



201307150133

Skagit County Auditor

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Document Title:

COMMERCIAL LEASE AGREEMENT

Reference Number : N/A

Grantor(s):

additional grantor names on page ____.

1. LAKE WHATCOM PROPERTIES, LLC, a Washington limited liability company

2.

Grantee(s):

additional grantee names on page ____.

1. ELEANOR HARBORD, an individual

2.

Abbreviated legal description:

full legal on page(s) 19.

PORTION OF LOTS 10 & 11, BLOCK S, "MAP OF LACONNER, WHATCOM COUNTY, WAHN. TERRY., 1872", AS PER THE PLAT RECORDED IN VOLUME 2 OF PLATS, PAGE 49, RECORDS OF SKAGIT COUNTY, WASHINGTON.

Assessor Parcel / Tax ID Number:

additional tax parcel number(s) on page ____.

P74071

COMMERCIAL LEASE AGREEMENT

THIS LEASE (this "Lease") is made and entered into as of this 17th day of June, 2013, by and between **Lake Whatcom Properties, LLC**, a Washington limited liability company, ("Landlord"), having a mailing address of 2140 Northshore Drive, Bellingham, WA 98226, and **Eleanor Harbord** ("Tenant"), an individual residing at 628 Sunflower Lane, Bellingham, WA 98226 (DBA Wags & Rags).

1. FUNDAMENTAL LEASE PROVISIONS, EXHIBITS, DEFINED

1.1. Fundamental Lease Provisions.

1.1.1. Premises. The area is the entire Building, or an area of approximately 1080 square feet.

1.1.2. Building and Land. The "Land" is described on Exhibit A. The "Building" means the building located on the land, whose address is 707 S. First Street, La Conner, Washington. The Premises occupies the entire Building.

1.1.3. Commencement Date. This Lease Agreement shall commence on July 1, 2013 (Commencement Date).

1.1.4. Rent. As further described in Section 4, the tenant shall take occupancy on the Commencement Date of this Agreement. The monthly rent is \$1200.00 and is due on the 1st day of the month. Any rent not collected by the Landlord by the 5th day of the month shall be subject to a five (5) % late charge per month.

1.1.5. Permitted Uses. Retail store services.

1.2. Exhibits. The following exhibits are part of this Lease.

EXHIBIT A. Legal Description of the Property.

EXHIBIT B. Common Wall Agreement



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SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

JUL 15 2013

Amount Paid \$
Skagit Co. Treasurer
By Deputy

main

2. PREMISES AND COMMON AREAS

2.1. Premises. Landlord leases to Tenant the interior of the Premises of approximately 1080 square feet, for the Term and subject to and with the benefit of the terms of this Lease, reserving to Landlord the use of the exterior thereof, all spaces above the suspended ceiling, any space beneath the floor, and the right to install, maintain, use, repair, relocate and replace pipes, ducts, conduits and wire leading through the Premises in locations which do not materially interfere with Tenant's use thereof.

3. TERM AND OPTION TO EXTEND

3.1. Term. The Original Term shall commence on the "Commencement Date" in accordance with section 1.1.3 and continue until September 30, 2015.

3.2. Option to Extend. Provided that Tenant is not in default of this Lease Agreement, Tenant shall have one option to extend the terms of this lease. Tenant shall notify Landlord in writing of the intent to extend the lease at least 90 days prior to the expiration of the original term. The extension term shall commence on October 1, 2015, and continue until September 30, 2017.

4. RENT

4.1. Rent. Commencing on the first day Tenant is open for business, the Tenant shall pay the Landlord monthly rent of \$1200.00 ("Rent"). The rent for any partial calendar months shall be prorated, and the rent for the first calendar month shall be paid on the first business day immediately prior to the date on which the Tenant will open for business.

4.2. Rent Increases – Extension Terms. Should the Tenant exercise the Option to Extend, the rent shall be increased by \$36 per month (3% increase per annum)

5. USE AND OPERATIONS

5.1. Non-Permitted Uses. Tenant shall not, at any time, be permitted to do the following: (i) sell or exhibit pornographic materials; or (ii) use the Premises for any use that is a public or private nuisance or for any use other than the uses described in Section 1.1.

5.2. Operations: Negative Covenants. Tenant shall not (i) damage the Premises or the Building or any part thereof or any equipment or installation therein; (ii)



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permitted by applicable law or ordinance; (iv) place any objects in or on the sidewalks except as permitted by applicable law or ordinance; or (v) use the Premises for any purpose or in any in violation of any certificate of occupancy (or other similar approvals of applicable governmental authorities).

- 5.3. Repairs and Maintenance.** Tenant is responsible for maintaining repairing and replacing when necessary, the interior of the Premises, the glass in all windows and doors in the Premises, and all equipment and fixtures located inside the Premises. If changes in laws require alterations in the Premises related to Tenant's use, Tenant shall make those alterations at its expense. Tenant shall procure any licenses and permits required for Tenant's use (including, if necessary, a certificate of occupancy). Tenant shall comply with the orders and regulations of all governmental authorities having jurisdiction over the Premises. Tenant shall repair any damage to the Project arising out of misuse or negligence of Tenant, its employees, agents, invitees, or visitors. Tenant shall comply with all provisions of the Common Wall Agreement attached hereto as Exhibit B and shall be responsible for any damage to the common wall arising from Tenant's use of the Premises.
- 5.4. Mechanical Systems.** Tenant acknowledges that the mechanical systems that serve the Building are located in the Premises. The Landlord shall have access to the Premises whenever necessary for scheduled and emergency maintenance.
- 5.5. Signs.** All signage to be erected by Tenant shall be subject to Landlord's prior written approval. Tenant shall ensure that all signage proposed by Tenant complies with all municipal signage code requirements. Tenant shall not post or attach political materials near or on the Premises. Except as previously approved by Landlord in writing, Tenant shall not permit the painting or placing of any exterior signs, interior illuminated signs, placards or other advertising media, awnings, banners, flags, pennants, aerials, antennas or the like in, or on the Premises, Building, or Land. If Tenant erects any signs not approved by Landlord the same shall be removed forthwith upon demand of Landlord, and if Tenant shall fail to do so, Landlord may enter upon the Premises and remove the same, charging the cost of removal to Tenant. Tenant shall not attach anything to the exterior of the Premises without the Landlord's prior written consent.
- 5.6. Parking.** Tenant acknowledges that no dedicated parking is available to the Building or the Premises.



- 5.7. Contract Services.** Tenant shall obtain Landlord's prior approval of all companies that Tenant wishes to contract with to provide services relating to operation of the Premises, such as repair services.
- 5.8. Landlord's Right of Access.** Tenant shall give Landlord, its agents, employees, and any other person or persons authorized by Landlord, access to the Premises at all reasonable times, upon reasonable notice, except in the event of an emergency, to enable them to inspect, examine, show for lease or sale, and to make such repairs and alterations to the Premises, or to the fixtures, appurtenances or equipment therein, as Landlord may deem advisable; provided that Landlord shall use commercially reasonable efforts to (i) minimize any disruption of Tenant's business caused by such access, and (ii) provide Tenant reasonable advance notice when feasible. There shall be no allowance to Tenant or diminution of rent and no liability on the part of Landlord by reason of inconvenience, annoyance or injury to business arising from such access or activities.
- 5.9. Liens.** At its expense, Tenant shall cause to be fully and completely discharged or record, within ten (10) days of Landlord's demand, any labor or materialman's lien claim or other lien or claim filed against the Premises for work claimed to have been done for, or materials claimed to have been furnished to, or on behalf of, Tenant, and/or any related financing of such work or materials.
- 5.10. Comply With Laws.** At its expense, Tenant shall comply with all laws, order, ordinances and regulations of federal, state, or other governmental authorities and with any direction made pursuant to law of any public officer or officers, with respect to the Premises or the use thereof.
- 5.11. Not Invalidate Insurance.** Tenant shall not do or permit to be done any act or thing upon the Premises which will invalidate or be in conflict with the certificate of occupancy for the Building or the terms of any insurance policies covering the Building or Premises. If the insurance premiums on the Building or Premises are increased due to Tenant's activities, Tenant shall pay the increase.
- 5.12. Insurance.** At its expense, Tenant shall obtain and carry at all times during the term of this Lease (i) comprehensive general liability insurance (including bodily injury, property damage and personal injury) covering the Premises with limits of at least \$1,000.00.00 per occurrence and \$2,000.00.00 aggregate, or such higher amounts as Landlord may from time to time reasonably designate by not less than thirty (30) days notice to Tenant, and which insurance shall contain a contractual liability endorsement covering the matters set forth in Section 14 and shall not contain deductible amounts in excess of \$5,000.00 without Landlord's prior written consent; and (ii) fire and extended coverage, including special form,



insurance for Tenant's property to their full replacement value. Such policies shall be written by insurers reasonably acceptable to Landlord. The liability policy shall name both Landlord and its mortgagees as additional insureds, as their interest may appear. All such insurers shall agree not to cancel or amend (including as to scope or amount of coverage) such policies without at least thirty (30) days prior written notice to Landlord. Each such policy shall also provide that no act or default of any person other than Landlord or its agent shall render the policy void as to Landlord or affect Landlord's right to recover thereon. Tenant shall furnish Landlord with certificates of insurance evidencing coverage at all times during the term of this Lease.

5.13. Surrender. At the termination of this Lease, Tenant shall peaceably give up and surrender the Premises, including all alterations and additions made by Tenant and all fixtures permanently attached to the Premises during the Term, except alterations or additions Landlord directs Tenant to remove, in good order, repair and condition. If termination occurs by virtue of any provision of Section 16, Tenant shall, additionally, yield up and surrender, if Landlord so directs, all equipment and furnishings in any way bolted or otherwise attached to the Premises, and all such equipment and furnishings shall become the property of Landlord. Tenant shall, at the time of termination, remove its goods, effects and fixtures which Tenant is directed or permitted to remove in accordance with the provisions of this Section and shall make any repairs to the Premises necessitated by such removal, leaving the Premises clean and tenantable. If Tenant fails to remove any of such goods, effects and fixtures, Landlord may either have them removed and stored in any public warehouse at the risk of Tenant (the expense of such removal, storage and reasonable repairs necessitated by such removal shall be borne by Tenant or reimbursed by Tenant to Landlord) or deem the same to be abandoned, and become the property of Landlord without payment or offset therefore.

5.14. Tenant's Trade Fixtures. On or before the last day of the Term of this Lease, or upon the earlier termination of this Lease, Tenant shall, at its sole cost and expense, remove all of its personal property used in carrying on its business ("Trade Fixtures") and its equipment from the Premises. Tenant shall be solely responsible for repairing any damage resulting from such removal. Any such property not removed shall be deemed abandoned, and Landlord may, at Tenant's cost and without liability, remove said property.

6. UTILITIES AND LANDLORD RESPONSIBILITIES

6.1. Utilities. Tenant shall pay all utility service charges, including charges for utility services such as, but not limited to, electricity, garbage, water, sewer, telephone.



computer, and internet, as well as any costs related to repair, replacement, and hookup and installation of said utility services.

6.2. Interruption of Service. Landlord does not warrant that any utilities or any of the services referred to in this Lease, or any other services which Landlord may supply, will be free from interruption including by reason of accident or repairs, alterations or improvements, or due to causes beyond the reasonable control of Landlord. No such interruption shall be deemed an eviction or disturbance of Tenant's use and possession of the Premises or any part thereof, or render Landlord liable to Tenant for damages, or relieve Tenant from the full and complete performance of all of Tenant's obligations under this Lease.

8. PROPERTY TAXES

Landlord shall pay any Real Property Taxes that may be owed on the Real Property. Tenant shall pay, prior to delinquency, all personal property taxes on Tenant's property.

9. HAZARDOUS MATERIALS

Hazardous Materials shall mean anything which may be harmful to persons or property, including but not limited to materials designated as a "Hazardous Substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as now or hereafter amended, 42 USC 9601, et seq., or as a Hazardous Substance, Hazardous Household Substance, Moderate Risk Waste or Hazardous Waste under RCW 70.105.010, or which is regulated by any federal, state, or local law, statute, ordinance or regulation pertaining to health, or industrial hygiene or the environment. Tenant shall not store, use or dispose of any Hazardous Materials in, on or about the Premises, or the Project; provided that Tenant shall be permitted to use and store normal types and quantities of cleaning and office products so long as (i) they are used with care, (ii) Tenant complies in all respects with applicable law and with instructions of the manufacture, and (iii) no Hazardous Materials are disposed of on the Premises. Tenant shall be solely responsible for and shall defend and indemnify attorneys' fees and costs, arising in connection with (i) Tenant's Hazardous Materials including, without limitation, the removal, cleanup and restoration work and materials necessary to return the Land and Building and any other property, to their condition existing prior to the appearance of Tenant's Hazardous Materials, or (ii) Tenant's breach of its obligations contained in this Section. Tenant's obligations under this Section shall survive the expiration or termination of this Lease.

10. ALTERATIONS



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Tenant shall not make any alterations in the Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld, provided that Tenant agrees to remove the alteration and repair of any damage caused thereby at the end of the Term at Landlord's request. Landlord's approval of plans or specifications for alterations shall not constitute an assumption of the responsibility for the accuracy or sufficiency of such plans and specifications, or their compliance with applicable codes, regulations or statutes, which responsibility shall be solely Tenant's. All such alterations shall be made at Tenant's sole cost and expense and any contractor or person selected by Tenant to make alterations must first be approved in writing by Landlord. All alterations shall be made in a good and workmanlike manner and in compliance with all governmental requirements, codes and rating bureau recommendations. Tenant shall hold Landlord harmless and indemnified from all injury, loss, claims or damage to any person or property occasioned by, or in connection with Tenant's alterations. Tenant shall obtain all necessary permits from governmental authorities. Tenant shall repair any damage and perform any necessary clean-up arising in connection with alterations. All alterations shall, upon expiration or sooner termination of this Lease, become Landlord's property, unless Landlord requires that they be removed. If Tenant fails to remove any alterations that Landlord requires to be removed, they will be deemed to be abandoned by Tenant and Landlord may remove the same at Tenant's sole cost and expense.

11. DAMAGE OR DESTRUCTION

If the Premises or the Building is damaged by fire, vandalism, malicious mischief or any other occurrence, Landlord shall (unless this Lease shall be terminated as hereinafter provided) diligently proceed to repair or restore the building structure and all improvements made or installed by Landlord to the condition in which they existed immediately prior to such destruction or damage, subject to delays which may arise by reason of adjustment of loss under insurance policies and delays beyond the reasonable control of Landlord. Tenant shall fully and completely repair or replace any damage to improvements installed by Tenant and any damage to its trade fixtures, furniture, and equipment. If the Premises are rendered untenable, the total Rent shall abate. If the damage to the Premises or the Building is so extensive that Landlord decides not to repair or rebuild, Landlord shall give Tenant written notice of its intent not to repair or rebuild within sixty (60) days of the date of such damage and Tenant shall thereupon promptly vacate the Premises, the Lease shall terminate and neither party shall have any liability to the other under this Lease except as arose prior to termination.

If the Premises or Building are damaged by fire or other insured casualty to extent Landlord has determined in its reasonable discretion can be repaired within 180 days from the date of the damage, Landlord will properly begin to repair the damage and will diligently pursue the completion of such repair. In the event this Lease will continue in full force and effect except the monthly rent will be abated on a pro rata basis from the date of the damage until



the date of the completion of such repairs (the repair period) based on the proportion of the rentable area of the premises, that Tenant is unable to use during the repair period.

If any damage by fire or other casualty is the result of the willful conduct or negligence or failure to act of Tenant, or Tenant's principal or employees, monthly rent will not be abated. Tenant will have no right to terminate this Lease on account of any damage to the premises, the Building, except as set forth in this Lease.

12. WAIVERS OF SUBROGATION

It is the intention of the parties that each of them shall insure its real and personal property and interest therein, including economic interest, as and to the extent it sees fit. Each of Landlord and Tenant on behalf of its insurers waives and releases any right of subrogation for any loss of or damage to that party's real or personal property located anywhere in, on or about the Building. For example, if Tenant causes a fire which damages the Building, causing Landlord to make a claim on its rental loss policy, Landlord's insurer will not have the right of subrogation to sue Tenant for the amounts Landlord's insurer paid to Landlord.

13. INDEMNIFICATION AND RELEASE

Subject to the waivers in Section 12, Tenant shall indemnify and defend (using legal counsel acceptable to Landlord) Landlord, its mortgagees, agents, and employees from any claims, losses or expenses (including attorneys' fees) arising out of the occupancy or use of the Premises by Tenant, its agents, customers, or employees (including, without limitation, any work undertaken or contracted for by Tenant, its agents or employees). With regard to matters arising from the joint negligence of Landlord and Tenant, this indemnity shall only apply to the extent of Tenant's negligence. The provisions of this Section shall survive expiration or termination of this Lease and shall include, but not be limited to, all claims against Landlord by any employee or former employee of Tenant.

14. EMINENT DOMAIN

If all or a portion of the Land or of the Premises is condemned for any public or quasi-public purposes, including any purchase in lieu of condemnation, Landlord may terminate this Lease as of the date of taking of possession for such purpose. If a portion of the Premises is condemned for any public or quasi-public purpose, including any purchase in lieu of condemnation, and if the area remaining after taking will not be adequate for Tenant's business, Tenant may terminate this Lease as of the date of taking of possession for such purpose. If this Lease is not terminated as a result of the taking, and if the taking results in a reduction in the square footage of the Premises, then the Rent shall be reduced pro-rata to reflect the floor area of the Premises which is condemned or taken, and Landlord shall, at its expense, with reasonable diligence repair, alter and restore the



remaining part of the Premises to substantially its former condition to the extent reasonably feasible. Landlord shall be entitled to the entire award in any condemnation proceeding, including any award for the value of any unexpired term of this Lease, and Tenant shall have no claim against Landlord or against the proceeds of the condemnation (and Tenant shall also execute and deliver to Landlord such documents, in recordable form, as Landlord may require to confirm the same) except that Tenant shall have the right to claim and recover from the condemning authority compensation for Tenant's moving or relocation expenses, business interruption and the taking of Tenant's equipment and fixtures (not including Tenant's leasehold interest); provided that such damages may be claimed only if they are separately awarded and do not reduce the damages recoverable by Landlord.

15. ASSIGNMENT AND SUBLETTING

15.1. **Assignment or Sublease.** Tenant shall not voluntarily or involuntarily assign or encumber this Lease or any interest therein, or sublet the whole or any part of the Premises (any of which events being a "Transfer" and any such assignee, mortgagee, or other transferee being a "Transferee" for purposes of this Section 15) without first obtaining Landlord's written consent, which shall not be unreasonably withheld if the following conditions are satisfied:

15.1.1. The proposed Transferee is at least as creditworthy as Tenant, and satisfies Landlord's then current credit standards for tenants of the Building, and in Landlord's reasonable opinion has the financial strength to perform Tenant's obligations under this Lease;

15.1.2. The proposed Transferee will use the Premises for a purpose which is reasonably acceptable to Landlord and will not require new tenant improvements incompatible with then existing building systems and components;

15.1.3. Tenant pays Landlord's attorneys' fees and costs incurred in connection with negotiation, review and processing of the Transfer; and

15.1.4. Tenant has not previously defaulted under any term, provision or covenant of this Lease, and failed to cure the default within any applicable cure period.

No Transfer shall relieve, release, discharge, or otherwise adversely affect the liability of Tenant under this Lease, and Tenant and its Transferee shall continue to remain liable to Landlord for performance of Tenant's and its Transferee's obligations under this Lease. Consent to any Transfer shall not



operate as a waiver of the necessity of obtaining Landlord's consent to any subsequent Transfer.

15.1.5 Tenant shall not sublet the any part of the premises.

15.1.6 Any and all sublessees, assignees, and transferees shall be bound by the obligations of this Lease, including but not limited to the parking, advertising, signage, and use restrictions described herein.

15.2. Entity Ownership. The cumulative (i.e. in one or more sales or transfers, by operation of law or otherwise) transfer of an aggregate of fifty (50)% or more of the ownership interests in Tenant shall be deemed a Transfer of this Lease and shall be subject to the provisions of Section 15.1. For the purpose of this Section 15.2 shall be deemed to be a Transferee.

15.3. Assignee Obligation. Any assignee shall assume all obligations of Tenant and shall be jointly and severally liable with Tenant for the payment of rent and all other charges and performance of all of Tenant's obligations under this Lease. Tenant shall provide Landlord with copies of all instruments of assignment, sublease or assumption. In the event of default, Landlord may, without affecting any rights Landlord has against Tenant, its Transferee or any other person, proceed against Tenant or any Transferee or any other Person liable for Tenant's obligations hereunder.

15.4. Additional Rent. Any amounts payable by an assignee to its assignor in excess of the Rent due hereunder shall be payable to Landlord; provided that Tenant may deduct, amortized over the remaining term, the costs associated with the assignment. Similarly, any amounts payable by a sublessee to its sublessor which, on a per square foot basis exceed the Rent and Additional rent due hereunder, shall be paid to Landlord but Tenant may deduct amortized over the sublease term of the costs associated with the subletting.

15.5. Landlord Assignment. The Landlord may assign the rights hereunder without the consent of the Tenant, but such assignment shall be subject to Tenant's rights under this Lease.

16. DEFAULT

16.1. Defaults. If (i) Tenant fails to pay any instalment of the Rent or other charges hereunder when due and fails to cure the default within five (5) days after written notice from Landlord; or (ii) Tenant fails to perform any other covenant, term, agreement or condition of this Lease within 10 days after written notice; or (iii)



Tenant vacates or abandons or ceases to do business in the Premises; then Landlord may, immediately or at anytime thereafter, elect to terminate this Lease by notice, lawful entry or otherwise, whereupon Landlord shall be entitled to recover possession of the Premises from Tenant and those claiming through or under Tenant. Such termination of this Lease and any repossession of the Premises shall be without prejudice to any remedies which Landlord might otherwise have for arrears of rent or for a prior breach of any of the provisions of this Lease.

In case of termination, Tenant shall indemnify Landlord against all costs and expenses and loss of rent. If Tenant fails to perform any of Tenant's covenants which Tenant has failed to perform at least twice previously in any 12-month period (although tenant shall have cured any such previous breaches after notice from Landlord, and within the notice period), then Landlord may, then or thereafter, and without further notice exercise any remedies permitted by this Section 18 or by law, including termination of this lease.

16.2. Expense Recovery. Items of expense for which Tenant shall indemnify Landlord shall include but not be limited to: (i) all costs and expenses incurred in collecting amounts due from Tenant under this Lease (including attorneys' fees); and (ii) all Landlord's other costs proximately caused by the termination, including any costs expected for tenant improvements, including design, permit and engineering fees. The above sums shall be due and payable immediately upon notice from Landlord without regard to whether the cost or expense was incurred before or after the termination of this Lease. If proceedings are brought under the Bankruptcy Code, including proceedings brought by Landlord, which relate to this Lease (in any of such cases a "Proceeding"), then Landlord shall be paid the costs incurred by Landlord in connection with the proceedings.

16.3. Damages. Notwithstanding termination of this Lease and reentry by Landlord pursuant to Section 16.1 or Section 16.2, Landlord shall be entitled to recover from Tenant:

16.3.1 The worth at the time of an award (including interest at the rate set forth in Section 16.7), of any unpaid rent which had been earned by Landlord at the time of termination; plus

16.3.2 The worth at the time of an award (including interest at the rate set forth in Section 16.7), of the amount by which the unpaid rent which would have been earned after termination until the time of an award exceeds the amount of loss of rent that could have been reasonably avoided; plus



16.3.3 The worth at the time of an award of the amount by which the unpaid rent for the balance of the term of this Lease (as extended, if at all prior to termination) exceeds the amount of such loss of rent that could have been reasonably avoided (including interest at the rate set forth in Section 16.7 from the date of the award until paid). Such worth of the time of award shall be computed at the discount rate of the Federal Reserve Bank of San Francisco, or successor Federal Reserve Bank, on the date of termination:
plus

16.3.4 Any other amount necessary to compensate Landlord for all the damage proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result there from, including amounts due and payable pursuant to Section 16.3.

16.4. Non Termination of Lease: If Landlord reenters the Premises pursuant to Section 16.1 or Section 16.2, Landlord may elect, by notice to Tenant, not to terminate this Lease, in which case Tenant shall indemnify Landlord for the loss of rent by a payment at the end of each month during the remaining term representing the difference between the Rent, and other charges which would have been paid in accordance with this Lease and the rental actually derived from the Premises by Landlord for such month. Without any previous notice or demand, separate actions may be maintained by Landlord against Tenant from time to time to recover any damages which, at the commencement of any action, have then or theretofore become due and payable to Landlord under this Section 16 without waiting until the end of the original term of this Lease.

16.5. Reletting. If this Lease is terminated as hereinabove provided or by summary proceedings or otherwise, Landlord may at any time and from time to time relet the Premises in whole or in part either in its own name or as agent of Tenant for any period equal to or greater or less than the remainder of the then-current Term. All rentals received by Landlord from such reletting shall be applied first to the payment of any amounts other than rent due to Landlord; second, to the payment of the costs of the reletting and alterations and repairs; third, to Rent due and unpaid hereunder; and residue, if any, shall be held by Landlord and applied in payment of future Rent as they become due. Upon a reletting of the Premises, Landlord shall not be required to pay Tenant any sums received by the Landlord in excess of amounts payable in accordance with this Lease.

16.6. Right of Landlord to Cure Defaults. If Tenant defaults under this Lease, Landlord may cure the default, for the account and at the expense of Tenant, immediately and without notice in case of emergency, or in any other case only if



Tenant fails to cure the default within the twenty-five (25) day cure period. If Landlord incurs expenses in connection with such cure, Tenant shall reimburse Landlord for those expenses, with interest pursuant to Section 16.7. Landlord shall have the same rights and remedies as for the non-payment of sums due under this Section 18 as in the case of default by Tenant in the payment of Rent.

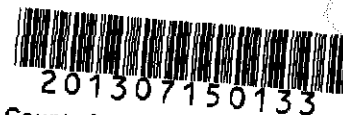
16.7 Unpaid Sums and Service Charge. Any amounts owing from Tenant to Landlord under this Lease shall bear interest at twelve percent (12%) per annum, calculated from the date due or expended until the date of payment.

17. QUIET ENJOYMENT

Landlord covenants that upon Tenant's paying rent, and all other amounts and charges due hereunder and observing and performing all the terms, covenants and conditions of this Lease on his part to be observed and performed, Tenant may peaceably and quietly enjoy the Premises, without disturbance by Landlord or by any person having an interest in the Premises paramount to Landlord's interest or by any person claiming through or under Landlord, subject, however, to the terms and conditions of this Lease. Tenant acknowledges that, during the term of the Lease, Landlord may repair and/or make improvements to the walls of the Building, and Tenant agrees that said work shall not constitute a breach of this Section 17.

18. LANDLORD'S INTEREST IN PREMISES

Tenant shall, within ten (10) days of demand, execute and deliver to Landlord a written statement certifying: (i) the commencement and the expiration date of the Lease Term; (ii) the amount of Rent and the date to which it has been paid; (iii) that this Lease is in full force and effect and has not been assigned or amended in any way (or specifying the date and terms of each agreement so affecting this Lease) and that no part of the Premises has been sublet (or to the extent and nature of such default); (iv) on the date of such certification there are no existing defenses or claims which Tenant has against the enforcement of this Lease by Landlord (or if such is not the case, the extent and nature of such defenses or claims); (v) the amount of the Security Deposit paid to Landlord; and (vii) any other fact or representation that a mortgagee or purchaser may reasonably request. It is intended that any such statement shall be binding upon Tenant and may be relied upon by a prospective purchaser or mortgagee. If Tenant fails to respond within ten (10) days of receipt of a written request by Landlord therefore, Tenant shall be deemed to have given a certificate as above provided without modification and shall be conclusively deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee.



19. HOLDING OVER

If Tenant retains possession of the Premises after termination or expiration of this Lease, or any extended term, then for each day or part thereof Tenant retains possession. Tenant shall pay Landlord double the amount of the daily Rent payable by Tenant hereunder during the calendar month immediately preceding such termination or expiration together with any damages sustained by Landlord as a result thereof, such tenancy shall be from month to month (and in no event from year to year or any period longer than month to month), and Landlord may terminate any such tenancy upon twenty (20) days notice to Tenant.

20. MISCELLANEOUS PROVISIONS

20.1. Headings. The titles to Sections of this Lease and the table of contents are for convenience only and shall not be considered in construing or interpreting the scope or intent of this Lease.

20.2. Words. Words of any gender used in this Lease shall be deemed to include the other gender or the neuter and words in the singular shall be deemed to include the plural and the plural to include the singular where the sense requires. The adverbs "herein", "hereof", "hereunder", "hereto", "hereby", "hereinafter", and the like, wherever they appear herein, mean and refer to this Lease in its entirety and not to any specific Section or paragraph.

20.3. Heirs and Assigns. Subject to provisions hereof restricting transfers, all of the terms contained in this Lease shall inure to the benefit of and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns. If more than one person or entity executes this Lease as Tenant, the liability of each shall be deemed to be joint and several.

20.4. Non Waiver. Failure of Landlord to insist, in any one or more instances, upon strict performance of any term of this Lease, or to exercise any option herein contained, shall not be construed as a waiver, or a relinquishment for the future, of such term or option, but the same shall continue and remain in full force and effect. The receipt by Landlord of rent with knowledge of a breach of any of the terms of this Lease by Tenant shall not be deemed a waiver of such breach. Landlord shall not be deemed to have waived any provision of this Lease unless expressed in writing and signed by Landlord.

20.5. Brokers. Tenant represents and warrants to Landlord it has not engaged any broker, finder or other person entitled to any commission or fee in respect of the negotiation, execution or delivery of this Lease. Tenant shall indemnify and



defend Landlord against any claims for any other commission arising out of agreements made or alleged to have been made by or on behalf of Tenant. The provision of this Section shall not apply to brokers with whom Landlord has a brokerage agreement.

- 20.6 Entire Agreement.** This Lease contains the entire agreement of the parties with respect to the subject matter hereof and no representations, promises or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. No provisions of this Lease may be changed, waived, discharged or terminated orally, but only by instrument in writing executed by Landlord and Tenant concurrently with or subsequent to the date of this Lease.
- 20.7 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 hereof and the remaining provision hereof shall nevertheless remain in full force and effect.
- 20.8 Force Majeure.** Time periods for Landlord's or Tenant's performance under any provisions of this Lease (except for the payment of money) shall be extended for periods of time during which the non-performing party's performance is prevented due to circumstances beyond the party's control, including, without limitation, strikes, embargoes, governmental regulations, inclement weather and other acts of God, war or other strife.
- 20.9 No Accord or Satisfaction.** Payment by Tenant or receipt by Landlord of a lesser amount than the rent and other charges stipulated herein shall be deemed to be on account of the earliest stipulated rent or other charges. No endorsement or statement on any check or any letter accompanying and payment shall be deemed an accord and satisfaction, and Landlord's acceptance of such check or payment shall be without prejudice to Landlord's right to recover the balance of the amount due or pursue any other remedy to which it is entitled.
- 20.10 Governing Law.** This Lease shall be construed and governed by the laws of the State of Washington.
- 20.11 Notices.** All notices under this Lease shall be in writing and delivered in person or sent by registered or certified mail return receipt requested to Landlord at:

Michael R. Schacht, Manager
Lake Whatcom Properties, LLC
2140 Northshore Drive
Bellingham, WA 98226



and to Tenant at the Premises, or such other single address as may hereafter be designated by either party in writing. Notices shall be deemed given when hand delivered or if mailed as aforesaid, shall be deemed given upon receipt.

20.12 Corporate Authority. If Tenant is a business entity, then each individual signing this Lease on behalf of Tenant represents and warrants that he/she is duly authorized to execute and deliver this Lease on behalf of such business entity, and that this Lease is binding on Tenant in accordance with its terms.

20.13 Costs and Attorney's Fees. In the event of litigation between the parties hereto, declaratory or otherwise, for the enforcement of any of the covenants, terms or conditions of this Lease, the non-prevailing party shall pay the costs thereof and attorneys' fees actually incurred by the prevailing party, in such suit, at trial and on appeal. In addition, if Landlord engages counsel to enforce the terms of this Lease, including without limitation, for the purpose of preparing a delinquency notice, Tenant shall be required to reimburse Landlord for all costs incurred before the subject default is considered cured. The parties covenant and agree that they intend by this Section to compensate for attorneys' fees actually incurred by the prevailing party to the particular attorneys involved at such attorneys' then normal hourly rates and that this Section shall constitute an instruction to the court that such rate or rates shall be deemed reasonable.

20.14 Recording. A Memorandum of Lease executed between the parties shall be recorded in the Auditor's Office of Skagit County, Washington.

20.15 Riders. Any Riders attached to this Lease which are initialed by Landlord and Tenant are hereby incorporated by this reference as if fully here set forth. Capitalized terms in any Rider or Exhibit have the same meaning as set forth in this Lease. Time is particularly of the essence with respect to the provisions of every Rider.

20.16 Definitions. The following terms shall have the following meanings. "Occupant" means any person, firm, corporation or association entitled to occupy or use a portion or portions of the Building under a lease or other arrangement with Landlord. "Person" means any individual, partnership, firm, association, corporation and/or any other form of business or legal entity.

20.17 Separate Counsel. The parties acknowledge that this document has been reviewed by the Landlord's attorneys, Brownlie Evans Wolf & Lee, LLP. The law firm of Brownlie Evans Wolf & Lee, LLP does not represent the Tenant. Tenant also acknowledges that Michael R. Schacht, manager of Lake Whatcom Properties, LLC (Landlord), is an attorney and does not represent Tenant. Tenant acknowledges



that it has been advised to seek separate legal advice and representation with regard to this Lease.

IN WITNESS WHEREOF, this Lease has been executed as of the day and year set forth above.

Landlord:
Lake Whatcom Properties, LLC

Michael R. Schacht
Michael R. Schacht, Manager

Tenant:
Eleanor Harbord DBA Wags & Rags

Eleanor Harbord
Eleanor Harbord



201307150133

Skagit County Auditor

7/15/2013 Page

18 of

22 10:30AM

\$93.00

Landlord's Acknowledgement

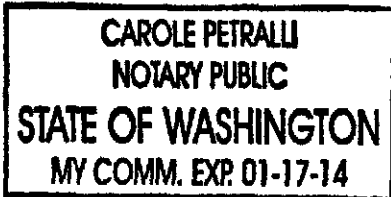
STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

I certify that I know or have satisfactory evidence that MICHAEL R. SCHACHT is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Dated June 18, 2013

Carole Petralli

NOTARY PUBLIC in and for the State of
Washington, residing at Lummi Island
Print Name: Carole Petralli
My commission expires: 01-17-14



Tenant's Acknowledgement

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

I certify that I know or have satisfactory evidence that ELEANOR HARBORD is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it to be her free and voluntary act for the uses and purposes mentioned in the instrument.

Dated 6-20-13

Dorothy Jean Barclay

NOTARY PUBLIC in and for the State of
Washington, residing at Seda Woods
Print Name: Dorothy Jean Barclay
My commission expires: 12-14-2013

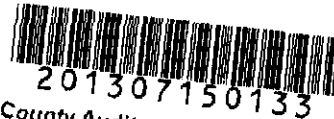
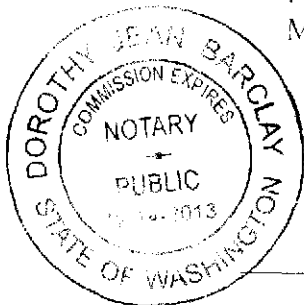


EXHIBIT A

Description: The North 2 feet of the West 1/2 of Lot 10, and, the West 1/2 of Lot 11, Block S. "MAP OF LACONNER. WHATCOM COUNTY, WAH. TERRY.. 1872". as per plat recorded in Volume 2 of Plats, page 49. records of Skagit County, Washington.

Also, that portion of the West 1/2 of Lot 10 in said Block S. described as follows:

Beginning at a point 2 feet South and 21.94 feet West of the Northeast corner of the West 1/2 of said Lot 10;
thence South 1.75 feet;
thence West 6.5 feet;
thence North 1.75 feet;
thence East 6.5 feet to the point of beginning.

Situate in the County of Skagit, State of Washington.



201307150133

EXHIBIT B

#110

T-69596
T-69597

9/11

JERRY McINTURE
SKAGIT COUNTY AUDITOR

'92 DEC -3 3:57

Return to:
SCHACHT & HICKS
Attorneys at Law
P. O. Box 1165
Mount Vernon, WA 98273

LAND TITLE COMPANY OF SKAGIT COUNTY

COMMON WALL AGREEMENT

9212030110

RECORDED BY
REQUEST OF

This agreement made and entered into by and between STUART HUTT and LAURIE HUTT, husband and wife, "HUTT", and KELLEY T. WOODS, a single woman, "WOODS",

W I T N E S S E T H :

WHEREAS, HUTT owns the property described in EXHIBIT "A" and WOODS owns the property described in EXHIBIT "B", which properties share a common wall.

IT IS THEREFORE AGREED AS FOLLOWS:

1. Each of the parties to this agreement covenant and agree to maintain their respective improvements so as not to in any way damage or threaten the structural integrity of the common wall separating the parties' respective properties.

2. Each of the parties hereby agree to indemnify the other against any damages resulting from any action taken which adversely affects and/or damages the common wall.

3. Each of the parties shall bear equally the costs of any structural repair and/or maintenance deemed necessary resulting from the acts of third parties or which are necessitated through natural deterioration, wear and tear or outside forces which endanger the structural integrity of the wall.

4. This agreement shall be binding upon the heirs, successors and assigns of each of the parties.

5. In the event the services of an attorney are incurred to

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UNRECORDED DOCUMENT

enforce any covenant, condition or term of this agreement or to procure an adjudicated or voluntary termination of any party's rights hereunder, including an action to collect any payment required hereunder, the parties agree that the nonprevailing party shall pay a reasonable sum as attorney's fees, whether or not suit is commenced, together with all court costs, costs of searching records, and costs of serving any notices required by law. Failure to pay said attorney's fee and costs incurred shall be deemed a substantial breach of this agreement.

IN WITNESS WHEREOF the parties have hereunto set their hands this 24 day of November, 1992.

Stuart Hutt
STUART HUTT

Laurie Hutt
LAURIE HUTT

Kelley T Woods
KELLEY T. WOODS

2

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