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## RENTAL AGREEMENT

This Rental Agreement by and between STEVE LATHAM, a single man, hereinafter called "Landlord," and LOIS SLOTEMAKER, a married woman as sole proprietor, hereinafter called "Tenant."

WITNESS, that Landlord shall lease to Tenant a portion of the following described real property located in Skagit County, Washington, commonly known as 719 Commercial Avenue, Anacortes, Washington, more fully described as follows:

*PORTION OF A*  
Legal: Lots 11, 12 & 13, Block 21, City of Anacortes

*TAX ID No P 54988*

This lease will be recorded.

1. **Term of Lease and Rental Payments.** The term of lease shall be for a period of six (6) years commencing on the **May 15, 2005** and terminating at 12 o'clock midnight on the **15th day of May 2011**, with an option for a second three (3) year lease.

The Tenant shall pay monthly rental in the amount of **\$1,550.00** which is approximately .65 cents per square foot, per month, payable in advance, on the fifteenth (15) day of the month (the rental payment for the period one (1) month in the amount of **\$1,550.00** has been received by landlord). After a period of three (3) years tenant shall pay any increase to real property tax in proportion to interest in the building occupied. A floor plan of the building space is attached as "A".

2. **Inspection.** Tenant acknowledges that they have had a reasonable and full opportunity to inspect the premises and/or equipment hereby demised and are satisfied with the same in its present condition.

3. **Assignment.** Tenant agrees not to sublet the premises and/or equipment or assign this agreement or any part thereof without the written consent of Landlord which shall not be unreasonably withheld. Landlord reserves the right to examine credit report, Financial Statement of

Tenant and Business Purchaser, business plan and assignee personal business history.

#### 4. Insurance.

1(a). All personal property on said leased premises shall be at the risk of Lessee. Lessor, or Lessor's agent shall not be liable for theft, or any damage, either to person or property, sustained by Lessee or others, caused by any defects now in said premises, or the building in which the premises are located, or any service facilities, or hereafter occurring therein, or due to the building in which the leased premises are situate, or any part or appurtenance thereof, becoming out of repair, or caused by fire or by the bursting or leaking of water, gas, sewer or steam pipes, or from any act or neglect of other occupants of said building, or any other persons, or due to the happening of any accident from whosoever cause in and about said building. Tenant acknowledges that it is responsible for such fixtures and personal property that Tenant may place upon the premises and it shall be Tenant's sole responsibility to insure and/or replace the same.

1(b). Lessee agrees to defend and hold Lessor and Lessor's agent harmless from any and all claims for damages suffered or alleged to be suffered in or about the leased premises by any person, firm or corporation and from any expenses incurred by Lessor in respect to any such claim, except as occasioned by the neglect of Lessor, or Lessor's agent or employees. Tenant further agrees to carry premises and casualty liability insurance which names Landlord as an additional insured in an amount not less than \$1 Million to insure against any claims that arise from Tenant's use and/or occupation of the subject property. Tenant shall annually provide to landlord a certificate of insurance.

5. **Hold Harmless.** Tenant agrees to indemnify and save harmless the Landlord from claims, loss and damage (including costs and attorney's fees) arising from or occasioned by the installation, operation, use, or presence of the leased property and/or Tenant's property, or any act or default of the Tenant, his agents or servants, or invitee.

#### 6. Maintenance and Repairs.

a. During the term of this agreement, the Tenant agrees to keep and maintain the property herein leased in good condition and repair, and the Tenant agrees to pay all costs of repairs required to the leased premises occasioned by damage to the same resulting from any cause other than defective construction or insured damage by the elements or fire.

b. The Tenant shall be responsible for the maintenance, replacement, painting, and upkeep of the building interior and any and all fixtures therein. Tenant shall be required to keep free, open and unfrozen all piping and plumbing in the leased premises to immediately repair all leaks occurring in the same, and to repair any and all damage caused by such leaks or by failure of the Tenant to comply with this provision. Tenant shall be responsible for keeping and maintaining the lavatories in good repair and in a clean and sanitary condition.

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c. Landlord shall maintain all common areas.

7. **Utilities.** Tenant shall pay for the heat, light and telephone service supplied to the premises.

8. **Alterations.** Tenant agrees not to make alterations, painting, or significant changes to said premises without the written consent of Landlord.

9. **Conformity.** Tenant shall conform to all reasonable rules and regulations with regard to the use, occupation, and maintenance of the premises.

10. **Access.** Landlord shall have access to the premises at all reasonable times and as provided by law. Landlord shall have the right to place and maintain "For Rent" signs in a conspicuous place on said premises for 60 days prior to the termination of this rental agreement.

11. **Default.** If by reason of any default on the part of the Tenant in the performance of any of the provisions of this agreement it becomes necessary for the Landlord to employ any attorney, the Tenant agrees to pay costs, expenses, and a reasonable attorney's fee as expended or incurred by the landlord in connection therewith to the maximum extent provided or allowed by law.

12. **Reentry.** In the event of any entry in or taking possession of the demised premises for default of the Tenant or upon the surrender of possession by Tenant for any reason, the Landlord shall have the right after Tenant surrenders possession, but not the obligation, to remove from the premises all personal property then found therein and place the same in storage at a public warehouse at the expense and risk of the Tenant and otherwise to deal with the said property according to law.

13. **Termination.**

A. In the event of any failure by Tenant to pay rent or other charges promptly when due or comply with any other term or condition hereof, the Landlord may at his option after 10 days written notice, terminate this tenancy or take such other action as is provided by law.

B. Tenant can terminate this lease prior to completion of the six (6) year term with 90 days written notice. Upon early termination Tenant will leave all improvements for landlord without further compensation..

14. **Invalidity.** If any provision contained herein shall be held to be invalid, such holding shall not affect the validity of the remaining portions of this rental agreement.

15. **Miscellaneous.** This agreement has been made and shall be construed by the laws of the State of Washington and in the event any action is brought to enforce any of the terms of this agreement, the venue of said action shall be in Skagit County, Washington, The provisions of this agreement shall inure to and be binding upon the parties hereto, their heirs, executors, administrators,

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successors, and assigns of the parties. This agreement supersedes all of the agreements and understandings of the parties and shall not be modified or amended except in writing and signed by all of the parties. Unless some other meaning and intent is apparent from the context, the plural form of any word shall include the singular and vice versa and masculine, feminine, and neuter words shall be used interchangeably.

**16. Trade Fixtures.** Trade fixtures placed on the demised premises by Tenant shall remain the property of Tenant and Tenant shall have the right to remove the same at the end of the term hereof, provided that Tenant shall repair any damage caused by such removal and provided further, that any such trade fixtures or other property of Tenant remaining on the premises more than 15 days after the end of the term shall be conclusively presumed to be abandoned.

**17. Usage.** The demised premises shall be used by the Tenant for the purposes of operating a retail store and related activities and for no other purpose whatsoever without the written permission of Landlord, which permission will not be unreasonably withheld. Tenant covenants and agrees that the demised premises shall not be used by Tenant or leased or sublet for any trade, business, vocation or occupation whatsoever which may be unlawful or which is otherwise prohibited herein.

**18. Signage.** No billboard, signs separate from or above roof level of buildings, or similar advertising structures shall be constructed or permitted on the demised premises or any part of the exterior thereof without the written consent of Landlord except for reasonable Tenant identification signs. All signs or billboards shall be in conformity with the City or County Sign Ordinance.

**19. Option to Renew.** Landlord grants unto Tenant the First and exclusive right to renew this agreement and all provisions herein contained for an additional five year period upon the following conditions:

A. Tenant shall give written notice to Landlord of their intent to renew this option at least 120 prior to the termination of this lease agreement.

B. That Tenant is not in default in any of the terms and conditions of this lease agreement.

C. In the event Tenant exercises the option and is in full compliance in the lease as above stated, they shall have the option for an additional three-year term based upon the same terms and conditions with the proviso that the base year for rental increases shall be based upon the rental charged for the first year of the initial rental term.

SKAGIT COUNTY WASHINGTON  
REAL ESTATE EXCISE TAX

APR 22 2005

Amount Paid \$  
By Skagit Co. Treasurer Deputy



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IN WITNESS WHEREOF, the parties hereto have executed this rental agreement.

DATED: 4-15-05

Steve M. Latham  
Landlord, STEVE LATHAM

DATED: 4-14-05

Lois Slotemaker  
Tenant, LOIS SLOTEMAKER

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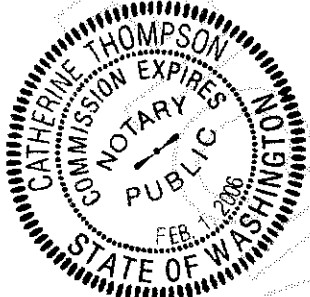
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STATE OF WASHINGTON )  
 ) :SS  
COUNTY OF SKAGIT )

On this day personally appeared before me STEVE LATHAM, 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 the free and voluntary act and deed for said individuals, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 15 day of April, 2005.

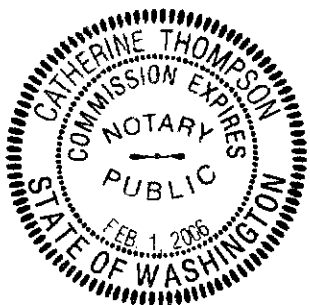


Catherine Thompson  
NOTARY PUBLIC in and for the State of  
Washington, residing at Anacortes  
My commission expires: 2-1-06

STATE OF WASHINGTON )  
 ) :SS  
COUNTY OF SKAGIT )

On this day personally appeared before me LOIS SLOTEMAKER, to me known to be the individuals described in and who executed the within and foregoing instrument, and acknowledged that she signed the same as her free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 14 day of April, 2005.



Catherine Thompson  
NOTARY PUBLIC in and for the State of  
Washington, residing at Anacortes  
My commission expires: 2-1-06



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