

COMMERCIAL LEASE

THIS COMMERCIAL LEASE (the "Lease"), made in duplicate this 26 day of January, 2019, by and between MATICO LLC, a Washington limited liability company, as "Lessor," and [CARRIAGE HOUSES NORTHWEST LLC], as "Lessee."

1. PREMISES

A. Lease. The Lessor does hereby Lease to the Lessee and the Lessee does hereby lease from the Lessor the "Premises," as described below.

B. Description of Premises. The Premises is a 2.1-acre portion of a 21.43-acre parcel of real property (the "Parcel"), commonly known as 3824 88th Street NE, Marysville, Washington 98270. The address commonly known as 4000 88th Street NE, Marysville, Washington 98270 is used by the Lessee as the mailing address for the Premises. The Premises include a commercial building and accessory buildings (collectively known as "the Building") which site upon the Premises. The Premises are also referenced herein as the "Real Property." A legal description of the Parcel is attached hereto as Exhibit A and incorporated herein. The site plan of the Premises is attached hereto as Exhibit B and incorporated herein.

C. Common Areas. The Lessor does also hereby grant to the Lessee, the Lessee's employees, agents, contractors and invitees the nonexclusive right, in common with the Lessor, other tenants of the Lessor and their respective employees, agents, contractors and invitees, to use the Common Areas and Common Facilities within the Parcel. The Common Areas consist generally of all those improved portions ("Improvements") of the Parcel, which are not occupied by buildings or other structures (such as kiosks), and are intended for the common use of tenants of the Parcel. The Common Areas will consist generally of parking areas, driveways, trash enclosures, elevators, breezeways, hallways, sidewalks and landscaping. The Lessor reserves the right to:

i. Reconfigure, make or permit changes, additions or revisions to the Real Property including the buildings, walkways, driveways, parking areas and Common Areas; and

ii. Construct improvements within the Parcel and make alterations or additions to all improvements, including the buildings, within the Parcel or within the Common Areas.

In exercising such reserved rights, the Lessor shall not substantially impair nor reduce vehicular or pedestrian access to the Building or the number of parking spaces

immediately adjoining the Building. Any reconfiguration or construction shall comply with all applicable laws, including but not limited to zoning and bulk requirements related to parking ratios.

2. PURPOSE AND EXCLUSIVE RIGHT

The Premises shall be used for the conduct of the Lessee's tiny home manufacturing and functions necessarily related to that business and for no other purpose. Lessee shall obtain all necessary approvals from all applicable government authorities for Lessee's business to occupy the Premises, including a change of use, if required.

3. TERM AND EXTENSION OPTION

A. Initial Term. The term of this Lease (the "Term") is month to month. The Term shall commence on February 1, 2019 ("Commencement Date"). The Term shall renew each month unless either party terminates the Lease. Either party may terminate this Lease by providing at least thirty (30) days' written notice and the Lease may only terminate on the final day of a month. Lessee's obligation to pay Minimum Rent shall commence on March 1, 2019.

The Lessor shall be under no obligation to make any changes, improvements or alterations to the Parcel, the Real Property, Premises, or the Building. The Lessor and the Lessee acknowledge that the Building has been altered, expanded, and improved. Lessee in all ways is satisfied with the alternations, expansion, and improvements of the Building, and Lessee accepts the Premises, including the Building, in its "as is where is" condition.

B. Extension. Lessee shall not have any extension options.

4. RENT

A. Minimum Rent. Lessee covenants and agrees to pay the Lessor as rental for the Premises during the initial Term a minimum monthly rental ("Minimum Rent") of \$3,600.00 per month.

All rentals shall be payable in lawful money of the United States during the term of the Lease. The rentals shall be payable to: MATICO LLC, 19410 Hwy 99, Ste. A #268, Lynnwood, WA, 98036 or to such other person and/or at such place as the Lessor may designate in writing from time to time. All rents shall be due and payable on the first day of each month in advance.

B. **Adjustment to Minimum Rent.** On the one-year anniversary of the Commencement Date, the Minimum Rent shall be increased by three percent (3%) from the rate of Minimum Rent for the prior year. The rate of Minimum Rent shall thereafter be increased annually by three percent (3%) from the prior year's Minimum Rent.

C. **Additional Rent.** There is no additional rent.

5. **CONSIDERATION AND SECURITY DEPOSIT**

A. **Consideration.** As partial consideration for the execution of this Lease, the Lessee has this day paid the Lessor the sum of \$3,600.00 in payment of the first month Minimum Rent in advance in the sum of \$3,600.00. Lessee's total payment to Lessor upon execution of this Lease shall be \$3,600.00.

B. **Security Deposit.** Lessee shall not be required to submit a security deposit upon execution of this Lease.

6. **POSSESSION**

A. **Acceptance.** Lessee shall accept "AS IS" possession of the Premises as provided above. Lessee waives and releases any claim that the Premises are not suitable for Lessee's intended use. Lessor shall not be liable for any cost to make the Premises suitable for Lessee's intended use. Lessor makes no representation and disclaims any warranty (express or implied) that the Parcel, the Real Property, the Premises, or the Building complies with applicable law. Lessee accepts all risks that the Premises may not be used for Lessee's intended purpose or that the Premises does not comply with applicable law.

B. **Possession.** Lessee shall take possession on the Delivery Date and Lessee agrees to be bound by all the provisions, covenants and obligations herein from the time of actual possession.

7. **USE OF PREMISES**

A. **Purposes.** Lessee shall use the Premises for the purpose stated in Section 2 of this Lease. No part of The Premises shall be used for any other purpose without the prior written consent of Lessor.

B. **Public Auctions.** No sale at auction by Lessee or others shall be made in or from the Premises.

C. Parking and Loading. The Lessee and its employees are prohibited from parking within the Real Property. Lessee's customers or clients shall have the right to park within the Real Property subject to the terms of this Lease. Upon the written request of the Lessor, the Lessee shall furnish the vehicle license plate numbers for each of the Lessee's employees and thereafter notify the Lessor of any changes in such information within five (5) days after any such change occurs. Lessee and Lessor will continue to work together to minimize the impact of Lessee's invitees on the Premises which may include, without limitation, signage, designated parking areas for Lessee's invitees, validated parking, paid parking, or parking lot security. Lessor shall have the exclusive right to promulgate rules regarding the use of the Real Property for parking. Lessor shall have the exclusive right, at its sole discretion, to fine and/or tow violators. The Lessee shall cause all commercial vehicles making any pickups or deliveries to the Premises to use only those areas designated as loading or service zones. The Lessee shall not permit anyone conducting business with the Lessee to make commercial deliveries or pickups to the Premises from any areas other than those specifically designated as loading or service areas.

D. Prohibited Uses. Lessee shall not use the Premises or any part thereof, or permit any part of the Premises to be used, or permit any act whatsoever to be done on the Premises, in a manner that will violate or make void or inoperative any policy of insurance held by Lessor. Lessee shall neither use nor occupy the Premises or any part thereof for any unlawful, disreputable, or ultra-hazardous business purpose. Nor shall Lessee operate or conduct its business in a manner constituting a nuisance of any kind. Lessee shall immediately upon discovery of any unlawful, disreputable or ultra-hazardous use take action to halt all such activity. No portion of the Premises shall be used for any of the following purposes: mortgage or financial services, barber shop or salon, the sale of board games, retail game sales, physical therapy business, "Coffee Shop," place of worship, second hand store, thrift store, consignment store, lumber yard, fiberglass, fabrication or repair shop, gambling activities, "recreational facility," The term "recreational facility" includes, but is not limited to, bowling alleys, bingo parlors, casinos, skating rinks, theaters, pool halls, billiard rooms, studios, massage parlors, dance halls, retail game shop, the sale of food/beer/wine, adult book or video stores. The term "Coffee Shop" includes, but is not limited to any business that uses any portion of the Premises for the sale of gourmet, brand-identified brewed coffee. Incidental sales of coffee and/or espresso shall be permitted.

E. Operations. Lessee shall cause its business to be conducted and operated in good faith from the Premises during the term of this Lease. The Lessee covenants and agrees that the Premises shall be adequately staffed, and shall remain open for business at least during the hours of 8:00 a.m. to 6:00 p.m., Monday through Friday with occasional Saturday or weekend hours. Nothing contained in this Lease shall be deemed to restrict the Lessee's right to operate for longer hours. If Lessee shall fail to cause its business to be operated during the hours required by this subsection, or as otherwise may be agreed

by the Lessor, then after written notice pursuant to Section 26.B. below, in addition to any other remedy available to the Lessor under this Lease, the Lessee shall pay to the Lessor as liquidated damages for such breach a sum equal to \$100.00 for each day during which Lessee shall fail to so operate.

F. Storage of Flammable Materials. Lessee shall not keep or permit to be kept at, in, or about the Premises any gasoline, distillate, or other petroleum product, or any other substance or material of an explosive or flammable nature in such quantities as may endanger any part of the Premises without the written consent of all insurance companies carrying fire or rent insurance on all of the Building or any part thereof, or do any act or engage in any conduct which shall cause an increase in the fire insurance rates covering the Building over those charged immediately prior to the Commencement Date. If Lessee's use of such materials is permitted by all such insurers, but causes an increase in the insurance rates, Lessee shall directly reimburse Lessor for all increases in the insurance rates and the increase shall not be allocated to any other tenant of the Real Property.

G. Use Impairing Structure Strength. Lessee shall not permit the Premises or any part of any improvement within the Real Property to be used in any manner that will impair the structural strength thereof or permit the installation of any machinery or apparatus the weight or vibration of which may tend to injure or impair the foundations or structural strength thereof.

H. Garbage Disposal. Lessee shall not burn or incinerate any rubbish, garbage, or debris at, in, or about the Premises, and shall cause all containers, rubbish, garbage, and debris accumulated within the Premises, to be hauled away for disposal prior to the accumulation of any substantial quantity. Lessee shall only dispose of rubbish, garbage and debris in receptacles provided for that purpose located within the areas marked on Exhibit B.

I. Public Regulations. In the conduct of its business in and about the Premises, Lessee shall observe and comply with all laws, ordinances, and regulations of public authorities. Without limiting the foregoing, Lessee agrees that The Premises at all times will be kept and used in accordance with the laws of the United States, the State of Washington, and the ordinances of Snohomish County or the City of Marysville, and all directions, rules and regulations of the Health Officer, Fire Marshal, Building Inspector, or other proper officer of any governmental agency having jurisdiction, at the sole cost and expense of Lessee.

J. Hazardous Substances. Lessee shall not generate, process, store, transport, handle, or dispose of hazardous substances within the Premises or the Real Property, except as permitted by law. Without limiting the generality of the foregoing, the usage, storage, or handling of any hazardous substances in levels that exceed those established

by OSHA, WISHA, the EPA, ASHRAE or other local, state, or federal regulations or industry standards is prohibited.

K. Disabilities Compliance. Lessee assumes the liability for any alterations required to the interior of the Premises to comply with the Americans with Disabilities Act, 42 USC, 12101 as the same may be amended, that become applicable after the Commencement Date or become applicable because of the manner in which Lessee's business is operated.

L. Indoor Air Quality. The Lessee shall not conduct or permit any activities within the Premises that impair acceptable indoor air quality within the Premises or in the Building, and shall comply with any and all local, state and federal regulations or industry standards relating to indoor air quality. The Lessee shall prohibit smoking within the Premises. The Lessee shall post signs prohibiting smoking as required under RCW Chapter 70.160, as it may be amended, conspicuously at each entrance to the Premises and in prominent locations throughout the Premises.

M. Smoking in Common Areas. Smoking is prohibited within a distance of twenty-five feet from entrances, exits, windows that open, and ventilation intakes that serve any enclosed area within the Real Property, to ensure that tobacco smoke does not enter an enclosed area through entrances, exits, open windows, or other means. Lessee shall take measures to ensure that Lessee's employees, agents, contractors, invitees or any other persons under the direction or control of Lessee comply with the requirements of this Lease with respect to smoking. Lessee further agrees to ensure that its employees, agents, contractors, customers, vendors, and visitors comply with all federal, state, and local laws related to smoking in public places or inside or near buildings.

N. Radio Interference. Lessee shall not permit any of its telecommunications equipment, including antennae and any internal wiring or cabling to interfere with or cause the degradation of any other telecommunications equipment or signals within the Real Property. The Lessee may not install any antennas, masts, dishes or other devices for the transmission or receiving of telecommunications to the exterior of the Premises or the Building.

8. CLEANING

The Lessor will clean, maintain, repair and replace as necessary the Common Areas, as they may be reconstructed or reconfigured. Lessee shall at all times keep the Premises in a clean, neat, attractive and orderly condition, including but not limited to cleaning of the interior surface of all exterior window storefront and door glass.

9. REPAIRS GENERALLY

A. Repairs to be made by Lessor. The Lessor, at its sole expense, shall make or cause to be made all structural repairs to the roof, exterior walls, structural columns, roof penetrations and structural floors which collectively enclose the Premises and the Building together with all utilities to the point they enter the walls, floor, and ceiling enclosing the Premises. However, Lessor shall not be obligated to perform any repairs until Lessee has given reasonable written notice to Lessor of the need for such repairs. The Lessor shall have no obligation to perform any such repairs if the need for the repairs has been caused by the negligence or willful act of the Lessee, its agents, concessionaires, officers, employees, licensees, invitees or contractors. Within the first week of occupancy the Lessor and Lessee will inspect and evaluate the condition of the utilities and systems and make decisions on how to proceed should there be any required repairs.

B. Maintenance and Repairs to be made by Lessee. The Lessee shall maintain and promptly perform all repairs and replacements to the Premises and any improvements, installations, equipment or facilities within the Premises, other than those specifically required to be performed by the Lessor pursuant to Section 9.A. above. The repairs required to be performed by the Lessee shall be performed at the Lessee's expense. Without limiting the generality of the foregoing, Lessee shall keep the interior of the Premises, together with all electrical, plumbing and other mechanical installations, doors and any heating, ventilating and air conditioning systems installed in the Premises in clean and good order and repair and will make all replacements from time to time required at Lessee's expense. Lessee shall keep the interior surface of all exterior window storefront, and door glass clean. Lessee shall be responsible for all interior finishes and surfaces and for replacing all light bulbs that fail in any ceiling light fixtures serving the Premises. Lessee will surrender the Premises at the expiration of the term, or upon its earlier termination in as a good a condition as when received, normal wear and tear excepted. Lessee will not overload the electrical wiring serving the Premises or within the Premises and will install at its expense, subject to Section 10, any additional electrical wiring which may be required in connection with the Lessee's operations. Any damage or injuries sustained by any person because of mechanical, electrical, plumbing, or any other equipment or installation, for which the Lessee has the obligation of maintenance and repair, shall be paid by the Lessee. Lessee agrees to indemnify and hold the Lessor harmless from and against all claims and liability in connection with all items for which the Lessee has the obligation of maintenance and repair.

C. Notice by Lessor. If the Lessee shall fail to clean, maintain or commence any repairs within five (5) days after notice, Lessor may repair or cause the items to be maintained or repaired, in which case Lessee agrees to pay to Lessor promptly upon Lessor's demand, as Additional Rent, the cost of such maintenance or repairs together with interest at the default rate. Upon demand, the Lessee shall reimburse the Lessor as Additional Rent for the costs of the repair of any damage elsewhere within the Real Property caused by or arising from the installation or removal of Lessee's property in or

from the Premises, regardless of fault or by whom such damage shall be caused (unless caused by Lessor, its agents, employees, or contractors).

10. ALTERATIONS, ADDITIONS AND IMPROVEMENTS

A. Alterations. No portion of the improvements within the Premises shall be demolished or removed by Lessee without the prior written consent of Lessor, and, if necessary, of any mortgagee. Subject to the terms set forth below, Lessee may at Lessee's expense, make alterations, additions or improvements in and to the Premises and improvements only upon obtaining Lessor's prior written consent. All such alterations, additions or improvements shall be performed in a workmanlike manner and shall not weaken or impair the structural strength, or lessen the value, of the Building, or change the purposes for which the Premises or any part thereof, may be used.

B. Conditions. Conditions with respect to alterations, additions or improvements, including those contemplated at the beginning of this Lease, are as follows:

i. Lessee shall submit complete plans, drawings and specifications to Lessor for approval prior to commencing any work.

ii. Lessee shall obtain the prior written consent of Lessor prior to commencing any work and shall reimburse Lessor for all reasonable out-of-pocket costs that Lessor may incur in reviewing any proposal for alterations and additions, including the reasonable costs for review by architects or engineers.

iii. Before commencement of any work, all plans and specifications shall be filed with and approved by all governmental departments or authorities having jurisdiction and any public utility company having an interest. All work shall be done in accordance with requirements of all applicable local codes, standards, regulations, and ordinances. No part of the Premises shall be occupied by Lessee until any required final inspections or occupancy permits have been satisfactorily conducted and obtained.

iv. Prior to commencement of any work, Lessee shall pay the amount of any increase in premiums on insurance policies provided for in this Lease, or due to necessary endorsements for covering the risk during the course of work. At Lessor's discretion, Lessee shall without cost to the Lessor furnish Lessor with a performance bond written by a surety acceptable to Lessor in an amount equal to the estimated cost of the work. The surety bond shall guaranty the completion of the work, free and clear of all liens, encumbrances and security interests according to the approved plans and specifications. Lessee shall permit no liens,

encumbrances or security interests to attach to the Premises during the initial term or any extension period of the Lease.

v. Lessee shall be liable for and pay any and all costs for "Other Actions" which are required in conjunction with Lessee's alterations, additions or improvements. The term Other Actions means anything that is required by any federal, state or local law to be done in conjunction with or as a condition of Lessee's work, including, but not limited to electrical, fire and building code upgrades, remedial action as defined in Section 33.D below, removal of existing substances which are in compliance with Environmental Law (as defined in Section 33.A below) as of the Commencement Date of this Lease; and compliance with the Americans with Disabilities Act, 42 USC Section 12101, et seq.

vi. All work shall be completed in exact compliance with the plans, drawings and specifications approved by Lessor.

vii. All materials used in connection with the alteration addition or improvement of the Premises, including, without limitation, paint, carpeting, wall or window coverings, and carpet glues and other chemicals must be preapproved in writing by Lessor.

C. **Ownership.** Unless agreed to in writing by Lessor and Lessee, all alterations, additions and improvements on or in the Premises at the commencement of the term and any erected or installed during the term, shall become part of the Premises and the sole property of the Lessor at the expiration of the term of the Lease or upon sooner termination. However, all moveable trade fixtures installed by the Lessee shall be and remain the property of the Lessee if they are removed from the Premises at the expiration or sooner termination of the Lease. Unless otherwise requested by Lessor, Lessee shall, prior to the expiration or sooner termination of the Lease, remove any wiring or cabling that has been specifically installed for or by Lessee and that would legally be deemed abandoned upon the termination of Lessee's occupancy.

11. FIXTURES

All equipment customary and/or necessary to the operation of the Lessee's business as defined by its purpose herein shall remain the property of the Lessee and shall be removed by the Lessee by the end of the term of this Lease or earlier termination. If the Lessee does not remove the fixtures and any wiring or cabling that has been specifically installed for or by Lessee and that would legally be deemed abandoned upon the termination of Lessee's occupancy, at the termination of this Lease, then the Lessor may remove the same in accordance with Section 27 below. The Lessee shall be responsible for, and cause to be repaired, all damages resulting from removal of the property, and shall pay for restoration of any damages resulting from the removal of such

property. If Lessee fails to so remove the property by the termination of this Lease, then Lessor may do so and the Lessee agrees to reimburse the Lessor on demand for the actual costs thereof.

12. SIGNS

A. Sign Band. Within ten (10) days of the execution of this Lease, Lessee shall submit to Lessor a diagram illustrating Lessee's signage to be installed in the existing sign fascia (Lessee shall be responsible, at Lessee's sole cost, for making any necessary or desired alterations to the existing sign fascia). All signage must be approved by Lessor and the City of Marysville prior to fabrication. Lessee's signage shall comply with the specific sign criteria attached hereto as Exhibit E. The Lessor will promptly review Lessee's proposed signage and approve it or make specific recommendations for changes. Following approval of Lessee's sign, Lessee shall have a sign complying with the approved criteria (and, if applicable, a new sign fascia) professionally manufactured and installed at Lessee's expense. In the event Lessee does not obtain a sign within thirty (30) days of Lessor's final approval of the plans, Lessor shall have the right to order a sign(s) to be manufactured at Lessee's expense.

B. General Signage. All signs or symbols placed in the windows, on the doors, on the Premises, or upon the exterior part of the Building by the Lessee shall be subject to the prior approval of the Lessor or Lessor's agent. Lessee acknowledges that the Premises are part of a commercial center and that maintaining attractive and harmonious exterior signage that is located within the Real Property is material to the Lessor. Lessee shall maintain all of Lessee's signage that is located within the interior of the Premises in a clean and attractive condition at Lessee's expense. All window displays, signs, banners or other promotional items placed in the windows, doors or storefront that are visible from the exterior of the Premises shall be in keeping with the character and standards of the improvements within the Real Property. Prior to installation of any signs Lessee shall furnish a diagram for Lessor's approval. Any signs placed on the Premises shall be removed at the termination of this Lease at Lessee's expense. Lessee shall repair any damage or injury to the Premises caused by such removal. If Lessee fails to so remove any signs or fails to repair any such damage or injury, Lessor may perform such removal or repair at Lessee's expense. Lessee acknowledges that the Premises are part of a commercial building and that control of exterior signs by Lessor is essential in order to maintain uniformity and aesthetic values.

C. Monument Sign. Should Lessor construct and maintain a monument sign within the Real Property advertising the commercial center or the businesses of those tenants within the Real Property who choose to participate in advertising on the monument sign, the costs of fabricating, installing, maintaining, repairing, or replacing signage of individual tenants shall be allocated specifically to those individual tenants and shall not be an operating cost under Section 4.C.ii.c., above. However, the costs for

lighting, cleaning, maintaining and repairing the center monument sign as a whole and the costs of any identifier sign for the commercial center shall be an operating cost.

13. ACCESS AND FOR RENT SIGN

Upon reasonable prior notice actually received by Lessee, Lessor hereby reserves and Lessee hereby grants to the Lessor or Lessor's agent, the right to enter the Premises during normal business hours for the purpose of inspecting the Premises once every six (6) months or of making repairs, improvements, additions or alterations to the Premises or the Building. In the event Lessee chooses not to extend the Term of this Lease, the Lessor shall have the right to place and maintain "For Lease" signs in a conspicuous place on the Premises for one hundred and eighty (180) days prior to the expiration of this Lease. Lessor may enter the Premises in the case of an emergency at any time.

14. UTILITIES

The Lessee hereby covenants and agrees to pay all charges for heat, electricity, telephone, cable, water, sewer, garbage and for all other public utilities or telecommunications services which shall be used in or charged against the leased Premises during the full term of this Lease. The Lessor shall not be liable to the Lessee for any interruption in any utilities. Lessee shall pay all such charges that, are separately metered or separately provided to the Premises either directly to the provider or if elected by the Lessor than to the Lessor. The water to the Premises is on a separate sub-meter installed by Lessor that measures the actual consumption of water within the Premises. Lessee will be billed by Lessor for water to the Premises based upon actual consumption as recorded by the sub-meter. The Lessor may require that separate meters are installed for any utility, including water or electricity.

15. TAXES AND ASSESSMENTS

The Lessee agrees to pay all taxes and assessments on Lessee's equipment and inventory. Lessee further agrees to pay all taxes and assessments that may become due by reason of Lessee's business operations. Lessee shall keep the leasehold interest free from any claim of lien by any governmental agency.

16. ACCIDENT

A. Risk for Lessee. All personal property within the Premises shall be at the risk of Lessee. Neither Lessor nor Lessor's agent shall be liable for any damage to persons or property, whether sustained by Lessee or others, caused by any existing defects in the Premises, or the building in which the Premises are located, or any service facilities, except for any portion of such damage which is solely attributable to Lessor's negligence or intentional act. Neither shall Lessor nor Lessor's agent be liable for any damage to

persons or property due to any cause, including without limitation, the Building, or any part or appurtenances thereof, becoming out of repair; or by fire; or by the bursting or leaking of water, electric, electrical fixtures, gas, sewer or steam pipes; or due to the happening of any accident from whatsoever cause in and about the Premises, except for any portion of such damage which is caused by Lessor's negligence or intentional act.

B. Indemnification. Lessee shall indemnify, defend and hold Lessor harmless from any and all claims, judgments, actions, losses, fines, penalties, costs and expenses (including attorney's fees and court costs) and liability (collectively, "Claims") arising from (i) Lessee's use or occupancy of the Premises, (ii) the conduct of its business or from any activity, work or things which may be permitted or suffered by Lessee in the Premises, (iii) any act of negligence or intentional wrongdoing of Lessee or Lessee's employees, agents, contractors, subcontractors, customers, vendors, or invitees, or (iv) Lessee's breach of this Lease, except if and to the extent caused by the Lessor's negligence or intentional wrongdoing. In the event any action or proceeding is brought against Lessor by reason of any such Claim, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor. Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property or injury to persons in or about the Premises from any cause, and Lessee hereby waives all claims in respect thereof against Lessor, except if and to the extent caused by Lessor's negligence or intentional wrongdoing.

Lessor shall indemnify, defend and hold Lessee harmless from any and all Claims arising from (i) any act of negligence or intentional wrongdoing of Lessor or Lessor's employees, agents, managers or contractors, or (ii) Lessor's breach of this Lease, except if and to the extent caused by the Lessee's negligence or intentional wrongdoing. In the event any action or proceeding is brought against Lessee by reason of any such Claim, Lessor upon notice from Lessee shall defend same at Lessor's expense by counsel reasonably satisfactory to Lessee.

17. INSURANCE

A. Lessee's Insurance. At all times during Lessee's occupancy of the Premises, Lessee will carry and maintain, at its expense, the following non-deductible policy or policies of insurance:

- i. Commercial general liability insurance or equivalent coverage for claims arising out of the ownership, use, occupancy, or maintenance of the Premises and all Common Areas appurtenant to the Premises. The policy of liability insurance shall include insurance against assumed or contractual liability under this Lease. The liability policy shall have aggregate policy limits of no less than Two Million and 00/100 Dollars (\$2,000,000.00) per year for bodily injury and

property damage. The policy aggregate limit shall be specifically allocated to The Premises.

ii. All risk property and casualty insurance (such as ISO Special Form coverage or equivalent), including theft coverage, written at replacement cost value and with replacement cost endorsements, covering all of Lessee's personal property on the Premises, (including without limitation, inventory, trade fixtures, floor coverings, furniture and other property removable by Lessee under the provisions of this Lease) and all leasehold improvements installed in the Premises by or on behalf of Lessee.

iii. If and to the extent required by law, workers' compensation insurance or similar insurance in forms and amounts required by law.

B. Policy Requirements. All policies of insurance to be kept and maintained by Lessee shall be obtained from good and solvent insurance companies acceptable to Lessor. The form of all such insurance shall at all times be subject to the Lessor's approval. All policies of insurance shall be written by companies licensed to do business in the State of Washington. Commercial general liability and all property or casualty insurance policies shall be primary and non-contributory. Lessor shall be a "named insured" under all such liability policies. All such policies shall contain a provision by which the insurer agrees that the policy shall not be cancelled, materially changed or not renewed without thirty (30) days prior written notice to Lessor. Each policy, or certificate of such policy, shall be deposited with the Lessor by Lessee promptly upon commencement of the Lessee's obligation to obtain the insurance. If Lessee fails to obtain or maintain any of the insurance policies required by this section, the Lessor may maintain them and the cost of such insurance shall be deemed Additional Rent and shall be payable to Lessor upon demand.

C. Lessor's Insurance on Premises. Lessor shall carry a policy or policies of extended coverage insurance and earthquake insurance covering the Building. Lessor shall cause to be endorsed on its fire insurance, and on any extended coverage policy or policies, the waiver of right of subrogation.

D. Increase in Insurance Premiums. The Lessee shall not do or allow to be done anything in or about the Premises which will violate the Lessor's policy of hazard or liability insurance or which would prevent the Lessor from obtaining such policies from companies acceptable to the Lessor. If Lessee does or allows to be done or fails to do anything in or about the Premises which causes the rate of Lessor's insurance on the Real Property to be increased beyond the minimum rate which is from time to time applicable to the Real Property or such other property, the Lessee will pay, as Additional Rent the amount of any such increase upon Lessor's demand.

E. **Waiver of Right to Recovery.** Neither the Lessor nor the Lessee shall be liable to the other or to any insurance company (by way of subrogation or otherwise) insuring the other party for any loss or damage to any building, structure, or other tangible property or any resulting loss of income, or losses under any workers' compensation laws, even though such loss or damage might have been occasioned by the negligence of such party, its agents or employees. The provisions of this Section 17.E. shall not limit the indemnification for liability to third parties pursuant to Section 16.B.

18. **LIENS AND INSOLVENCY**

Lessee shall keep the Premises, and the Real Property, free from any liens arising out of any work performed, materials furnished, or obligations incurred by the Lessee. The Lessee is not an agent in fact for the Lessor for the purposes of making any improvements hereunder. Regardless of whether or not the Lease is terminated, the Lessee shall be responsible for all costs, attorney's fees, damages, and/or judgments incurred or resulting from said liens being filed.

19. **DAMAGE AND DESTRUCTION**

A. **Damage to Premises.** Upon the destruction of the Premises or any damage to the Premises which renders the Premises untenable either in whole or in any substantial part, Lessee shall give immediate written notice of such damage or destruction to Lessor. Within thirty (30) days of receipt of such notice from Lessee or within thirty (30) days of actual notice of such damage or destruction, Lessor shall elect either to rebuild or to cancel this Lease. If Lessor elects to rebuild, the work shall be commenced without unnecessary delay and prosecuted to completion with diligence. During any such rebuilding period, if all or a portion of the Premises is untenable, the rents shall abate in the same proportion as the untenable portion is of the whole of the Premises. Lessor shall give written notice to Lessee of Lessor's intent to rebuild or cancel.

B. **Damage to Building.** If the Building in which the Premises is located is damaged, even though the Premises are not damaged, such that in the opinion of Lessor it is not practical to repair or rebuild, then Lessor shall have the option to terminate this Lease by written notice served on Lessee within 30 days after such damage or destruction.

20. **CONDEMNATION**

If a substantial part of the Premises is taken by the right of eminent domain, or purchased by the condemnor in lieu thereof, which renders the remaining Premises untenable, then this Lease may be cancelled at the option of either Lessor or Lessee. If a partial taking does not render the Premises untenable, the rent shall be reduced in direct proportion to the taking. Lessee shall have no claim to any portion of the compensation for the taking of the land or Building. However, the Lessee may claim

compensation for such condemnation or taking from the condemnor for relocation costs. Lessor and Lessee agree to restore the Premises, as soon as reasonably possible, at Lessor's expense, to a unit of like quality and character as existed prior to the condemnation, to the extent it is commercially reasonable to do so. If Lessor determines that the Premises or the Building cannot be repaired, restored or replaced, so as to constitute an economically useful facility, then the Lessor may terminate this Lease by giving written notice to Lessee within twenty (20) days after the condemning authority shall have taken possession.

21. SUBORDINATION

A. Priority. This Lease is subject to and is hereby subordinated to all present and future mortgages, deeds of trust and other encumbrances affecting the Real Property or the Parcel. The Lessee agrees to execute, at no expense to Lessor, any instrument which may be deemed necessary or desirable by the Lessor to further effect the subordination of this Lease to any mortgage, deed of trust or encumbrance. The Lessor agrees to request of each such mortgagee and/or beneficiary under each such future encumbrance, in writing, that regardless of any default or breach under any such encumbrance, or any possession or sale of the whole or any part of the Premises under or through any such mortgage or deed of trust, this Lease and Lessee's right to possession of the Premises shall not be disturbed by the mortgagee, beneficiary, or any other person claiming under or through the same, provided, the Lessee shall continue to observe and perform the Lessee's obligations under this Lease and pay rent to whomsoever may be lawfully entitled to the same from time to time.

B. Estoppel Certificate, Etc. Lessee shall at any time, upon not less than ten (10) days prior written notice from Lessor, execute, acknowledge and deliver to Lessor a statement in writing certifying that this Lease is unmodified and in full force and effect (or if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect).

22. ASSIGNMENT AND SUBLETTING

A. Lessor's consent required. Lessee shall not voluntarily or by operation of law "Transfer," all or any part of Lessee's interest in the Lease, without Lessor's prior written consent, which consent shall not be unreasonably withheld, delayed or conditioned. The term "Transfer" includes any assignment, conveyance, mortgage, sublease, or other transference or encumbrance, of all or any part of Lessee's interest in this Lease. The Lessor's consent may be withheld, regardless of the reasonableness of the proposed Transfer, if the Lessee is in default. Any attempted Transfer, without such consent shall be void and shall constitute a breach of the Lease. Any merger, consolidation, or liquidation of Lessee, or any subsequent change in the ownership of the capital stock or interests of Lessee shall also be deemed a Transfer. Upon any request for

consent to transfer, Lessor may require Lessee to pay for Lessor's reasonable administrative, legal, accounting and other reasonably necessary costs incurred in evaluating the proposed Transfer.

i. Without limiting the Lessor's exercise of reasonable business judgment, the Lessor may reasonably reject a proposed Transfer, if any of the following conditions exist:

a. Proposed Transferee's net worth is not at least equal to the Lessee's net worth as of the Commencement Date;

b. The proposed Transferee has an unsatisfactory credit record;

c. The Transfer would involve a change of use at the Premises;

d. The business of the proposed Transferee to be conducted within the Premises has not been in successful operation for at least five (5) years;

e. The proposed Transferee does not have a reputation at least equivalent to that of Lessee as of the Commencement Date, or the presence of the Transferee's business at the Premises would in some other way adversely affect the reputation of the Real Property;

f. As a result of the proposed Transfer, the Lessor would reasonably anticipate that it would incur additional costs, such as remodeling of any part of the Real Property, or, that the Lessor's actual operating costs would be likely to increase, because of the Transfer or the operations of the Transferee;

g. The Lessee is in default under any provision of this Lease;

h. The proposed Transferee has been requested by any governmental entity or current or former landlord to take environmental remedial action or to contribute to the payment of the costs of environmental remediation due to actual contamination resulting from operations or direct actions of the proposed Transferee;

i. The intended use of the Premises by the proposed transferee would conflict with the rights of any other tenant of the Real Property under that other tenant's lease, or would as a practical matter, be reasonably anticipated to adversely affect the business of any other tenant of the Real Property;

j. The assignment or sublease would be at a lesser rental rate than is being charged by the Lessor for comparable space within the Real Property;

k. The assignment or sublease would violate the provisions of any of Lessor's mortgages, deeds of trust, or other security instruments pertaining to the Real Property, the improvements or equipment.

l. The assignment or sublease would be to a then existing tenant or occupant of the Real Property, or a subtenant or assignee of an affiliate of any of those parties; or

m. The Transfer would release, in whole or in part, any individual from liability for any amounts owed under this Lease, whether or not such amounts owed have already become due or could become due during the balance of the Term, including any extensions.

ii. Lessor may also require as a condition to a proposed transfer, that the Lessee pay to the Lessor one-half of the amount by which the consideration payable to the Lessee exceeds the Lessee's rental obligations under this Lease. In the case of an assignment in which the Transferee agrees to be fully responsible for all obligations under the Lease, the Lessor can condition its consent to the transfer upon payment to the Lessor of one-half of all consideration payable to the Lessee for the assignment of the Lease. In the case of a sublease, the Lessor's consent to the transfer can be conditioned upon the Lessee's agreement to pay to the Lessor one-half of the amount by which the rental payments to the Lessee from the Transferee exceed the rental obligations under this Lease.

B. No Release of Lessee. Regardless of Lessor's consent, no subletting or assignment shall release Lessee of the obligation to pay the rent and to perform all other obligations to be performed by Lessee hereunder for the term of this Lease. The acceptance of rent by Lessor from any other person shall not be deemed to be a waiver by Lessor of any provision hereof. Consent to any one assignment or subletting shall not be deemed a consent to any subsequent assignment or subletting.

23. NON-WAIVER OF BREACH

The failure of either party to insist upon strict performance of any of the covenants and agreements of this Lease or to exercise any right shall not be construed to be a waiver or relinquishment. The acceptance of rent by the Lessor shall not constitute a waiver of any other prior breach by the Lessee. The acceptance by the Lessor of rent shall not constitute a waiver of any breach for rents that remain unpaid and shall not constitute a

waiver or relinquishment of the Lessor's right to pursue an action for unlawful detainer and forfeiture of the Lease for any such rents remaining unpaid.

24. HOLD-OVER

If after the expiration of the term of this Lease the Lessee shall continue in possession with the consent of Lessor, then such tenancy shall be a month to month tenancy, which may be terminated upon twenty (20) days written notice. During such tenancy Lessee agrees to pay to the Lessor rentals in an amount equal to 120% of the minimum adjusted rent for the last month of the immediately expired term, plus additional rent unless a different rate is agreed upon. In any holdover period Lessee shall be bound by all of the terms, covenants, and conditions of the Lease, as far as applicable. This Lease shall expire on the Expiration Date stated in Section 3, without the need for notice by either party. This Lease may only be renewed or extended by a written instrument.

25. COSTS AND ATTORNEYS FEES

If, following a default by Lessee, Lessor refers this Lease to an attorney for enforcement; Lessee shall reimburse Lessor for Lessor's reasonable attorney's fees incurred, regardless of whether a lawsuit is commenced. If Lessee is in default and Lessor issues a notice of default, Lessor may require Lessee to reimburse Lessor for the costs of issuing the notice of default, including any attorney's fees, as a condition of curing the default. If, by reason of any default or breach on the part of either party in the performance of any of the provisions of this Lease, a legal action is instituted, the losing party agrees to pay all reasonable costs and attorney's fees of the other party. The prevailing party in any litigation shall be entitled to its costs of searching title. If a lawsuit is commenced to enforce any of the provisions of this Lease, the parties agree that jurisdiction and venue shall be placed in the Superior Court for Snohomish County, Washington.

26. DEFAULT AND RE-ENTRY

A. Default. Lessee shall be in default of this Lease if:

i. Lessee fails to pay any installment of rent or additional rent or other charges when due; or

ii. Lessee fails to perform any other covenant, term, agreement or condition of this Lease when such performance becomes due;

iii. Lessee, Lessee's owners, members, or interest holders, or any personal guarantor hereunder becomes insolvent. Insolvency includes, but is not

limited to, filing a petition for bankruptcy or seeking the protection of any similar laws; or

iv. Lessee vacates or abandons or ceases to do business in the Premises for a period of more than three (3) days, unless Lessee is remodeling the Premises or otherwise had prior written approval from Lessor.

B. Notice. With respect to a default occurring under A.i., above, Lessee shall have three (3) days following receipt of notice from the Lessor within which to cure any such default. With respect to a default arising under A.ii. above, lessee shall have ten (10) days following the receipt of notice from the Lessor within which to cure any such default. However, if the nature of the default under A.ii., is such that the same cannot reasonably be cured within the 10 day period, Lessee shall be deemed to have cured the default, if Lessee commences the cure within the 10 day period and diligently prosecutes the cure to completion and if Lessee furnishes to Lessor such assurances and indemnities as Lessor may require to ensure completion of the cure and to fully and completely protect Lessor from any loss or liability by reason of any delay. With respect to a default arising under A.iii. above, Lessor shall not be required to provide any notice or opportunity to cure to Lessee prior to exercising Lessor's right of termination.

C. Termination. If Lessee fails to cure any default, after notice, if required, Lessor may immediately or at any time thereafter elect to terminate this Lease by notice, lawful entry or otherwise. Upon such termination Lessor shall be entitled to recover possession of the Premises from Lessee and those claiming through or under Lessee. Alternatively, Lessor may retake possession of the Premises without terminating this Lease. The termination of this Lease and any repossession of the Premises shall be without prejudice to any remedies which Lessor might otherwise have for arrears of Rent or for a prior breach of any of the provisions of this Lease. Lessor and Lessee agree that a notice by lessor requesting cure of a preexisting default hereunder shall constitute a statutory notice to quit.

D. Non-Curable Defaults. If during any consecutive twelve (12) month period Lessee has been in default under A.i., above, three or more times, for which Lessor has issued three or more notices to cure, then Lessee shall be deemed to have committed a non-curable default. Also, if during any consecutive twelve (12) month period Lessee has been in default under A.ii. above four or more times, for which Lessor has issued four or more notices to cure, then Lessee shall be deemed to have committed a non-curable default. Immediately upon the occurrence of a non-curable default, or at any time thereafter, Lessor may terminate this Lease by notice from which there shall be no opportunity for the Lessee to cure. Lessor's notice of termination shall specify a date certain upon which this Lease shall terminate, which may be the same as the date the notice is issued at the Lessor's discretion.

E. Rents. Upon a termination Lessor may re-enter the Premises, but notwithstanding such termination and re-entry by the Lessor, the liability of the Lessee for all rent (including Minimum Rent and Additional Rent) provided for the balance of the term of this Lease, shall not be extinguished. Lessee agrees to pay to the Lessor the rents or any deficiency arising from a re-entry and reletting of the Premises at a lesser rental than herein agreed to. In addition, the Lessee shall pay to the Lessor the Lessor's reasonable costs of retaking possession, the costs of reletting (including the costs to modify the Premises and any commissions) and any other amounts otherwise payable to Lessor under this Lease. The Lessee shall pay the rents or any such deficiency each month as the amount thereof is ascertained by the Lessor, or at Lessor's election the rents for the balance of the term of the Lease may be accelerated. If Lessor elects to accelerate the rents, Lessee shall be given credit for the reasonable fair market rental value of the Premises and any deficiency remaining after such credits shall be reduced to present value.

27. REMOVAL OF PROPERTY

If the Lessor re-enters or takes possession of the Premises, the Lessor shall have the right, but not the obligation, to remove from the Premises all personal property located therein. Lessor may store the same in any place selected by Lessor, including but not limited to a public warehouse, at the expense and risk of the Lessee. Lessor shall have the right to sell such stored property, after notice to Lessee, after it has been stored for a period of thirty (30) days or more. Lessor shall give written notice of sale to Lessee at least fifteen (15) days prior to such sale by regular mail, mailed to Lessee at the address specified in Section 28 of this Lease. The proceeds of such sale shall be applied first to the cost of such sale, second to the payment of any sums of money which may then be due from Lessee to Lessor under this Lease, the balance, if any, shall be paid to Lessee. If the proceeds are not sufficient to pay the Lessor the sums owed to the Lessor, then the Lessee shall be liable for any deficiency. This remedy is cumulative to the other remedies of Lessor hereunder. Lessee hereby waives any claim against Lessor for property sold by Lessor pursuant to Lessor's claim hereunder.

28. NOTICES

Any notice required by this Lease may be mailed by regular mail, registered or certified mail with a return receipt request or by delivery to a nationally recognized overnight delivery service (such as FedEx, DHL or UPS) for next business day delivery to the address designated below. Notices sent by regular mail shall be deemed received three (3) days after posting. Notices sent by registered or certified mail shall be deemed received on the date of actual delivery as evidenced by the postal receipt. Notices sent by overnight delivery shall be deemed received on the next Business Day following deposit with the delivery service. Also, at the election of the sender any notice may be personally delivered, in which case it shall be deemed received on the date it is actually received.

LESSOR'S ADDRESS:

MATICO, LLC
19410 Hwy 99, Ste. A #268
Lynnwood, Washington 98036
Attn: Michael Warden

LESSEE'S ADDRESS:

Carriage Houses Northwest LLC
12414 Highway 99 Ste. 210
Everett, WA 98204

29. TIME IS OF THE ESSENCE

Time is of the essence in the performance of each provision of this Lease.

30. LATE PAYMENT CHARGE

In the event of a delinquency in full or in of any payment due under this Lease, a late charge equal to 5% of the unpaid amount or \$25, whichever is greater, shall be paid by the Lessee. Lessor may collect the late charge at the time of such delinquency, or at any time thereafter. Only one late charge may be made for the same delinquency. A "delinquency" for the purposes of this Section 30 shall mean any payment which is not received in full by the Lessor or the Agent of the Lessor by the 10th of the month or, if mailed and not received by the tenth (10th) of the month, is not postmarked by the seventh (7th) of the month. The late charge is an amount estimated to cover Lessor's reasonable administrative and handling costs in connection with delinquent payments.

31. LIMITATIONS ON LESSOR'S LIABILITY

The Lessor's liability for all claims arising out of or relating to this Lease is expressly limited to Lessor's equity in the Real Property. If Lessor transfers Lessor's interest, the Lessor named herein shall be relieved from all liability for the Lessor's obligations to be performed subsequent to the transfer. However, any funds in the hands of Lessor or the then transferor at the time of such transfer in which Lessee has an interest, shall be delivered to the transferee. The obligations contained in this Lease to be performed by Lessor shall be binding on Lessor's successors and assigns, only during their respective periods of ownership. The Lessor shall not be liable for any claim arising out of events occurring outside of the Lessor's period of ownership.

32. INTEREST ON PAST-DUE OBLIGATIONS

Except as expressly provided herein, any amount due to Lessor that is not paid when due shall bear interest at the rate of eighteen percent (18%) per annum or the rate charged by Lessor's primary institutional lender, plus five percent (5%), whichever is greater. Payment of such interest shall be in addition to any late charges provided for

herein. Payment of such interest shall not excuse or cure any default by Lessee under this Lease.

33. HAZARDOUS SUBSTANCES

During the term of the Lease and any, extension, or hold-over, Lessee shall not generate, process, store, transport, handle, dispose of or release, on, under, over, or in the Premises, the Common Areas or the Real Property, whether by Lessee directly or through Lessee's agents, contractors, employees, subtenants, or invitees any "Hazardous Substances", except in compliance with "Environmental Law". The Lessee shall defend, hold harmless, reimburse and indemnify the Lessor from and against any and all "Environmental Liability" arising out of any breach of the foregoing covenant.

A. Environmental Law. The term "Environmental Law" means any federal, state, or local statute, ordinance, rule, regulation or other law now or hereafter in effect pertaining to environmental protection, contamination or cleanup, including without limitation the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 U.S.C. Sec. 9601-9675, The Resource Conservation and Recovery Act, 42 U.S.C. Sec. 6906 et. seq., The Toxic Substance Control Act, 15 U.S.C. Sec. 2601-2671, The Hazardous Materials Transportation Act, 49 U.S.C. Sec. 1801-1813, The Federal Water Pollution Control Act, 33 U.S.C. Sec. 1251-1387, The Clean Air Act, 42 U.S.C. Sec. 7401-7642, The Safe Drinking Water Act, 42 U.S.C. Sec. 300F-300J-26, The Solid Waste Disposal Act, 42 U.S.C. Sec. 6901-6992K, The Coastal Zone Management Act, 16 U.S.C. Sec. 1451-1464, The Washington Model Toxics Control Act, RCW Ch. 70.105D, The Washington Clean Air Act, RCW Ch. 70.94, The Washington Water Control Statute, RCW Ch. 90.48, The Washington Safe Drinking Water Act, RCW Ch. 70.119A, The Washington Hazardous Waste Management Act, RCW Ch. 70.105, The Washington Shoreline Management Act, RCW Ch. 90.58, and The Occupational Safety and Health Act, 29 U.S.C. Sec. 651 et. seq., as such laws have been or may be amended or supplemented, and any other federal, state or local regulations governing environmental matters which may be applicable.

B. Hazardous Substance. The term "Hazardous Substance" means any hazardous, toxic or dangerous substance, waste or material which is defined as such by or becomes regulated under any Environmental Law. Without limiting the foregoing, Hazardous Substances shall include, but not be limited to, any substance which after being released into the environment and upon exposure, ingestion, inhalation, or assimilation, either directly from the environment or indirectly by ingestion through food chains, will or may reasonably be anticipated to cause death, disease, behavioral abnormalities, cancer, and/or genetic abnormalities.

C. Environmental Liability. "Environmental Liability" means any and all costs and liabilities resulting from any claim or demand, arising from environmental

conditions on the Real Property, or the release or threatened release, of a Hazardous Substance into the environment, in connection with the Real Property, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, including any Environmental Law, permit, environmental lien, order or agreement with any governmental authority, including but not limited to the following: all liabilities; obligations; responsibilities; Remedial Actions; losses; natural resource damages; damages to other properties; damages; punitive damages; consequential damages; treble damages; costs and expenses (including without limitation, all reasonable fees of counsel, disbursements and expenses of counsel, expert and consulting fees and costs of investigation and feasibility studies); fines; penalties and monetary sanctions, interest; regardless of whether such claims are direct or indirect, known or unknown, absolute or contingent, past, present or future.

D. Remedial Action. "Remedial Action" means all actions required by any governmental authority under any Environmental Law to: i) clean up, remove, treat, or in any other way address Hazardous Substances; ii) prevent the release or threatened release or minimize any further release so that Hazardous Substances do not migrate or endanger or threaten to endanger public health or welfare or the environment; or iii) perform pre-remedial studies and investigations or post-remedial monitoring care.

E. Notice. Lessee shall immediately provide notice to Lessor if Lessee becomes aware of any of the following:

i. The occurrence or threatened occurrence of a violation of any Environmental Law on the Real Property including the Premises;

ii. A release or threatened release on the Real Property including the Premises of any Hazardous Substance in violation of Environmental Law;

iii. The investigation by any governmental authority evaluating any release or threatened release of a Hazardous Substance in connection with the Real Property including The Premises; and

iv. Judicial or administrative proceedings pending alleging a violation of any Environmental Law in connection with the Real Property including the Premises.

F. Survival. Lessee's obligation to indemnify shall survive the expiration or termination of the Lease.

G. Other Actions. Lessee will, at its sole expense, take all actions which may be necessary or advisable for the cleanup of Hazardous Substances arising out of Lessee's possession of the Premises or activities on the Real Property, including without

limitation, all Remedial Actions in accordance with Environmental Law and in all events in a manner satisfactory to Lessor. Lessee shall further pay or cause to be paid all Environmental Liability arising out of or relating to any breach by Lessee of this Lease.

34. MISCELLANEOUS

A. Prior Agreements. This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matters shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification.

B. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive, but shall, wherever possible be cumulative with all other remedies at law or in equity.

C. Covenants and Conditions. Each provision of this Lease performable by Lessee shall be deemed both a covenant and a condition.

D. Choice of Law. This Lease shall be construed and enforced according to the laws of the State of Washington and at the option of either Lessor or Lessee, jurisdiction and venue for any controversy shall be placed in the Superior Court for Snohomish County, Washington.

E. Merger. The voluntary or other surrender of this Lease by Lessee or a mutual cancellation thereof, shall not work a merger. Any such surrender shall, at the option of the Lessor, terminate all or any existing sub-tenancies or may, at the option of Lessor, operate as an assignment to Lessor of any or all of such sub-tenancies.

F. Severability. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction shall in no way effect the validity of any other provision.

G. Heirs and Successors. Subject to the provisions hereof pertaining to assignments and subletting, the covenants and agreement of this Lease shall be binding upon the heirs, legal representatives, successors and assigns of any or all of the parties hereto.

H. Rent Abatement. No abatement, setoff, diminution or reduction of rent shall be claimed or allowed to Lessee or any person claiming under Lessee for any circumstances, whether for inconvenience, breach, discomfort, interruption of business, or otherwise. Nor shall any such claim be made, because of alterations, improvements, or repairs to the Premises, the Building, or the Common Areas, or caused by any governmental laws or arising from or during the restoration of the Premises after the

destruction or damage thereof by fire or other cause or the taking or condemnation, the buildings or the Common areas, except as provided in Sections 19 and 20 herein.

I. Anti-Terrorism Laws. To the best of Lessee's knowledge Lessee is not, and shall not become, a person or entity with whom Lessor is restricted from doing business with under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including, but not limited to, those named on OFAC's Specially Designated and Blocked Persons list) or under any statute, Executive Order (including, but not limited to, the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action.

35. GUARANTEE.

The Lessees are executing this Lease in their individual capacity. Lessor and Lessee acknowledge that the individual Lessees are personally obligated for Lessee's performance of this Lease. The individual Lessees have signed onto this Lease as Guarantors in the event the individual Lessees decide to transfer their interest in the Lease to an entity. Lessee acknowledges and agrees that Lessor could reasonably withhold consent to the foregoing transfer if the individual Lessees did not sign onto the Lease as Guarantors.

The guarantees of the Guarantors appearing below are a material inducement to the Lessor in entering into this Lease. By their signatures, the Guarantors absolutely and unconditionally guarantee all obligations, payments and performance which may become due under this Lease, including during any extension period or hold over period. The Guarantors shall also be liable for all of the Lessee's obligations, which survive termination or expiration of this Lease. To induce the Lessor to accept this lease, the Guarantors represent to the Lessor that the Guarantors are shareholders or officers of, or members in, or partners in, or otherwise have a financial interest in the Lessee. Each married Guarantor further warrants that this Lease benefits the Guarantor's marital community. The Guarantors waive all notice of default, demand, presentation, protest, extension, renewal or modification, or any other notice of every kind or nature, which may occur under this Lease. Each Guarantor's undertaking is joint and several. The Lessor shall have the right to enforce this guarantee against all or any of the Guarantors without first pursuing any action against the Lessee or any other Guarantor. Guarantors hereby (1) waive the right to require Lessor to proceed against Lessee or to pursue any other remedy Lessor may have, (2) waive the right to plead or assert any election of remedies Lessor may have, (3) waive the pleading of any statute of limitations as a defense to the obligation hereunder, and (4) waive any other defense arising by reason of any disability or other defenses of Lessee.

36. BROKERS

The parties represent that no commissions are due and indemnify each other from all other claims for a real estate commission.

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

LESSOR:
MATICO, LLC


Michael Warden

LESSEE:


Marko Jukanovich

LESSEE:


Kurt Galley

GUARANTORS


Marko Jukanovich


Kurt Galley

Exhibits:
A-Legal Description of the Real Property
B-Site and Suite Plan
C-Term Commencement Certificate
D-Sign Criteria

LESSOR

STATE OF WASHINGTON)
) ss.
COUNTY OF SNOHOMISH)

I certify that I know or have satisfactory evidence that MICHAEL WARDEN is the person who appeared before me, and said person acknowledged that he signed this instrument and on oath stated that he was authorized to execute the instrument and acknowledged it as the Manager of MATICO, LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

GIVEN UNDER my hand and official seal this 31 day of January, 2019.



K Wheeler
Print Name: Kristine Wheeler
NOTARY PUBLIC in and for the State
of Washington. My Commission
Expires: 4/21

LESSEE

STATE OF WASHINGTON)
) ss.
COUNTY OF SNOHOMISH)

On this day personally appeared before me [MARKO JUKANOVICH], to me known to be the individual described above and who executed the within and foregoing instrument and acknowledged to me that he/she signed the same as his/her free and voluntary act and deed for the uses and purposes therein mentioned.

GIVEN UNDER my hand and official seal this 29 day of January, 2019.



K Wheeler
Print Name: Kristine Wheeler
NOTARY PUBLIC in and for the State
of Washington. My Commission
Expires: 4/21

10-10-64

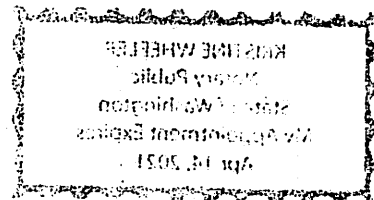
STATE OF WASHINGTON

COUNTY OF SNOHOMISH

I, the undersigned, do hereby certify that the foregoing is a true and correct copy of the original as the same appears in the records of the County of Snohomish, State of Washington, and on this day of April, 1964, at Everett, Washington.

CLAUDE L. JENSEN, County Clerk and official seal of Snohomish County, Washington.

Print Name of Notary Public
NOTARY PUBLIC in and for the State
of Washington My Commission
Expires _____



10-10-64

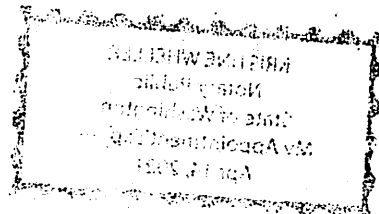
STATE OF WASHINGTON

COUNTY OF SNOHOMISH

On this day personally appeared before me [NAME] a Notary Public in and for the State of Washington, known to me to be a legal person, who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free act and voluntary act and in the presence of the undersigned witnesses mentioned.

CLAUDE L. JENSEN, County Clerk and official seal of Snohomish County, Washington.

Print Name of Notary Public
NOTARY PUBLIC in and for the State
of Washington My Commission
Expires _____



LESSEE

STATE OF WASHINGTON)
) ss.
COUNTY OF SNOHOMISH)

On this day personally appeared before me [KURT GALLEY], to me known to be the individual described above and who executed the within and foregoing instrument and acknowledged to me that he/she signed the same as his/her free and voluntary act and deed for the uses and purposes therein mentioned.

GIVEN UNDER my hand and official seal this 29 day of January, 2019.



K Wheeler

Print Name: Kristine Wheeler
NOTARY PUBLIC in and for the State
of Washington. My Commission
Expires: 4/21

GUARANTOR

STATE OF WASHINGTON)
) ss.
COUNTY OF SNOHOMISH)

On this day personally appeared before me [MARKO JUKANOVICH], to me known to be the individual described above and who executed the within and foregoing instrument and acknowledged to me that he/she signed the same as his/her free and voluntary act and deed for the uses and purposes therein mentioned.

GIVEN UNDER my hand and official seal this 29 day of January, 2019 ^{new}



K Wheeler

Print Name: Kristine Wheeler
NOTARY PUBLIC in and for the State
of Washington. My Commission
Expires: 4/21

GUARANTOR

STATE OF WASHINGTON)
) ss.
COUNTY OF SNOHOMISH)

On this day personally appeared before me [KURT GALLEY], to me known to be the individual described above and who executed the within and foregoing instrument and acknowledged to me that he/she signed the same as his/her free and voluntary act and deed for the uses and purposes therein mentioned.

GIVEN UNDER my hand and official seal this 29 day of January, 2019.



K Wheeler
Print Name: Kristine Wheeler
NOTARY PUBLIC in and for the State
of Washington. My Commission
Expires: 4/14

EXHIBIT A

LEGAL DESCRIPTION OF PARCEL

**LEGAL DESCRIPTION OF PARCEL UPON WHICH REAL PROPERTY IS
LOCATED**

SSEC 21 TWP 30 RGE 05 TH PTN OF E1/2 SW1/4 NW1/4 & N1/3 E1/2
NE1/4 NW1/4 SW1/4 LY E OF QUILCEDA CREEK & TGV BEG AT NW
COR SE1/4 NW1/4 TH S ON 1/16TH LN TAP THAT IS N01*24 37W
169.92FT FR COR SE1/4 NW1/4 TH E TO WLY MGN OF GN RR TH N
ALG SD R/W TO INT N BDY OF SE1/4 NW1/4 TH W ALG SD N BDY TO
TPB LESS CO RD & LESS ADD'L RD R/W PER QCD 357/34 & PER SWD
REC AF 9403240117 REFER TO 213005-2-038-0105 FOR MH ONLY

SITUATE IN THE COUNTY OF SNOHOMISH, STATE OF WASHINGTON

Tax Parcel No.: 30052100203800

EXHIBIT B
SITE PLAN OF PREMISES

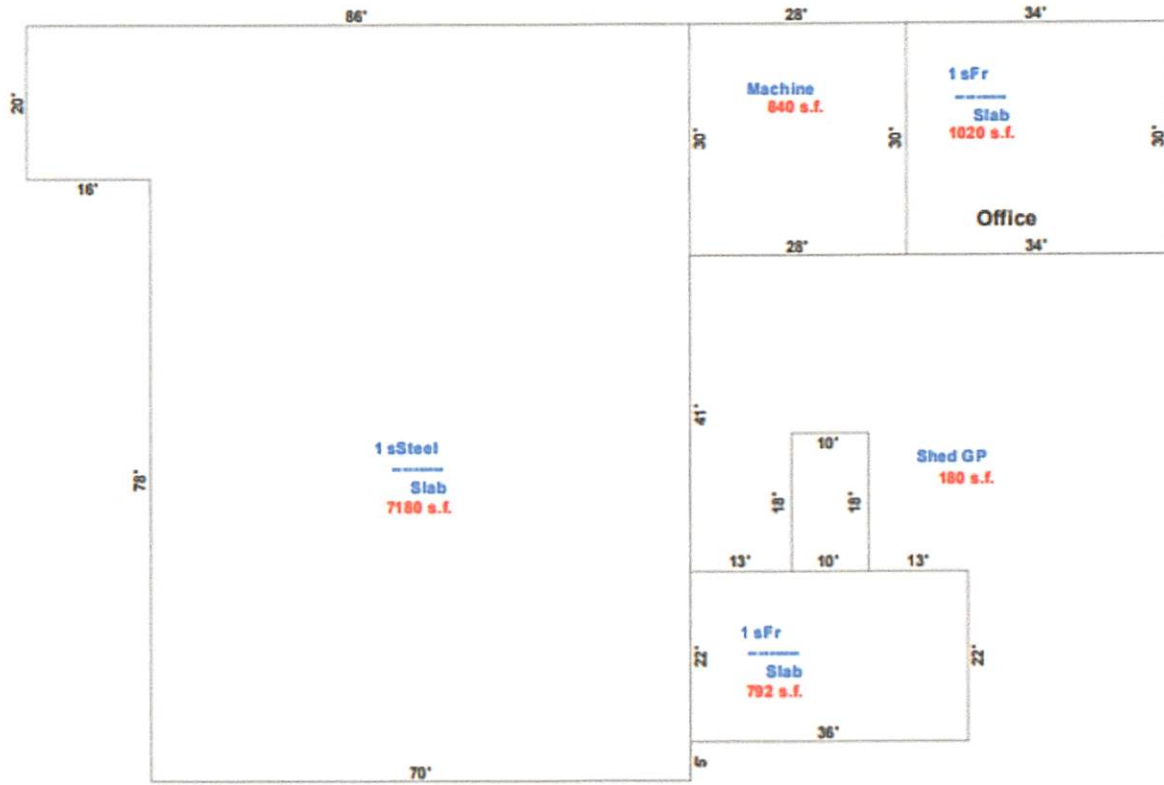


EXHIBIT C

TERM COMMENCEMENT CERTIFICATE

This Certificate is made by and between MATICO LLC, a Washington limited liability company, as Lessor, and CARRAIGE HOMES NW, as Lessee, pursuant to that certain Commercial Lease dated Jan. 29, 2019. The purpose of this Certificate is to confirm the Commencement Date and Expiration Date of the Lease.

The Lessor and Lessee acknowledge with respect to the Lease that:

1. The Commencement Date of the initial Term of the Lease occurred on Jan. 29, 2019.
2. The Expiration Date of the initial Term of the Lease is April 1, 2019.
3. The Rent Commencement Date was march 1, 2019.

DATED for reference purposes Jan. 29, 2019.

LESSOR:
MATICO LLC

By: 
Michael Warden, Manager

LESSEE



By: Marko Jukavonic
Carriage Houses NW, LLC
Its Partner



By: Kurt Galley
Carriage Houses NW LLC
Its Owner

EXHIBIT D

SIGN REGULATIONS

This Exhibit is a continuation of that certain lease dated Jan. 29, 2019, between MATICO LLC (hereinafter "Lessor") and [CARRAIGE HOUSES NORTHWEST LLC] (hereinafter "Lessee") for the Premises in Marysville, Washington and is incorporated by reference into such Lease.

These criteria have been established for the purpose of assuring a coordinated sign program for the mutual benefit of all tenants of the Real Property. In the event of any conflict of interpretation as to the meaning, intent or application of these criteria, the Lessor's decision shall be final and binding upon the Lessee. All installed nonconforming or unapproved signage shall be removed or brought into conformance within thirty (30) days of written notice by Lessor, at the Lessee's sole cost and expense.

1. Administration

A. Lessee shall be responsible for the fulfillment of all signage requirements and specifications.

B. Lessee shall submit or cause to be submitted to Lessor for approval before fabrication, two (2) copies of detailed drawings indicating the location, materials, size, layout, design and color of the proposed signs, including all lettering and/or graphics and electrical requirements.

C. All permits for signs and their installation shall be obtained by Lessee or Lessee's representative at the Lessee's sole cost and expense. All signs shall be constructed and installed at Lessee's expense.

D. Upon vacation of the Premises, Lessee shall arrange for removal of each sign, filling of holes and touch-up of paint with appropriate material so as to create a waterproof assembly. Any damage caused by removal of sign or failure to make construction waterproof shall be Lessee's responsibility.

2. Construction Requirements

A. All signs, bolts, fastenings, and clips shall be hot-dipped galvanized iron, stainless steel, aluminum, brass or bronze. No black iron materials of any type shall be permitted.

B. There shall be no penetrations of the building structure. All signs shall be attached to existing attachment points that protrude from the wall. Primary electrical

power shall be brought from the Lessee electrical panel to the sign via conduit that travels through the square tube attachment point.

C. Lessee shall cause to be repaired, any damage caused by sign contractor or sign installation and shall be fully responsible for the operation of the Lessee's sign contractor and shall indemnify, defend and hold the parties harmless from any liabilities on account thereof.

D. No signmaker's label or other identification shall be permitted on the exposed surface of the sign, except for those required by local ordinance which then shall be placed in an inconspicuous location.

E. No exposed conduit, or other wiring systems shall be permitted except external wire raceways for individual letter signs, any such exposed raceways shall match the color, tone and shade of each portion of the building over which the raceway is placed.

F. All electrical signs shall bear the UL label, and their size and installation must comply with all governing codes and/or ordinances.

G. Electrical service to all signs shall be on occupant's meters and shall be part of the Lessee's construction and operational cost.

H. All tubing, conductors, transformers and other equipment shall be concealed.

3. Design

A. Signs shall be permitted only within the sign fascia areas as designated below or by the Lessor. Lessee shall be permitted to install one approved sign on each designated sign face. Total number of signs cannot exceed the maximum number of signs allowed by the city. Signs shall consist of individually illuminated letters of the "pan-channel" or "channelume" type, unless otherwise provided.

B. Wall Mounted Signs Facing Street. Total size of each permitted sign shall not exceed the sign fascia, which is 9'-10" wide and 2'-6" high. Lessee signs shall consist of individually illuminated letters and logos of the "pan-channel" or "channelume" type not to exceed the following height limitations:

Sign utilizing upper/lower case	30"
Sign utilizing large/small capitals	30"
Sign utilizing all capital letters	24"

Maximum depth for letters shall be 5". Signs shall be mounted on external raceways. Raceways shall be 7" in depth and 10" in height and shall be painted the same color as the building fascia, unless otherwise approved by Lessor.

C. Wall Mounted Signs Facing Parking. Total size of each permitted sign shall not exceed the sign fascia, which is 8'-0" wide and 2'-0" high. Lessee signs shall consist of a non-illuminated sign board with a minimum thickness of 2" and the primary letters projecting off the face at least 2" and no greater than 4". Internal illumination or power to the sign are not allowed.

D. Signs shall be centered in respect to the sign fascia.

E. No exposed neon lighting shall be used on signs, symbols or decorative elements unless approved by the Lessor. Lessee shall be fully responsible for the maintenance and repair of any such neon sign. In the event said neon becomes broken or dysfunctional in any fashion, it shall be removed immediately by the Lessee until such time as the sign is repaired and fully functional. Any temporary signage erected while Lessee's neon is being repaired shall conform to the Sign Regulations.

F. Wording of a sign shall not include the product sold except as a part of the Lessee's trade name or insignia. All Lessee's store identification designs shall be subject to the approval of the Lessor. All signs shall contain only English language and symbols except with Lessor approval.

G. No sign or any portion thereof may project above the fascia on which it is mounted.

H. The following types of signs are prohibited unless specifically approved by the Lessor or Lessor's agent:

1. Painted lettering
2. Flashing or strobing, moving or audible sign
3. Lessee pylon or freestanding sign
4. Roof signs
5. Perpendicular or projecting sign
6. Paper, cardboard or painted signs
7. Portable signs

I. No window signs are permitted, except Lessee will be permitted to place upon the entrance of the Premises, not more than 144 square inches of gold leaf or decal application lettering, not to exceed two inches (2") in height, indicating hours of business, emergency telephone number, etc.

J. If Lessee has a non-customer door for receiving merchandise, then Lessee may have uniformly applied on said door, in a location approved by Lessor, in two inch (2") height block

letters, the Lessee's name and address. If more than one Lessee uses the same door, each Lessee's name and address shall be applied. Color of letters shall be black.

K. Except as provided herein, no advertising placards, banners, pennants, names, insignia, trademarks or other descriptive material shall be affixed or maintained upon the glass panes and supports of the show windows and doors, or upon the exterior walls of the building or storefronts.