

AFTER RECORDING RETURN TO:

Horizon Financial Corp
P.O. Box 580
Bellingham, WA 98227
Attn: Beth Sherry



200809240115
Skagit County Auditor

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DOCUMENT TITLE: Commercial Lease Agreement

GRANTOR(S): Horizon Financial Corp

GRANTEE(S): Horizon Bank

GUARDIAN NORTHWEST TITLE CO.

TAX PARCEL NO.: P-55116

ACCOMMODATION RECORDING ONLY

ABBREVIATED LEGAL DESCRIPTION:

WILD

Fractional Lots 16 and 17, Block 41, "City of Anacortes," according to the recorded plat thereof in the office of the Auditor of Skagit County, Washington, In Volume 2 of Plats, page 4.

See "Exhibit A" for full legal

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After Recording Return To:

Horizon Financial Corp
P.O. Box 580
Bellingham, Washington 98227
Attention: Beth Sherry

Name of Document: Commercial Lease Agreement
Grantor: Horizon Financial Corp
Grantee: Horizon Bank
ABBR. Legals: Fractional Lots 16 and 17, Block 41, "City of Anacortes," according to the recorded plat thereof in the office of the Auditor of Skagit County, Washington, in Volume 2 of Plats, page 4.
The South half of Tract 11, Plate No. 10, Tide and Shore lands of Section 19, Township 35 North, Range 2 East of the W.M., Anacortes Harbor," according to the official map thereof in the office of the State Land Commissioner at Olympia, Washington; A parcel of land situate in the County of Skagit, State of Washington, described as follows:
Lot 2, Fred Meyer Retail Store Binding Site Plan approved December 29, 1993, and recorded January 10, 1994, under Auditor's File No. 9401100038 in Volume 11 of Short Plats, pages 41-48 inclusive. Being a portion of the southwest 1/4 of the northwest 1/4 of Section 5, T 34 N, R 4 E, W.M.;
That portion of the Northeast 1/4 of the Southeast 1/4 of Section 18, Township 34 North, Range 4 East of W.M., described as follows:
Beginning at the Northeast corner of said subdivision; thence South 0 degrees, 40' 30" West along the East line of said subdivision, a distance of 560.00 feet; thence South 88 degrees, 43' 58" West, a distance of 30.02 feet to the true point of beginning of this description; thence South 0 degrees, 40' 30" West, a distance of 110.06 feet; thence South 88 degrees, 43' 58" West, a distance of 224.07 feet; thence North 0 degrees, 40' 30" East, a distance of 110.06 feet; thence North 88 degrees, 43' 58" East, a distance of 224.07 feet to the true point of beginning of this description. Also known as Tract "A," of Short Plat No. MV-9-75 approved July 21, 1975. Situate in the County of Skagit, State of Washington. SUBJECT TO Easements, restrictions and reservations of record."
Tax Parcel Nos.: P-55116; P-32955; P-104515; P-26291

COMMERCIAL LEASE AGREEMENT

THIS COMMERCIAL LEASE AGREEMENT (the "Lease") is entered into and effective as of this 1st day of October 2008, between Horizon Financial Corp., a Washington Corporation ("Landlord"), and Horizon Bank, a Washington Corporation ("Tenant"). Landlord and Tenant agree as follows:

1. LEASE SUMMARY.

a. Leased Premises and Base Rent. The Leased Commercial Real Estate consists of three (3) parcels of real estate with improvements thereon all of which are located in Skagit County, Washington. The commonly known street addresses and base monthly rent are set forth below with the legal descriptions being set forth on the attached Exhibit "A".

<u>Street Address</u>	<u>Monthly Base Rent</u>
1218 Commercial Avenue Anacortes, WA 98221	\$ 7,604

-1-



200809240115
Skagit County Auditor

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Street Address

Monthly Base Rent

1020 S. Burlington Boulevard
Burlington, WA 98233

\$ 8,333

1503 Riverside Drive
Mt. Vernon, WA 98273

\$ 6,141

b. Lease Termination Date and Renewal. The term of this Lease shall be for a period of ten (10) years ending on September 30, 2018. The Lease shall automatically renew for an additional ten (10) years unless the Tenant notifies the Landlord otherwise at least six (6) months prior to the expiration of the initial ten (10) year term.

c. Base Rental Increase. Base rent shall automatically increase annually in the amount of three percent (3%) commencing October 1, 2009.

2. PREMISES.

Tenant presently occupies the subject premises and acknowledges that it has had adequate opportunity to investigate said premises. Landlord makes no representation or warranties to tenant regarding the premises.

3. RENT.

a. Payment of Rent. Tenant shall pay Landlord without notice, demand, deduction or offset, in lawful money of the United States, the Base Rent stated in Section 1 in advance on or before the first day of each month during the Lease term beginning on the Commencement Date.

b. Late Charges; Default Interest. If any sums payable by Tenant to Landlord under this Lease are not received within five (5) business days after their due date, Tenant shall pay Landlord in addition to the amount due, for the cost of collecting and handling such late payment, an amount equal to the greater of \$100 or five percent (5%) of the delinquent amount. In addition, all delinquent sums payable by Tenant to Landlord and not paid within five (5) business days after their due date shall, at Landlord's option, bear interest at the rate of fifteen percent (15%) per annum, or the highest rate of interest allowable by law, whichever is less (the "Default Rate"). Interest on all delinquent amounts shall be calculated from the original due date to the date of payment.

4. USES.

The Premises shall be used only for the operation of commercial banking activities and for no other business or purpose without the prior written consent of the Landlord. No act shall be done on or around the premises that is unlawful or that will increase the existing



rates of insurance on the premises or the building or cause the cancellation of any insurance on the Premises or the Building. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance. Tenant shall not do or permit anything to be done in the Premises or on the Property, which will obstruct or interfere with the rights of other tenants or occupants of the Property, or their customers, clients and visitors, or to injure or annoy such persons.

5. COMPLIANCE WITH LAWS.

Tenant shall not cause or permit the Premises to be used in any way that violates any law, ordinance, or governmental regulation or order.

6. OPERATING COSTS.

The Tenant shall be responsible for paying any and all Operating and maintenance costs and expense including, but not limited to, all taxes, assessments, insurance, premiums, water, sewer, garbage and all other utility charges, corporate replacement, HVAC, landscaping and all other costs and expenses regarding the operation and cost of maintenance and repair of the premises.

7. ALTERATIONS.

Tenant shall not make any alterations, additions or improvements to the Premises, without the prior written consent of the Landlord and, with respect to alterations not affecting the structural components of the premises or utility systems therein, such consent shall not be unreasonably withheld, conditioned or delayed. Landlord shall have 30 days in which to respond to the Tenants request for any Alterations so long as such request includes the name(s) of Tenant's contractors and reasonably detailed plans and specifications therefore.

8. REPAIRS AND MAINTENANCE; SURRENDER

Tenant shall, at its sole expense, maintain the Premises in good condition and promptly make all non-structural repairs and replacements necessary to keep the Premises safe and in good condition, including all HVAC components and other utilities and systems to the extent exclusively serving the Premises. Landlord shall maintain and repair the Building structure, foundation, subfloor, exterior walls, roof structure and surface, and HVAC components.

9. ACCESS AND RIGHT OF ENTRY.

After twenty-four (24) hours' notice from Landlord (except in cases of emergency, when no notice shall be required), Tenant shall permit Landlord and its agents, employees and contractors to enter the Premises at all reasonable times to make repairs, inspections,



alterations or improvements, provided that Landlord shall use reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises.

10. SIGNAGE.

Tenant shall obtain Landlord's written consent as to size, location, materials, method of attachment, and appearance, before installing any signs upon the Premises. Tenant shall install any approved signage at Tenant's sole expense and in compliance with all applicable laws. Tenant shall not damage or deface the Premises in installing or removing signage and shall repair any injury or damage to the Premises caused by such installation or removal.

11. DESTRUCTION OR CONDEMNATION.

a. Damage and Repair. If the Premises or the portion of the Property necessary for Tenant's occupancy are partially damaged but not rendered untenable, by fire or other insured casualty, then Landlord shall diligently restore the Premises and the portion of the Property necessary for Tenant's occupancy to the extent required below and this Lease shall not terminate; provided, however, Tenant may terminate the Lease if Landlord is unable to restore the Premises within six (6) months of the casualty event. The Premises or the portion of the Property necessary for Tenant's occupancy shall not be deemed untenable if less than twenty-five percent (25%) of each of those areas are damaged. Landlord shall have no obligation to restore the Premises if insurance proceeds are not available to pay the entire cost of such restoration. If insurance proceeds are available to Landlord but are not sufficient to pay the entire cost of restoring the Premises, or if Landlord's lender shall not permit all or any part of the insurance proceeds to be applied toward restoration, then Landlord may elect to terminate this Lease and keep the insurance proceeds, by notifying Tenant within sixty (60) days of the date of such casualty. If the Premises, the portion of the Property necessary for Tenant's occupancy, or 50% or more of the rentable area of the Property are entirely destroyed, or partially damaged and rendered untenable, by fire or other casualty, Landlord may, at its option: (a) terminate this Lease as provided herein, or (b) restore the Premises and the portion of the Property necessary for Tenant's occupancy to their previous condition to the extent required below; provided, however, if such casualty event occurs during the last six (6) months of the Lease term (after considering any option to extend the term timely exercised by Tenant) then either Tenant or Landlord may elect to terminate the Lease. If, within sixty (60) days after receipt by Landlord from Tenant of written notice that Tenant deems the Premises or the portion of the Property necessary for Tenant's occupancy untenable, Landlord fails to notify Tenant of its election to restore those areas, or if Landlord is unable to restore those areas within six (6) months of the date of the casualty event, then Tenant may elect to terminate the Lease upon twenty (20) days' written notice to Landlord unless Landlord, within such twenty (20) day period, notifies Tenant that it will in fact restore the Premises or actually completes such restoration work to the extent required below, as applicable. If Landlord restores the Premises or the Property under this Section, Landlord shall proceed with reasonable diligence to complete the work, and the



base monthly rent shall be abated in the same proportion as the untenable portion of the Premises bears to the whole Premises, provided that there shall be a rent abatement only if the damage or destruction of the Premises or the Property did not result from, or was not contributed to directly or indirectly by the act, fault or neglect of Tenant, or Tenant's officers, contractors, licensees, subtenants, agents, servants, employees, guests, invitees or visitors. No damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Premises or the Property. Landlord will not carry insurance of any kind for the protection of Tenant or any improvements paid for by Tenant or as provided in Exhibit C or on Tenant's furniture or on any fixtures, equipment, improvements or appurtenances of Tenant under this Lease, and Landlord's restoration obligations hereunder shall not include any obligation to repair any damage thereto or replace the same.

b. Condemnation. If the Premises, the portion of the Property necessary for Tenant's occupancy, or 50% or more of the rentable area of the Property are made untenable by eminent domain, or conveyed under a threat of condemnation, this Lease shall terminate at the option of either Landlord or Tenant as of the earlier of the date title vests in the condemning authority or the condemning authority first has possession of the Premises or the portion of the Property and all Rents and other payments shall be paid to that date. In case of taking of a part of the Premises or the portion of the Property necessary for Tenant's occupancy that does not render those areas untenable, then this Lease shall continue in full force and effect and the base monthly rent shall be equitably reduced based on the proportion by which the floor area of any structures is reduced, such reduction in Rent to be effective as of the earlier of the date the condemning authority first has possession of such portion or title vests in the condemning Authority. The Premises or the portion of the Property necessary for Tenant's occupancy shall not be deemed untenable if less than twenty-five percent (25%) of each of those areas are condemned. Landlord shall be entitled to the entire award from the condemning authority attributable to the value of the Premises or the Property and Tenant shall make no claim for the value of its leasehold. Tenant shall be permitted to make a separate claim against the condemning authority for moving expenses, provided that in no event shall Tenant's claim reduce Landlord's award.

12. INSURANCE.

a. Tenant's Liability Insurance. During the Lease term, Tenant shall pay for and maintain commercial general liability insurance with broad form property damage and contractual liability endorsements. This policy shall name Landlord as additional insured using an endorsement form acceptable to Landlord and shall insure Tenant's activities and those of Tenant's employees, officers, contractors, licensed, agents, servants, employees, guests, invitees or visitors with respect to the Premises against loss, damage or liability for personal injury or bodily injury (including death) or loss or damage to property with a combined single limit of not less than \$2,000,000, and a deductible of not



more than \$10,000. Tenant's insurance will be primary and noncontributory with any liability insurance carried by Landlord.

b. Tenant's Property Insurance. During the Lease term, Tenant shall pay for and maintain special form causes of loss coverage property insurance (with coverage for earthquake if required by Landlord's lender and, if the Premises are situated in a flood plain, flood damage) for all of Tenant's personal property, fixtures and equipment in the amount of their full replacement value, with a deductible of not more than \$10,000.

c. Waiver of Subrogation. Landlord and Tenant hereby release each other and any other tenant, their agents or employees, from responsibility for, and waive their entire claim of recovery for any loss or damage arising from any cause covered by property insurance required to be carried or otherwise carried by each of them. Each party shall provide notice to the property insurance carrier or carriers of this mutual waiver of subrogation, and shall cause its respective property insurance carriers to waive all rights of subrogation against the other. This waiver shall not apply to the extent of the deductible amounts to any such property policies or to the extent of liabilities exceeding the limits of such policies.

13. INDEMNIFICATION.

a. Indemnification by Tenant. Tenant shall defend, indemnify, and hold Landlord harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Tenant or Tenant's officers, contractors, licensees, subtenants, agents, servants, employees, guests, invitees, or visitors on or around the Premises, or arising from any breach of this Lease by Tenant. Tenant shall use legal counsel reasonably acceptable to Landlord in defense of any action within Tenant's defense obligation.

b. Indemnification by Landlord. Landlord shall defend, indemnify and hold Tenant harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Landlord or Landlord's officers, contractors, licensees, agents, servants, employees, guests, invitees, or visitors on or around the Premises, or arising from any breach of this Lease by Landlord. Landlord shall use legal counsel reasonably acceptable to Tenant in defense of any action within Landlord's defense obligation.

c. Waiver of Immunity. Landlord and Tenant each specifically and expressly waive any immunity that each may be granted under the Washington State Industrial Insurance Act, Title 51 RCW. Neither party's indemnity obligations under this Lease shall be limited by any limitation on the amount or type of damages, compensation, or benefits payable to or for any third party under the Worker Compensation Acts, Disability Benefit Acts or other employee benefit acts.



d. Exemption of Landlord from Liability. Except to the extent of claims arising out of Landlord's gross negligence or intentional misconduct, Landlord shall not be liable for injury to Tenant's business or assets or any loss of income there from or for damage to any property of Tenant or of its employees, invitees, customers, or any other person in or about the Premises.

e. Survival. The provisions of this Section shall survive expiration or termination of this Lease.

14. ASSIGNMENT AND SUBLETTING.

Tenant shall not assign, sublet, mortgage, encumber or otherwise transfer any interest in this Lease (collectively referred to as a "Transfer") or any part of the Premises, without first obtaining Landlord's written consent which shall not be unreasonably withheld, conditioned, or delayed.

15. LIENS.

Tenant is not authorized to subject the Landlord's estate to any liens or claims of lien. Tenant shall keep the Premises free from any liens created by or through Tenant. Tenant shall indemnify and hold Landlord harmless from liability for any such liens including, without limitation, liens arising from any Alterations.

16. DEFAULT.

The following occurrences shall each be deemed an Event of Default by Tenant. Any notice periods granted herein shall be deemed to run concurrently with and not in addition to any default notice periods required by law.

a. Failure To Pay. Tenant fails to pay any sum, including Rent, due under this Lease following five (5) days' written notice from Landlord of the failure to pay.

b. Vacation/Abandonment. Tenant vacates the Premises (defined as an absence for at least fifteen (15) consecutive days without prior notice to Landlord), or Tenant abandons the Premises (defined as an absence of five (5) days or more while Tenant is in breach of some other term of this Lease). Tenant's vacation or abandonment of the Premises shall not be subject to any notice or right to cure.

c. Insolvency. Tenant becomes insolvent, voluntarily or involuntarily bankrupt, or a receiver, assignee or other liquidating officer is appointed for Tenant's business, provided that in the event of any involuntary bankruptcy or other insolvency proceeding, the existence of such proceeding shall constitute an Event of Default only if such proceeding is not dismissed or vacated within sixty (60) days after its institution or commencement.



d. Levy or Execution. Tenant's interest in this Lease or the Premises, or any part thereof, is taken by execution or other process of law directed against Tenant, or is taken upon or subjected to any attachment by any creditor of Tenant, if such attachment is not discharged within fifteen (15) days after being levied. Other Non-Monetary Defaults. Tenant breaches any agreement, term or covenant of this Lease other than one requiring the payment of money and not otherwise enumerated in this Section or elsewhere in this Lease, and the breach continues for a period of thirty (30) days after notice by Landlord to Tenant of the breach.

17. REMEDIES.

Landlord shall have the all remedies provided by law.

18. MORTGAGE SUBORDINATION AND ATTORNMENMENT.

This Lease shall automatically be subordinate to any mortgage or deed of trust created by Landlord which is now existing or hereafter placed upon the Premises including any advances, interest, modifications, renewals, replacements or extensions ("Landlord's Mortgage"). Tenant shall attorn to the holder of any Landlord's Mortgage or any person(s) acquiring the Premises at any sale or other proceeding under any Landlord's Mortgage provided such person(s) assume the obligations of Landlord under this Lease. Tenant shall promptly and in no event later than fifteen (15) days after request execute, acknowledge and deliver documents which the holder of any Landlord's Mortgage may reasonably require as further evidence of this subordination and attornment. Notwithstanding the foregoing, Tenant's obligations under this Section to subordinate in the future are conditioned on the holder of each Landlord's Mortgage and each person acquiring the Premises at any sale or other proceeding under any such Landlord's Mortgage not disturbing Tenant's occupancy and other rights under this Lease, so long as no uncured Event of Default exists.

19. NON-WAIVER.

Landlord's waiver of any breach of any term contained in this Lease shall not be deemed to be a waiver of the same term for subsequent acts of Tenant. The acceptance by Landlord of Rent or other amounts due by Tenant hereunder shall not be deemed to be a waiver of any breach by Tenant preceding such acceptance.

20. HOLDOVER.

If Tenant shall, without the written consent of Landlord, hold over after the expiration or termination of the term, such tenancy shall be deemed to be on a month-to-month basis and may be terminated according to Washington law. During such tenancy, Tenant agrees to pay to Landlord 150% the rate of rental last payable under this Lease, unless a different rate is agreed upon by Landlord. All other terms of the Lease shall remain in effect. Tenant acknowledges and agrees that this Section does not grant any right to Tenant to



holdover, and that Tenant may also be liable to Landlord for any and all damages or expenses which Landlord may have to incur as a result of Tenant's holdover.

21. NOTICES.

All notices under this Lease shall be in writing.

22. COSTS AND ATTORNEYS' FEES.

If Tenant or Landlord engage the services of an attorney to collect monies due or to bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of Rent or other payments, or possession of the Premises, the losing party shall pay the prevailing party a reasonable sum for attorneys' fees in such suit in mediation or arbitration, at trial, on appeal and in any bankruptcy proceeding.

23. ESTOPPEL CERTIFICATES.

Tenant shall, from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement specifying the following, subject to any modifications necessary to make such statements true and complete:

(i) The date the Lease term commenced and the date it expires; (ii) the amount of minimum monthly Rent and the date to which such Rent has been paid; (iii) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way; (iv) that this Lease represents the entire agreement between the parties; (v) that all conditions under this Lease to be performed by Landlord have been satisfied; (vi) that there are no existing claims, defenses or offsets which the Tenant has against the enforcement of this Lease by Landlord; (vii) that no Rent has been paid more than one month in advance; (viii) that no security has been deposited with Landlord (or, if so, the amount thereof); and (ix) such other factual matters concerning the Lease or the Premises as Landlord may reasonably request. Any such statement delivered pursuant to this Section may be relied upon by a prospective purchaser of Landlord's interest or assignee of any mortgage or new mortgagee of Landlord's interest in the Premises. If Tenant shall fail to respond within ten (10) days of receipt by Tenant of a written request by Landlord as herein provided, Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee.

24. TRANSFER OF LANDLORD'S INTEREST.

This Lease shall be assignable by Landlord without the consent of Tenant. In the event of any transfer or transfers of Landlord's interest in the Premises, other than a transfer for security purposes only, upon the assumption of this Lease by the transferee, Landlord



shall be automatically relieved of obligations and liabilities accruing from and after the date of such transfer, including any liability for any retained security deposit or prepaid rent, for which the transferee shall be liable, and Tenant shall attorn to the transferee.

25. LANDLORD'S LIABILITY.

Anything in this Lease to the contrary notwithstanding, covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord except Landlord's interest in the Premises, but are made and intended for the purpose of binding only the Landlord's interest in the Premises, as the same may from time to time be encumbered. In no event shall Landlord or its partners, shareholders, or members, as the case may be, ever be personally liable hereunder.

26. RIGHT TO PERFORM.

If Tenant shall fail to timely pay any sum or perform any other act on its part to be performed hereunder, Landlord may make any such payment or perform any such other act on Tenant's part to be made or performed as provided in this Lease. Tenant shall, within ten (10) days of demand, reimburse Landlord for its expenses incurred in making such payment or performance. Landlord shall (in addition to any other right or remedy of Landlord provided by law) have the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.

27. QUIET ENJOYMENT.

So long as Tenant pays the Rent and performs all of its obligations in this Lease, Tenant's possession of the Premises will not be disturbed by Landlord or anyone claiming by, through or under Landlord.

28. MERGER.

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

29. GENERAL.

a. Heirs and Assigns. This Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns.

b. Entire Agreement. This Lease contains all of the covenants and agreements between Landlord and Tenant relating to the Premises. No prior or contemporaneous



agreements or understanding pertaining to the Lease shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or added to except in writing signed by Landlord and Tenant.

c. Severability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision of this Lease.

d. Force Majeure. Time periods for either party's performance under any provisions of this Lease (excluding payment of Rent) shall be extended for periods of time during which the party's performance is prevented due to circumstances beyond such party's control, including without limitation, fires, floods, earthquakes, lockouts, strikes, embargoes, governmental regulations, acts of God, public enemy, war or other strife.

e. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of Washington with venue being in Whatcom County, Washington.

f. Memorandum of Lease. Neither this Lease nor any memorandum or "short form" thereof shall be recorded without Landlord's prior consent.

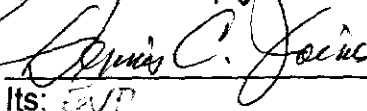
g. No Light, Air or View Easement. Tenant has not been granted an easement or other right for light, air or view to or from the Premises. Any diminution or shutting off of light, air or view by any structure which may be erected on or adjacent to the Building shall in no way effect this Lease or the obligations of Tenant hereunder or impose any liability on Landlord.

h. Authority of Parties. Each party signing this Lease represents and warrants to the other that it has the authority to enter into this Lease, that the execution and delivery of this Lease has been duly authorized, and that upon such execution and delivery this Lease shall be binding upon and enforceable against the party on signing.

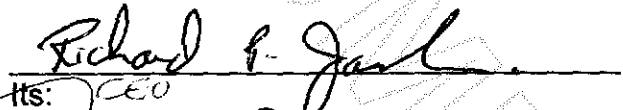
IN WITNESS WHEREOF this Lease has been executed the date and year first above written.

LANDLORD
Horizon Financial Corp


Its: President/CEO


Its: EVP

TENANT
Horizon Bank


Its: CEO


Its: President/COO

STATE OF WASHINGTON)

-11-



200809240115
Skagit County Auditor

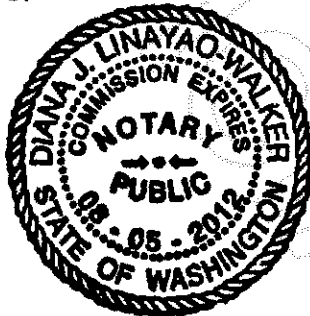
9/24/2008 Page 12 of 15 4:10PM

COUNTY OF WHATCOM

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On this 22nd day of September, 2008, before me the Undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Richard P. Jackson and Dennis C. Jones, to me known to be the President/CEO and EVP respectively of Horizon Financial Corp, a Washington Corporation the Corporation that executed the foregoing instrument and acknowledged the said instrument to be the free and voluntary act of said corporation for the uses and purposes therein mention, and on oath stated that they are authorized to execute the said instrument. Witness my hand and official seal hereto affixed on the date written above.



Diana J. Linayao-Walker
Notary Public in and for the State of
Washington, residing at Bellingham
My appointment expires 08/05/2012.

STATE OF WASHINGTON

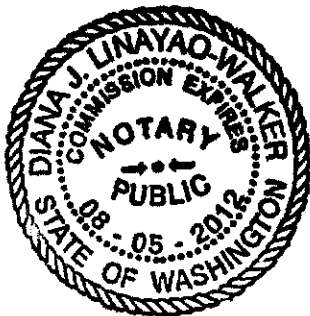
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)ss.

COUNTY OF WHATCOM

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On this 22nd day of September, 2008, before me the undersigned, Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Richard P. Jackson and Dennis C. Jones, to me known to be the CEO and President/COO respectively of Horizon Bank, a Washington Corporation the Corporation that executed the foregoing instrument and acknowledged the said instrument to be the free and voluntary act of said corporation for the uses and purposes therein mention, and on oath stated that they are authorized to execute the said instrument. Witness my hand and official seal hereto affixed on the date written above.



Diana J. Linayao-Walker
Notary Public in and for the State of
Washington, residing at Bellingham
My appointment expires 08/05/2012.



200809240115
Skagit County Auditor

EXHIBIT "A"

1218 Commercial Ave., Anacortes, WA 98221

"Fractional Lots 16 and 17, Block 41, "City of Anacortes," according to the recorded plat thereof in the office of the Auditor of Skagit County, Washington, in Volume 2 of Plats, page 4.

TAX PARCEL NUMBER: P-55116

The South half of Tract 11, "Plate No. 10, Tide and Shore lands of Section 19, Township 35 North, Range 2 East of the W.M., Anacortes Harbor," according to the official map thereof in the office of the State Land Commissioner at Olympia, Washington."

TAX PARCEL NUMBER: P-32955

1020 S. Burlington Blvd., Burlington, WA 98233

"A parcel of land situate in the County of Skagit, State of Washington, described as follows:

Lot 2, Fred Meyer Retail Store Binding Site Plan approved December 29, 1993, and recorded January 10, 1994, under Auditor's File No. 9401100038 in Volume 11 of Short Plats, pages 41-48 inclusive. Being a portion of the southwest 1/4 of the northwest 1/4 of Section 5, T 34 N, R 4 E, W.M."

TAX PARCEL NUMBER: P-104515

1503 Riverside Dr., Mt. Vernon, WA 98273

"That portion of the Northeast 1/4 of the Southeast 1/4 of Section 18, Township 34 North, Range 4 East of W.M., described as follows:



Beginning at the Northeast corner of said subdivision; thence South 0 degrees, 40' 30" West along the East line of said subdivision, a distance of 560.00 feet; thence South 88 degrees, 43' 58" West, a distance of 30.02 feet to the true point of beginning of this description; thence South 0 degrees, 40' 30" West, a distance of 110.06 feet; thence South 88 degrees, 43' 58" West, a distance of 224.07 feet; thence North 0 degrees, 40' 30" East, a distance of 110.06 feet; thence North 88 degrees, 43' 58" East, a distance of 224.07 feet to the true point of beginning of this description. Also known as Tract "A," of Short Plat No. MV-9-75 approved July 21, 1975. Situate in the County of Skagit, State of Washington. SUBJECT TO Easements, restrictions and reservations of record."

TAX PARCEL NUMBER: P-26291

