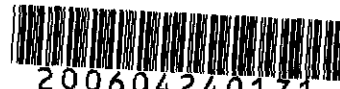


After recording, return to:  
TERRANCE M. FROESE  
Attorney at Law  
P.O. Box 999  
Anacortes, WA 98221

For Recorder's Use



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Skagit County Auditor

4/24/2006 Page 1 of 16 3:55PM

107874-PAE

LAND TITLE OF SKAGIT COUNTY

## COMMERCIAL LEASE AGREEMENT

### PARTIES:

**LESSOR:** TIMOTHY J. RIORDAN AND SALLY RIORDAN,  
Husband and wife.

**LESSEE:** RIA FOSTER,  
A single woman.

SKAGIT COUNTY WASHINGTON  
REAL ESTATE EXCISE TAX

APR 24 2006

Amount Paid \$  
Skagit Co. Treasurer  
By Deputy

Tax No's: P61751, P61752

Legals: Tracts 51 and 52, Plat of First Addition to Alverson's Camping  
Tracts, Skagit County, Washington

### RECITALS:

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

B. The leased premises consists of a portion of that area commonly known as 5362 Guemes Island Road, Anacortes, Skagit County, Washington, consisting of approximately eight thousand (8,000) square feet

RF  
Lessor

TL  
Lessor

S.R.P.  
Lessee

in the back section of the residence at such address (hereinafter referred to as "the premises") more fully described as follows:

See Exhibits "A" and "B" attached hereto and incorporated herein.

C. Lessee is in possession of the premises.

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

**ARTICLE 1. AGREEMENT DATA AND EXHIBITS**

- (a) Leased Property: The premises and all fixtures thereon.
- (b) Term: Two years, with right to renew for two successive two year periods.
- (c) Exhibits: The following exhibits are made a part of this agreement:

Exhibit "A" Legal Description of the Premises.  
Exhibit "B" Floor Plan of the Premises  
Exhibit "C" Schedule of Lessee Personal Property

**ARTICLE 2. PAYMENTS**

**Rental Payments**

**Section 2.01.**

Lessee agrees to pay to Lessor monthly rent as follows:

- 1) Monthly rent in the amount of one thousand dollars (\$1,000.00).
- 2) Rental shall be due on the first day of each month during the term of this agreement commencing July 1, 2003.

**Term**

**Section 2.02**

The term of this agreement shall be two years, provided that, Lessee shall have the option to renew this agreement for additional two year terms for



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*RF*  
Lessor

*[Signature]*  
Lessor

*A.R.R.*  
Lessee

the four (4) years following the expiration of the first term. That is, the maximum term of this agreement shall be six (6) years including all renewal options.

**Rental Adjustments**

**Section 2.03**

Commencing July 1, 2005, rental shall be adjusted as follows: The monthly rental for the next year two year term shall be increased to an amount equal to the monthly rental paid during the preceding year, multiplied by a fraction of which;

- (a) the numerator is the adjusted average of the Revised Consumer Price Index for All Urban Consumers for the locality of the premises, of the most recently ascertainable twelve-month period preceding the commencement of the current agreement year (for which the rent is to be adjusted); and
- (b) the denominator is the adjusted average of the Revised Consumer Price Index for All Urban Consumers for the locality of the premises, during the twelve (12) months preceding the first full month of the sixth year beginning July 1, 2003 of the term of this agreement.

If the Bureau of Labor Statistics should at any time or from time to time change the base period for such Index, the Index applicable as to each successive year shall for purposes hereof be appropriately converted in accordance with good statistical methods to an Index comparable (except for changes mentioned in the following sentence) to the present Index issued by said Bureau based upon the present base period. Subject to the foregoing provision, the Indices applicable to such agreement period shall be such as may be at the particular time prepared and issued by said bureau or if said Bureau should cease to issue such Indices and any other agency of the United States should perform substantially the same function, then the Indices issued by such other agency. In no event, however, shall the rental rate payable during such successive term be less than the rental rate during the preceding (initial) term of this agreement.



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*RF*  
Lessor

*TL*  
Lessor

*S.R.R.*  
Lessee

**ARTICLE 3. USE OF PREMISES**

**Permitted Use**

**Section 3.01.**

During the term of this agreement the premises shall be used for art business or similar uses, and for no other purpose without the written consent of Lessor.

Should the zoning ever become an issue with regard to Lessees use of the premises, Lessor shall, at Lessors expense, in good faith take reasonable legal action to protect Lessees leasehold interest herein. If Lessor has in good faith defended Lessees right to do business on the premises Lessor shall not be in breach of this agreement by any legal action not allowing Lessee to carry on her business on the premises. Lessee shall be completely absolved of any liability under this agreement in that case.

**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.

**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.

**ARTICLE 4. TAXES AND UTILITIES**

**Utilities**

**Section 4.01.**

Lessee shall pay 1/3 of the total utility expenses for the entire structure for water and sewer and other public utilities to the premises during the term of this agreement and any renewals, provided that such calculation shall not include utilities to the residential rental unit which unit has a separate meter. Lessee shall pay for telephone service to Island International.



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RF      RL      S.R.R.  
Lessor      Lessor      Lessee

**Personal Property Taxes**

Section 4.02.

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, appliances, and other personal property placed by Lessee in, on, or about the premises.

**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 Lessor.

**ARTICLE 5. ALTERATIONS AND REPAIRS**

**Condition of Premises**

Section 5.01.

Lessee acknowledges the condition of the premises and accepts the same AS IS.

**Maintenance, Repair and Replacement**

Section 5.02.

Except for lighting and general cleaning services, or as otherwise provided in this agreement, Lessor shall, at its own cost and expense, keep and maintain all portions of the premises except for the interior of the Lessee occupied areas.

**Alterations and Improvements**

Section 5.03.

Lessee shall not make or permit any other person to make any alterations 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. Lessee may install a shower in the Studio Bathroom, which may require some minor alteration of existing walls, however Lessee shall obtain Lessor's prior written approval for plans for installation of the shower.



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*RJ*  
Lessor

*R*  
Lessor

*A.P.R.*  
Lessee

**Inspection by Lessor**

**Section 5.04.**

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.

**Surrender of Premises**

**Section 5.05.**

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.

**ARTICLE 6. INSURANCE**

**Lessee's Personal Property**

**Section 6.01.**

Lessee shall be responsible, during the full term of this agreement and any renewals or extensions thereof, to insure Lessee's personal property upon the premises.

**ARTICLE 7. (Intentionally omitted)**

**ARTICLE 8. DESTRUCTION OF THE PREMISES**

**Abatement of Rent**

**Section 8.01.**

If damage or destruction to the premises render 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. Rental will also abate in the amount of any repairs, environmental concerns,



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*RF.*  
Lessor

*JL*  
Lessor

*S.L.R.*  
Lessee

damage or destruction for which Lessor is to indemnify Lessee, in the event Lessor fails to immediately indemnify Lessee.

## **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 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



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*RF*  
Lessor

*AK*  
Lessor

*S.P.R.*  
Lessee

bears to the total square footage ground area of the premises as of the date of this agreement; and

**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.

**ARTICLE 10. DEFAULT, ASSIGNMENT AND TERMINATION**

**Restriction Against Assignment**

**Section 10.01.**

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 shall not be unreasonably withheld, but under no circumstances will Lessor's be required or expected to approve assignment of the lease to anyone other than a family member of the Lessee.

**Default Defined**

**Section 10.02.**

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 any other payment required to be made by Lessee under this agreement.

(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



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*RF*  
Lessor

*AL*  
Lessor

*S.R.R.*  
Lessee

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.

#### **Termination of Agreement and Recovery of Damages**

##### **Section 10.03.**

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 forty five (45) days written notice of the termination. No act of Lessor shall be construed as terminating this agreement except such written notice given by Lessor to Lessee advising Lessee that Lessor elects to terminate the agreement.

#### **Waiver of Breach**

##### **Section 10.04.**

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.

### **ARTICLE 11. MISCELLANEOUS**

#### **Force Majeure - - Unavoidable Delays**

##### **Section 11.01**

If the performance of any act required by this agreement to be performed by either Lessor or Lessee is prevented or delayed by reason of an act of God, strike, lockout, labor troubles, inability to secure materials, restrictive governmental laws or regulations, or any other cause except financial



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*RF*  
Lessor

*JE*  
Lessor

*S.P.P.*  
Lessee

inability that is not the fault of the party required to perform the act, the time for performance of the act will be extended for a period equivalent to the period of delay, and performance of the act during the period of delay will be excused. However, nothing contained in this section shall excuse the prompt performance of any act rendered difficult solely because of the financial condition of the party required to perform the act.

**Attorney's Fees**

**Section 11.02.**

In the event of a lawsuit between the parties to this agreement, the prevailing party shall be entitled to recover judgment against the other party for reasonable attorney's fees (including title and lien searches) incurred either at trial or on appeal.

If either party exercises any nonjudicial right or remedy to enforce such party's rights hereunder, it shall be a condition for the cure of the default that the defaulting party pay the nondefaulting party's reasonable attorney's fees incurred and all reasonable costs, including costs of service of notice and title and lien searches. Failure to pay such costs and reasonable attorney's fees shall constitute an event of default under this contract.

**Notices**

**Section 11.03.**

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:

**LESSOR:** Mr. Timothy Riordan  
Mrs. Sally Riordan  
379 Jackson Avenue  
Glencoe, IL 60022

**LESSEE:** Ria Foster  
5362 Guemes Island Road  
Anacortes, WA 98221



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*RF*  
Lessor      *R*  
Lessor      *S.R.R.*  
Lessee

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 11.04.

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 11.05.

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.

**Arbitration**

Section 11.6.

Any controversy or claim arising out of or related to this agreement or the breach thereof, shall be settled by JAMS, Seattle, Washington or other arbitration panel if the parties agree otherwise, conducting binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator or arbitrators may be entered in any court having jurisdiction thereof.

**Time of Essence**

Section 11.07.

Time is of the essence in this agreement.

**Applicable Law**

Section 11.08

This agreement shall be governed by and construed in accordance with the laws of the State of Washington.

**Venue**

Section 11.09

Venue for any cause under this agreement is Skagit County, State of Washington.



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RF                      TV                      S.P.R.  
Lessor                      Lessor                      Lessee

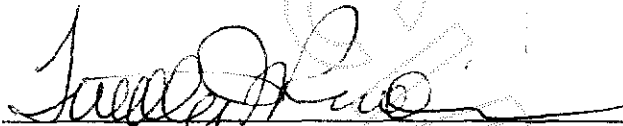
**ARTICLE 12. EFFECTIVE DATE**

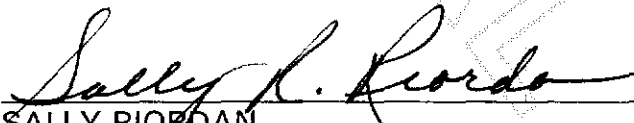
This agreement shall be deemed effective as of July 1, 2003, unless extended by agreement of the parties.

**PARTIES**

**LESSOR:**


DATE: July 1, 2003.

  
\_\_\_\_\_  
TIMOTHY J. RIORDAN

  
\_\_\_\_\_  
SALLY RIORDAN

**LESSEE:**

DATE: July 1, 2003.

  
\_\_\_\_\_  
RIA FOSTER



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Skagit County Auditor

  
\_\_\_\_\_  
Lessor

  
\_\_\_\_\_  
Lessor

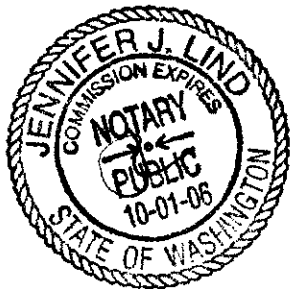
  
\_\_\_\_\_  
Lessee

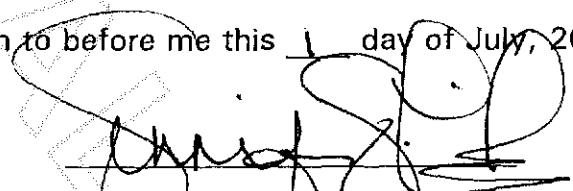
**NOTARY**

STATE OF WASHINGTON )  
 ) ss:  
County of Skagit )

On this day personally appeared before me **RIA FOSTER**, and executed the foregoing instrument, and acknowledged to me that she signed and sealed the same as her free and voluntary act in the capacity and for the uses and purposes therein mentioned.

Subscribed and sworn to before me this 1 day of July, 2003.

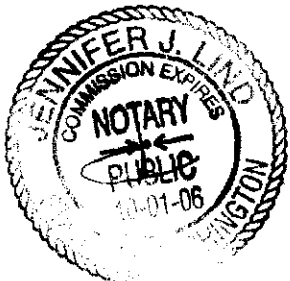


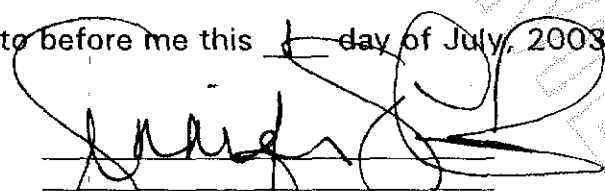
  
NOTARY PUBLIC in and for the  
State of Washington, residing at Bow.  
My Commission expires: 10-01-06.

STATE OF WASHINGTON )  
 ) ss:  
County of Skagit )

On this day personally appeared before me **TIMOTHY J. RIORDAN** and **SALLY RIORDAN**, and executed the foregoing instrument, and acknowledged to me that they signed and sealed the same as their free and voluntary act, for the uses and purposes therein mentioned.

Subscribed and sworn to before me this 1 day of July, 2003.



  
NOTARY PUBLIC in and for the  
State of Washington, residing at Bow.  
My Commission expires: 10-01-06.



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Skagit County Auditor

RF      R      S.R.R.  
Lessor      Lessor      Lessee

Exhibit A

Tracts 51 and 52, "Plat of first Addition to Alverson's Camping Tracts", according to the plat recorded in Volume 4 of Plats, page 40, records of Skagit County, Washington.



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RF      R      A.R.  
Lessor      Lessor      Lessee



**EXHIBIT C**  
Lessee Personal Property

Desks  
Presses  
Counter and drawers  
Computers  
Inventory for Island International Artists



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Skagit County Auditor

RF  
Lessor

JS  
Lessor

S.R.R.  
Lessee