LEASE

Between

COVINGTON RETAIL ASSOCIATES LLC,

Landlord,

and

CITY OF COVINGTON,

Tenant
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LEASE

THIS LEASE ("Lease"), dated for reference purposes only the ___ day of __________, 2002, is made by and between COVINGTON RETAIL ASSOCIATES LLC, a Washington limited liability company ("Landlord"), and CITY OF COVINGTON, a municipal corporation, ("Tenant"). In consideration of Tenant’s agreement to pay the rent and perform the covenants and agreements of this Lease, Landlord hereby leases to Tenant and Tenant hereby leases and accepts from Landlord the Premises described herein upon the following terms and conditions:

1. LEASE DATA AND DEFINITIONS

1.1 Lease Data

For ease of reference, this Section sets forth certain data contained in the Lease. If any conflict with the terms of the Lease, the Lease terms shall control.

Location: Covington Place Shopping Center, Covington, Washington

Landlord: Covington Retail Associates LLC

Address of Landlord:

c/o Ashton Capital Corporation
16400 Southcenter Parkway, Suite 502
Seattle, WA 98188

with a copy to:

Larry R. Schreiter
Attorney at Law
1851 Central Place South, Suite 217
Kent, WA 98031

Tenant: City of Covington

Address of Tenant: c/o City Manager
(pre-Lease) 17210 SE 272nd Street
Covington, WA 98042

Shopping Center Address: (during Lease term)

- 1 -
Lease Term: 15 years with early termination provision per Section 19.3 below.

Commencement Date: See Section 1.2.6 below.

Extension Options: Two 5-year extensions with rental rate negotiated at time of extension

Initial Monthly Base Rent: $19,600.00

Permitted Use: Municipal purposes, including but not limited to, community center offices, activities and events, and such other professional or business offices consistent with the Downtown Commercial Zone.

Security Deposit: Waived

1.2 Definitions

Certain capitalized terms used in this Lease are defined in those Sections in which the terms are first used. For convenience certain other capitalized terms are defined in this Section 1 as follows:

1.2.1 “Additional Rent” means all sums payable by Tenant under this Lease, except Base Rent.

1.2.2 “Building” means the building labeled “E” on Exhibit B, in which the Premises are located.

1.2.3 “Building Envelopes” means areas of Covington Place Shopping Center designated on the Site Plan within which building improvements may be constructed. Building Envelopes are, or may be, improved for retail and related commercial uses conforming to applicable zoning codes.
1.2.4 “Common Areas” means those areas of Covington Place Shopping Center outside Building Envelopes, as shown on the Site Plan, Exhibit B, or any approved modification thereto, devoted to access, ingress, egress, parking, shopping center signs, sidewalks and landscaping.

1.2.5 “Commencement Date” means Ten (10) days after the “Delivery Date” as defined in Section 2.2.2 which is the date of issuance of certificate of occupancy of building.

1.2.6 “Construction Exhibit” means the document attached as Exhibit C.

1.2.7 “Effective Date” means that date this Lease is last executed and acknowledged on behalf of Landlord or Tenant as set forth below.

1.2.8 “Floor Area” means the floor area of any building determined by measuring from the outside of each outside wall to the outside of the opposite outside wall measured as outside dimensions on the ground floors, except in the case of common walls which shall be measured from the center of such common walls. Any floor area used for sale or display of merchandise or for office purposes shall be included in the calculation of the Floor Area.

1.2.9 “Interest” means the lesser of (i) the highest rate of interest allowed by Washington state law or (ii) twelve percent (12%) per annum.

1.2.10 “Landlord’s Work” means the work to be performed by Landlord, as described in Section 2.2.1.

1.2.11 “Leasable Area” means the aggregate number of square feet of the Floor Areas of all buildings, including the Building, available for exclusive use and occupancy by Occupants of Covington Place Shopping Center, as shown on the Site Plan, whether or not any building is or hereafter constructed within any Building Envelope on the date that any particular computation of “Leasable Area” is made by Landlord pursuant to this Lease.

1.2.12 “Lease” shall refer to this agreement.

1.2.13 “Lease Year” means a period of twelve (12) consecutive calendar months beginning on the first day of the first month following the Commencement Date (or if said date is the first day of the month, on that date) and ending at midnight on the day next preceding the first anniversary of said date and each subsequent twelve (12) month period thereafter during the Term (including during any Extended Term). Any portion of the Term occurring at the beginning or end of the Term which is less than a full Lease Year shall be a “Partial Lease Year.”

1.2.14 “Mortgage” means and includes a mortgage, deed of trust, or security agreement; and “Mortgagee” means the mortgagee, the beneficiary of a deed of trust, or secured party, as appropriate.

1.2.15 “Occupant” means any tenant or other person entitled to occupy a portion of Covington Place Shopping Center under a lease or other agreement with Landlord.
1.2.16 “Person” and “Persons” wherever used in this Lease shall include individuals, partnerships, firms, associations, corporations, limited liability companies, or any other similar form of business entity.

1.2.17 “Premises” means the space (containing approximately 15,423 square feet of Floor Area) located on the first floor within the Building generally as shown on Exhibit B, which Tenant leases hereunder.

1.2.18 “Rent” means Base Rent, Percentage Rent (if any), and Additional Rent.

1.2.19 “Shopping Center” means the Covington Place Shopping Center legally described on Exhibit A and shown on the Site Plan attached as Exhibit B.

1.2.20 “Tenant’s Pro Rata Share” means the percentage or proportionate share of the whole for which Tenant is responsible based upon the relationship that the total Floor Area of Tenant’s Premises as shown on the Site Plan bears to the total Leasable Area of Covington Place Shopping Center. Tenant’s Shopping Center Pro Rata Share (based upon the anticipated Floor Area of Tenant’s Premises (15,423 square feet) compared to the total Leasable Area as shown on the Site Plan, which for purposes of this calculation shall be presumed to be 65,926 square feet) will be 23.39%; and Tenant’s Building E Pro Rata Share (based upon the anticipated Floor Area of Tenant’s Premises (15,423 square feet) compared to the total Leasable Area in Building E as shown on the Site Plan, which for purposes of this calculation shall be presumed to be 30,580 square feet) will be 50.43%.

1.2.21 “Tenant’s Work” means the work to be performed by Tenant as described in Section 2.2.3.

1.2.22 “Term” means the term of this Lease set forth in Section 2.1.

1.3 Exhibits

The Exhibits designated in this Section and attached to this Lease are incorporated herein by this reference and shall be construed as a part of this Lease.
2. TERM, CONSTRUCTION, AND POSSESSION

2.1 Term

The initial Term of this Lease shall commence on the Commencement Date, currently estimated to be approximately October 1, 2002, and shall continue thereafter for a period of fifteen (15) Lease Years, unless sooner terminated or extended as hereinafter provided.

2.2 Construction

2.2.1 Landlord’s Work. Within one hundred fifty (150) days after the Effective Date of this Lease, Landlord, at its sole cost and expense, shall commence construction of the improvements to the Premises for which Landlord is responsible ("Landlord’s Construction Period") and deliver the Premises to Tenant in a shell condition as provided in attached Exhibit C ("Landlord’s Work") in accordance with all applicable zoning and other regulations.

2.2.2 Notification of Substantial Completion. Landlord shall notify Tenant of the expected date of substantial completion of Landlord’s Work at least sixty (60) days before the completion date. During Landlord’s Construction Period, Tenant shall have the right to enter the Premises for the purpose of planning and construction of Tenant’s Work (as defined in Section 2.2.3 below), so long as such entry, planning, and construction does not unreasonably interfere with Landlord’s, or its contractor’s, construction activities and provided that such entry shall require the consent of Landlord. During Landlord’s Construction Period, Landlord and Landlord’s contractor shall reasonably cooperate with Tenant to schedule and coordinate the performance of Tenant’s Work. In the event Tenant performs any of Landlord’s Work, with Landlord’s prior knowledge and written consent, Tenant shall receive an allowance or credit from Landlord equal to the value of Landlord’s Work so performed. Landlord shall notify Tenant of the date of substantial completion of Landlord’s Work and the date of issuance of the certificate of occupancy (the “Delivery Date”), and Tenant shall take possession of the Premises on or after the Delivery Date, which is estimated to be October 1, 2002. From and after the Delivery Date, all of the terms and provisions of this Lease shall be in full force and effect, except that Tenant shall be entitled to a six (6) month Base Rent-free, Common Area Charges-free and Additional Rent-free period following the Commencement Date. All other Rent obligations shall commence on the Commencement Date.
In the event Landlord is unable to deliver possession of the Premises, or any portion thereof, on or within 120 days of the estimated Commencement Date of this Lease, this Lease will terminate at Tenant’s option by written notice given Landlord within fourteen (14) days of such date. Landlord shall not be liable for any damage caused thereby, nor shall the Term of this Lease be extended, nor shall this Lease thereby become voidable. If Landlord delivers possession of the Premises to Tenant, and Tenant accepts the Premises and opens for business prior to the estimated Commencement Date of this Lease, both Landlord and Tenant agree to be bound by all the provisions of this Lease during such prior period, including Tenant’s obligation to pay Rent.

2.2.3 Tenant’s Work. Subject to mutual approval by Tenant and Landlord of final plans and specifications for Tenant’s Work and the issuance of all necessary permits, Landlord shall, at its sole cost and expense, promptly commence construction of Tenant’s improvements and the installation of Tenant’s equipment and fixtures in the Premises (“Tenant’s Work”). All Tenant’s Work in excess of the Tenant Improvement Allowance, including installation of fixtures in the Premises, shall be performed at Tenant’s sole cost and expense (subject to the Tenant Improvement Allowance, if any, described in the Addendum) in a first-class, workmanlike manner, and in accordance with attached Exhibit C and all applicable codes and regulations.

2.2.4 Reserved to Landlord. Landlord reserves the use of the exterior walls (other than store fronts), demising walls, and the roof of the Building, and the right to install, maintain, use, repair, and replace pipes, ducts, conduits, and wires serving other parts of Covington Place Shopping Center leading through the Building and/or the Premises in locations which will not materially interfere with Tenant’s use thereof. Further, Landlord has the right to use the land below and the area above the Building and/or the Premises in any manner which does not materially interfere with Tenant’s use of the Premises.

2.3 Acceptance of Premises

Within one hundred twenty (120) days after Landlord has notified Tenant of the Delivery Date (whether or not Tenant is then in possession of the Premises), Tenant may deliver to Landlord a list of items which Tenant contends are the responsibility of Landlord to complete or correct in order for the Premises to be acceptable to Tenant. Landlord shall promptly commence completion or correction of items for which Landlord is responsible, except for those which Landlord determines are not justified. If Tenant fails to deliver such a list to Landlord within the 120-day period, Tenant shall be deemed to have accepted the Premises “as is” and to have approved Landlord’s Work. Tenant agrees to accept physical possession of the Premises subject to all matters of record and to applicable zoning and other laws, ordinances, and regulations governing the use of the Premises. Tenant acknowledges that neither Landlord nor Landlord’s agent, if any, has made any representation or warranty to Tenant or its representatives as to such matters of record, or as to such laws, ordinances, zoning or other regulations, or as to the condition of the Premises or the suitability of the Premises for the conduct of Tenant’s business.
2.4 Extension Options

On the condition that Tenant has not been in default under this Lease during the Term or any previous Extended Term (as defined below), or having been in default that Tenant has cured to the satisfaction of Landlord, Landlord grants to Tenant options to extend the Term of this Lease for two (2) additional period(s) of five (5) year(s) each (each an “Extended Term”). Each extension of the Term will commence on the day following expiration of the prior Term or the immediately preceding Extended Term. Except as otherwise expressly provided herein, all the provisions of this Lease will remain in effect during the Extended Term(s), except that the Base Rent shall be as set forth in Section 3.1 below. Except as specifically agreed by Landlord otherwise, Tenant may not exercise an extension option if Tenant has been in default under this Lease during the Term or any previous Extended Term. Tenant’s exercise of an extension option shall be by written notice given to Landlord not later than six (6) months prior to expiration of the Term or Extended Term then in effect.

3. RENT

3.1 Base Rent

Tenant agrees to pay to Landlord as annual base rent the amounts set forth below (hereinafter sometimes referred to as “Base Rent”):

<table>
<thead>
<tr>
<th>Lease Years</th>
<th>Annual Base Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yr. 1, Mo. 1-6</td>
<td>$0- First 6 months free of Base Rent</td>
</tr>
<tr>
<td>Yr. 1, Mo.7-12</td>
<td>$117,600</td>
</tr>
<tr>
<td>Yr.2</td>
<td>$241,081</td>
</tr>
<tr>
<td>Yr.3</td>
<td>$247,108</td>
</tr>
<tr>
<td>Yr.4</td>
<td>$253,286</td>
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<tr>
<td>Yr.13</td>
<td>$316,319</td>
</tr>
<tr>
<td>Yr.14</td>
<td>$324,227</td>
</tr>
<tr>
<td>Yr.15</td>
<td>$332,333</td>
</tr>
</tbody>
</table>

Annual Base Rent shall be payable in twelve (12) equal monthly installments, in advance on the first day of each month during the Term of this Lease commencing six (6) months after the Commencement Date. Base Rent for any fractional month shall be prorated at one-thirtieth (1/30th) of the specified monthly amount for each day of such fractional month.
3.1.1 Base Rent During Extended Terms. The annual Base Rent during each Extended Term (if any) shall be determined as provided in this Section 3.1.1. As of the first day of each Extended Term (if any), Base Rent shall be adjusted to the fair market rental value of the Premises in their then condition for the uses described herein (hereinafter, "Rental Value"). Tenant shall include with each notice of intention to extend the Term of this Lease pursuant to Section 2.4 above, a statement of Tenant's opinion as to the Rental Value of the Premises (hereinafter "Tenant's Value"). Within thirty (30) days of receipt of said notice, Landlord shall by notice to Tenant either accept Tenant's Value or state Landlord's opinion of said Rental Value. In the event Landlord and Tenant do not agree upon said Rental Value within thirty (30) days of delivery of Landlord's notice, Landlord and Tenant shall mutually agree on an appraiser to determine Rental Value. If Landlord and Tenant cannot agree upon the selection of a single appraiser, Landlord and Tenant shall each appoint an appraiser who shall be a member of the American Institute of Real Estate Appraisers ("M.A.I.") and said appraisers shall promptly determine said Rental Value. Except as otherwise provided herein, the determination of Rental Value shall be made in accordance with the Real Estate Valuation Arbitration Rules of the American Arbitration Association ("Rules"). In the event said appraisers are unable to agree upon said Rental Value within sixty (60) days of their appointment, the two appraisers shall appoint a third qualified appraiser and a majority of the three appraisers shall as soon as possible thereafter determine said Rental Value. In the event the two appraisers are unable to agree upon a third appraiser, the third appraiser shall be appointed by the American Arbitration Association in accordance with its Rules. Landlord and Tenant shall each be responsible for the fees and costs for the services of their respective appraisers and if a third appraiser is appointed Landlord and Tenant shall each be responsible for one-half (1/2) of the fees and costs of said third appraiser. In no event shall Base Rent following any adjustment be lower than Base Rent payable prior to such adjustment.

3.2 Rent

Tenant covenants and agrees to pay to Landlord as Rent, in the manner provided in Section 3.3, the following (collectively "Rent"): 

3.2.1 Base Rent as set forth in Section 3.1, beginning on the date set forth therein;

3.2.2 Tenant's Pro Rata Share of Common Area Charges as set forth in Section 9.4, the Tax Charge described in Section 4.1, the Insurance Charge described in Section 7.5, and the Maintenance Charge described in Section 8.2, all beginning on the Commencement Date; and

3.2.3 Additional Rent, representing all other sums and charges due and payable Tenant to Landlord under the terms of this Lease, beginning on the Commencement Date.

If any such amount is not paid at the time provided in this Lease, such amount shall nevertheless, if not paid when due, be collectible as Rent with the next installment of Rent thereafter falling due. Nothing contained herein shall be deemed to suspend or delay the
payment of any amount of money or charge at the time the same becomes due and payable thereunder or to limit any other remedy of Landlord.

3.3 Manner of Payment

Except as otherwise expressly provided herein, all Rent and other payments due under this Lease shall be due and payable by Tenant to Landlord without prior demand and without any deduction or offset whatever, in lawful money of the United States of America which shall be legal tender at the time of payment, at Landlord’s notice address set forth above, or to such other person or at such other place as Landlord may from time-to-time designate in writing.

3.4 Past Due Rent

In the event any installment of Rent is not received by Landlord within ten (10) days after the date on which such amount is due, Tenant shall pay an administrative late charge of one percent (1%) of the amount past due for each such late payment. Tenant shall also pay an administrative charge of $25.00 for each check returned unpaid for any reason. Landlord may at any time, upon written notice to Tenant, require that (until further notice) all payments of Rent be made by certified or cashier’s check.

In addition, if Tenant shall fail to pay, when due and payable, any Rent or any other amount required to be paid under this Lease, Tenant promises to pay to Landlord, in addition to such unpaid amounts, Interest upon such unpaid amounts from ten (10) days after the due date thereof to the date of payment.

3.5 No Partnership

Landlord is not and shall not become or be deemed a partner or joint venturer with Tenant by reason of any provision of this Lease.

3.6 Security Deposit

Waived.

4. TAXES

4.1 Tenant’s Tax Obligation

Tenant agrees to pay to Landlord, as Additional Rent, an amount equal to the below described taxes and assessments and levies, general and special, ordinary and extraordinary, of any kind, nature, or description that may be charged, levied, assessed, or otherwise imposed on or against the Premises and all interests therein and all improvements and other property (real and personal) thereon, whether belonging to Landlord or Tenant, except that no penalty or interest incurred by Landlord as a result of non-timely payment shall be passed through to the Tenant ("Taxes"). Tenant shall pay its Pro Rata share of Taxes assessed against the Building in
which the Premises are located based upon the relationship that the Floor Area of the Premises bears to the Floor Area of the entire Building, so that Tenant bears and pays Tenant’s equitable share of such Taxes. In addition, Tenant agrees to pay to Landlord its Pro Rata Share of Common Area Taxes as provided in Section 9.3(b). Any dispute or controversy between Landlord and Tenant arising from Landlord’s apportionment of Taxes shall be submitted to binding arbitration under Article 20 of this Lease.

If the State of Washington, or any political subdivision thereof, or any governmental authority having jurisdiction over Covington Place Shopping Center, imposes any tax, fee, or assessment (other than income tax as presently collected) that is based upon the rent payable to Landlord by Tenant or other tenants of Covington Place Shopping Center, or that is levied or assessed upon or against the business of renting land or buildings, either by way of substitution for taxes and assessments levied against such land and buildings, or in addition thereto, then Tenant’s Pro Rata Share of such taxes, fees, and assessments shall also be payable by Tenant to Landlord. Landlord shall use its reasonable best efforts to keep the taxes and related charges as low as reasonably practicable.

4.2 Time of Payment

Tenant shall pay to Landlord monthly, in advance, on the first day of each month, one-twelfth of the annual amount of the Taxes imposed on and against the improvements comprising the Premises (the “Tax Charge”), in an amount estimated by Landlord. Such payment shall be made by Tenant together with Tenant’s Pro Rata Share of Common Area Charges as provided in Section 9.4. Upon receipt of all tax bills and assessment statements attributable to any calendar year during the Lease Term, Landlord shall furnish Tenant with a written statement of the actual amount of the Tax Charge for such year (the “Tax Statement”). This Section shall apply to the calendar years in which this Lease commences and terminates, but Tenant’s liability for the Tax Charge for such years shall be subject to a pro rata adjustment based on the number of days of such calendar years during which this Lease is in effect. Copies of tax bills or assessment statements submitted by Landlord to Tenant shall at all times be sufficient evidence of the amount of Taxes assessed or levied against the property to which such bill relates, absent manifest error. Prior to or at the Commencement Date and from time-to-time thereafter, Landlord shall notify Tenant of Landlord’s estimate of Tenant’s monthly installments of the Tax Charge due hereunder, which estimate shall continue until Landlord notifies Tenant otherwise. Upon reasonable notice, Landlord shall make available for Tenant’s inspection at Landlord’s office (or such other place where the records are normally maintained), during normal business hours, Landlord’s records relating to the Tax Charge. Each Tax Statement shall become final and not subject to any dispute or audit by Tenant sixty (60) days after the date of Tenant’s receipt of Tax Statement.

4.3 Personal Property Taxes

Tenant shall cause all taxes, assessments, and other charges levied on or imposed on any of its personal property situated in, on, or about the Premises to be levied on or assessed separately from the Premises and not as a lien thereon. Notwithstanding anything to the contrary contained in Section 4.1, Tenant shall report and pay to the appropriate governmental authority
all personal property taxes relating to Tenant’s trade fixtures, equipment, and other personal property on the Premises. Tenant shall protect and hold Landlord and the Premises harmless from liability for any and all such taxes, assessments, and charges, together with any interest, penalties, and other sums thereby imposed, and from any sale or other proceeding to enforce payment thereof, and shall reimburse Landlord for its attorneys’ fees and costs incurred in taking any actions to protect itself from any such taxes, assessments, and/or charges.

5. **CONDUCT OF BUSINESS BY TENANT**

5.1 **Tenant’s Use**

Tenant agrees that the Premises shall be used and occupied only for the Permitted Use stated in Section 1.1 above. Tenant shall not use or permit the use of the Premises in a manner contrary to the use restrictions contained in Exhibit D. As a material part of the consideration for this Lease, Tenant covenants to use or cause the Premises to be used, continuously and uninterruptedly during the Term hereof, exclusively for the purpose and under the trade name specified herein and shall not use or permit Premises to be used for any other purpose or under any other trade name whatsoever without Landlord’s prior written consent, which shall not be unreasonably withheld.

5.2 **Compliance With Laws and Rules**

In connection with its use of the Premises, Tenant, at its sole expense, shall comply with all applicable federal, state, and local laws, regulations, and requirements with respect to Tenant’s maintenance, operation, and use of the Premises. Tenant shall also comply fully and at its sole expense with all regulations, orders, and other requirements issued or made pursuant to any such laws and/or regulations. Tenant shall make, at its sole expense, all alterations, additions, modifications, and capital improvements to the interior of the Premises which may be required under or pursuant to any of the aforementioned laws and regulations, orders, and requirements, including any required under the Americans With Disabilities Act of 1990 (Public Law 101-336). It is specifically agreed that Tenant shall not be responsible for making any such alterations, additions, modifications, or capital improvements to the structural components of the Premises (e.g., to exterior walls or permanent doorways) or of the Building of which the Premises are a part, except to the extent any of same are required as a result of Tenant’s particular use of the Premises. Tenant covenants and agrees that it will not use or suffer or permit any person to use the Premises for any use or purpose in violation of this Lease, or any laws, ordinances, regulations, or requirements of any governmental authority having jurisdiction. Tenant agrees to comply with Landlord’s reasonable Shopping Center Rules, provided that such Rules are disclosed in advance to Tenant in writing.

5.3 **Condition of Premises**

Tenant shall not commit or suffer to be committed any nuisance or other act or anything to be done in or about the Premises that will in any manner whatsoever obstruct or unreasonably interfere with the rights of other tenants or patrons of Covington Place Shopping Center or injure or annoy them; nor shall Tenant allow the Premises to be used for any improper, immoral,
unlawful, or objectionable purpose. Tenant further agrees to keep the Premises in a neat, clean, and orderly condition.

Tenant may not display or sell merchandise outside the defined exterior walls and permanent doorways of the Premises and shall not allow shopping carts, portable signs, scales, amusement devices, newspaper racks, or other similar devices within Tenant’s control to be stored or to remain outside the Premises. Tenant shall not permit noxious odors, loud music, or loud sound effects to be emitted from the Premises. Tenant shall not display, paint, or place, or cause to be displayed, painted, or placed, any handbills, bumper stickers, or other advertising on any vehicle parked in the parking area of Covington Place Shopping Center, whether belonging to Tenant, or to Tenant’s agents or employees; nor shall Tenant distribute in Covington Place Shopping Center, or cause to be distributed in Covington Place Shopping Center, any handbills or other advertising materials; provided, however, that vehicle markings designed to identify official City of Covington vehicles owned and operated by Tenant shall not be a violation of this section.

5.4 Tenant’s Conduct of Business

[This section intentionally left blank.]

5.5 Business Hours

Tenant shall continuously, during the entire Term hereof, conduct and operate Tenant’s business in the Premises, shall keep the Premises open for business, and shall cause Tenant’s business to be conducted therein during the usual business hours of the City of Covington Municipal Departments.

5.6 Advertising Signs

Tenant shall have no right to place, construct, or maintain on the glass panes or supports of the show windows of the Premises, the doors, or the exterior walls or roof of the Building in which the Premises are located, or on any interior portions of the Premises that may be visible from the exterior of the Premises, any signs, advertisements, names, insignia, trademarks, descriptive material, or any other symbol except in strict conformity with the sign criteria set forth in the attached Exhibit D. Landlord may, at Tenant’s cost, remove any such item placed, constructed, or maintained which does not comply with Landlord’s sign criteria in Exhibit D. Tenant shall not place, construct, or maintain on the Premises any advertisement media including, without limitation, search lights, flashing lights, loudspeakers, or other visual or audio media.

6. UTILITY SERVICES

Tenant shall be responsible for, and shall promptly pay when due, all charges for utilities or services submetered directly to the Premises. If Tenant refuses or neglects to pay any utility charges as provided in this Article, Landlord may, at its option but without obligation to do so, pay any unpaid charges, and Tenant shall then pay such amount, and all costs incurred in
connection therewith, to Landlord, as Additional Rent, upon demand. In no event shall Landlord be liable for an interruption or failure in the supply of utilities to the Premises, unless proximately caused by the gross negligence or intentional act of Landlord.

7. INSURANCE AND INDEMNITY

7.1 Indemnification

Tenant shall indemnify, defend, and hold Landlord harmless from and against any and all claims, actions, damages, liability, and expense in connection with the loss of life, personal injury, or damage to property arising from or out of any occurrence in, upon, or at the Premises, or the occupancy or use by Tenant of the Premises or part thereof, or any repairs or alterations made thereon by Tenant, or occasioned wholly or in part by any act or omission of Tenant, its agents, employees, contractors, employees, invitees, or concessionaires. Tenant shall not be liable for damage or injury proximately caused by the failure of Landlord to comply with its obligations hereunder or by reason of the sole negligence or intentional acts of Landlord, its agents, or employees. Notwithstanding anything herein to the contrary, if (and only if) the provisions of RCW 4.24.115 apply to the activity which resulted in injury to persons or loss of or damage to property and such injury, loss, or damage was caused by or resulted from the concurrent negligence of Tenant or its agents or employees, and Landlord or its agents or employees, Tenant’s indemnification obligation stated herein applies only to the extent of the negligence of Tenant, its agents or employees. Tenant specifically assumes potential liability for actions brought by Tenant’s own employees against Landlord and for that purpose Tenant specifically waives any immunity against claims otherwise provided under the Workers Compensation Act, RCW Title 51; and Tenant acknowledges that this waiver was specifically entered into pursuant to the provisions of RCW 4.24.115 and was the subject of mutual negotiation of Landlord and Tenant. The indemnification provided for in this Section shall survive termination or expiration of this Lease.

Tenant hereby agrees that Landlord shall not be liable for injury to Tenant’s business or any loss of income therefrom, or for any damage to the goods, wares, merchandise, or other property of Tenant, Tenant’s employees, agents, invitees, customers, or any other person in or about the Premises, nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, invitees, customers, or contractors, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water, or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning or lighting fixtures, or from any other cause other than the negligence or willful misconduct of Landlord, its employees or agents, or agents, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part; or from other sources or places, regardless of whether the cause of such damage or injury, or the means of repairing the same, is inaccessible to Tenant. Landlord shall not be liable for any damages arising from any act, omission, or neglect of any other tenant of Landlord in Covington Place Shopping Center.
7.2 Waiver of Subrogation

Tenant and Landlord each hereby waives any and all rights of recovery against the other, or against the officers, employees, agents, and/or representatives of the other, for loss of or damage to such waiving party or its property, or the property of others under its control, to the extent that such loss or damage is insured against under any insurance policy in force at the time of such loss or damage. Tenant shall, upon obtaining policies of insurance required hereunder, give notice to the insurance carrier(s), that the foregoing mutual waiver of subrogation is contained in this Lease.

7.3 Insurance by Tenant

Tenant covenants and agrees that it will carry and maintain, during the entire Term hereof, at Tenant's sole cost and expense, the following types of insurance, in the amounts and in the form hereinafter specified:

7.3.1 Liability Insurance. Tenant shall obtain and keep in force during the Term of this Lease a policy of commercial general liability insurance insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy, or maintenance of the Premises, and all areas appurtenant thereto. Such insurance shall at all times be in an amount of not less than Two Million Dollars ($2,000,000) combined single limit coverage per occurrence and not less than Two Million Dollars ($2,000,000) in the aggregate. The minimum policy limits specified above shall not, however, limit the liability of Tenant hereunder. Tenant's liability insurance shall include contractual liability coverage insuring performance by Tenant of provisions of Section 7.1.

7.3.2 Fixtures. Tenant shall maintain in full force and effect on all of its leasehold improvements, trade fixtures, merchandise, signs, and other personal property from time-to-time in, on or upon the Premises special form ("all risk") property insurance in the amount of the full replacement value thereof and with plate glass endorsement. Any policy proceeds shall be used for the repair or replacement of the property damaged or destroyed unless this Lease shall cease and terminate under the provisions of Article 11 hereof.

7.3.3 Policy Form. The policies of insurance required under this Section shall be issued by Washington Cities Insurance Association (or other similar pool) or by companies qualified to do business in the State of Washington, and accorded a rating by Best's Insurance Guide of A, VIII or better (or a comparable rating by a comparable successor rating agency). All liability insurance policies shall be issued in the names of Tenant and Landlord and for the mutual and joint benefit and protection of the parties, and shall also name, as additional insured, Landlord's Mortgagee, if any. Executed copies of such policies of insurance, or certificates thereof, shall be delivered to Landlord within ten (10) days after the commencement of this Lease and thereafter within thirty (30) days prior to the expiration of the term of each such policy. All liability and property insurance policies shall contain a provision that Landlord, although named as an insured, shall nevertheless be entitled to recovery under said policies for any loss occasioned to it, its agents, and employees by reason of the negligence of Tenant. All policies of insurance delivered to Landlord must contain a provision that the company writing
said policy will give to Landlord at least thirty (30) days' notice in writing in advance of (a) any
cancellation or lapse of such insurance or (b) the effective date of any reduction in the amounts
of insurance. All public liability, property damage, and other casualty policies shall be written as
primary policies and not contributing with, or being in excess of, the coverage which Landlord
may carry.

7.4 Property Insurance

Landlord shall maintain on the Building in which the Premises are located a policy of
special form ("all risk") property insurance including, at Landlord's sole option, earthquake or
"difference-in-conditions" coverage, and 100% rental income loss insurance for a period of
twelve (12) months, with vandalism, malicious mischief, and building ordinance or law
endorsements, for full replacement cost. The proceeds of such policy shall be payable to
Landlord. Tenant shall pay to Landlord, as Additional Rent, Tenant's share of the cost of such
property insurance based upon the relationship that the Floor Area of the Premises bears to the
Floor Area of the entire Building (the "Insurance Charge") as provided in Section 7.5 below.

7.5 Insurance Charge

Tenant shall pay to Landlord monthly, in advance, on the first day of each month, one-
twelfth (1/12th) of the annual Insurance Charge. Such payment shall be made by Tenant with
payment of its Tenant's Pro Rata Share of Common Area Charges as described
in Section 9.4. Upon request and each time an adjustment is made, Landlord shall furnish Tenant with a notice
of the required monthly installment of the Insurance Charge (the "Insurance Statement"). Upon
reasonable notice, Landlord shall make available for Tenant's inspection at Landlord's office (or
such other place where the records are normally maintained), during normal business hours,
Landlord's records relating to the Insurance Charge. Each Insurance Statement shall become
final and not subject to any dispute or audit by Tenant sixty (60) days after the date of Tenant's
receipt of the Insurance Statement.

7.6 Liability for Alterations

In the event that Tenant makes any alterations, additions, or improvements to the
Premises under the terms and provisions of this Lease, Tenant agrees to carry insurance upon
such alterations, additions, or improvements. It is expressly understood and agreed that none of
such alterations, additions, or improvements shall be insured by Landlord under such insurance
as it may carry upon the Premises, and that Landlord shall not be required under any provisions
for reconstruction of the Premises or any other circumstances whatsoever to re-install any such
alterations, improvements, or additions.

7.7 Failure by Tenant to Maintain Insurance

If Tenant refuses or neglects to secure and maintain insurance policies complying with
the provisions of this Article, Landlord may, but shall not be so required to, secure and maintain
such insurance policies, and Tenant shall pay the cost thereof to Landlord, as Additional Rent,
on demand.
MAINTENANCE AND ALTERATIONS

8.1 Maintenance and Repair by Landlord

Subject to the provisions of Section 8.3, Landlord shall maintain and repair the roof (specifically including using reasonable efforts to keep the roof free from leaks), the exterior walls, and the structural elements of the Building in which the Premises are located, which structural elements are defined herein to be the foundation, bearing walls (excluding glass and doors), gutters and downspouts, subsurface plumbing and electrical lines, pipes and conduits, and floor slab; provided, however, Landlord shall not be required to make repairs necessitated by reason of the neglect or failure of Tenant, or anyone claiming under Tenant, or by reason of the failure of Tenant to perform or observe any conditions or agreements in this Lease required on the part of Tenant to be performed or observed, or caused by alterations, additions, or improvements made by Tenant or anyone claiming under Tenant. Landlord shall not in any way be liable to Tenant for failure to make repairs as herein required unless Tenant has previously notified Landlord in writing of the need for such repairs and Landlord has unreasonably failed to commence said repairs as quickly as reasonably possible after receipt thereof; provided, however, that in the event of an emergency requiring repairs, Landlord shall commence said repairs as quickly as reasonably possible after receipt of written notice from Tenant. Landlord shall provide reasonable janitorial services to the Premises. Landlord shall also paint the exterior portion of the Building as needed, and Tenant shall reimburse Landlord as Additional Rent for the cost and expense incurred for such painting. If such repairs are required by reason of Tenant’s negligent act or failure to act under the terms of this Lease, Tenant shall reimburse Landlord for the cost thereof, plus Interest, as Additional Rent. Except as otherwise specifically provided herein, there shall be no abatement of rent and no liability of Landlord by reasons of any injury to or interference with Tenant’s business arising from the making of any repairs, alterations, or improvements in or to any portion of the Premises or to the Building of which the Premises are a part or in or to fixtures, appurtenances, and/or equipment thereon. Notwithstanding anything herein to the contrary, Landlord’s obligations with respect to partial or total destruction of the Premises, whether such be caused by insured casualty or otherwise, shall be governed solely (except as explicitly otherwise provided) by Article 11 hereof.

8.2 Maintenance Charge

Except as provided below with respect to capital improvements, Tenant shall pay to Landlord, as Additional Rent, Tenant’s share of all costs incurred by Landlord to “maintain and repair” (as such phrase is used in Section 8.1) the roof, the exterior walls, and the structural parts of the Building, as provided in Section 8.1. Tenant shall pay to Landlord monthly, in advance, on the first day of each month, one-twelfth (1/12th) of Tenant’s share of the annual amount of the costs to maintain and repair described in this Section (the “Maintenance Charge”), in an amount estimated by Landlord based upon the relationship that the Floor Area of the Premises bears to the Floor Area of the Building. Such payment shall be made by Tenant with its payment of Tenant’s Pro Rata Share of Common Area Charges as described in Section 9.4. Upon receipt of all maintenance and repair bills attributable to any calendar year during the Lease Term, Landlord shall furnish Tenant with a written statement of the actual amount of the Maintenance Charge.
Charge for such year (the “Maintenance Statement”). Prior to or at the Commencement Date from time-to-time thereafter, Landlord shall notify Tenant of Landlord’s estimate of Tenant’s monthly installments of the Maintenance Charge due hereunder, which estimate shall continue until Landlord notifies Tenant otherwise. Upon reasonable notice, Landlord shall make available for Tenant’s inspection at Landlord’s office (or such other place where the records are normally maintained), during normal business hours, Landlord’s records relating to the Maintenance Charge. Each Maintenance Statement shall become final and not subject to any dispute or audit by Tenant sixty (60) days after the date of Tenant’s receipt of the Maintenance Statement. Notwithstanding any contrary provision contained in this Section 8.2, the Maintenance Charge shall not include capital improvement costs, such as the cost of major building alterations.

8.3 Repairs and Maintenance by Tenant

Except as specifically provided otherwise in Section 8.1, Tenant agrees at all times during the Term of this Lease and at its own cost and expense to repair and maintain in good and tenantable condition, the Premises and every part thereof including, without limitation, floor covering, and all fixtures located within the confines of the Premises, and other equipment therein, the interior ceiling, and all of Tenant’s signs, locks and closing devices, windows, doors, including glass, and door frames which are a part of the Premises. In addition, Tenant shall, when necessary, replace any or all of the foregoing, and shall make and perform all such items of repair, maintenance, improvements, reconstruction, and replacement as may from time-to-time be required by any law, code, ordinance, or regulation or by any governmental agency or authority having jurisdiction thereof. Tenant specifically agrees to make whatever repairs or alterations of the Premises are necessary to comply with the requirements of insurance underwriters and governmental authorities.

If Tenant refuses or neglects to commence or to complete its obligations hereunder promptly and adequately, Landlord may, at its sole option and without in any manner affecting its other rights under this Lease, make and complete the same, and Tenant shall pay the cost thereof to Landlord, plus Interest, as Additional Rent upon demand. Tenant’s obligations set forth in this Section form a material part of the consideration for this Lease. Any dispute or controversy arising out of Tenant’s obligations under this Section shall be submitted to binding arbitration under Article 20 of this Lease.

8.4 Alterations by Tenant

Tenant shall not make any alteration to the Premises without Landlord’s prior written consent; provided, Tenant may make interior, non-structural alterations costing less than $20,000 total without the need for Landlord’s prior consent, so long as such alterations will not diminish the value of the Building in which the Premises are located. Any alterations made by Tenant shall, upon completion of installation, become the property of Landlord and shall remain on and be surrendered with the Premises on expiration or termination of the Term hereof, except that Landlord may elect within thirty (30) days before expiration of the Term or within five (5) days after any earlier termination of this Lease to require Tenant to remove any alterations that Tenant has made to the Premises and to restore the Premises to their condition existing prior to any such alteration, normal wear and tear excepted. It is specifically understood that Landlord will not
approve any such alteration which would, in Landlord’s sole opinion, diminish the value of the 
Building in which the Premises are located, or that, in Landlord’s reasonable judgment, would 
not be in the best interest of Covington Place Shopping Center.

8.5 Alterations by Landlord

Landlord reserves the right to modify the Common Areas as shown on the Site Plan, and 
the number, location, and dimensions of buildings in Covington Place Shopping Center, and to 
change the uses for which other stores and buildings in Covington Place Shopping Center may 
be leased; provided, however, that reasonable access to the Premises and utilization of parking 
facilities shall not be impaired to the material detriment of Tenant. Landlord also reserves the 
right to construct other buildings or improvements in Covington Place Shopping Center from 
time-to-time and to make alterations thereof or additions thereto.

8.6 Liens

Tenant agrees that it will pay all costs for work performed at its request on the Premises 
and that it will keep the Premises free and clear of all mechanic’s, materialmen’s, and supplier’s 
liens and other liens on account of work done for Tenant or persons claiming under it. Tenant 
agrees to and shall indemnify, defend and hold Landlord free and harmless from and against any 
and all loss, liability, claims, damages, costs, or expenses, including attorneys’ fees and costs, on 
account of claims of lien of mechanics, suppliers, laborers, materialmen, or others for work 
performed or materials or supplies furnished for Tenant or persons claiming under it with respect 
to the Premises.

8.7 Access by Landlord

Tenant agrees to permit Landlord and its authorized representatives upon reasonable 
advance notice to enter the Premises at all reasonable times during regular business hours to 
examine and maintain the Premises, to show the Premises to prospective purchasers or tenants of 
Covington Place Shopping Center, and, within ninety (90) days of the expiration of this Lease, to 
post a moderately sized “for lease” sign within the Premises. In addition, Landlord shall have 
the right to enter the Premises upon reasonable advance notice at all reasonable times to make 
such repairs, alterations, improvements, or additions thereto as Landlord may, in the exercise of 
commercially reasonable discretion, deem necessary or desirable. It is expressly agreed that 
under no circumstances shall any such entry be construed or deemed to be a forcible or unlawful 
entry into, or detainer of, the Premises, or an eviction or constructive eviction of Tenant from the 
Premises or any part thereof.

9. COMMON AREAS

9.1 Initial Improvement of Common Areas. Prior to the Commencement Date, 
Landlord will cause the Common Areas of Covington Place Shopping Center to be improved 
with necessary paving, curbs, sidewalks, lights, directional signs, landscaping, pedestrian and 
parking areas, and related land and site improvements, in accordance with the requirements of
the Lease and the Construction Exhibit. The initial Common Areas are or shall be substantially as shown on the Site Plan.

9.2 Right to Use Common Areas. During the Term, Tenant and its customers, invitees, employees, and independent contractors shall have the non-exclusive right in common with other Occupants of Covington Place Shopping Center and with Landlord to use all Common Areas for parking (except City shall be assigned 12 spaces for its use), pedestrian, and vehicular traffic and access to and from Covington Place Shopping Center in accordance with this Lease. The arrangement and locations(s) for employee parking of tenants in Covington Place Shopping Center will be subject to reasonable regulation by Landlord. Landlord will have the right, pursuant to employee parking rules applicable to Tenant and to all other tenants of Covington Place Shopping Center, to administer and enforce compliance with such plans and restrictions on employee parking within Covington Place Shopping Center. Landlord may make and enforce reasonable rules and regulations consistent with this Lease for the purpose of regulating the use of access, parking, and other Common Areas and promoting safety, order, cleanliness, and good service to Covington Place Shopping Center. Tenant will comply, and cause its customers, employees, independent contractors, and invitees to comply, with such rules and regulations.

9.3 Common Area Maintenance

(a) Operation and Maintenance. Landlord shall operate and maintain, or cause to be operated and maintained, the Common Areas of Covington Place Shopping Center, including the storm water control system and Common Area utilities and facilities serving Covington Place Shopping Center, and shall keep the Common Areas, or cause the same to be kept, in reasonably good and clean condition and state of repair including, without limiting the generality of the foregoing, the following:

(i) Maintaining, repairing, and resurfacing, when necessary, all paved surfaces in a level, smooth and evenly-covered condition with the type of surface material originally installed (or such substitute as shall be comparable or superior in quality, use and durability thereto), and restriping, when necessary, such paved surfaces.

(ii) Placing, keeping in repair, and replacing, as necessary, appropriate directional signs, markers, and lines.

(iii) Keeping the Common Areas adequately lighted during all hours that any tenant is open for business and keeping in repair, and replacing as necessary, exterior light bulbs and lighting fixtures as shall be reasonably required.

(iv) Maintaining and watering all landscaped and planted areas and replacing, as necessary, shrubs, trees, grass, plants, and other landscaping flora and/or materials.

(v) Sweeping Common Areas to the extent reasonably necessary to keep such areas in a clean and orderly condition and reasonably free and clear of excess litter, debris, trash, ice, and snow.
(vi) Maintaining in good repair all sign structures or signs (other than signs owned and installed by any tenant) advertising Covington Place Shopping Center; provided, that Tenant shall be solely responsible for all maintenance, repairs, costs, and expenses relating to any sign(s) which it installs.

(vii) Maintaining all retaining walls, rockeries, and fences in good condition and repair.

(viii) Providing security service or any other service or maintenance program that may be warranted by the circumstances to maintain the Common Areas of Covington Place Shopping Center in a condition comparable to common areas of other projects of like size and nature in the general area of Covington Place Shopping Center.

(ix) Establishing reasonable reserves to maintain and repair the Common Areas and carry out Landlord’s responsibilities hereunder.

(x) Maintaining and repairing the catch basins, pipelines, detention ponds and bio-filtration facilities, if any, of the on-site storm drainage system, as necessary.

(xi) Operating, maintaining, and repairing, as necessary, the common utility systems and facilities.

(xii) Keeping all portions of the Common Areas not specifically addressed above in good order, repair and condition, including painting, resurfacing, and replacing any portion or component thereof which has become damaged or defective.

(b) Common Area Taxes. Landlord shall pay before delinquency, as a Common Area charge, all real estate taxes and assessments (whether regular, special, or improvement district assessments) against Covington Place Shopping Center property described in Exhibit A, including the Common Areas of the Building and the Common Areas of those portions of Covington Place Shopping Center that are leased to other tenants, but excluding any real estate taxes and assessments attributable to or based upon the value of buildings and other improvements that are not part of the Common Areas ("Common Area Taxes"). Common Area Taxes shall be calculated by Landlord based upon the percentage of the total real estate tax bill and assessment statement that (a) the land value component only of all tax parcels comprising Covington Place Shopping Center property bears to (b) the total value, both land and improvements, of all tax parcels comprising Covington Place Shopping Center, as such values are determined by the King County Assessor. The entire amount of the remaining balance of the tax bill and/or assessment statement, representing the tax attributable to the value of buildings and improvements (less the value of any Common Area improvements as reasonably determined by Landlord) for each tax parcel comprising Covington Place Shopping Center shall be separately paid by the tenants of such improvements. Taxes on such improvements shall be paid (i) in the case of a tax parcel leased to a single tenant, by the tenant of that tax parcel, and (ii) in the case of a tax parcel leased to two or more tenants, each tenant shall pay its allocated share.
based on the percentage that the Floor Area of the building leased by a particular tenant bears to
the total Floor Area of all buildings located on the tax parcel. In addition to its Pro Rata Share of
Common Area Taxes, Tenant agrees to pay the Taxes imposed on the Premises monthly as the
Tax Charge described in Section 4.2.

(c) Common Area Insurance. As a part of the operation of Covington Place
Shopping Center, Landlord shall obtain and maintain, as a Common Area Charge, commercial
general liability insurance and property insurance covering the Common Areas, in an amount of
not less than Two Million Dollars ($2,000,000) combined single limit coverage per occurrence
and not less than Two Million Dollars ($2,000,000) in the aggregate. Such insurance shall be
written with an insurer licensed to do business in the State of Washington.

9.4 Expenses

(a) Common Area Charges. The terms “Common Area Charges” and
“Charges” shall mean all expenses paid, charged to, or incurred by Landlord in connection with
the performance of its Common Area maintenance obligations under this Lease, including
Common Area electricity and utility service; together with a reasonable management fee charged
by Landlord for management of the Covington Place Shopping Center and Common Areas in an
amount not to exceed three and one-half percent (3.5%) of Rent as defined in Paragraph 1.2.18.
Consistent with the operation and maintenance of a first-class retail shopping center, Landlord
shall use its reasonable best efforts to keep the Common Area Charges as low as reasonably
practicable. Common Area Charges may also include the costs of capital improvements
necessary or desirable (in Landlord’s sole discretion based upon a standard of operation of first­
class facilities maintained in accordance with recognized industry standards for comparable
shopping centers in Western Washington) to maintain or enhance the utility and value of the
Common Areas to tenants of Covington Place Shopping Center or cost-effective improvements
designed to reduce utility or operating costs. Landlord reserves the right to allocate equitably
expenses pertaining to any Common Area facility or service provided for the special or limited
use of one or more tenants, which Landlord reasonably determines are particularly benefited by
such facility or service.

Capital expenses and costs related to the initial construction of the Common Areas shall
be excluded from the Common Area Charges. Common Area Charges shall not include:

(i) expenses incurred in leasing space, such as legal expenses,
brokerage commissions, advertising, or promotional expenses;

(ii) interest and amortization under Mortgages or any other secured or
unsecured loan payable by Landlord;

(iii) expenses separately reimbursable by any other tenants of
Covington Place Shopping Center other than pursuant to Common Area maintenance
provisions in their respective leases;
(iv) financing and refinancing costs, including fees paid by Landlord to obtain financing or refinancing, such as origination fees and brokerage commissions;

(v) Landlord's overhead costs, except the property management fee;

(vi) depreciation;

(vii) costs incurred in connection with the enforcement of leases, including attorneys' fees or other costs and expenses incurred in connection with summary proceedings to dispossess any other tenant in Covington Place Shopping Center;

(viii) any other expenses not considered a normal maintenance or operating expense in accordance with generally accepted accounting principles;

(ix) costs for paving and striping of the parking area of Covington Place Shopping Center to the extent such costs exceed the reasonable costs for such paving and striping more often than once every ten (10) years for paving and more often than once every two (2) years for striping;

(x) any expenses associated with any special requirements of a particular tenant in connection with the Common Areas or the maintenance thereof;

(xi) penalties or interest incurred by Landlord as a result of non-timely payment of taxes, fees, or other payments.

(b) Annual Statement/Monthly Billings. Landlord shall, by April 1st of each calendar year, send to Tenant and to each other tenant of space in Covington Place Shopping Center a written statement of the actual Common Area Charges, including reasonable reserves, for the preceding calendar year, together with an operating cost budget showing anticipated expenses for the current calendar year, including a reasonable reserve for anticipated major expenses. The actual Common Area Charges for the prior calendar year shall be used for purposes of calculating the anticipated monthly Common Area Charges for the then-current calendar year. For the first calendar year of operation of the Common Areas of Covington Place Shopping Center, Landlord shall prepare an operating cost budget based upon common area operating costs for comparable shopping centers in Western Washington. Common Area Charges shall be prorated for any partial Lease year. Tenant shall pay to Landlord its Pro Rata Share of the total Common Area Charges based upon the operating cost budget.

(c) Payment. In response to Landlord's billing to Tenant for monthly Common Area Charges, Tenant shall pay to Landlord its Pro Rata Share of the Common Area Charges monthly, in advance, as Additional Rent. Common Area Charges shall be based on Landlord's operating cost budget, with an annual reconciliation and adjustment for actual expenses. Within one hundred twenty (120) days after the end of each calendar year, Landlord shall furnish Tenant with a detailed statement, prepared according to generally accepted shopping center standards, which itemizes the various components and amounts of actual
Common Area Charges for the prior calendar year, the aggregate payments of estimated Common Area Charges made by Tenant for the prior calendar year, and the deficiency or overage in such payments. If the annual reconciliation of estimated and actual expenses shows that the total of the monthly payments which Tenant made for the prior calendar year is less than its Pro Rata Share of actual Common Area Charges for the calendar year, then Tenant shall pay Landlord any difference in a lump sum within thirty (30) days after receipt of a statement from Landlord for such difference. In the event the total monthly payments made for the prior calendar year is more than Tenant's Pro Rata Share of actual Common Area Charges, then such overpayment shall be applied as a credit against the monthly Common Area Charges next coming due from Tenant; provided, that in the event the overpayment cannot be so credited as a result of Lease termination or expiration, Landlord shall pay Tenant any such overpayment in a lump sum within thirty (30) days after the reconciliation is complete.

(d) Audit. Tenant, or its authorized representative, shall have the right to examine and audit the records of Common Area Charges during reasonable business hours at such location as Landlord shall designate, provided, that Common Area Charges for any calendar year shall become final and conclusive, and no longer subject to audit or dispute, one (1) year after Landlord's delivery of the annual statement of Common Area Charges described in Section 9.4 above. The cost of any such inspection or audit shall be Tenant's sole responsibility, provided, however, that if such inspection or audit reveals an overcharge of more than five percent (5%) of Tenant's Pro Rata Share of actual Common Area Charges for said calendar year, then Landlord shall reimburse Tenant for all costs reasonably incurred in making the inspection or audit, including the costs of any consultant or accountant hired by Tenant for that purpose. Any error or omission in Common Area Charges discovered by the inspection or audit shall be adjusted by payment or credit as provided in Section 9.4(c).

(e) Failure to Pay Pro Rata Share. Tenant's Pro Rata Share of Common Area Charges shall be as defined in Section 1.2.20 above. If all or any portion of Tenant's Pro Rata Share of Common Area Charges is not paid by Tenant, it shall be deemed delinquent and the amount thereof shall bear Interest until paid. Tenant's failure to pay its Pro Rata Share of Common Area Charges shall be a default and Landlord shall have all remedies available at law or in equity in respect thereto.

9.5 Independent Contractor

Landlord may, in the exercise of its discretion, appoint or employ an independent contractor to manage the Covington Place Shopping Center and to maintain the Common Areas as set forth above. Any such independent contractor shall be paid a fee to cover the supervision, accounting, management, and other costs of maintaining the Common Areas and managing the Shopping Center or causing the same to be maintained or managed. The fees paid to said independent contractor may be included within the Common Area Charges, not to exceed five percent (5%) of Rent, and such charges shall be in lieu of management fees as provided in Section 9.4 of this Lease. Landlord shall use its reasonable best efforts to keep such fees as low as reasonably practicable without compromising service.

9.6 Control of Common Areas
Landlord shall at all times have exclusive control and management of the Common Areas of Covington Place Shopping Center. With respect to the Common Areas, Landlord shall have the right from time-to-time to employ personnel; establish, modify and enforce reasonable rules and regulations; construct, maintain and operate lighting facilities; police the Common Areas; restrict parking by Tenant and its agents and employees; close temporarily all or any portion of the Common Areas to prevent a dedication thereof or the accrual of any interest therein by any person or the public; and close temporarily all or any portion of the parking areas or facilities for the purpose of resurfacing, restriping, maintaining or repairing the parking areas and other Common Areas.

9.7 Changes in Common Areas

Landlord and Tenant recognize that the maintenance of the quality and utility of the parking, access, and improvements in the Common Areas is essential for the use and enjoyment of Tenant and other tenants of Covington Place Shopping Center. In managing the Common Areas pursuant to this Lease, Landlord reserves the right to make (or consent to the making of) such realignments, re-locations, re-arrangements, additions, alterations, and changes to and within the Common Areas as may be appropriate, in Landlord's sole discretion, to enhance their utility, provided that such actions do not reduce the overall number of parking spaces below the number required by applicable building and land use regulations or materially interfere with use of the Common Areas by Tenant. Landlord reserves the right to dedicate as a public street and convey to King County, the City of Covington, or other governmental entity or municipal corporation having jurisdiction, any roadway located on Covington Place Shopping Center as depicted on the attached Site Plan as approved by King County. Landlord on reasonable advance notice may temporarily close the Common Areas (or portions thereof, as appropriate) to make repairs or changes or to prevent the acquisition of public rights, and may do such other acts in and to the Common Areas as are (in Landlord's sole discretion) necessary to improve their utility and value to tenants of Covington Place Shopping Center.

10. ASSIGNMENT

10.1 Limitation. Tenant shall not assign, sell, mortgage, encumber, or in any manner transfer this Lease, or any interest therein, whether voluntarily or by operation of law, or sublet or license the Premises, or any part thereof, or permit occupancy of all or any part thereof by anyone (other than Covington Community Center, King County Police, Covington Chamber of Commerce, or governmental Human Service Agencies, which Landlord acknowledges may be permitted to occupy portions of the Premises) with, through, or under it (any of such events being a "Transfer" and any such assignee, purchaser, mortgagor, grantee, sublessee, or other transferee being a "Transferee" for purposes of this Article) without obtaining on each occasion the prior written consent of Landlord, which consent shall not be unreasonably withheld. As a material inducement to Landlord to execute and deliver this Lease, Tenant agrees that it shall be reasonable under this Lease, and under any applicable law, for Landlord, in its sole and absolute discretion, to withhold consent to any proposed Transfer if Landlord reasonably determines that one or more of the following applies (without limitation as to other reasonable grounds for withholding consent): (a) the Premises will not continue to be operated in compliance with the
obligations of Tenant set forth in this Lease, except that the use by the substitute tenant need not
be identical to Tenant's permitted use, and does not otherwise conflict with the terms of this
Lease, or Exhibit D, or (b) Transferee will use the Premises for a use conflicting with any right
or exclusive use previously granted in good faith to another tenant of Covington Place Shopping
Center, or (c) the proposed Transfer would cause Landlord to be in violation of any other prior
lease or agreement to which Landlord is a party or would give any Occupant of Covington Place
Shopping Center the right to terminate its lease or make a claim against Landlord, or (d) in the
case of any assignment, the proposed Transferee fails to deliver to Landlord its written
assumption, in the form of a document acceptable to Landlord in its sole discretion, of each and
all of the obligations to be performed by Tenant under this Lease in connection with the portion
of the Premises which is the subject of the Transfer, or (e) if Tenant will not remain liable on the
Lease. In addition, Tenant agrees that if the Transfer is an assignment or a sublease of all or
substantially all of the Premises, then in lieu of giving its consent, Landlord shall have the right
to terminate this Lease and take back the Premises. If Tenant desires to assign this Lease or
sublet all or substantially all of the Premises, then, within ninety (90) days prior to any such
assignment or subletting, Tenant shall give Landlord written notice of its intent to do so and shall
deliver a copy of the proposed agreement evidencing the assignment or sublet and a proposed
Lease termination date (“Tenant Assignment Notice”). Landlord may thereafter terminate this
Lease, but only if it does so by notice (“Recapture Notice”) delivered to Tenant within thirty (30)
days of the date of the Tenant Assignment Notice. If Landlord delivers to Tenant a Recapture
Notice in a timely manner, then this Lease shall terminate as to all obligations thereafter accruing
as of the date designated by Tenant in the Tenant Assignment Notice, provided that Tenant
redelivers the Premises by such date in the condition required under this Lease, free from any
liens or encumbrances attributable to Tenant or its employees, agents, or contractors. Any
Transfer or attempted Transfer, whether voluntary or involuntary, by Tenant without Landlord’s
prior written consent or contrary to the provisions of this Article shall be deemed a default by
Tenant. If Tenant sublets the entire Premises, or any part thereof, at any time during the Term,
with or without Landlord’s required consent, Tenant shall deliver to Landlord any excess rent
thereunder within five (5) days of Tenant’s receipt thereof pursuant to such subletting. As used
herein, “excess rent” shall mean any payment or economic consideration per square foot of the
Premises received by Tenant pursuant to such subletting in excess of the amount of the Rent per
square foot of the Premises payable by Tenant under this Lease applicable to the part or parts of
the Premises so sublet, but net of the amount necessary to amortize over the remaining Term the
reasonable out-of-pocket costs incurred by Tenant for tenant improvements, brokerage, and other
purposes in connection with such sublease but only if such sublease has been consented to by
Landlord. If Tenant assigns this Lease at any time during the Term, Tenant shall deliver to
Landlord any excess payment applicable to the leasehold interest within five (5) days of Tenant’s
receipt thereof pursuant to such assignment. As used herein, “excess payment” shall mean the
amount of payment received for such assignment of this Lease in excess of the Rent payable
under this Lease, but net of the amount necessary to amortize over the remaining Term the
reasonable out-of-pocket costs incurred by Tenant for tenant improvements, brokerage, and other
purposes in connection with such assignment but only if such assignment has been consented to
by Landlord.

10.2 Included Events. In any case involving a Tenant (or permitted Subtenant or
Assignee) other than the City of Covington, the cumulative transfer (e.g., in one or more sales or
transfers), by operation of law or otherwise, of an aggregate of fifty percent (50%) or more of the
voting stock or membership interests issued and/or outstanding on the date of this Lease, or the
cumulative transfer of an aggregate of fifty percent (50%) or more of the ownership interests in a
general or limited partnership or limited liability company, which is Tenant (or Subtenant or
Assignee of Tenant), by which an aggregate of fifty percent (50%) or more of such stock or
ownership interests in a partnership or limited liability company is conveyed (except as a result
of transfers by gift or inheritance), shall be deemed an "assignment" of this Lease and shall be
subject to the provisions of Section 10.1. The term "voting stock" means the stock regularly
entitled to vote for election of directors of the corporation; and any stock, however denominated,
which is convertible into such voting stock, shall be treated for purposes of the foregoing as if it
were in fact converted. The two immediately preceding sentences, however, shall not be
applicable to any Tenant corporation the outstanding voting stock of which is listed on a national
securities exchange or actively traded "over the counter," nor shall this Section apply to an initial
public offering of Tenant's stock where Tenant is not already a publicly traded corporation. The
term "membership interest" means the ownership interests of a limited liability company.

10.3 General Transfer Matters. Nothing herein contained shall be deemed to
obligate Landlord to consent to any proposed Transfer if Tenant shall then be in default under
this Lease. Any consent by Landlord to a Transfer of this Lease, or any interest herein, shall not
be deemed a waiver of the right to refuse to consent to any subsequent Transfer, subject to the
terms of this Lease. No Transfer and no approval thereof by Landlord shall relieve, release,
discharge, or otherwise affect the liability of Tenant or any Transferee(s) for the performance of
Tenant's obligations under this Lease and all payments due from Tenant hereunder, nor shall any
subsequent amendment of this Lease so long as it is executed by the Transferee then in
possession. Tenant and each assignee shall remain fully, directly, and primarily liable to
Landlord for the performance of Tenant's obligations hereunder, without releasing or affecting any rights which Landlord may
have against Tenant or any Transferee, Landlord may proceed against any Person or any
property liable for Tenant's obligations hereunder as Landlord deems advisable, in its sole
discretion. Tenant shall be afforded reasonable opportunity to cure such default.

10.4 Documentation Requirements. No Transfer, whether requiring Landlord's
consent or otherwise, shall be valid or become effective until there are delivered to Landlord
executed copies, in such manner as Landlord may reasonably require, of the written instrument
evidencing such Transfer, which instrument shall conform to the requirements of this Lease as to
form and content, together with such amount as is requested by Landlord to reimburse Landlord
for any reasonable attorney's fees and costs and administrative costs and expenses actually
incurred in connection with Landlord's consideration or approval or acceptance of the instrument
documented hereunder.

10.5 Sale. If Landlord sells or otherwise transfers the Premises, or if Landlord assigns
its interest in this Lease, and such purchaser, transferee, or assignee assumes in writing
Landlord's obligations hereunder arising hereafter and accepts responsibility for return of
Tenant's security deposit to the extent required by this Lease, Landlord shall thereupon be
relieved of all liabilities hereunder arising after the date of the sale or transfer, but this Lease
shall otherwise remain in full force and effect.

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11. DAMAGE OR DESTRUCTION

11.1 Damage Due to Insured Risk

If at any time during the Term of this Lease the Premises and/or the Building in which the Premises are located is totally or partially destroyed or damaged, by fire or any peril fully covered by the insurance provided for in Section 7.4, rendering the Premises totally or partially inaccessible or unusable, Landlord shall commence restoration, repair, and reconstruction thereof within ninety (90) days thereafter and prosecute said work diligently to completion.

11.2 Damage Due to Uninsured Risk

If, due to an occurrence not fully covered by the insurance described in Section 7.4, either (a) the Premises and/or the Building in which the Premises are located are damaged to an extent of at least ten percent (10%) of their respective replacement cost, and/or (b) Covington Place Shopping Center is damaged to an extent of at least ten percent (10%) of the replacement cost of the improvements thereon, Landlord may elect, by written notice to Tenant, to terminate this Lease as of the date of such notice. Alternatively, in the event of damage to the Premises as aforesaid, Landlord may elect, by written notice to Tenant, to commence repair, reconstruction, and restoration of the Premises and to prosecute the same diligently to completion, in which event this Lease shall continue in full force and effect. Landlord's notice under this Section shall be communicated to Tenant within a period of ninety (90) days after such occurrence. In the event that the damage above identified in this Section comprises less than ten percent (10%) of the replacement value above specified, the respective obligations of Landlord and Tenant shall be governed by Article 8 of this Lease.

11.3 [This section intentionally left blank.]

11.4 Insurance Proceeds and Waiver of Termination

Landlord and Tenant agree that any and all Landlord insurance proceeds for damage to or destruction of the Premises and/or the Building shall be made available to Landlord and used for the sole purpose of repairing, rebuilding, and/or restoring the Premises and/or the Building, unless this Lease is terminated as the result of such damage or destruction. In no event shall Landlord be required to restore, repair, or reconstruct any alterations, additions, or improvements made by Tenant. Tenant waives any right to terminate this Lease as a result of damage of the Premises by fire or other peril, except as may be otherwise provided herein.

11.5 Rent Abatement During Reconstruction

In the event of repair, reconstruction, and restoration as provided for in this Article, the Base Rent reserved under Section 1.2.1 and any other charges to Tenant that actually decrease as a result of the damage sustained shall be abated proportionately with the degree to which Tenant's use of the Premises are impaired from the occurrence of the damage until completion of such repair, reconstruction, and restoration, and Landlord shall be reimbursed for loss of rents
during the period of repair, reconstruction, and restoration from the proceeds of rental income loss insurance. Tenant shall continue operation of its business upon the Premises during any such period to the extent reasonably practicable and, except as hereinabove specified, shall pay to Landlord all Additional Rent and other charges accruing under the Lease. Tenant shall not be entitled to any compensation or damages for loss in the use of the whole or any part of the Premises and/or any inconvenience or annoyance occasioned by any such damage, repair, reconstruction, or restoration, except to the extent Tenant has separately insured such risks.

11.6 Disputes Over Amount of Damage

In the event of damage or destruction as identified in Section 11.2, Landlord shall estimate the extent of damage and notify Tenant within thirty (30) days after the occurrence thereof. Should Tenant dispute the accuracy of such estimate, and so notify Landlord within fifteen (15) days of the date of receipt of Landlord's notice, Landlord shall retain a disinterested M.A.I. appraiser who shall evaluate the aforementioned damage. The determination of such appraiser shall be binding upon the parties unless, within ten (10) days after receipt of such determination, Landlord or Tenant shall initiate an arbitration proceeding under Article 20 of this Lease; provided, however, that the arbitrator shall not disturb the determination of the appraiser unless he decides that such determination is not supportable by substantial facts.

12. CONDEMNATION

12.1 Condemnation, Substantial Taking

In the event the entire Premises shall be appropriated or taken under the power of condemnation or eminent domain by any public or quasi-public authority ("condemnation"), the leasehold estate of Tenant shall cease and terminate upon, but not prior to, the date when Tenant shall be actually required to yield possession of the Premises to the public or quasi-public authority, and all liabilities of Tenant hereunder accruing subsequent to such date shall cease. In the event more than twenty percent (20%) of the Floor Area of the Premises are taken by condemnation or if, because of any appropriation or taking, regardless of the amount so taken, the remainder of the Premises are not one undivided parcel of property, or if the continued conduct of Tenant's business on the Premises would be prevented or substantially impaired, Tenant shall have the right to terminate this Lease as of the date of such taking; provided, however, that this right shall be exercisable only if Tenant gives Landlord written notice of its election to exercise this right within fifteen (15) days after Tenant receives from Landlord written notice of the substantial appropriation or taking. For purposes of this Article, a voluntary sale or conveyance in lieu of condemnation, but under threat of condemnation, shall be deemed an appropriation or taking by condemnation.

12.2 Continuation of Lease

If Tenant elects not to so terminate this Lease and remains in that portion of the Premises which shall not have been appropriated or taken as herein provided, or in the event less than twenty percent (20%) of the Floor Area of the Premises shall be appropriated by condemnation, and the remainder thereof is an undivided parcel of property, then in either such event, this Lease

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shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent, Common Area Charges, and Additional Rent shall be reduced in the proportion that the Floor Area taken bears to the Floor Area of the Premises before such taking.

12.3 Condemnation Award

Any award for the taking of all or any part of the Premises by condemnation, or any payment made under threat of the exercise of such power, shall be the sole property of Landlord, and Tenant shall have no claim thereto and hereby irrevocably assigns and transfers any right Tenant may have to share in the award to Landlord; provided, however, that Tenant shall be entitled to receive any award made (a) for the taking of or damage to Tenant's trade fixtures, equipment, and any improvements made by Tenant to the Premises that Tenant would have had, but for the condemnation, the right to remove on expiration or sooner termination of this Lease and (b) as compensation for expenses of relocation of Tenant's business. Landlord shall have exclusive discretion to grant “possession and use” to the condemning authority and shall have exclusive authority to negotiate and settle the issue of just compensation, except under circumstances where Tenant would be entitled to the value of tenant improvements and/or expenses of relocation of Tenant's business and, in that event, Tenant may participate in negotiations to the extent of the issue of value of tenant improvements and the expenses of relocation. In the event that this Lease is continued as to the portion of the Premises not condemned, any award made for alterations, modifications, or repairs which may be reasonably required in order to place the remaining portion of the Premises not taken in a suitable condition for the continuance of Tenant's occupancy, shall be paid to Landlord and shall be used solely for the purpose of restoring the Premises to suitable condition. Notwithstanding the foregoing, in no event shall Tenant be entitled to pursue or receive any condemnation award which shall have the net effect of reducing the award to which Landlord is otherwise entitled under applicable law.

13. HAZARDOUS SUBSTANCES

13.1 Presence and Use of Hazardous Substances

In its use of the Premises, Tenant shall comply with all applicable laws, rules, and regulations pertaining to the use, disposal, treatment, generation, storage, or sale of any substances designated as, or containing components designated as, hazardous, dangerous, toxic, or harmful, or subject to regulation by any federal, state, or local law, regulation, statute, or ordinance (collectively referred to as “Hazardous Substances”). With respect to any such Hazardous Substance, Tenant shall:

13.1.1 Comply with all applicable governmental rules, regulations, and requirements regarding the proper and lawful use, sale, transportation, generation, treatment, and disposal of Hazardous Substances;

13.1.2 Allow Landlord or Landlord's agent or representative to enter upon the Premises at all reasonable times to check Tenant's compliance with all applicable governmental regulations regarding Hazardous Substances; and
13.1.3 Not be responsible for Hazardous Substances present prior to its occupancy or those generated by Landlord or its agents.

13.2 Cleanup Costs, Default and Indemnification

13.2.1 Tenant shall be fully and completely liable to Landlord for any and all cleanup costs and any and all other charges, fees, and penalties (civil and criminal) imposed by any governmental authority with respect to Tenant's use, disposal, transportation, generation, sale and/or release of Hazardous Substances in or about the Premises.

13.2.2 Tenant shall indemnify, defend, and hold Landlord harmless from any and all of the costs, fees, penalties, and charges assessed against or imposed upon Landlord (as well as Landlord's attorneys' fees and costs) as a result of Tenant's use, disposal, transportation, generation, sale and/or release of Hazardous Substances. This indemnification and defense obligation shall survive the expiration or sooner termination of this Lease.

13.2.3 Upon Tenant's default under this Article 13, in addition to the rights and remedies set forth elsewhere in this Lease, Landlord shall be entitled to the following rights and remedies:

13.2.3.1 At Landlord's sole option, to terminate this Lease for default as provided in Article 15; and

13.2.3.2 To recover any and all damages associated with the default, including, but not limited to, cleanup costs and charges, civil and criminal penalties and fees, any and all damages and claims asserted by third parties, and Landlord's reasonable attorneys' fees and costs.

14. BANKRUPTCY

In the event Tenant, or any guarantor of Tenant's obligations hereunder, shall cease doing business as a going concern, make an assignment for the benefit of creditors, generally not pay its debts as they become due, admit in writing its inability to pay its debts as they become due, file a petition commencing a voluntary case under any chapter of the Bankruptcy Code (11 U.S.C. Section 101, et seq. (“Bankruptcy Code”)), be adjudicated an insolvent, file a petition seeking for itself any reorganization, arrangement, composition, adjustment, liquidation, dissolution, or similar arrangement under the Bankruptcy Code or any other present or future statute, law, rule, or regulation, or file an answer admitting the material allegations of a petition filed against it in any such proceeding, consent to the filing of such a petition or acquiesce in the appointment of a trustee, receiver, custodian, or other similar official for it for all or a substantial part of its assets or properties, or take any action looking to its dissolution or liquidation, Tenant shall be deemed to be in default under this Lease.

This is a lease of non-residential real property in a shopping center within the meaning of the Bankruptcy Code. Any person or entity to which this Lease is assigned pursuant to the
provisions of the Bankruptcy Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on or after the date of such assignment. Any such assignee shall, upon demand by Landlord, execute and deliver to Landlord an instrument confirming such assumption. Any or all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be the exclusive property of Landlord, and shall not constitute property of Tenant or the estate of Tenant within the meaning of the Bankruptcy Code. Any monies so paid that are not paid or delivered to Landlord shall be deemed held in trust for the benefit of Landlord and promptly paid or delivered to Landlord.

15. DEFAULTS

The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Tenant:

15.1 Rent Default

The failure by Tenant to make, as and when due, any payment of Rent or other charges payable by Tenant hereunder, where such failure has continued for a period of thirty (30) days after the due date.

15.2 Abandonment

The abandonment or vacation of the Premises by Tenant. As used herein, abandonment is defined to include, without limitation, any absence of Tenant from the Premises for ten (10) days or longer.

15.3 Non-Monetary Default

The failure by Tenant to observe or perform any of the express or implied covenants, promises, agreements, or provisions of this Lease to be observed or performed by Tenant (other than as specified in subsection 15.1), where such failure has continued for a period of fifteen (15) days after written notice thereof from Landlord to Tenant specifying the particulars of such failure; provided, however, that such notice shall be in lieu of, and not in addition to, any notice required by Washington law, and further that, no default shall be deemed to have occurred where the cure of such failure or default cannot be completed within fifteen (15) days but the Tenant has in good faith initiated corrective action within the notice period and shall diligently pursue such corrective action until its cure has been completed.

15.4 Accuracy of Statements

The falsity of any report or statement of Tenant, or any employee, agent, or representative of Tenant, required to be furnished to Landlord pursuant to the terms of this Lease.

16. REMEDIES UPON DEFAULT
16.1 Remedies of Landlord

Landlord and Tenant hereby agree upon Landlord's remedies as set forth in this Article for any default by Tenant described in Article 15. In the event of any default by Tenant, Landlord may, in addition to any or all other rights or remedies available to Landlord hereunder, at law or in equity, exercise any or all rights or remedies set forth in this Article. No delay or omission of Landlord to exercise any right or remedy within the period of any applicable statute of limitations shall be construed as a waiver of any such right or remedy or of any default.

16.2 Termination of Lease

Except as otherwise provided in Section 16.6, if Tenant defaults in the payment or performance of this Lease or abandons or vacates the Premises prior to the end of the Term hereof, or if Tenant's right to possession is terminated by Landlord because of a default by Tenant under this Lease, this Lease shall, at Landlord's sole option, terminate. Upon such termination, Landlord may recover from Tenant all damages allowed under Washington law, including but not limited to the worth at the time of the award of the unpaid Rent that had been earned at the time of termination; the amount by which the reasonable value of the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; the amount by which the reasonable value of the unpaid Rent for the balance of the Term of this Lease from time of award forward exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; and such other amount as may be necessary to compensate Landlord for all damages proximately caused by Tenant's failure to perform its obligations under this Lease or that in the ordinary course of things would be likely to result therefrom. Nothing in this Section shall be construed to amend the Landlord’s duty to mitigate damages, nor shall Tenant hereby waive any defenses or offsets available at common law.

16.3 Terms Defined

As used in Section 16.2, the following terms are defined:

16.3.1 “Worth at the Time of Award.” “Worth at the time of award” of the amounts referred to in subsections 16.2.1 and 16.2.2 is computed by allowing Interest as defined herein. The “worth at the time of award” of the amount referred to in subsection 16.2.3 is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

16.3.2 “Time of Award.” “Time of award” as used in subsections 16.2.1, 16.2.2, 16.2.3, and 16.3.3 is the date on which judgment is entered by a court of competent jurisdiction.

16.3.3 “Reasonable Value.” “Reasonable value” of the amount referred to in subsection 16.2.2 is computed by determining the mathematical product of (1) the “reasonable annual rental value” (as herein defined) and (2) the number of years, including fractional parts thereof, between the date of termination and the time of award. The “reasonable value” of the
amount referred to in subsection 16.2.3 is computed by determining the mathematical product of
(1) the "reasonable annual rental value" (as herein defined) and (2) the number of years,
including fractional parts thereof, remaining in the balance of the Term of this Lease after the
time of award. As used in this subsection the term "reasonable annual rental value" is computed
by obtaining the sum of the three following components: (1) the Base Rent; plus (2) all
Additional Rent paid or payable during the calendar year immediately preceding the time of
award; plus (3) the greater of either the mathematical average (on an annual basis) of Percentage
Rent (if any) paid or payable prior to the date of termination or the Percentage Rent paid or
payable during the calendar year immediately preceding the date of termination.

16.4 Mitigation by Landlord

No effort or efforts by Landlord to mitigate the damage caused by Tenant's default under
this Lease shall be deemed a waiver of Landlord's right to recover damages under this Lease.
Landlord's duty to mitigate its damages in the event of Tenant's default shall be no greater than
that required by applicable law or expressly set forth herein.

16.5 Indemnification Unaffected

Nothing in this Article shall affect the right of Landlord under this Lease to
indemnification for liability arising under Article 7 prior to termination of this Lease.

16.6 Continue Lease

Landlord shall have the right to terminate Tenant's right to possession and re-enter and
re-possess the Premises without terminating this Lease. No such re-entry and re-letting of the
premises by Landlord shall be construed as Landlord's election to terminate this Lease unless
Landlord gives Tenant written notice of termination. Until Landlord elects to terminate this
Lease by written notice of termination or until termination is decreed by a court of competent
jurisdiction, this Lease and all Tenant's obligations hereunder shall continue, and Landlord may
enforce all its rights and remedies under the Lease, including the right to recover Rent as it
becomes due.

16.7 Damages - Amounts Due Under Lease

Unless Landlord elects to terminate the Lease by written notice, this Lease shall continue,
and Landlord may re-enter and may collect by suit or otherwise each installment of Rent and all
other amounts payable by Tenant as they become due and may enforce any other term or
provision of this Lease on the part of Tenant required to be kept or performed. Tenant shall
remain and continue to be liable to Landlord for all monthly Base Rent herein reserved for the
balance of the Term, subject, however, to the obligation of Landlord to exercise reasonable effort
to re-let the Premises, but Landlord shall not be obligated to give re-letting of the Premises
priority over leasing other unoccupied space in other property owned by Landlord, nor shall
Landlord be required to re-let the Premises to a replacement tenant or under terms or conditions
(including, without limitation, permitted use) that would not be acceptable to Landlord
exercising commercially reasonable discretion in the ordinary course of its leasing business.
Landlord may re-let the Premises, or any part thereof, for such term (which may be for a term extending beyond the Term of this Lease), at such rental, and upon such other terms and conditions (which may include concessions or free rent, alterations of the Premises, and payment of leasing agents or brokers) as Landlord, in Landlord's discretion, may deem advisable. Upon each such re-letting, all rentals received by Landlord from such re-letting shall be applied: first, to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord; second, to the payment of any costs of re-letting, including brokerage fees, attorneys' fees and costs, and costs of any alterations and repairs reasonably necessary to prepare the Premises for such reletting; third, to the payment of Rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future Rent as the same may become due and payable hereunder. If the rentals received from such re-letting during any month are less than that to be paid during such month by Tenant hereunder, Tenant shall pay such deficiency to Landlord monthly. Landlord's inability to obtain an acceptable replacement tenant or to relet the Premises, or any part thereof, shall not release or affect Tenant's liability for amounts due under the Lease. Notwithstanding any such re-letting without termination of this Lease, Landlord may at any time thereafter elect to terminate this Lease by written notice for Tenant's previous breach.

16.8 Landlord's Rights to Cure Default and to Secure Compliance

Landlord may elect, but shall not be obligated, to cure at any time and without notice any default of Tenant under this Lease. Whenever Landlord so elects, Tenant shall immediately upon demand pay to Landlord, as Additional Rent, all reasonable costs and expenses thereby incurred by Landlord, plus Interest on all amounts advanced by Landlord. In addition, in the event that Landlord requires the services of any attorneys to enforce against Tenant any of the provisions or rights under this Lease, Tenant shall pay to Landlord, as Additional Rent, all reasonable attorneys' fees and costs incurred by Landlord.

16.9 Waiver

No delay or omission in the exercise of any right or remedy of Landlord on any default by Tenant shall impair such a right or remedy or be construed as a waiver. The waiver by Landlord of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant, or condition herein contained. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any prior breach by Tenant of any term, covenant, or condition of this Lease, other than the failure of Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such prior existing breach at the time of acceptance of such Rent.

No act or conduct of Landlord including, without limitation, the acceptance of the keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the Term. Only an express written notice from Landlord to Tenant of Landlord's intention to accept a surrender shall constitute acceptance of the surrender of the Premises and accomplish a termination of this Lease.
Landlord's consent to, or approval of, any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

17. SUBORDINATION, ATTORNAMENT AND ESTOPPEL

17.1 Subordination

Within ten (10) calendar days after request by Landlord, Tenant will subordinate in writing, on a form of instrument provided by Landlord or Mortgagee, its rights hereunder, in writing, to the lien of any Mortgage against Covington Place Shopping Center, or any portion thereof, and to all advances made or hereafter to be made upon the security thereof; provided, however, such instrument of subordination shall provide that in the event of foreclosure, or in the event of the exercise of the power of sale under any Mortgage, a purchaser shall recognize and not disturb Tenant's rights under this Lease or Tenant's occupation and use of the Premises, provided Tenant is not in default hereunder.

17.2 Attornment by Tenant

In the event any proceedings are brought for foreclosure of, or in the event of the exercise of the power of sale under, any mortgage or deed of trust made by Landlord covering Covington Place Shopping Center or the Premises, Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under this Lease.

17.3 Estoppel Certificate

Within ten (10) calendar days after request therefor by Landlord, or in the event that upon any sale, assignment, or encumbrance of the Premises and/or Covington Place Shopping Center by Landlord an estoppel certificate is required from Tenant, Tenant agrees to deliver a certificate, in form and substance acceptable to Landlord, in its sole discretion, to any purchaser, assignee, or lender, or to Landlord, certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), that there are no defenses or offsets thereto (or stating those claimed by Tenant), the dates to which the Base Rent, Additional Rent, and other charges have been paid, and any other matters reasonably requested by Landlord to be addressed therein.

Notwithstanding any other provision of this Lease, upon the request of any party in interest to this Lease, Tenant shall execute promptly such instruments or certificates provided for in this Article or as shall be reasonably requested by Landlord. In the event that fourteen (14) calendar days after written request by Landlord Tenant shall not have executed all such certificates and instruments so requested, Landlord may, at its option, declare Tenant in default under Article 15 of this Lease and pursue any and all rights and remedies provided for in Article 16 hereof.

18. SURRENDER
Upon the expiration or sooner termination of this Lease on account of default or other reason pursuant to this Lease, Tenant shall surrender the Premises in good condition, subject to and excepting reasonable wear and tear and (to the extent provided in Section 8.1 and Articles 11 and 12) Landlord's maintenance obligations, fire, or other casualty or condemnation. Tenant shall allow Landlord's representative to inspect the Premises during reasonable business hours within ten (10) days of the expiration or sooner termination of this Lease to verify the condition of the Premises. Tenant shall, at Tenant's sole expense, promptly correct any deficiency for which Tenant is responsible under the terms of this Lease and if Tenant fails to do so, Landlord may take the necessary action and collect its reasonable costs of performance as Additional Rent. Tenant shall remove all of Tenant's trade fixtures, equipment, identification signage, inventory, and other personal property and leave the Premises and the Building in the condition described herein, broom-clean, and free of any debris, garbage, or waste of any nature. Tenant shall secure a written agreement from Landlord concerning any equipment or other personal property that Tenant intends to leave on the Premises. Any personal property left on the Premises by Tenant without the prior written consent of Landlord after expiration or sooner termination of this Lease shall conclusively be considered abandoned, and Landlord will be entitled to use or dispose of it free of any interest of Tenant.

19. HOLDING OVER, SUCCESSORS

19.1 Holding Over

In the event Tenant remains in possession of the Premises after the expiration or sooner termination of the tenancy created hereunder, and without the execution of a new lease, Landlord shall have the option to treat this Lease as terminated and recover possession of the Premises or to accept Tenant as a tenant from month-to-month, subject to all of the provisions of this Lease (except that the Term will be month-to-month, terminable by either party on not less than thirty (30) days prior written notice and, if the holdover follows the expiration of the initial 15-year term, the Base Rent will continue as then in effect immediately prior to termination; and if the holdover follows the expiration or termination of the lease in any other manner, the Base Rent will be one hundred twenty percent (120%) of the amount of Base Rent then being paid by Tenant.

19.2 Successors

All rights and liabilities given to, or imposed upon, the respective parties hereto shall extend to and bind the several respective heirs, executors, administrators, successors, and assigns of said parties. If there be more than one Tenant, they shall be bound jointly and severally by the terms, covenants, and agreements herein. No rights, however, shall inure to the benefit of any Transferee of Tenant unless such Transfer has been approved by Landlord in writing as provided for in Article 10.

19.3 Termination of Lease by Tenant

Tenant shall have the option to terminate the Lease at the end of Lease Year 10 with a cash buyout to Landlord of One hundred and sixty thousand dollars ($160,000.00). Notice of
intention to terminate under this provision shall be due to Landlord not later than six (6) months prior to the date of termination, and the buyout shall be due and payable in full no later than sixty (60) days prior to the effective date of termination. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation hereof, shall not result in a merger of estates, and may, at the option of Landlord, operate as an assignment to Landlord of any existing subleases or subtenancies or terminate any existing subleases or subtenancies.

20. ARBITRATION

In the event that any Section of this Lease specifically provides for arbitration, and only in such event, any controversy or disagreement between Landlord and Tenant involving the interpretation, construction, or application of such Section alone shall be submitted to final and binding arbitration in accordance with the current Rules of Practice & Procedure for Arbitration of Judicial Arbitration & Mediation Services, Inc. (“JAMS”) or such other mutually acceptable dispute resolution or arbitration service. Unless otherwise agreed, such arbitration shall be conducted in Seattle, Washington before a single arbitrator selected as provided herein. Written notice of the demand for arbitration may be served by either party upon the other party and filed with JAMS in accordance with its applicable rules.

The arbitration shall be conducted, to the extent consistent with this Section, in accordance with the then-prevailing applicable arbitration rules of JAMS, unless the parties mutually agree otherwise. The arbitrator shall be authorized to apportion the costs of arbitration and to award an amount to compensate the substantially prevailing party for the time and expense of arbitration, including reasonable attorneys' fees and costs. In rendering his decision and award, the arbitrator shall have no power to modify any of the provisions of this Lease, which shall be construed in strict conformity with Washington law. The decision of the arbitrator shall be rendered within thirty (30) days after his selection and shall be final and binding upon the parties hereto. Judgment upon the decision and award may be entered and enforced in accordance with Washington law by any court of competent jurisdiction.

Except as may otherwise be mutually agreed by the parties, unless a Section of this Lease specifically provides for arbitration, all disputes arising out of this Lease shall be settled in accordance with the statutory and common law of the State of Washington.

21. MISCELLANEOUS

21.1 Quiet Enjoyment

Landlord warrants that it owns the land on which the Premises are located and has full right and authority to enter into this Lease and that, so long as Tenant is not in default of any provision hereof, Tenant shall have quiet enjoyment of the Premises during the Term of this Lease, without disturbance or interruption by Landlord or anyone claiming by, through, or under Landlord.

21.2 Time
Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor. Except where expressly stated otherwise herein, references to days in this Lease shall mean calendar (as opposed to business) days.

21.3 Separability

If any term, covenant, condition, or provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby.

21.4 Nuisance and Waste

Tenant shall not commit, or suffer to be committed, any waste upon the Premises, or create, engage in, or permit any nuisance or other act or thing to be done in or about the Premises which may in any way obstruct or interfere with the rights of occupants, patrons, or other tenants of Covington Place Shopping Center, or injure or annoy them, nor shall Tenant allow the Premises to be used for improper, immoral, unlawful, or objectionable purposes.

21.5 Notices

Whenever in this Lease notice or demand is required or permitted, it shall be given or served by either party to this Lease to the other in writing and either by personal delivery or by mail, and if given by mail shall be deemed sufficiently given if sent by certified mail, postage prepaid, addressed as follows:

If to Landlord: Covington Retail Associates LLC
c/o Ashton Capital Corporation
16400 Southcenter Parkway, Suite 502
Seattle, WA 98188

With Copy to: Larry R. Schreiter
Attorney at Law
1851 Central Place South, Suite 217
Kent, WA 98031

If to Tenant: City Of Covington
c/o City Manager
17210 SE 272nd Street
Covington, WA 98042

With Copy to: Duncan Wilson
Sampson & Wilson
1400 Talbot Rd. So., Ste. 400
Renton, WA 98055
Either party may by written notice to the other specify a different address for notice purposes, except that Landlord may in any event use the Premises as Tenant's address for notice purposes.

21.6 Force Majeure

In the event that either party hereto shall be delayed or hindered in, or prevented from, the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, failure of power, riots, insurrection, war, acts (or failure to act) of government (provided timely application and diligent prosecution for such governmental action, if required, was undertaken by the delayed party), or other reason of like nature not the fault of, or within the reasonable control of, the party delayed in performing work or doing acts required under the terms of this Lease (collectively referred to as “force majeure” delays), then performance of such work or act shall be excused for the period of the force majeure delay and the period for the performance of any such work or act shall be extended for a period equivalent to the period of such force majeure delay, provided, however, that no such extension shall be permitted with respect to any force majeure delay unless written notice of the delay specifying the cause of the delay and the expected period of delay is delivered by the delayed party to the other party within three (3) days after such delay is encountered. Notwithstanding anything else herein to the contrary, this provision shall not operate to excuse Tenant from prompt payment of Base Rent, Additional Rent, or any other payments required by the terms of this Lease nor shall this provision operate to extend the time for performance of Landlord’s Work or Tenant’s Work, or restoration after damage or destruction or partial condemnation, for more than ninety (90) days.

21.7 Waiver

No covenant, term, or condition of this Lease shall be deemed to have been waived by Landlord or Tenant unless such waiver is in writing and signed by Landlord or Tenant, respectively.

21.8 Accord and Satisfaction

No payment by Tenant, or receipt by Landlord, of a lesser amount than the full amount of Rent shall be deemed to be other than “on account” of the amount(s) due under this Lease. Nor shall any endorsement or statement on any check, or contained in any letter accompanying any check or payment of Rent, be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent, or pursue any other remedy provided in this Lease.

21.9 Applicable Law

This Lease shall be governed by and construed pursuant to the laws of the State of Washington.

21.10 Entire Agreement
Addendum

1. T.I.:

$25.00 per square foot (approx. $400,000) Tenant Improvement allowance. T.I. to be over and above vanilla shell. Vanilla shell to be defined and agreed to by both parties. Lease is contingent upon City’s accepting the cost estimates (bids) for the T.I. If necessary and within a reasonable amount, Landlord will pay for the balance of the improvement cost over the allowance and amortize it into the Lease as Additional Rent. The space will be provided “turn-key” and in “move-in” condition.

2. Planning and Design:

The initial floor plan and up to two revisions will be provided by architectural firm selected by Landlord; follow up space planning will be charged against the T.I. allowance.

3. Storage Area:

Landlord will provide the City with 400 square feet outdoor fenced storage areas for City’s exclusive use.

4. Parking:

City will have required parking spaces allowed by City code, with 12 spaces reserved for City’s exclusive use.

5. Purchase Right:

During the Lease Term, including any extensions, City to be afforded the “first opportunity” to purchase the building, at a price to be negotiated.

6. Common Area:

Expected budget for common area expenses to be provided and parties to develop a system for monitoring and controlling common areas expenses.
EXHIBIT A

LEGAL DESCRIPTION

Proposed Lot 4 of Revised Preliminary Plat, App. No. PP 01-001, City of Covington

(subject to amendment to conform to final legal description upon recording of final plat).
EXHIBIT D

Reserved for later adoption by the parties.
RESERVED FOR LATER ADOPTION BY THE PARTIES. CITY SHALL BE ALLOWED REASONABLE SIGNAGE.