

Island Title Company  
P. O. BOX 1225  
ANACORTES, WA 98221

JERRY MCINTURFF  
SKAGIT COUNTY CLERK  
92 AUG 24 4:00

EH-11507E11. (Billing only)

9208240135

THIS LEASE IS MADE AND ENTERED INTO as of the first day of AUGUST, 1992 by and between the City of Anacortes, Washington (hereinafter referred to as "Lessor" and Vitomir Ruzich, (hereinafter referred to as "Lessee").  
AND MARIA Ruzich, husband and wife.

WITNESSETH:

FOR AND IN CONSIDERATION OF the mutual promises, covenants and conditions hereinafter set forth, the parties hereto do hereby agree as follows:

1. Leased Premises. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor those certain premises, hereinafter called "Leased Premises", the property portion of which is more particularly described as follows:

Legal Description

That portion of tracts 3 and 4 of Plate 11, Tide and Shorelands of Anacortes Harbor within Section 30, Township 35 North, Range 2 East, W.M., being more particularly described as follows:

Commencing at the intersection of T Avenue and 30th Street, as shown on the Plat of Anacortes Industrial Park Addition, as per plat filed in Volume 10 of Plats, at Pages 19, 20 and 21, records of Skagit County, Washington; thence South 89-59-40 East along the centerline of said 30th Street, a distance of 419.52 feet to the East line of the Burlington Northern Railroad; thence South 23-55-10 East, along the East line of said Burlington Northern Railroad as shown on said Anacortes Industrial Park Addition, a distance of 482.07 feet to the intersection with the Westerly projection of the South line of said Tract 3; thence South 89-56-05 East along the South line of said Tract 3, a distance of 326.19 feet; thence North a distance of 168.27 feet; thence South 89-59-40 East a distance of 314.00 feet to the TRUE POINT OF BEGINNING; thence North 6-00-12 West a distance of 50.28 feet to the Southerly right-of-way of 30th Street; thence South 89-

3934  
SKAGIT COUNTY WASHINGTON  
Real Estate Excise Tax

AUG 24 1992

Amount Paid \$  
By Skagit Co. Treasurer  
Deputy  
K

9208240135

59-40 East along said right-of-way or right-of-way extended a distance of 125.00 feet; thence South 6-00-12 East a distance of 50.28 feet; thence North 89-59-40 West a distance of 125.00 feet to the TRUE POINT OF BEGINNING.

Containing 6,250 square feet.

2. Lease Term. This lease shall be for a term commencing September 1, 1992, and ending at 11:59 P.M. on August 31, 2007 (hereinafter the Initial Term), unless earlier terminated as provided herein in Section 20 or renewed pursuant to Section 19 of this Lease.

3. Alterations and Improvements.

A. Lessee agrees that it will make no alterations or additional improvements on the Leased Premises beyond those shown on the shoreline permit incorporated into this document as Exhibit B without the prior written consent of Lessor and all alterations and improvements made by Lessee (except trade fixtures and temporary structures) shall become the property of Lessor as of the date of installation, but Lessee shall have the right to their use until termination of this lease. Lessor recognizes and the consent of Lessor is hereby given for Lessee to develop the Leased Premises in the manner necessary for the moorage, repair, and outfitting of boats and other requirements necessary to support these activities.

B. In the event Lessor consents in writing to alterations or improvements proposed by Lessee, Lessee agrees to advise Lessor in writing of the anticipated date on which such alterations or improvements are expected to commence. Lessee shall make all alterations and improvements and shall install all trade fixtures in a good and workmanlike manner and shall repair

any damage caused to the Leased premises in connection with the making of such alterations, improvements or installations.

4. Rent. Lessee shall pay to the Lessor as rent the sum of \$500 per month plus State Leasehold Tax for the first 12 months which will begin upon installation of improvements but not later than 12 months from date hereof. Thereafter this base monthly rent shall be increased or decreased for the next and successive twelve months by the U.S. department of Labor's Consumer price Index for all urban consumers for Seattle measured as the percentage change of the second half of the preceeding year from the second half of the year before the "preceeding year". If this statistic is unavailable a reasonable equivalent as determined by the lessor shall be utilized.

5. Taxes. With the exception of the State Leasehold Tax the Lessor shall pay all real estate taxes AND FEES imposed with respect to the Leased Premises, and personal property located thereon now assessed and chargeable to Lessor provided, however, Lessee shall, within thirty (30) days following receipt of written notice from Lessor, reimburse Lessor for any and all paid new taxes imposed or levied by any governmental authority subsequent to the effective date of this lease, which shall specifically not include or pertain to increases in taxes or fees existing as of the effective date of this lease. Lessee shall pay the state leasehold tax and all personal property taxes levied on personal property situated on the Leased Premises and not owned by Lessor.

6. Utilities. Lessee will pay for all utility service.

7. Operational Maintenance and Repair.

A. Lessee shall at all times throughout the lease term keep the Leased Premises and all improvements placed thereon, in good order, condition and repair except as provided in C below.

B. Except as provided in Section C below, cost of all operational maintenance or repairs, shall be borne by Lessee.

C. Lessor shall maintain the ramp and reveted slope and riprap thereon in good order, condition or repair at its sole expense.

D. Notwithstanding the above, Lessee shall not be obligated to repair or replace improvements which have been materially damaged. In the event of such damage, if insurance proceeds are not sufficient to pay for such repair or replacement or if Lessee is not permitted by applicable governmental restrictions to repair or replace the improvements, Lessee may, upon notice to Lessor, terminate this lease. In the event Lessee has defaulted in its obligations to carry the insurance required by this lease, then proceeds which would have been available in the absence of such default shall be deemed available.

8. Default. Time is of the essence hereof, and in the event that Lessee shall violate or breach or fail to keep or perform any covenant, agreement, term or condition of this Lease, or if such default or violation shall continue or shall not be remedied within forty (40) days after notice in writing thereof given by the Lessor to Lessee, specifying the nature of the

**9208240135**

default, Lessor, at its option, may cancel this Lease; provided, however, that if the nature of such default, other than for non-payment of rent, is such that the same cannot be cured within such forty (40) day period, Lessee shall not be deemed to be in default if Lessee shall within such period commence such cure and thereafter diligently prosecute the same to completion.

9. Performance of Lessor's Obligations. If the Lessor defaults in the observance or performance of any term or covenant required to be performed by them under this Lease, the Lessee, after not less than forty (40) days notice to the Lessor may, but shall not be obligated to, remedy such default, provided that the Lessee shall have the right to remedy such default without notice in the event of an emergency. All sums reasonably expended or obligations reasonably incurred by the Lessee in remedying such default shall be paid by the Lessor to the Lessee upon demand, and if the Lessor fails to reimburse the Lessee, the Lessee may, in addition to any other right or remedy that the Lessee may have, deduct such amount from subsequent monthly rental payments.

10. Liability and Indemnification.

a. Lessee shall indemnify and save Lessor harmless of and from all loss, cost, liability, damage and expense, including, but not limited to reasonable attorney's fees, penalties and fines, incurred in connection with or arising from; 1) any default by Lessee in the observance of performance of any of the terms, covenants or conditions of this lease on Lessee's part to be observed or performed, or 2) the use or occupancy or manner of use or occupancy of the premises and any improvements

9208240135

thereon by Lessee or any person claiming through or under Lessee, or 3) acts, omissions or negligence of Lessee or any person claiming through or under Lessee, or the contractors, agents, servants, employees, visitors or licensees of Lessee or any person claiming through or under Lessee, in or about the premises including the improvement thereto, or 4) any claims by any persons by reason of injury to persons or damage to property occasioned by any use, occupancy, act, omission or negligence referred to herein. This section shall not apply to any loss, injury, death, or damage by reason of the sole negligence of Lessor, its agents or employees.

b. Insurance policies procured hereunder shall be issued by financially responsible insurers duly authorized to do business in the State of Washington. The placement and storage of personal property on said premises shall be the responsibility, and at the sole risk, of the Lessee.

c. The Lessee shall maintain throughout the term of this lease, at its own cost, comprehensive general liability insurance. The insurance shall cover the lease premises, including improvements thereto in a minimum limit of \$500,000 for bodily injury and property damage and \$500,000 for marine operators liability, with an additional \$500,000 umbrella policy. No more frequently than every five years, if, in the opinion of Lessor substantiated by prevailing industry standards the limits of the comprehensive general liability insurance coverage are not adequate, Lessor may reasonably require that the amount of insurance coverage be increased. Failure to obtain additional

9208240135

insurance coverage shall be a default by the Lessee hereunder. Lessee shall pay all insurance premiums as they become due. Said policy must specifically name Lessor as an additional insured party thereunder and must stipulate that the coverage as provided by said policy not be terminated, reduced or otherwise changed in any respect without providing at least thirty (30) days prior written notice to Lessor. Notwithstanding any provision herein to the contrary, the failure of the Lessee to comply with the provisions of this section shall subject this lease to the default provisions of this Agreement.

d. The City and the Lessee hereby grant to each other on behalf of themselves and any or all insurers providing insurance to either of them covering the premises or any portion thereof, a waiver of any right of subrogation any such insurer of one party may acquire against the other by virtue of payment of any loss under such insurance.

e. The Lessee shall provide for the prompt and efficient handling of all claims for bodily injury or property damage arising out of the activities of the Lessee under this lease. Lessee agrees that, to the extent within Lessee's control, all such claims, whether processed by the Lessee or Lessee's insurer either directly or by means of an agent, will be handled by one key person.

11. Warranties and Representations. Lessor warrants and represents that:

9208240135

a. The individual executing this lease on behalf of Lessor has been properly authorized and upon such execution this lease shall constitute a binding obligation of Lessor.

b. Neither the condition of the Leased Premises nor the execution of this lease is in violation of any governmental law, rule, regulations or ordinances, or any contractual obligation of the Lessor.

c. The Leased Premises are free of encumbrances and the Lessor has the right to make this lease in accordance with the accompanying terms and conditions.

d. Lessor shall cooperate and assist Lessee fully in obtaining all appropriate permits and other approvals for Lessee's intended use.

e. The City of Anacortes does not know of any contamination at the site.

12. Quiet Enjoyment. The Lessor covenants that it has the right to make this lease for the term hereof, and if Lessee shall pay the rent and perform all the covenants, terms, conditions and agreements of this lease to be performed by Lessee, Lessee shall during the term created hereunder freely, peaceably and quietly occupy and enjoy the full possession of the Leased Premises without molestation or hindrance by Lessor or any party claiming through or under Lessor.

13. Notices. All notices and written communications required by this lease shall be sent to Lessee and Lessor at their office addresses as set forth below:

**9208240135**

201.001-0291



Tenant: Vitomir Ruzich  
3319 West 3rd  
Anacortes, WA 98221

Lessor: City of Anacortes  
P.O. Box 547  
Anacortes, WA  
Attn: Ian Munce

Except as otherwise specifically provided in this lease, any notice hereunder shall be in writing and shall be deemed delivered when served personally on the party to whom addressed, or 5 days after deposited in the U.S. Mail registered or certified, postage prepaid, addressed to such party at the address and to the attention of the party as provided in this paragraph, or when deposited with the operator for immediate telegraphic or other electronic communication addressed as set forth above, provided that such electronic communication is promptly followed by written notice addressed and mailed as aforesaid.

14. Use.

a. In addition to the leased premises, Lessor hereby grants lessee the right to utilize the adjacent boat ramp to pick-up and launch, with lessee's equipment, boats that Lessee has built or repaired or is to work upon, subject to providing the Lessor with documentary evidence of liability insurance coverage in and in compliance with all reasonable rules and regulations established by the Lessee;

b. Lessee agrees to permit Hydraulic Fishing Supply to utilize Lessee's dock located on the Leased Premises on the same terms and conditions and at the same monetary rate established for all City of Anacortes Industrial Park tenants

which are unaffiliated with Lessee or Knapp Island Boatyard, provided that said rights are available to said unaffiliated tenants.

c. Lessee agrees to maintain its entire operation to confirm and comply with applicable zoning and shoreline management regulations; in the event of any change or modification of such regulations that would prohibit, preclude or substantially impair the contemplated use of the Leased Premises by Lessee, Lessee may in its sole discretion terminate this lease effective on the effective date of such changed zoning or shoreline regulations and Lessee's obligation for rental payments shall cease and terminate effective with such date. Upon and such termination Lessor shall reimburse Lessee for value of all improvements. Lessor shall promptly notify Lessee of any change or proposed change in the zoning or shoreline regulations affecting the Lease Premises.

d. Intended use of the leasehold as shown on attached site plan, Exhibit A; the shoreline permit application will include all of the improvements to the leased premises shown on this attached site plan.

15. Clean Up. The Lessee shall keep the lease premises free from accumulation of debris, rubbish, or other waste material, and from the accumulation of general clutter resulting from the work. At the completion of the lease, the Lessee shall remove all wastes and surplus materials and all his tools and equipment, and shall leave the Leased Premises clean. Notwithstanding the above, if Lessee is required to perform any such cleanup of

[REDACTED]

materials which were present prior to the commencement of the lease term, Lessor shall reimburse Lessee for all reasonable costs upon invoice.

16. Liens. Lessee shall not suffer or permit any lien to be filed against the Leased Property or any part thereof or the Lessee's leasehold interest, by reason of work, labor, services or materials performed or supplied to Lessee or anyone holding the Leased Property or any part thereof under Lessee. If any such lien is filed against this Leased Property or against Lessee's leasehold interest, Lessee shall proceed with reasonable diligence to cause the same to be discharged of record.

17. Condemnation. In the event of the taking of all or substantially all of the Leased Premises, including the parking facilities, by condemnation, settlement agreement or other action by and federal, state or local government authority, or if a partial taking renders the said premises unsuitable for the business of Lessee, this Lease shall be deemed to be terminated as of the date of the actual taking of possession by said authority. In the event of a partial taking, or damaging of the lease premises by condemnation which does not have the effect of rendering the said premises unsuitable for the business of the Lessee, the parties shall promptly negotiate a revision of rental to reflect the diminution, if any, in the rental value of the premises caused by such partial taking or damaging. If the parties are unable to reach an agreement within sixty (60) days from the time that either party requests negotiation on this

subject, either party shall have the right to submit the matter to arbitration. In the event arbitration is requested, the Lessor and Lessee shall each nominate an arbitrator, which arbitrators shall designate a third. A decision made by a majority of said arbitrators shall be final and binding for the balance of the Lease term.

The Lessee shall be entitled to receive so much of the condemnation award, in the event the condemnation action is pursued to judgment or so much of the settlement payment, if a settlement is made with the condemning authority in any manner short of a judgment, as represents the fair value of the unexpired lease term and Lessee's fixture and equipment. The Lessor shall not accept any award for such damages unless Lessee consents thereto or until the expiration of thirty (30) days after notice to the Lessee thereof; and if Lessee elects to do so, it shall be permitted, at its own expense, to contest such award by appropriate legal proceedings in the name of the Lessor.

18. Assignment and Sublease. Lessee shall not sublet nor assign this Lease or any interest therein without the prior written consent of the Lessor, which consent shall not be unreasonably withheld. Any contemplated Assignee of the entire lease shall have at least five (5) years experience in a business comparable to that of Lessee, and shall be financially capable of assuming said role.

19. Option to Renew Lessor hereby grants to the Lessee exclusive option to renew this Lease for five Renewal Terms of five years each, subject to the following:

(a) No Material Default. Lessee shall not be in material default of any of the terms or conditions of this Lease.

(b) Notice. Lessee shall give written notice to Lessor of lessee's election to renew during the Initial Term, but in any event no later than ninety (90) days prior to the expiration of the Initial term, and no later than ninety (90) days prior to the expiration of any particular Renewal term, if applicable. If no renewal election has been received by Lessor, lessor shall provide notice of the renewal election dates to Lessee at least 45 days and not more than 180 days prior to the last day for Lessee to make such election.

(c) Rent. The annual rent for the first year of any Renewal Term shall be twelve percent (12%) of the appraised fair market value of the Leased Property without improvements plus the value of the use of the ramp, for the purpose for which Lessee is actually using it. Thereafter the rent shall be decreased as described in Section 4 above. The rent shall be payable monthly, in advance.

(d) Determination of Fair Market Value. At or about the time of Lessee's exercise of its option to renew for the applicable Renewal Term, the parties shall agree on a fair market value of the Leased Property. If the parties cannot agree on the fair market value of the Leased Property, Lessor shall choose a qualified real estate appraiser (MAI or equivalent) who shall prepare an independent appraisal ("Lessor's Appraisal"). If Lessor's Appraisal is acceptable to Lessee, it shall be used for determining the rent for the entire applicable Renewal Term. If

[REDACTED]

Lessor's Appraisal is not acceptable to Lessee, Lessee shall choose a qualified real estate appraiser (MAI or equivalent), who shall prepare an independent appraisal ("Lessee's Appraisal"). If Lessor's Appraisal and Lessee's Appraisal are within five percent (5%) of each other, then the fair market value shall be two and one-half percent (2 1/2%) above the lower appraisal. If Lessor's Appraisal and Lessee's Appraisal are not within five percent (5) of each other, then either party may accept the other party's appraisal, or the parties shall mutually agree on the selection of a third qualified appraiser (MAI or equivalent) who shall perform an independent appraisal to determine the fairmarket value of the Leased Property, which appraisal shall be final and binding on both parties. Each party shall pay the cost of its appraisal. If the third appraisal is required, each party shall pay one-half (1/2) of its cost. In any determination of the fair market value of the leased Property, whether by the parties or an appraiser, said determination shall be as of the date the option to renew is exercised, shall be applicable for the entire Renewal Term, and shall be exclusive of any personal property of or improvements by Lessee on the leased Property, it being agreed that said personal property is not to be considered in determining the fair market value.

Nothing herein shall prevent Lessee from using the Leased Property during any term while the fair market value is being determined. If the rent for any term has not been fixed at the time the Renewal Term begins, Lessee shall continue its use of the Leased Premises, and shall continue to pay rent in the amount as that last paid until the appropriate rent is fixed.

Once the rent is fixed, the appropriate additional rent or refund shall be made by the appropriate party. Upon determination of the rent for the renewal term lessee shall have ninety (90) days to notify Lessor that it is terminating this lease. In the event of any such termination, notwithstanding the above, no additional rent for any increase shall be paid. The termination will be effective ninety (90) days after Lessee's notice.

20. Waivers. The waiver by Lessee or Lessor of any breach of any term, covenant, condition or agreement herein contained shall not be deemed to be a waiver of any subsequent breach of same or of a breach of any other term, condition, agreement herein contained.

21. Headings. The headings of paragraphs and subparagraphs contained in this lease are used for convenience and ease of reference and in no way define, limit or describe the scope and/or intent of the lease or any of the terms, conditions or provisions.

22. Complete Agreement. This lease constitutes the entire agreement between Lessor and Lessee and there are no terms, conditions or provisions either oral or written between the parties hereto other than those herein contained or as attached hereto as exhibits and this lease supercedes any and all oral or written representations, inducements or understandings of any kind or nature between the parties hereto and this agreement shall be construed according to the laws of the State of Washington. Lessor agrees to record a memorandum of Lease.

23. Binding on Successors. The covenants and conditions herein contained shall apply to and be binding upon the successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, the parties have executed this lease effective the day and year first above written.

LESSOR:

CITY OF ANACORTES

By Doyle C. Geer

LESSEE:

VITOMIR RUZICH

By Vitomir Ruzich  
Vitomir Ruzich, ~~President~~

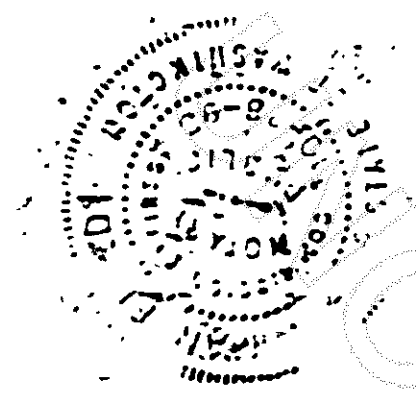
x Marie Ruzich

ATTEST:

George Khraian  
George Khraian, City Clerk Treasurer

APPROVED AS TO FORM:

Stephen E. Mansfield  
Stephen E. Mansfield, City Attorney



STATE OF WASHINGTON

COUNTY OF Skagit

I certify that I know or have satisfactory evidence that Vitomir Ruzich and Marie Ruzich are  the person who appeared before me, and said person acknowledged that they signed this instrument and acknowledged it to be their free and voluntary act for the uses and purposes mentioned in the instrument.

DATED: August 21, 1992

Mary Mansfield  
Title Notary Public in and for the State of Washington, residing at Anacortes, WA.

My appointment expires 10-28-93

9208240135

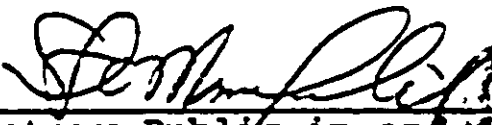


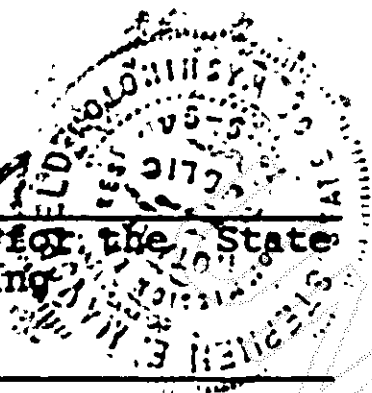
ACKNOWLEDGEMENT

STATE OF WASHINGTON )  
 )SS  
COUNTY OF SKAGIT )

On this 20<sup>th</sup> day of August, 1992, before me the undersigned, a notary public in and for the State of Washington duly commissioned and sworn, personally appeared DOYLE GEER and GEORGE KHTAIAN, respectively, of the City of Anacortes, and the individuals described in and on behalf of said City, and acknowledged that they as such officers signed the foregoing instrument as the free and voluntary act and deed of the City of Anacortes; and further stated to me that they were authorized by the City Council of the City of Anacortes to execute the foregoing instrument for and on behalf of the said City of Anacortes.

WITNESS my hand and official seal hereto affixed the day and year first above written.

  
Notary Public in and for the State  
of Washington, residing  
at Anacortes



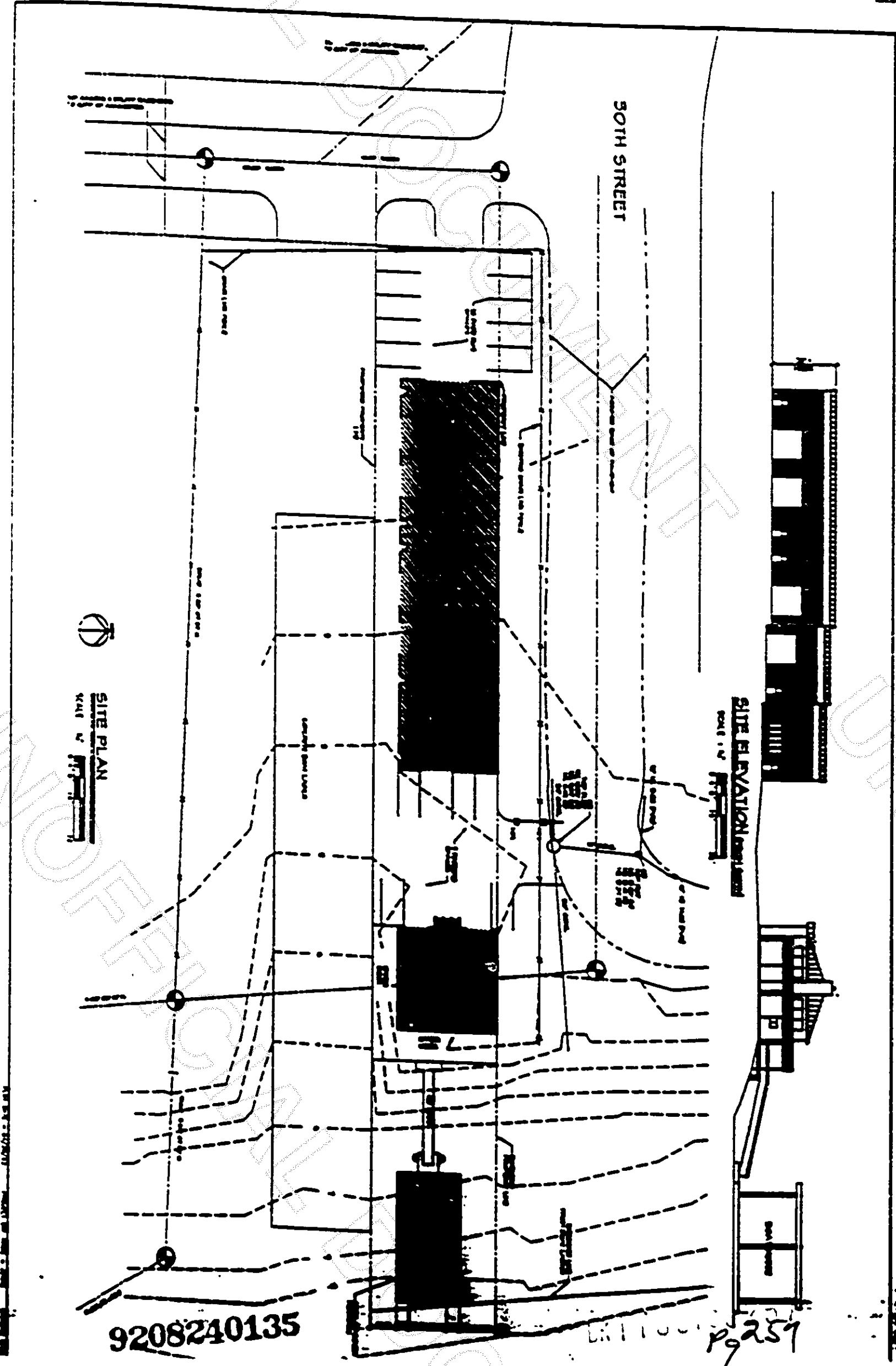
9208240135

EX1100130255

UNOFFICIAL



EXHIBIT A



UNOFFICIAL

UNOFFICIAL