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Return Address:

LAND TITLE COMPANY OF SKAGIT COUNTY

P-97549-E

Document Title(s) (or transactions contained therein):

1. Lease Agreement 3.
2. 4.

Reference Number(s) of Documents assigned or released:

on page of _____ of document

Grantor(s) (Last name, First, Middle Initial)

1. MERCHANT, HOLLIS
- 2.
- 3.
4. _____ Additional names on page _____ of document.

Grantee(s) (Last name, First, Middle Initial)

1. VANDER VEEN, JERRY
- 2.
- 3.
4. _____ Additional names on page _____ of document.

Legal description: (Lot, block, plat name, section-township-range)

SW 1/4 and SW 1/4 of SE 1/4 24-34-3

_____ Additional legal is on page _____ of document.

Assessor's Property Tax Parcel Account Number(s):

P22629, P22630
P22632, P22521, P22540

LEASE AGREEMENT WITH PURCHASE OPTION

THIS COMMERCIAL LEASE AGREEMENT WITH PURCHASE OPTION is made and entered into this 16th day of July, 2001 by and between **Mr. Hollis Neil Merchant** (hereinafter referred to as "Lessor" or "Optionor") and **Mr. Jerald Henry Vander Veen**, as his **separate property** (hereinafter referred to as "Lessee" or "Optionee").

WITNESSETH:

FOR AND IN CONSIDERATION of the rents herein reserved and in further consideration of the mutual promises, terms and conditions hereof, the parties hereby agree as follows:

1. IDENTIFICATION OF PARTIES AND ENUMERATION OF EXHIBITS.

a. Identification of Parties.

i. Lessor: **HOLLIS MERCHANT**

ADDRESS: 14395 Avon Allen Road
Mount Vernon, WA 98273

ii. Lessee: **JERRY VANDER VEEN**, as his separate property

SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax

JUL 27 2001

Amount Paid \$
By Skagit Co. Treasurer Deputy

ADDRESS: 17238 McLean Road
Mount Vernon, WA 98273

PROPERTY ADDRESS: 17238 McLean Road
Mount Vernon, WA 98273

iii. FORM OF BUSINESS ORGANIZATION (LESSEE): **Sole Proprietor**

2. DEMISE AND PREMISES.

a. **Description.** The Lessor owns that certain real property and improvements located thereon situated in the County of Skagit, State of Washington as more fully described in the legal description thereof attached hereto and made a part hereof included as part of Exhibit A (which real property and improvements are hereinafter collectively referred to as the "Property").

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b. **Demise and Premises.** Lessor hereby leases and demises unto Lessee, and Lessee hereby leases from Lessor and agrees to pay for, the Property.

3. **TERM.**

a. **Term.** The term of this Lease shall be for thirty six months (36) commencing on date of execution of this agreement (the "Commencement Date") and ending at 11:59 p.m. on the last day of the thirty sixth month following the date of execution of this agreement (the "Termination Date") unless sooner terminated pursuant to any provision hereof.

b. **Renewal.** Lessee has the option to extend this Lease for an additional thirty six (36) month term by providing Lessor a request to extend said Lease at not more than 180 nor less than 120 days prior to the termination. If Lessee exercises his first option, Lessee shall have one additional option to extend this lease for an additional term of thirty six (36) months provided that Lessee provides to Lessor a written request to extend not more than 180 nor less than 120 days prior to the termination of the first option. Upon such extension, all Lease terms will remain the same.

4. **RENT.**

a. **Rent.** Lessee covenants and agrees to pay the Lessor, as rental for said Premises for the entire term of the Lease defined in Section 3, without any offset or deduction, except as may be otherwise expressly provided in this Lease, on the twentieth day of each month, Rent, for each month after the Commencement Date in the sum of **\$2133.00** per month; *provided* that Rent for the first two (2) months of this Lease shall be \$900.00 per month. Any rent or other sum due hereunder shall be deemed delinquent if not received within five (5) calendar days of the date upon which it is due hereunder.

b. **Late Payments.** Lessee acknowledges that late payment by Lessee to Lessor of rent or other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which would be extremely difficult and impractical to ascertain. Therefore, in the event Lessee should fail to pay any installment of rent or any sum due hereunder when such amount is due, Lessee shall pay to Lessor as additional rent a late charge equal to one hundred dollars (\$100.00).

c. **Acceptance of Rent.** The acceptance by Lessor of less than the full amount of Rent, or any other sum due from or tendered by Lessee hereunder shall not be deemed an accord and satisfaction or compromise of the amount due or claimed to be due unless Lessor specifically acknowledges and consents in writing to the receipt of such lesser sum as an accord and satisfaction or compromise of the amount which the Lessor claims as due and the acceptance of any payment and the negotiation of any check by Lessor shall not be deemed an accord and satisfaction or compromise without the above-written acknowledgment and consent by Lessor.

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5. **SERVICES, UTILITIES, & TAXES.**

- a. **Utility Services.** Lessee shall pay for all utilities and required services.
- b. **Taxes.** Lessee shall pay before delinquency any and all taxes, assessments, license fees and public charges levied, assessed or imposed and which shall become payable during the term of this Lease upon Lessee's fixtures, furniture and personal property and the real property which is the subject of this lease.

6. **INSURANCE/WAIVER OF SUBROGATION.**

a. **Lessee's Liability and Property Insurance.** Lessee shall procure and maintain throughout the term of this Lease a policy or policies of insurance, at its sole costs and expense, insuring both Lessor and Lessee against all claims, demands or actions arising out of or in connection with Lessee's use or occupancy of the Property, or by the condition of the Property, the limits of such policy or policies to be in an amount not less than \$1,000,000.00 combined single limit and shall be written by insurance companies reasonable satisfactory to Lessor and Lessee. Lessee shall obtain a written obligation on the part of each insurance company to notify Lessor at least thirty (30) days prior to cancellation of or any material change in such policies. Such policies or duly executed certificates of insurance shall be promptly delivered to Lessor and renewals thereof as required shall be delivered to Lessor at least thirty (30) days prior to the expiration of the respective policy terms. Lessee shall also procure and maintain a policy of insurance that insures both Lessor and Lessee against loss or damage to the property, including the buildings and structures, at a reasonable replacement value.

b. **Waiver of Subrogation.** Neither Lessor nor Lessee shall be liable to the other (by way of subrogation or otherwise) or to any insurance company insuring the other party for any loss or damage to any building, structure or other tangible or intangible property, or any resulting loss of income, or losses under worker's compensation laws and benefits even though such loss or damage might have been occasioned by the negligence of such party, its agents or employees if any such loss or damage is covered by insurance benefiting the party suffering such loss or damage or was required to be covered by obtaining the policies of insurance required herein. Each party shall give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

7. **DAMAGE OR DESTRUCTION.**

a. **Definitions.**

- i. "Property Partial Damage" shall mean if the Property (including Buildings)

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is damaged or destroyed to the extent that the cost of repair is less than fifty percent of the then replacement cost of the Property.

ii. "Property Total Destruction" shall mean if the Property (including Buildings) is damaged or destroyed to the extent that the cost of repairs is fifty percent or more of the then replacement cost of the Property.

iii. "Building Partial Damage" shall mean if the Building(s) located on the Property are damaged or destroyed to the extent that the cost to repair is less than fifty percent of the then replacement cost of the Building(s).

iv. "Building Total Destruction" shall mean if the Building(s) located on the Property are damaged or destroyed to the extent that the cost to repair is less than fifty percent of the then replacement cost of the Building(s).

v. "Insured Loss" shall mean damage to be covered by the insurance described in Section 6. The fact that an Insured Loss has a deductible amount shall not make the loss an uninsured loss.

vi. "Replacement Cost" shall mean the amount of money (including sales tax, contractor markup, permit fees, and architectural and engineering services) necessary to be spent in order to repair or rebuild the damaged area to the condition that existed immediately prior to the damage occurring.

b. **Property Partial Damage; Building Partial Damage.**

i. Insured Loss: Upon any Insured Loss, subject to the provisions herein, which occurs at any time during the term and which constitutes either Property Partial Damage or Building Partial Damage, Lessor shall, at Lessor's expense, repair such damage to the Property or Buildings, but not Lessee's fixtures, equipment, as soon as reasonably possible and this Lease shall continue in full force and effect.

ii. Uninsured Loss: Upon any loss, subject to the provisions herein, which occurs at any time during the term of this Lease which is not an Insured Loss, and which falls within the classification of Property Partial Damage or Building Partial Damage, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), which damage prevents Lessee from using the Property, Lessor may at Lessor's option either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after the date of the occurrence of such damage of Lessor's intention to cancel and terminate this Lease as of the date of the

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occupance of such damage. In the event Lessor elects to give such notice of Lessor's intention to cancel and terminate this Lease, Lessee shall have the right within thirty (30) days after the receipt of such notice to give written notice to Lessor of Lessee's intention to repair such damage at Lessee's expense, without reimbursement from Lessor, in which event this Lease shall continue in full force and effect, and Lessee shall proceed to make such repairs as soon as reasonably possible. If Lessee does not give such notices within such 30 day period this Lease shall be cancelled and terminated as of the date of the occurrence of such damage.

Nothing herein shall be construed to modify or affect the Lessee's Option to Purchase.

c. **Property Total Destruction; Building Total Destruction.**

i. Subject to the provisions of herein, if at any time during the term of this lease there is damage, whether or not it is an Insured Loss, which constitutes either (1) Property Total Destruction, or (2) Building Total Destruction, and if the damage has not been caused by the negligent or will act of the Lessee, then either party may at its option give written notice to the other, within thirty (30) days after the date of occurrence of such damage, of such party's intention to cancel and terminate this Lease, in which case this Lease shall be cancelled and terminated as of the date of the occurrence of such damage. Any dispute as to whether damage constitutes "partial damage" or "total destruction" shall be resolved by arbitration conducted pursuant to the Expedited Commercial Arbitration Rules of the American Arbitration Association. If the Lease is not so cancelled, Lessor shall repair such a damage or destruction, but not Lessee's fixtures or equipment, as soon as reasonably possible at Lessor's expense, and this Lease shall continue in full force and effect. Nothing herein shall be construed to modify or affect the Lessee's Option to Purchase.

d. **Abatement of Rent; Lessee's Remedies.**

i. In the event Lessor repairs or restores the Property pursuant to the provisions herein, the rent payable hereunder shall be abated in proportion to the degree to which Lessee's use of the Property is impaired for a period of 90 days, unless the Lessor agrees to an extension in writing. Except for abatement of rent, if any, Lessee shall have no claim against Lessor for any damage suffered by reason of such damage, destruction, repair or restoration.

ii. Lessor acknowledges that Lessee is in the business of dairy farming which is a seven day per week, 365 day per year business. In the event of a major catastrophe, including but not limited to, flood, draught, and fire, it may be necessary to relocate cows and equipment immediately and without notice to Lessor. If Lessee deems it essential to relocate cows as a result of a major

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catastrophe, Lessor agrees to waive any notice and abate rent until the Property is again usable for dairy farming. In no event shall that period of time exceed ninety (90) days without the agreement of Lessor.

8. **ASSIGNMENT AND SUBLETTING.**

a. **No Assignment or Subletting.** Lessee shall not assign, mortgage or hypothecate this Lease, or any interest in this Lease, nor permit the use of the Property by any person other than the Lessee, nor sublet said Property or any part thereof, without the prior written approval of the Lessor, which shall not be unreasonably withheld.

b. **Written Request for Subletting/Assignment.** Should Lessee desire to sublease or assign this Lease, written request therefor shall be made to Lessor, which shall be accompanied by such information to allow the Lessor to determine the suitability of the proposed assignee.

9. **ALTERATIONS OR IMPROVEMENTS.**

a. **Minor Improvements.** Lessee is expressly authorized to make minor improvements to the Property (those improvements that cost one thousand dollars, \$1000.00, or less) without notice to Lessor.

b. **Major Improvements.** Lessee may make major improvements to the Property with the express consent of Lessor which shall be made in writing. Lessor shall have thirty (30) days from the date Lessee requests permission to make a major improvement to make a decision, provided, that a failure to respond by Lessor within thirty (30) days shall be deemed authorization to make that improvement.

c. **Costs and Relationship to Option.** All costs of improvements will be borne by Lessee, unless otherwise agreed by the parties. Lessor agrees that in the event Lessee exercises his option to purchase, the value of the improvements including increased to the value of the Property as a result of the improvements made under this section 9, shall be counted as an off-set against the purchase price. In other words, Lessee having paid for the improvements at the time they were made will not pay for the improvements or any increases of Property value as a result of improvements should he exercise his Option to Purchase. *ju*

10. **ACCESS.**

a. The Lessor shall have the right to inspect the Property at all reasonable times and shall have the right to enter the same for purposes of cleaning, repairing, altering, or improving the Property, or the Building so long as such entry does not unreasonably interfere with the conduct of Lessee's business. Notwithstanding the foregoing, Lessor

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may enter the Property without notice for the purpose of any emergency, provided Lessor shall notify Lessee as soon as it is reasonably possible after any such emergency entry.

No such entry by Lessor shall be deemed to be an actual or constructive eviction of the Lessee. The Lessee shall not install any new lock or bolt on any door without the Lessor's prior written consent.

11. **WASTE AND UNLAWFUL USE.**

- a. The Lessee will not commit or suffer any waste upon the Property.

12. **SUCCESSORS.**

- a. All the covenants, agreements, terms and conditions contained in this Lease shall apply to and be binding upon the Lessor and Lessee and their respective heirs, executors, administrators, successors, marital communities, if any, and assigns.

13. **LIENS AND ENCUMBRANCES.**

- a. **Liens.** The Lessee shall keep the Property free from any liens arising out of any work performed, materials furnished or obligations incurred by the Lessee.

- b. **Encumbrances.** It is understood and agreed that Lessee shall have no right to grant any mortgage, indenture, hypothecation, assignment, deed of trust, security agreement, financing statement or other document or instrument (hereinafter collectively and individually referred to as a "mortgage") to secure the payment of any sum or the performance of any obligation, where such mortgage includes the legal description or street address of the Property without the prior written approval of the Lessor which approval, if given, may be subject to such conditions as the Lessor may deem appropriate.

14. **COSTS AND ATTORNEY'S FEES.**

- a. If by reason of any default or breach hereunder by either of the parties, it becomes necessary to institute a lawsuit or to commence arbitration, or in the event that either party shall commence such an action to interpret or enforce the terms hereof, then the prevailing party in such lawsuit or arbitration shall be entitled to recover, as part of any such judgment or decision, all such amounts as shall be actually incurred by such prevailing party for attorneys' fees and any and all such other costs as shall be reasonably and necessarily incurred in pursuit of such lawsuit or arbitration. This provision shall also apply for the benefit of prevailing party in any appeal taken therefrom.

15. **NON-WAIVER OR BREACH.**

- a. The failure of either Lessor or Lessee to insist upon strict performance of any of

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the covenants and agreements of this Lease or to exercise any option therein conferred in any one or more instances, shall not be construed to be a waiver or relinquishment of any such or of any other covenant or agreement, but the same shall be and remain in full force and effect.

16. **HOLDOVER.**

a. **Holdover as Month-to-Month Tenancy.** If Lessee shall, without the written consent of the Lessor, hold over after the expiration of the term of this Lease, such tenancy shall be for an indefinite period of time on a month-to-month tenancy, which tenancy may be terminated as then provided by the laws of the state of Washington.

b. **Rent and Terms.** During such tenancy, the Lessee agrees to pay to Lessor a monthly rent equal to one and one-half (1 1/2) times the monthly installment of Rent applicable for the month in which the term hereof expired or was terminated (together with any and all other payments called for above), and to be bound by all the terms, covenants, and conditions as herein specified, except as modified in this Section, so far as applicable.

17. **CONDEMNATION.**

a. **Right to Terminate.** A condemnation of the entire Property shall result in a termination of this Lease agreement.

b. **Award.** If part or all of the Property shall be taken or condemned, all compensation awarded upon such condemnation or taking shall go to the Lessor and Lessee shall have no claim thereto, and the Lessee hereby irrevocably assigns and transfers to the Lessor any right to compensation or damage to which the Lessor may be entitled during the term hereof by reason of the condemnation of all, or a part of the Property; provided, that Lessor shall promptly notify Lessee in writing of the pendency of any condemnation proceedings affecting the Property, and the Lessee shall have the right to receive any award for moving or relocation costs or other awards granted specifically to it.

18. **NOTICES.**

a. **General.** All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments, or designations desired or required to be given under this Lease by either party to the other shall be in writing and shall be sufficiently given if served upon the party to receive the same or if sent by certified mail, return receipt requested, postage prepaid, and addressed to the party to receive the same at the address listed in Section 1 of this Lease, or to such other address as each respective party may designate from time to time by notice to the other.

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b. **Additional Notices.** The Lessee agrees to provide copies of any notices given Lessor to such other persons or entities as Lessor may require from time to time.

19. **SUBORDINATION.**

a. **Subordination.** This Lease, at Lessor's option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation for security now or hereafter placed upon the real property or Building of which the Premises are a part and to any and all advances made on the security thereof and to all renewals, modifications, amendments, consolidations, replacements and extensions thereof. As long as Lessee performs its obligations under this lease, no foreclosure nor deed in lieu of foreclosure, nor sale pursuant to the encumbrance, nor any steps taken to enforce the encumbrance, shall disturb Lessee's right to possession of the Premises or quiet enjoyment thereof.

b. **Delivery of Documents.** Lessee agrees to execute any documents required to effectuate such subordination or to make this Lease subordinate to the lien of any ground lease, mortgage, deed of trust, or other security document, as the case may be, and failing to do so within thirty (30) days after written demand shall give the Lessor the right to terminate this Lease for default. Lessor agrees to pay for the costs of preparing, duplicating and or delivering the documents.

20. **ATTORNMEN**

a. In the event of any voluntary transfer of Lessor's interest in the Building or Premises whatsoever or upon any foreclosure or the exercise of the power of sale under any mortgage or deed of trust made by the Lessor covering the Premises, or in the event of any sale in lieu thereof, the Lessee shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease, provided said purchaser expressly agrees in writing that, so long as Lessee is not in default under the Lease, the Lessee's possession and occupancy of the Premises shall not be disturbed and said purchaser will thereafter perform all of the obligations of the Landlord under this Lease.

21. **BREACH BY LESSEE.**

a. **Default.** The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Lessee.

i. **Vacating the Property.** The vacating or abandonment of the Property by Lessee.

ii. **Failure to Pay Rent.** The failure by Lessee to make any payment of Rent or any other payment required to be made by Lessee under, as and when due,

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where such failure shall continue for a period of three (3) days after written notice thereof by Lessor to Lessee. The parties agree that in the event such a notice is given pursuant to this subsection, it shall be deemed the equivalent of the notice required by applicable unlawful detainer statutes, for all purposes.

iii. **Failure to Perform.** The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by the Lessee, other than described in Section 22 a. ii. above, where such failure shall continue for a period of ten (10) days after written notice thereof by Lessor to Lessee; provided, however, that if the nature of Lessee's default is such that more than ten (10) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commences such cure within said ten (10) day period and thereafter diligently prosecutes such cure to completion. The parties agree that in the event that a ten (10) day notice to cure is given pursuant to this subsection, it shall be deemed the equivalent of the notice required by RCW 59.12.030(4) now or as hereafter amended, for all purposes.

iv. **Misrepresentation.** The discovery by Lessor that any financial statement given to Lessor by Lessee, any assignee of Lessee, any subtenant of Lessee, any successor in interest of Lessee or any guarantor of Lessee's obligation hereunder, was materially false.

b. **Remedies.** In the event of a default, Lessor, besides other rights or remedies that it may have, shall have the right to either terminate this Lease and, at Lessor's option, accelerate the unpaid balance of Rent owing under this Lease at such time, or from time to time, without terminating this Lease, relet the Property or any part thereof for the account and in the name of Lessee or otherwise, for any such term or terms and conditions as Lessor in its sole discretion may deem advisable with the right to make alterations and repairs to the Property.

c. **Other Remedies.** The Lessor shall have the right, in addition to the remedies set forth above, to pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the State of Washington.

22. **DEFAULT BY LESSOR.**

a. Lessor shall not be in default unless Lessor fails to commence performance of obligations required of Lessor within a reasonable time, but in no event later than ten (10) days after written notice by Lessee to Lessor and to the holder of any mortgage or deed of trust covering the Property whose name and address shall have theretofore been furnished to Lessee in writing. Said notice shall specify wherein Lessor has failed to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than ten (10) days are required for performance, then Lessor shall not be

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in default if Lessor commences performance within such ten (10) day period and thereafter diligently prosecutes the same to completion. Lessee further agrees not to invoke any of its remedies under this Lease until said ten (10) days have elapsed.

23. **LESSOR'S ADDITIONAL COVENANTS.**

a. **Quiet Enjoyment.** Lessee shall have quiet possession and enjoyment of the Property during the term hereof and any extension or renewal thereof.

24. **OPTION AGREEMENT.**

In consideration of the mutual agreements and promises set forth herein and in addition to the monthly lease payments, the sum of One Hundred (\$100.00) dollars per month shall be paid by Jerald Henry Vander Veen (the "Optionee"), the receipt the first payment of \$100.00 of which is hereby acknowledged, Hollis Neil Merchant (the "Optionor") hereby grants to the Optionee the exclusive right for the period of time that runs concurrently with the term of this Lease, including any extensions or renewals thereof, to purchase the following real property commonly known as 17238 McLean Road, Skagit County, Washington and legally described as:

The West ½ of the SW ¼ and the South 16 rods of the SE ¼ of the SW ¼ and the South 16 rods of that portion of the SW ¼ of the SE ¼ lying West of the Penn County Road. All in Section 24, Township 34 N, Range 3 EWM.

for the cash price determined pursuant to the following paragraph and in addition to the One Hundred (\$100.00) Dollars per month given for this option.


The purchase price shall be by agreement of the parties, or, if in the exercise of good faith they cannot agree, shall be determined through appraisal by a licensed appraiser.

The appraiser shall be selected by the agreement of the parties; the property appraisal shall be based upon the fair market value for use as a commercial dairy farm. In the event the parties cannot agree to an appraiser, the Presiding Judge of Skagit County Superior Court shall select the appraiser.

If the Optionee elects to exercise this option and purchase the property described above, he shall signify and declare his election by written notice mailed by regular mail or delivered to the Optionor at 14395 Avon Allen Road, Mount Vernon, WA 98273, provided that the notice must be received by the Optionor within the term of this Lease, including any extensions or renewal periods. The sale of the property pursuant to this option shall close no later than six (6) months after the exercise of the option.

If the Optionee chooses to exercise this option the Optionor agree to convey the above described real property free and clear of all taxes, liens, encumbrances

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and charges to the date of the closing of the sale of the property, except that it is agreed that all taxes and special assessments accruing for the calendar year in which the date of closing of the purchase under this option shall fall shall be prorated as follows: the Optionor (Sellers) shall be liable for the same proportion of such taxes as the part of the calendar year prior to the date of closing bears to the whole of such calendar year and the Optionee (Purchasers) shall be liable for the remainder of such taxes and all subsequent taxes. Optionor promises to give marketable title to the real property and to convey the same by a Statutory Warranty Deed.


Optionor further agrees to give Optionee the first right of refusal on any offers to purchase the Property. Optionee shall respond to each bona fide offer presented to Optionor within ten (10) days of notification. Said first right of refusal is in addition to the Option to Purchase, and runs for the same period of time as the Option. This provision applies to the sale of any developments rights, and portions of the Property as well as the sale of the entire Property.

This provision shall be binding upon the undersigned parties, their heirs, executors, administrators, assigns and successors in interest and shall survive other provisions of this Lease. Optionor agrees herein to be subject to enforcement through specific performance of this provision.

25. **MISCELLANEOUS.**

- a. **Headings.** The Section and paragraph headings hereof are for convenience purposes only and shall not be used to expand or interpret the meaning of any part of this Lease.
- b. **Time.** Time is of the essence hereof.
- c. **Severability.** If any portion of this Lease shall be deemed void, illegal or unenforceable, the balance of this Lease shall not be affected thereby.
- d. **Law.** This Lease shall be interpreted under the laws of the State of Washington.
- e. **Acceptance of Keys.** The acceptance of keys to the **Property** by the Lessor, its agents, employees, contractors or any other person on Lessor's behalf shall not be deemed or constitute a termination of this Lease unless such termination is evidenced in writing signed by the Lessor.
- f. **Recordation.** This Lease with Option to Purchase shall be recorded.
- g. **Entire Agreement.** This Lease contains the entire agreement between the parties, and no agreement shall be effective to change, modify or terminate this Lease in whole or

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in part unless such is in writing and duly signed by the party whom enforcement of such change, modification or termination is sought. Lessor and Lessee hereby acknowledge that they are not relying on any representation or promise of the other, except as may be expressly set forth in this Lease.

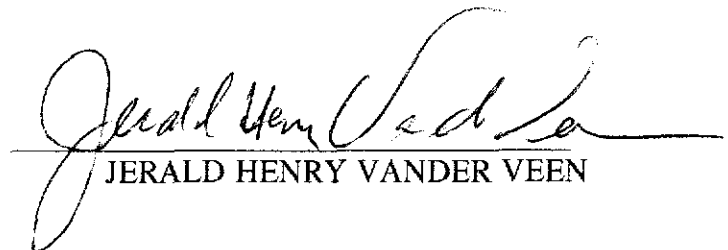
h. **Prior Leases and Agreements.** All prior leases and agreements between Lessor and Lessee relating to any property subject to this Lease are hereby revoked in their entirety.

IN WITNESS WHEREOF, the Lessor/Optionor and Lessee/Optionee have signed their names and affixed their seals the day and year first above written.

LESSOR/OPTIONOR:

LESSEE/OPTIONEE:

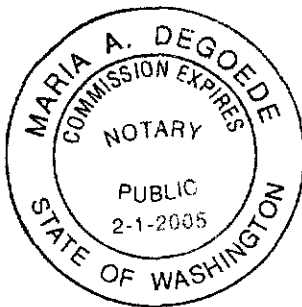

HOLLIS NEIL MERCHANT

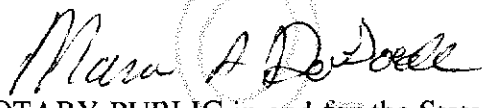

JERALD HENRY VANDER VEEN

STATE OF WASHINGTON)
) ss
County of Skagit)

On this day personally appeared before me HOLLIS NEIL MERCHANT, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 1st day of June, 2001.




NOTARY PUBLIC in and for the State of Washington
Residing at: Bove, WA
My Commission Expires: 2-1-05



200107270149
Skagit County Auditor

LEASE WITH OPTION
TO PURCHASE

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Lessee's Initials

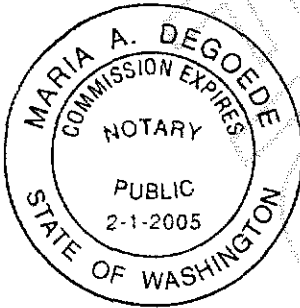
Lessor's Initials




STATE OF WASHINGTON)
) ss
County of Skagit)

On this day personally appeared before me JERALD HENRY VANDER VEEN, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 7th day of June, 2001.



Maria A. DeGoede
NOTARY PUBLIC in and for the State of Washington
Residing at: Brow, WA
My Commission Expires: 2-1-05



200107270149
Skagit County Auditor

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Lessee's Initials JW

Lessor's Initials HJM