HERETO DO HEREBY MUTUALLY AGREE AS FOLLOWS:

ARTICLE 1. AGREEMENT DATA AND SCHEDULES

Leased Property

Section 1.01.

The Premises as described on Schedule "A" attached hereto and incorporated herein.

Term

Section 1.02.

The term of this agreement shall be from December 6, 2005 to November 30, 2012, unless terminated sooner pursuant to the terms of his agreement.

If Lessee shall have complied with all of the terms, conditions and covenants of this Lease, the Lessee shall have the option to renew or extend the term of this Lease for one (1) additional period of five (5) years upon the same terms and conditions herein stated,

PROVIDED, Lessee shall give Lessor notice, in writing, not more than twelve (12) months nor less than six (6) months in advance of the end of the term under which Lessee is then leasing the Premises, of Lessee's exercise of said option and if Lessee does not give such notice, the option right shall



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terminate. Rent for any extended term shall be determined pursuant to paragraph 2 herein.

If Lessee does not exercise the extension right as provided herein, Lessor shall have the right to advertise, by signage or any other means, the Premises for rent, show the Premises to prospective tenants at reasonable times as arranged in agreement with Lessee, and Lessor shall have the right to secure a succeeding Lessee.

Schedules

Section 1.03.

The following schedule is made a part of this agreement:

Schedule "A" Legal Description of the Premises.

ARTICLE 2. PAYMENTS

Rental Payments

Section 2.01.

Commencing December 6, 2005, Lessee shall pay to Lessor, in lawful money of the United States, without any set-off or deduction, in addition to taxes, assessments, and other charges required to be paid hereunder by Lessee, base rent for the Premises in the amount of one thousand nine hundred and no/100's dollars (\$1,900.00) per month. The first month's rent shall be prorated.

The rent for each month shall be paid to the Lessor in advance on or before the first day of each and every month of the term of this Lease, and shall be payable at such place of notice as the Lessor may hereinafter designate. The rental may be adjusted by the addition of other sums and charges specified elsewhere in this agreement.

The Lessor shall have all of the same rights and remedies with respect to any additional sums or charges in the event of nonpayment or late payment as are available to it in the event of nonpayment or late payment of the rental.

Rental Adjustment

Section 2.02

The base rent will not change throughout the first year to November 30, 2006. The rent shall be adjusted on November 30, 2006, and thereafter shall continue to be adjusted annually on November 30.

Each years annual rent adjustment will 2.75%, unless the increase is over 5% as calculated by multiplying the prior term base rent by a fraction, the numerator



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of which is the Consumer Price Index for the month of December for the new rental term, and the denominator of which is the Consumer Price Index for the month of December for the old rental term. If the increase thus calculated is over 5%, the annual increase shall be 2.75% plus any amount in excess of 5%, PROVIDED THAT, the total amount of rent increase shall not exceed 5%.

If the US Government Department of Labor Statistics publishes CPI figures for the Puget Sound Area at that time, those are the figures that should be used. If the Department of Labor Statistics no longer publishes a CPI for the Puget Sound Area at that time, then the figures for the nearest geographical area encompassing the Puget Sound Area shall be used. If there are no regional figures published, then the national CPI figures shall be used.

The base rent shall be subject to adjustment after the initial 7 year term at the election of either party. The Parties may agree upon an appraiser to determine the reasonable rental value, which value shall be the base rent for the 5 year extension period. Increases shall be calculated annually as was done during the 7 year term. Lessee and Lessor shall share the appraisal cost equally.

If a Party elects to adjust the rent and parties cannot agree upon an appraiser, Lessor and Lessee shall procure their own appraisal and the parties shall each pay their own appraisal fees.

If the parties still cannot agree on a value, there shall be a third appraisal chosen by the two appraisers and that value shall be conclusive as to the reasonable rental value. If a third appraisal is necessary, the parties shall each pay ½ of the third appraisal cost.

Late Payments

Section 2.03.

Lessee hereby acknowledges that late payment by Lessee to the Lessor of rent, or any other sums due hereunder will cause the Lessor to incur costs not otherwise contemplated by this Lease.

Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by the Lessor within seven (7) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay the Lessor a late charge equal to 5% of such overdue amount for the first late charge in any calendar year. Any subsequent late charge in said calendar year shall be equal to 15% of such over due amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs the Lessor will incur by reason of late payment by Lessee.



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Acceptance of such late charge by the Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent the Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable in this Lease or otherwise, whether or not collected, for three (3) installments of rent in any 12-month period, then rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any other provision of this Lease to the contrary.

In addition to the late charges provided for in this section, interest shall accrue on rent, or any other sums due hereunder, at the rate of one percent (1%) per month from the date due until paid.

ARTICLE 3. USE OF PREMISES

Permitted Use

Section 3.01.

During the term of this agreement the Premises shall be used for conducting a dental practice, and for no other purpose without the written consent of Lessor.

Insurance Hazards

Section 3.02.

Lessee shall not commit or permit the commission of any acts on the Premises, or use or permit the use of the Premises in any manner, that will increase the existing rates for or cause the cancellation of any fire, liability, or other insurance policy insuring the Premises or the improvements on the Premises. Lessee shall, at its own cost and expense, comply with any and all requirements of Lessor's insurance carriers necessary for the continued maintenance at reasonable rates of fire and liability insurance policies on the Premises and the improvements on the Premises.

Waste and Nuisance

Section 3.03.

Lessee shall not commit or permit the commission by others of any waste on the Premises. Lessee shall not maintain, commit, or permit the maintenance or commission of any nuisance, as defined by Washington law, on the Premises; and, Lessee shall not use or permit the use of the Premises for any unlawful purpose.



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Compliance with Laws

Section 3.04.

Except as otherwise provided in this agreement, Lessee shall at Lessee's own cost and expense comply with all statutes, ordinances, regulations, and requirements of all governmental entities, both federal and state and county or municipal, relating to Lessee's use and occupancy of the Premises whether those statutes, ordinances, regulations, and requirements are now in force or subsequently enacted.

The judgment of any court of competent jurisdiction, or the admission by Lessee in a proceeding brought against Lessee by any governmental entity, that Lessee has violated any such statute, ordinance, regulation, or requirement shall be conclusive as between Lessor and Lessee and shall constitute grounds for termination of this agreement by Lessor.

Provided, however, Lessee shall not be responsible for violations of statutes, ordinances, rules, orders, codes, regulations and requirements of all federal, state, city and local government health departments with reference to said Premises or the building within which it is located except to the extent caused by Lessee's particular use of said Premises, by Lessee's breach of Lease, or by negligence of Lessee, its agents or invitees.

ARTICLE 4. UTILITIES AND TAXES

Utilities

Section 4.01.

Lessee shall pay, and hold Lessor and the Premises of Lessor free and harmless from charges for the furnishing of gas, water, sewer, electricity, telephone service, garbage pickup and disposal, and other public utilities to the Premises. It is understood that the Premises is part of a larger complex, namely; Mountain View Professional Center, and Lessee shall pay that portion of the fees and expenses billed quarterly to the Premises for insurance, common area maintenance, landscaping, security, fire alarms, bookkeeping, City of Anacortes utility and service fees, real property taxes and related expenses. Lessee shall not be required to pay that portion of the condominium dues or assessments that relate to capital reserve funds, repair or replacement of roof, walls, or foundation and/or replacement (as opposed to repair) of any of the building's systems.

Personal Property Taxes

Section 4.02.



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Lessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the furniture, trade fixtures, equipment, appliances, and other personal property in, on, or about the Premises including, without limiting the generality of the other terms used in this section, any shelves, counters, partitions, fixtures or equipment brought on the Premises by Lessee.

Real Property Taxes

Section 4.03.

Real property taxes and assessments levied or assessed against the Premises during the term of this agreement by any governmental entity, including any special assessments imposed on or against the Premises, shall be paid by Lessee before they become delinquent.

In the event any tax or assessment is levied or assessed against the Premises, which becomes due and payable during the term of this Lease and which may be legally paid in installments, Lessee shall have the option to pay such tax or assessment in installments. In the event of such election, Lessee shall be liable only for those installments of such tax or assessment which may become due and payable during the term of this Lease. Taxes or assessments which may be payable in installments shall be prorated at the beginning of the Lease term and the end of the Lease term.

ARTICLE 5. ALTERATIONS AND REPAIRS

Condition of Premises

Section 5.01.

Except as hereinafter provided, Lessee accepts the Premises, as well as the improvements located on the Premises, in their present condition. Lessee shall defend, indemnify and hold harmless Lessor with regard to the Premises as provided in this Section 5.02.

Lessee's Indemnity

Section 5.02.

Lessee shall defend, indemnify, and hold harmless Lessor from all claims, liabilities, damages, costs, and expenses (including, but not limited to, attorneys fees) resulting from any personal injury, Premises damage, water pollution, air pollution, hazardous waste contamination, hazardous substances contamination, or environmental harm arising out of or in connection with Lessee's use or occupation of the above-described Premises to the extent caused by the negligence of Lessee, his agents, employees or business invitees.



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Maintenance, Repair and Replacement

Section 5.03.

Except for roof, walls and foundation, and as may otherwise provided in this agreement, Lessee shall, at its own cost and expense, keep and maintain all portions of the Premises. Lessee's obligation to repair shall specifically include, but is not limited to, necessary repairs to the heating, ventilation, and air conditioning systems, plumbing, interior walls, floor coverings, ceilings, painting and maintenance of exterior walls, the interior and exterior portions of all doors, driveways and parking areas, and landscaping for the Premises.

With reference to any of the above items that are maintained by the condominium association, Lessee's only obligation shall be to contribute Lessee's proportionate share for said maintenance. Lessee shall not be responsible for the replacement of any of the systems or exterior walls. Lessor shall be responsible for those expenses as well as any expenses related to the maintenance, replacement or repair of roof, exterior walls and foundation.

Alterations and Improvements

Section 5.04.

Lessee shall not make or permit any other person to make any alterations having a cost in excess of \$1,000.00, or which constitutes a structural modification to the Premises or to any improvements on the Premises, without the prior written consent of Lessor. Lessor shall not unreasonably withhold this consent. Lessee shall keep the Premises free and clear from any and all liens, claims and demands for work performed, materials furnished, or operations conducted on the Premises at the instance or request of Lessee. Furthermore, any and all alterations, additions, improvements and fixtures, except furniture and trade fixtures, made or placed in or on the Premises by Lessee or any other person shall, on expiration or earlier termination of this agreement, become the property of Lessor and remain on the Premises.

Lessee may remove, prior to the termination of Lease, any and all trade fixtures or equipment. Provided, however, Lessee shall repair at its own expense any damage to the Premises caused by the removal of said fixtures or equipment.



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Section 5.05.

Lessee shall protect, indemnify, defend and hold and save harmless the Lessor, its agents and employees, successors and assigns, heirs, executors, and administrators from and against all liabilities, obligations, fines, claims, claims for mechanics' liens, damages, penalties, causes of action, costs and expenses (including without limitation attorney's fees and expenses), and any and all claim by or on behalf of any person or persons, firm, or corporation, in connection with any such items of actual or alleged injury or damage,

- arising out of any acts or omissions of the Lessee, its servants, agents, invitees, guests and employees on or about Lessor's property, or
- arising out of the use of Lessor's property or any part thereof, including but not limited to ramps and approaches, buildings, common areas, sidewalks, curbs, parking lots, streets or ways, or
- due to or arising out of any failure on the part of the Lessee to perform or comply with any rule, ordinance, or law to be kept and performed.

With reference to the second indented paragraph above, Lessee shall have no liability arising out of the failure to repair and/or maintain the common or limited common areas except to the extent caused by the negligence of Lessee, its servants, agents, invitees, guests and employees.

Inspection by Lessor

Section 5.06.

Lessee shall permit Lessor or Lessor's agents, representatives, or employees to enter the Premises at all reasonable times for the purpose of inspecting the Premises to determine whether Lessee is complying with the terms of this agreement, for the purpose of doing other lawful acts that may be necessary to protect Lessor's interest in the Premises, for the purpose of performing Lessor's duties under this agreement or for the purpose of showing the Premises to prospective tenants, provided, however, Lessor shall give Lessee not less than 24 hours notice (except in the event of an emergency).



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Surrender of Premises

Section 5.07.

On expiration or sooner termination of this agreement, Lessee shall promptly surrender and deliver the Premises to Lessor in as good condition as they are now at the date of this agreement, excluding reasonable wear and tear, damage by the elements, acts of God or insured damage.

ARTICLE 6A. INSURANCE AND INDEMNITY

Property Insurance

Section 6A.01.

Lessee shall obtain and keep in force during the term of this Lease a condominium owner's policy naming both the Lessor and Lessee as insureds covering the Premises and its contents for all loss or damage to the Premises in the amount of the full replacement value thereof, as the same may exist from time to time, against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, floor (in the event same is required by a lender having a lien on the Premises), and special extended perils ("all risk" as such term is used in the insurance industry) .

Since the Premises are part of a larger building, namely; Mountain View Professional Center, Lessee shall pay for any increase in the property insurance of such other building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

Public Liability and Public Property Damage Insurance

Section 6A.02.

Lessee shall, at its own cost and expense, procure and maintain during the entire term of this agreement, public liability insurance and property damage insurance, naming Lessor as an additional insured, against loss or liability caused by or connected with Lessee's occupation and use of the Premises under this agreement in amounts not less than:

(a) \$1,000,000.00 for injury to or death of one person and, subject to that limitation for the injury or death of one person, of not less than \$1,000,000.00 for injury to or death of two or more persons as a result of any one accident or incident; and,

(b) \$100,000.00 for damage to or destruction of any property of others.



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The insurance required under this section shall be issued by an A.M. Best rated AAA insurance company, or such other company approved in writing by Lessor. Lessee shall, within twenty (20) days of the date of this agreement, deposit with Lessor a certificate showing that insurance to be in full force and effect.

Lessee's Personal Property

Section 6A.03.

Lessee shall, for the benefit of Lessor and Lessee, during the full term of this agreement and any renewals or extensions thereof, maintain at Lessee's own cost and expense an insurance policy issued by a reputable company authorized to conduct insurance business in Washington insuring for their full insurable value all fixtures and equipment and, to the extent possible, all merchandise that is in or on the Premises during the term of this agreement against damage or destruction by fire, theft, or the elements.

Evidence of Insurance

Section 6A.04.

Duplicate originals or certificates of all insurance policies for the Premises shall be delivered to Lessor at Closing or as soon thereafter as possible, but on or before December 15, 2005.

Waiver of Subrogation

Section 6A.05.

Whether the loss or damage is due to the negligence of either Lessor or Lessee, their agents or employees, or any other cause, Lessor and Lessee do each herewith and hereby release and relieve the other from responsibility for, and waive their entire claim of recovery for

- (a) any loss or damage to the real or personal property of either located anywhere in or upon the leased Premises or Lessor's property, arising out of or incident to the occurrence of any of the perils which is covered by their respective fire and lightning insurance policies, with extended coverage endorsements,
- (b) any loss resulting from business interruption at the leased Premises or loss of rental income from the leased Premises arising out of or incident to the occurrence of any of the perils which may be covered by the business interruption insurance policy and by the loss of rental income insurance policy held by Lessor or Lessee, and/or



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- (c) any loss occasioned by a claim or claims by a person or persons arising out of or incident to the occurrence of any of the perils which is covered by their respective liability insurance policies.

ARTICLE 6B. ASSIGNMENT

Restriction Against Subletting or Assignment

Section 6B.01.

Except as heretofore provided, Lessee shall not encumber, assign, or otherwise transfer this agreement, any right or interest in this agreement, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without first obtaining the express written consent of Lessor, which consent shall not be unreasonably withheld, PROVIDED THAT, any sublet or assignment shall not relieve Lessee's obligations under this agreement. Lessor shall have the express right to withhold consent if the proposed party is not credit worthy.

If Lessee should sublet or assign under this paragraph, and the rent to the Sublette or assignee is in excess of the rent required under this agreement, said excess shall be paid directly to the Lessor as rental in addition to the rent required under this agreement.

Lessor's Right to Relet

Section 6B.02.

In the event Lessor relets the Premises during the term of this agreement, Lessee shall pay all rent due under and at the times specified in this agreement, less any amount or amounts actually received by Lessor from the reletting.

ARTICLE 7. SIGNS AND TRADE FIXTURES

Installation and Removal of Trade Fixtures

Section 7.01.

Lessee shall have the right at any time, and from time to time during the term of this agreement, at Lessee's sole cost and expense, to install and affix in, to, or on the Premises such items, herein called "trade fixtures," for use in Lessee's dental practice that Lessee may, in Lessee's sole discretion, deem advisable. Any and all such trade fixtures that can be removed without structural damage to the Premises or any building or improvements on the Premises shall, subject to Section 7.02 of this agreement, remain the property of the Lessee and may be removed by Lessee at any time before the



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expiration or earlier termination of this agreement, provided Lessee repairs any damage caused by the removal.

Unremoved Trade Fixtures

Section 7.02.

Any trade fixtures described in this Article that are not removed from the Premises by Lessee within thirty (30) days after the expiration or earlier termination, regardless of cause, of this agreement shall be deemed abandoned by Lessee and shall automatically become the property of Lessor as owner of the real property to which they are affixed.

Signs

Section 7.03.

Lessee may erect, maintain, permit and from time to time remove any signs in or about the Premises that Lessee may deem necessary or desirable, provided that any signs erected or maintained by Lessee shall comply with all requirements of any governmental authority with jurisdiction.

ARTICLE 8. DESTRUCTION OF THE PREMISES

Abatement of Rent

Section 8.01.

If Lessee is not at fault, and damage or destruction to the Premises renders the operation of Lessee's business impossible or impractical and Lessee in fact ceases to operate its business, the rent required under this agreement shall abate during the period in which Lessor is required to perform repairs or restoration, or to rebuild. Lessee shall also be excused from the payment of taxes and insurance attributable to that repair, restoration, or rebuilding period. In the event Lessee is able to continue partial operation of its business, Lessee shall continue to pay the monthly rent provided for under this agreement, but the monthly rent shall be reduced during the period of repair, restoration, or rebuilding by the percentage of reduction in Lessee's usage of the Premises for each full month immediately preceding the month for which rental is due.

ARTICLE 9. CONDEMNATION

Total Condemnation

Section 9.01.

If at any time during the term of this agreement, title and possession of all of the Premises is taken under the power of eminent domain by any public or



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quasi-public agency or entity, this agreement shall terminate as of 12:01 A.M. of the date actual physical possession of the Premises is taken by the agency or entity exercising the power of eminent domain, and both Lessor and Lessee shall thereafter be released from all obligations under this agreement, except those described in Section 9.04.

Termination Option for Partial Condemnation

Section 9.02.

If at any time during the term of this agreement, title and possession of only a portion of the Premises is taken under the power of eminent domain by any public or quasi-public agency or entity, Lessee may, at Lessee's option, terminate this agreement. If Lessee elects to exercise the option granted under this section, Lessee shall give Lessor at least thirty (30) days prior written notice within twenty (20) days after Lessee receives notice of the taking that designates the precise area of the Premises to be taken. This agreement shall terminate as of the date specified for termination in Lessee's notice, or on the date actual physical possession of the Premises is taken by the public or quasi-public agency or entity, whichever date is earlier.

Partial Condemnation Without Termination

Section 9.03.

If Lessee fails to exercise the option described in Section 9.02 of this agreement:

(a) This agreement shall terminate as to the portion of the Premises taken by eminent domain as of 12:01 A.M. of the day actual physical possession of that portion of the Premises is taken by the agency or entity exercising the power of eminent domain (the "date of taking");

(b) The rent specified in ARTICLE 2 of this agreement shall, after the date of taking, be reduced by an amount that bears the same ratio to the rent specified in ARTICLE 2 of this agreement as the square footage ground area of the portion of the Premises taken under the power of eminent domain bears to the total square footage ground area of the Premises as of the date of this agreement.

Condemnation Award

Section 9.04.

If at any time during the term of this agreement, title and possession of all or any portion of the Premises is taken under the power of eminent domain by any public or quasi-public agency or entity, the compensation or damages for the taking shall be awarded to and be the sole property of the Lessor.



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Lessee shall, however, have the right to claim from the condemning authority all compensation that be recoverable by Lessee on account of any loss incurred by Lessee in removing Lessee's furniture, trade fixtures and equipment or for damage to Lessee's business.

ARTICLE 10. DEFAULT, ASSIGNMENT AND TERMINATION

Default Defined

Section 10.01.

The occurrence of any of the following shall constitute a material default and breach of this agreement by Lessee:

(a) Any failure by Lessee to pay the rent or to make other payment required to be made by the Lessee under this Agreement, where such failure shall continue for a period of seven (7) business days after written Notice of Default from Lessor to Lessee.

(b) The abandonment or vacation of the Premises by Lessee of thirty (30) consecutive days shall constitute an abandonment or vacation for the purposes of this agreement;

(c) A failure by Lessee to observe and perform any other provision of this agreement to be observed or performed by Lessee, when that failure continues for ten (10) days after written notice of Lessee's failure is given by Lessor to Lessee; provided, however, that if the nature of that default is such that it can not reasonably be cured within a ten (10) day period, Lessee shall not be deemed to be in default if Lessee commences that cure within that ten (10) day period and thereafter diligently prosecutes it to completion; or,

(d) The making by Lessee of any general assignment for the benefit of creditors; the filing by or against Lessee of a petition to have Lessee adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy unless, in the case of a petition filed against Lessee, it is dismissed within sixty (60) days; the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this agreement, when possession is not restored to Lessee within thirty (30) days; or the attachment, execution, or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this agreement, when that seizure is not discharged within thirty (30) days.



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Termination of Agreement and Recovery of Damages

Section 10.02.

In the event of any default by Lessee under this agreement, in addition to any other remedies available to Lessor at law or in equity, Lessor shall have the right to terminate this agreement by giving written notice of the termination. No act of Lessor shall be construed as terminating this agreement except written notice given by Lessor to Lessee advising Lessee that Lessor elects to terminate the agreement.

Lessor's Right to Relet

Section 10.03.

In the event Lessee breaches this agreement, Lessor may enter on and relet the Premises or any part of the Premises to a third party or third parties for any term, at any rental, and on any other terms and conditions that Lessor in its sole discretion may deem advisable, and shall have the right to make alterations and repairs to the Premises. Lessee shall be liable for all of Lessor's costs in reletting, exclusive of remodeling costs required for reletting. In the event Lessor relets the Premises, Lessee shall pay all rent due under and at the times specified in this agreement, less any amount or amounts actually received by Lessor from the reletting.

Lessor's Right to Cure Defaults

Section 10.04.

If Lessee breaches or fails to perform any of the covenants or provisions of this agreement, Lessor may, but shall not be required to, cure Lessee's breach. Any sum expended by Lessor, with the then maximum legal rate of interest, shall be reimbursed by Lessee to Lessor with the next due rent payment under this agreement.

Waiver of Breach

Section 10.05.

The waiver by Lessor of any breach by Lessee of any of the provisions of this agreement shall not constitute a continuing waiver or a waiver of any subsequent breach by Lessee either of the same or another provision of this agreement. The waiver by Lessee of any breach by Lessor of any of the provisions of this agreement shall not constitute a continuing waiver or a waiver of any subsequent breach by Lessor either of the same or another provision of this agreement.

Default by Lessor

Section 10.06

If Lessor fails to observe and perform any provision of this Agreement to be observed or performed by Lessor, when that failure continues for ten (10)



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days after written notice of Lessor's failure is given by Lessee to Lessor, then said failure shall be deemed to be a material default; provided, however, that if the nature of the default is such that it cannot reasonably be cured within a ten (10) day period, Lessor shall not be deemed to be in default if Lessor commences that cure within that ten (10) day period and thereafter diligently prosecutes it to completion. In the event of said breach, Lessee shall have all rights and remedies at law or equity.

ARTICLE 11. OPTION TO PURCHASE

Time/Manner of Exercise

Section 11.01.

In further consideration of this agreement, and provided that Lessee is not in default under any term or provision of this agreement, Lessee shall have the option to purchase the Premises, including improvements thereon.

Lessee may exercise the option to purchase any time before July 31, 2007 by giving written notice of such exercise to Lessor, which notice shall include a non-refundable \$5,000 security deposit/downpayment. Closing shall occur not later than 6 months from date of notice to exercise this option.

If Lessee does not exercise this option to purchase by July 31, 2007, the option right shall terminate.

Purchase Price, Payments, Closing

Section 11.02.

The purchase price shall be not less than a value determined by a certified appraisal for the value of the Premises, which appraisal shall be effective as near as possible to the anticipated date of closing. Lessor shall procure the appraisal. If Lessor is satisfied with the appraisal value, or if the parties agree on a value in writing, that value shall be the purchase price and Lessee and Lessor shall then share the appraisal cost equally.

If Lessor is not satisfied with the appraised value and the parties cannot agree upon a value otherwise, Lessor shall procure their own appraisal and the parties shall each pay their own appraisal fees.

If the parties still cannot agree on a value, there shall be a third appraisal chosen by the two appraisers and that value shall be conclusive as to the proper sale price. If a third appraisal is necessary, the parties shall each pay ½ of the third appraisal cost.



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It is acknowledged that as of February 2005, the appraised value was approximately \$240,000.

Cash Payment.

Section 11.03.

Payment shall be in cash, or cash equivalent, at closing.

Date of Closing.

Section 11.04.

Date of sale closing shall be within six (6) months after the date that Lessee gives Lessor notice of exercise of the option. Chicago Title Company, or such other title company located in Anacortes, Washington shall act as closing agent.

Title.

Section 11.05.

Title to the Premises shall be delivered free and clear of all liens and encumbrances, except those approved by Lessee prior to close of escrow. If Lessee fails to approve of any lien or encumbrance, Lessor may elect to either remove, or cause to be removed, such lien or encumbrance, or cancel escrow; provided, however, that if the lien or encumbrance is a voluntary or involuntary lien which may be satisfied by the payment of money, Lessor shall cause said lien to be removed of record prior to close of escrow.

Costs of Transfer.

Section 11.06.

Costs of title insurance, escrow fees and recording fees, including documentary transfer tax, shall be those that are customarily charged in the County of Skagit as of the date of close of escrow. All rents shall be prorated as of the date of close of escrow.

ARTICLE 12. MISCELLANEOUS

Payment Classification

Section 12.01.

Any monetary obligation of Lessee to Lessor under the terms of this agreement shall be deemed to be rent.

Attorney's Fees

Section 12.02.

If any litigation/arbitration is commenced between the parties to this agreement concerning the Premises, this agreement, or the rights and duties



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of either in relation to the Premises or to this agreement, the substantially prevailing party in such litigation/arbitration shall be entitled, in addition to such other relief as may be granted in the litigation/arbitration, to a reasonable sum for their attorney's fees in such litigation/arbitration, which shall be determined by the court/arbitration panel in such litigation/arbitration or in a separate action brought for that purpose.

Notices

Section 12.03.

Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this agreement or by law to be served on or given to either party hereto by the other party hereto, shall be in writing and shall be deemed duly served and given when personally delivered to the party to whom they are directed, or in lieu of such personal service, when deposited in the United States mail, first-class postage prepaid, addressed as follows:

To Lessor at: R. DAVID NOURSE, D.D.S.
KATHY S. NOURSE.
5504 James Street SE
Lacey, WA 98513

To Lessee at: Ryan Collins, D.D.S.
Ute Collins, D.D.S.
215 War Eagle Drive
Mountain Home, ID 83647

Said address shall change to the address of the business Premises at Closing.

With a copy to:

Anderson Hunter Law Firm
Attention: Thomas R. Collins
P.O. Box 5397
Everett, WA 98206.



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Either party, Lessee or Lessor, may change its address for the purpose of this section by giving written notice of such change to the other party in the manner provided in this section.

Binding on Heirs and Successors

Section 12.04.

This agreement shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of Lessor and Lessee.

Partial Invalidity

Section 12.05.

Should any provision of this Agreement be held by a court of competent jurisdiction to be either invalid, void, or unenforceable, the remaining provisions of this agreement shall remain in full force and effect unimpaired by the holding.

Sole and Only Agreement

Section 12.06.

This instrument constitutes the sole and only agreement between Lessor and Lessee respecting the leasing of the Premises to Lessee as to the agreement terms created under this agreement, and correctly sets forth the obligations of Lessor and Lessee to each other as of its date. Any agreements or representations respecting the Premises leasing by Lessor to Lessee not expressly set forth in this instrument are null and void. This agreement supersedes all prior agreements of the parties with regard to any subject matter herein addressed.

Time of Essence

Section 12.07.

Time is of the essence in this agreement.

Applicable Law

Section 12.08.

This agreement shall be governed by and construed in accordance with the laws of the State of Washington, without conflict of laws considerations.

Jurisdiction and Venue

Section 12.09.

Jurisdiction and venue for any cause under this agreement is Superior Court, Skagit County, State of Washington.



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Dispute Resolution

Section 12.10.

The Parties agree to attempt to resolve all disputes arising out of this Agreement by mediation.

Any Party desiring mediation may begin the process by giving the other Party a written Request to Mediate, describing the issues involved and inviting the other Party to join with the calling Party to name a mutually agreeable mediator and a time frame for the mediation meeting. The Parties and mediator may adopt any procedural format that seems appropriate for the particular dispute. The contents of all discussions during the mediation shall be confidential and non-discoverable in subsequent arbitration or litigation, if any. If the Parties can agree upon a mutually acceptable agreement, it shall be reduced to writing, signed by the Parties, and the dispute shall be at an end.

If the result of the mediation is a recognition that the dispute cannot be successfully mediated, or if either Party refuses to mediate or to name a mutually acceptable mediator and a time frame for mediation within fourteen (14) days of receipt of a written Request to Mediate, then the Parties shall submit the matter to binding Arbitration. Except for injunctive relief, any dispute thus arising between the Parties to this agreement regarding the rights, terms or conditions therein contained shall be submitted to a panel of three, (3) Skagit County Attorneys for binding arbitration. Each Party shall choose one attorney, and the two attorneys chosen shall choose a third attorney to complete the arbitration panel. Using the American Arbitration Association rules for arbitration, they shall render a decision which decision may be entered into a Skagit County, State of Washington, Superior Court judgment by any Party and so enforced.

Independent Counsel

Section 12.11

Lessee has received independent legal counsel with regard to this agreement, or has had opportunity to receive independent legal counsel, and Lessee agrees that the terms of this agreement shall not be construed against the drafter.

Recording of Agreement

Section 12.12

This Agreement shall be recorded in Skagit County, State of Washington. The Parties will share any recording fees equally.



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Quiet Enjoyment

Section 12.13

Lessor covenants that Lessor holds title to the Premises free and clear of all encumbrances affecting the use or occupancy of the Premises except as set forth in Schedule "B." Subject to all provisions of this Lease and provided Lessee pays all sums due under this Lease and observes and performs all of the other covenants, conditions and provisions to be observed and performed by Lessee, Lessee shall have quiet possession of the Premises for the entire Lease term, against any adverse claim of Lessor or any party claiming by, through or under Lessor.

Primary Obligors

Section 12.14

By their signatures below, the undersigned Lessees, jointly and severally, personally covenant the timely performance of the terms and condition of this agreement. That is, Lessees execute this agreement as primary obligors not as guarantors or sureties.

Counterparts.

Section 12.15

This Agreement may be executed in counterparts, and each executed counterpart shall have the same force and effect as an original instrument as if all Parties to the counterparts had signed the same instrument.



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PARTIES

LESSOR:

DATE: December 5, 2005.

Kathy S. Nourse, AIF
R. DAVID NOURSE, D.D.S.

Kathy S. Nourse
KATHY S. NOURSE

LESSEE:

DATE: December 6, 2005.

Ryan Charlie Collins, DDS
CHARLIE COLLINS, D.D.S

UTE COLLINS, D.D.S.



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NOTARY

STATE OF WASHINGTON)
) ss
County of Skagit)

On this 5th day of December 2005, before me personally appeared KATHY S. NOURSE, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that she, in her individual capacity, and as Attorney-in-Fact for R. David Nourse, signed the same as her free and voluntary act and deed, for the uses and purposes therein mentioned, and R. David Nourse is not deceased.

Subscribed and sworn to before me this 5th day of December 2005.

Terrance M. Froese

TERRANCE M. FROESE

(print name)
NOTARY PUBLIC in and for the
State of Washington, residing at ANACURTES.
My Commission expires: 7-19-09



Lease
SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax

DEC 07 2005

Amount Paid \$00
Skagit County Treasurer
By: mmn Deputy



ACC/RSN/RSN, AIF

SCHEDULE A

Unit C, MOUNTAIN VIEW PROFESSIONAL CENTER, A CONDOMINIUM, as shown on survey map and floor plans recorded November 5, 1982, under Auditor's File No. 8211050049, records of Skagit County, Washington, and as dedicated and identified under dedication and declaration recorded November 5, 1982, under Auditor's File No. 8211050050 and 8211050051, respectively, records of Skagit County, Washington;

TOGETHER WITH an undivided 25 percent interest in common areas and facilities described in Article 12 of said declaration;

SUBJECT TO:

Terms, provisions, definitions, covenants, reservations, options, obligations, restrictions, easements and assessments contained in declaration recorded November 5, 1982 under Auditor's File No. 8211050051, records of Skagit County, Washington, or as may be contained in any by-laws adopted pursuant to Section 9 of said declaration;

Easement provisions set forth under the provisions of Article 19 of declaration recorded under Auditor's File No. 8211050051, records of Skagit County, Washington;

Terms, provisions and limitations relative to sale, rent, lease, subleasing, or subrenting of units, under the provisions of Articles 23, 24 and 25 of declaration recorded under Auditor's File No. 8211050051, records of Skagit County, Washington;

Terms, provisions, requirements and limitations contained in the Horizontal Property Regimes Act (Codominiams), Chapter 156, Laws of 1963 (RCW 64.32) as now amended, or as it may hereafter be amended;

Liability for charges or assessments for which a lien may arise, disclosed by instrument recorded November 5, 1982, under Auditor's No. 8211050051, imposed by Owners Association;

together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in any wise appertaining.



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SCHEDULE A

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