

**RETURN RECORDED
DOCUMENT TO:**

WALGREEN CO.
104 Wilmot Road, Dept. #1420
Deerfield, Illinois 60015
Attn: Charles Kaufman (10994)

This Instrument Prepared by:
Kristine E. Iida
104 Wilmot Rd., MS 1420
Deerfield, Illinois 60015



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FIRST AMERICAN TITLE CO.
89025-3

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

OCT 24 2006

Amount Paid \$
Skagit Co. Treasurer
By *[Signature]* Deputy

MEMORANDUM OF LEASE

By this Memorandum of Lease, made the 20th day of October, 2006, between **SEDRO WOOLLEY PROPERTIES, LLC**, a Washington limited liability company, hereinafter called "Landlord", and **WALGREEN CO.**, an Illinois corporation, hereinafter called "Tenant";

P77395 Lots 13-24 BL 8 West Add Woolley

1. Landlord hereby leases to Tenant, and Tenant hereby rents from Landlord, for a term commencing April 15, 2007, and continuing to and including April 30, 2082, as such dates shall be adjusted pursuant to a lease of even date herewith between the parties hereto (the "Lease") and subject to prior termination as hereinafter provided, the premises to include both the real property and a building and other improvements located at the northwest corner of Western Street and Harrison Street, in the City of Sedro Woolley, County of Skagit, State of Washington, together with all improvements, appurtenances, easements, and privileges belonging thereto. The building to be erected and completed by Landlord shall include not less than 130 feet of frontage along Harrison Street and not less than 114 feet of depth, being an area containing approximately 14,738 square feet of first floor area (the "Building"). All of the foregoing shall be as shown on the site plan attached hereto and made a part hereof as Exhibit "A" (the "Site Plan"), and as legally described in Exhibit "B" attached hereto and made a part hereof. The Building, real estate, and other improvements to be constructed thereon are hereinafter collectively referred to as the "Leased Premises."

(Remainder of page intentionally left blank.)

PARKING

Landlord, at Landlord's cost and expense, shall repair and replace (but shall not be obligated to maintain, which shall be Tenant's responsibility) the parking areas of the Leased Premises for one (1) year after the Possession Date. Subject to the immediately preceding sentence, Tenant, at Tenant's cost and expense, shall maintain, repair and replace the parking areas of the Leased Premises. However, Tenant shall have no obligation to perform nor pay any costs in connection with the following: (i) any damages caused by the acts or omissions of Landlord; and (ii) any defects in the construction of the Leased Premises by Landlord. The foregoing items (i) and (ii) shall remain Landlord's responsibility to perform. The parking areas of the Leased Premises shall be for the exclusive use of Tenant and Tenant's customers, employees, invitees, successors, assigns and sublessees.

EXCLUSIVES

(a) Landlord covenants and agrees that, during the Term and any extensions or renewals thereof, no additional property which Landlord may now or hereafter own, lease or control, and which is contiguous to, or which is within five hundred (500) feet of any boundary of, the Leased Premises (the "Landlord's Property"), will be used for any one or combination of the following: (i) the operation of a drug store or a so-called prescription pharmacy or prescription ordering, processing or delivery facility, whether or not a pharmacist is present at such facility, or for any other purpose requiring a qualified pharmacist or other person authorized by law to dispense medicinal drugs, directly or indirectly, for a fee or remuneration of any kind; (ii) the operation of a medical diagnostic lab or the provision of treatment services (other than as part of a medical, dental, physician, surgical or chiropractic office[s], which office[s] shall not be restricted by this subclause [ii]); (iii) the sale of so-called health and beauty aids or drug sundries; (iv) the operation of a business in which alcoholic beverages shall be sold for consumption off the premises; (v) the operation of a business in which photofinishing services (including, without limitation, digital photographic processing or printing, or the sale of any other imaging services, processes or goods) or photographic film are offered for sale; (vi) the operation of a business in which greeting cards or gift wrap are offered for sale; and (vii) the operation of a business in which prepackaged food items for off premises consumption are offered for sale. In the event that Tenant files suit against any party to enforce the foregoing restrictions, Landlord agrees to cooperate fully with Tenant in the prosecution of any such suit, and reimburse Tenant for all of the attorneys' fees and court costs incurred by Tenant in connection with such suit, notwithstanding its resolution. For purposes of this Article 8 only, "contiguous" shall mean property that is either adjoining the Leased Premises or separated from the Leased Premises only by a public or private street, alley or right of way.



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(b) In addition, Landlord shall not permit or suffer any other occupant of Landlord's Property to use any premises or any portion thereof for purposes of a cocktail lounge, bar, any other establishment that sells alcoholic beverages for on-premises consumption, disco, bowling alley, pool hall, billiard parlor, skating rink, roller rink, amusement arcade, a theater of any kind, children's play or party facility, adult book store, adult theatre, adult amusement facility, any facility selling or displaying pornographic materials or having such displays, second hand store, odd lot, closeout or liquidation store, auction house, flea market, educational or training facility (including, without limitation, a beauty school, barber college, school or other facility catering primarily to students or trainees rather than customers), gymnasium, sport or health club or spa, blood bank, massage parlor, funeral home, sleeping quarters or lodging, the outdoor housing or raising of animals, the sale, leasing or storage of automobiles, boats or other vehicles, any industrial use (including, without limitation, any manufacturing, smelting, rendering, brewing, refining, chemical manufacturing or processing, or other manufacturing uses), any mining or mineral exploration or development except by non-surface means, a car wash, a carnival, amusement park or circus, an assembly hall, off track betting establishment, bingo hall, any use involving the use, storage, disposal or handling of hazardous materials or underground storage tanks, except as necessary to comply with any remediation required under applicable Environmental Law, any use which may materially or adversely affect the water and sewer services supplied to the Leased Premises, a church, temple, synagogue, mosque, or other house of worship, any facility for the sale of paraphernalia for use with illicit drugs, office use (except incidental to a retail use and as permitted by Article 8(a)(ii) above), a restaurant, or any use which creates a nuisance.

(c) In the event that any action, claim or suit is brought by any party against Tenant alleging that Tenant's operations on the Leased Premises are in violation of any use restriction contained in any instrument entered into by Landlord, Landlord shall defend (by counsel reasonably satisfactory to Tenant), indemnify and hold Tenant harmless from any damages, loss, or cost (including, without limitation, attorneys' fees and costs) suffered by Tenant thereby, or from the enforcement of said restriction against Tenant. No encumbrance, lien, or restriction recorded against or otherwise imposed upon the Leased Premises shall be binding upon or otherwise enforceable against Tenant or its successors and assigns unless Tenant has expressly and in writing, consented to said recordation or imposition; any such purported encumbrance, lien or restriction to which Tenant has not consented shall be void. The foregoing restriction against the imposition or recordation of other liens, encumbrances or restrictions shall be deemed a covenant running with the land in addition to any contractual obligation of Landlord.

RIGHT OF FIRST REFUSAL

(a) In the event that Landlord shall receive a Bona Fide Offer to purchase the Leased Premises at any time and from time to time on or after the date hereof and



during the Term of this Lease or any extensions thereof from any person or entity, Landlord shall so notify Tenant (Attn.: Real Estate Law Department) together with a true and correct copy of said Bona Fide Offer. For purposes hereof, a "Bona Fide Offer" shall be deemed to be one made in writing by a person or entity that is not related to or affiliated with Landlord which Landlord intends to accept (subject to this Article 25). In submitting the Bona Fide Offer to Tenant, Landlord shall segregate the price and the terms of the offer for the Leased Premises from the price and other terms connected with any additional property or properties that such person or entity is offering to purchase from Landlord. Tenant may, at Tenant's option and within twenty one (21) days after receipt of Landlord's notice of said Bona Fide Offer and receipt of a copy thereof, offer to purchase the Leased Premises at the price and upon the terms and conditions as are contained in said Bona Fide Offer, in which event, Landlord shall sell the Leased Premises to Tenant upon said terms and conditions and said price; furthermore, in such event, Landlord shall convey the Leased Premises to Tenant by warranty deed. Notwithstanding the foregoing, the price that Tenant shall pay for the Leased Premises shall be reduced by (i) an amount equal to broker's fees or commissions that would have been payable by either the purchaser or Landlord if the Leased Premises were sold pursuant to a Bona Fide Offer; and (ii) the amount of any payment(s) to be made by the proposed purchaser to any entity owned or controlled by, or affiliated with, the proposed purchaser. Landlord shall provide Tenant evidence of the amount of broker's fees or commissions payable in connection with any such Bona Fide Offer. Landlord covenants that it shall accept no such Bona Fide Offer or convey the premises until it has complied with the terms of this Article 25. Any conveyance of the Leased Premises made in the absence of full satisfaction of this Article 25 shall be void. Tenant may enforce this Article 25, without limitation, by injunction, specific performance or other equitable relief. If Tenant fails to notify Landlord of its determination to exercise its Right of First Refusal hereunder within the twenty one (21) day period set forth in this Article 25(a) Tenant shall be deemed to have waived its Right of First Refusal with regard to that particular Bona Fide Offer and Landlord may proceed to sell the Leased Premises to such third party making that Bona Fide Offer pursuant to the terms of that Bona Fide Offer.

(b) Tenant's election not to exercise its Right of First Refusal shall not prejudice Tenant's rights hereunder as to any further Bona Fide Offer. The terms and conditions contained in this Article 25 shall be binding upon the heirs, successors and assigns of Landlord.

TRANSFER OF TITLE

(a) In the event that Landlord conveys its interest in the Leased Premises to any other person or entity, Tenant shall have no obligation to pay rents or any other charges under this Lease to any such transferee until Tenant has been so notified and has received satisfactory evidence of such conveyance together with (i) a written direction from such transferee as to the name and address of the new naves of rents



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and other charges, (ii) such transferee's FEIN or social security number and (iii) the name and address of the party to receive a 1099 from Tenant. It is understood and agreed that Tenant's withholding of rent and other charges until its receipt of such satisfactory evidence shall not be deemed a default under this Lease.

(b) In the event that Landlord conveys its interest in the Leased Premises, Landlord shall take all measures necessary to cause real estate tax bills and notices to continue to be mailed to Tenant as required under Article 19.

(c) In the event that Landlord transfers the Leased Premises and is required to file a transfer tax declaration or other statement disclosing the consideration received by Landlord for such transfer with any governmental authority having jurisdiction over the Leased Premises, Landlord shall determine the value of the property being conveyed based on the tax statutes and regulations applicable in the state and local jurisdiction in which the Leased Premises are located. Landlord shall provide Tenant's tax department with a copy of the completed transfer tax declaration or other documents filed with governmental authorities having jurisdiction over the Leased Premises.

MISCELLANEOUS

Provisions for rent and the other terms, covenants and conditions of said letting, including the options on the part of Tenant for prior termination, are set forth at length in the Lease and all of said provisions, terms, covenants and conditions are, by reference thereto, hereby incorporated in and made a part of this Memorandum of Lease.

This instrument shall also bind and benefit, as the case may require, the heirs, legal representatives, assigns and successors of the respective parties, and all covenants, conditions and agreements herein contained shall be construed as covenants running with the land. This instrument shall not become binding upon the parties until it shall have been executed and delivered by both Landlord and Tenant.

This Memorandum of Lease is made and executed by the parties hereto for the purpose of recording the same in the office of the public records of Skagit County, Washington, and is subject in each and every respect, to the rents and other terms, covenants and conditions of the Lease, bearing even date herein, between the parties hereto and this Memorandum of Lease is executed and delivered with the understanding and agreement that the same shall not in any manner or form whatsoever, alter, modify or vary the rents and other terms, covenants and conditions of the Lease.



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IN WITNESS WHEREOF, Landlord and Tenant have executed this Memorandum of Lease, under seal, as of the day and year first above written.

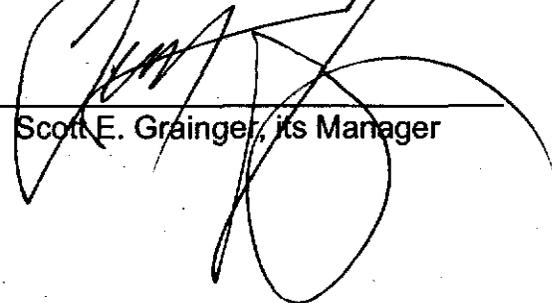
Tenant:

WALGREEN CO.

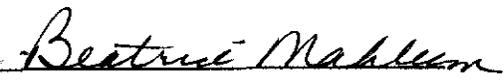
By: 
Robert M. Silverman,
Divisional Vice President

Landlord:

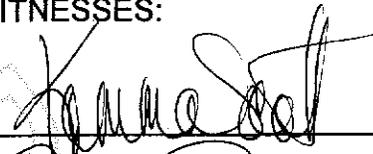
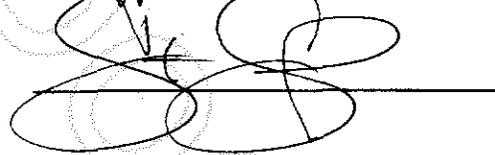
SEDRO WOOLLEY PROPERTIES, LLC

By: 
Scott E. Grainger, its Manager

WITNESSES:




WITNESSES:



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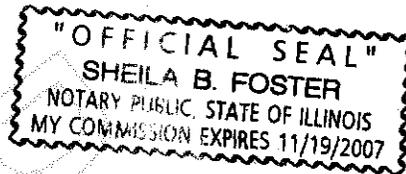
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STATE OF ILLINOIS)
) SS
COUNTY OF LAKE)

I, the undersigned, a Notary Public, do hereby certify that Robert M. Silverman, personally known to me to be the Divisional Vice President of WALGREEN CO., an Illinois corporation, and personally known to me to be the person whose name is subscribed in the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as such Divisional Vice President of said corporation, pursuant to authority given by the Board of Directors of said corporation, as his free and voluntary act, and as the free and voluntary act and deed of said corporation, for the purposes therein set forth.

Given under my hand and notarial seal this 18 day of Oct, 2006.

My commission expires: Sheila B. Foster
Notary Public



STATE OF WASHINGTON)
) SS
COUNTY OF KING)

I, a Notary Public, do hereby certify that Scott E. Grainger, personally known to me to be the Manager of SEDRO WOOLLEY PROPERTIES, LLC, a Washington limited liability company, and personally known to me to be the person whose name is subscribed in the foregoing instrument, appeared before me this day in person and severally acknowledged that they signed and delivered the said instrument as such Manager of said company, as his free and voluntary act, and as the free and voluntary act and deed of said company, for the purposes therein set forth.

Given under my hand and notarial seal this 20th day of October, 2006.

My commission expires:



David G. Thompson
Notary Public
Residing in Snohomish



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EXHIBIT "A"

SITE PLAN

UNOFFICIAL DOCUMENT



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EXHIBIT "B"

LEGAL DESCRIPTION OF LEASED PREMISES

The land referred to is situated in the State of Washington, County of Skagit, and is described as follows:

PARCEL "A":

The South ½ of Lots 13, 14, 15 and 16, Block 8, "WEST ADDITION TO THE TOWN OF WOOLLEY, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 2 of Plats, Page 89, records of Skagit County, Washington.

EXCEPT all that portion of the South ½ of Lot 13 of said Block 8, lying and being Southeasterly of a line drawn parallel with and distant 40 feet Northwesterly, when measured radially from the center line of Secondary State Highway No. 1-A and 1-F, Sedro Woolley vicinity, as conveyed to the State of Washington by Warranty Deed recorded May 27, 1955, under Auditor's File No. 518491.

TOGETHER WITH the North 15 feet of Harrison Street adjacent thereto as vacated by Ordinance No. 1285-97, recorded under Auditor's File No. 9802200031.

PARCEL "B":

The North ½ of Lots 13, 14, 15 and 16, Block 8, "WEST ADDITION TO THE TOWN OF WOOLLEY, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 2 of Plats, Page 89, records of Skagit County, Washington.

EXCEPT that portion of said Lot 13 conveyed to the State of Washington by Deed recorded April 14, 1956 under Auditor's File No. 516234.

TOGETHER WITH the North 15 feet of Harrison Street adjacent thereto as vacated by Ordinance No. 1285-97, recorded under Auditor's File No. 9802200031.

PARCEL "C":

Lots 17, 18, 19 and 20, Block 8, "WEST ADDITION TO THE TOWN OF WOOLLEY, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 2 of Plats, Page 89, records of Skagit County, Washington.



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TOGETHER WITH the North 15 feet of Harrison Street adjacent thereto as vacated by Ordinance No. 1285-97, recorded under Auditor's File No. 9802200031.

PARCEL "D":

Lots 21, 22, 23 and 24, Block 8, "WEST ADDITION TO THE TOWN OF WOOLLEY, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 2 of Plats, Page 89, records of Skagit County, Washington.

TOGETHER WITH the North 15 feet of Harrison Street adjacent thereto as vacated by Ordinance No. 1285-97, recorded under Auditor's File No. 9802200031.



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