

GROUND LEASE FOR PROPERTY ONLY

AFTER RECORDING RETURN TO:

WILLIAM C. BOEHM
P.O. BOX 448
CHEHALIS, WA 98532

LEASE AGREEMENT FOR REAL PROPERTY

REFERENCE NUMBER(S) OF RELATED DOCUMENTS:

LESSOR(S): BS PROPERTIES, INC.

LESSEE(S): SUB BROS NW INC.

LEGAL DESCRIPTION:

Abbreviated form: Gov't Lots 4 & 5, S5, T13N. R2W, WM. Lewis County, Washing

ASSESSOR'S TAX PARCEL NUMBER: 005871072009

THIS LEASE is made and entered into this 6th day of JUNE
2003, by and between BS PROPERTIES, INC., a Washington corporation, hereinafter ca
"Lessor", and SUB BROS NW INC., a Washington corporation, hereinafter called "Lessee".

WITNESSETH:

In consideration of the mutual covenants and agreements contained herein to be kept
performed by the parties, it is agreed as follows:

LEASE AGREEMENT FOR REAL PROPERTY
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325 BIC DRIVE • MILFORD, CT 06460 • PHONE (203) 878-2791

1. Premises. The Lessor hereby leases to the Lessee and the Lessee hereby leases to the Lessor those certain premises described as follows:

See attached legal description on exhibit "A" attached hereto and incorporated herein as if fully set forth.

The premises shall hereinafter be referred to as the "Property". Lessor, upon execution of this Lease, will provide Lessee with a copy of any survey Lessor has of the leased premises.

2. Term. (a) The term of this lease will be for a period of thirty (30) years commencing on June 6, 2003, which date shall be referred to as the "Commencement Date" and terminating on June 6, 2033, which date shall be referred to as the "Termination Date" of this Lease.

(b) Lessee, at its option, shall have the right to extend this Lease for up to additional five (5) year periods, provided, however, notice of its intention to so extend this Lease shall be given to Lessor in writing on or before ninety (90) days of the termination of the existing Lease term. In the event Lessee elects to extend the term of this Lease Agreement as provided, the provisions of this Lease, with the exception of the rent which shall be determined as provided in paragraph 3.1 below, shall remain the same and in full force and effect during the extended term(s) of the Lease Agreement.

(c) Lessee shall have the right to terminate this Lease within the first six (6) months if, through no fault of the Lessee, the Lessee is unable to obtain financing to construct the anticipated building, is unable to obtain any necessary permits to construct the anticipated building or if the Lessee is unable to obtain any necessary easements for ingress and egress or storm water drainage that is required for the project.

3. Rent. Lessee shall pay Lessor rent in the amount of Nine Hundred Dollars (\$900) per month. The rental payment shall be due on the first day of each month commencing the earlier of (1) one-hundred (180) days after the date of this Lease Agreement; and (2) the date Lessee receives certificate of occupancy for Lessee's contemplated building improvements. Lessee agrees to exercise due diligence to proceed with obtaining permits and construction.

At the end of every five (5) year period (except the initial five year extension period), the monthly rent shall increase in an amount equal to the cumulative Consumer Price Index (CPI) as reported in the Wall Street Journal or similar publication for the Seattle area for the prior five years. The maximum increase shall be _____ percent (20% if not filled in) and the minimum increase shall be _____ percent (5% if not filled in) over the prior monthly rental amount. In other words, on each five year anniversary date, the monthly rental amount shall increase by the cumulative CPI figures for each year since the last increase. As an example, if the CPI increases by 2.5% each year for the five prior years, the monthly rent amount shall increase by 12.5%.

3.1 Minimum Rent During Extension Term. During any extension term of this agreement, the rent shall be the fair market rental value of the leased premises in its then condition (hereinafter "Rental Value"). Lessee shall include with the notice of intention to extend the term of this lease a statement of the Lessee's opinion as to said rental value of the leased premises (hereinafter "Lessee's Value"). Within thirty (30) days of receipt of said notice, Lessor shall by notice to Lessee either accept the Lessee's Value or state Lessor's opinion of said Rental Value. In the event Lessor and Lessee do not agree upon said Rental Value within fifteen (15) days of the Lessor's notice, Lessor and Lessee shall mutually agree on an appraiser

to determine Rental Value. If Lessor and Lessee cannot agree upon the selection of a single appraiser, Lessor and Lessee shall each appoint an appraiser who shall be a licensed appraiser in the State of Washington and experienced and familiar with the market for retail commercial rental space in the Lewis County area, and said appraisers shall promptly determine said Rental Value. Except as otherwise provided herein, the determination of Rental Value shall be Fair Market Rental Value, as determined by generally accepted appraisal practices. 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 Lewis County Superior Court. In the event that said Rental Value as finally determined by the appraisers (hereinafter "Appraised Value") is greater than the Lessee's Value, Lessee shall have the right, by written notice to Lessor given within thirty (30) days after receiving notice of said Appraised Value, to terminate this lease as of the end of the term in effect at the time the notice of exercise of the option was sent or thirty (30) days from the date said termination notice was sent, whichever is later, provided, however, said termination shall be rendered null and void and the rent for the extended term shall be the Lessee's Value if Lessor, by written notice to Lessee given within ten (10) days after Lessee's notice of termination, elects to accept the Lessee's Value. In the event that said Appraised Value as finally determined is less than the Lessee's Value, the rent during the extended term shall be Lessee's Value. Each party shall be responsible for its own appraisal costs, and the cost of the third appraisal described herein shall be divided equally between Lessor and Lessee.

Notwithstanding any contrary provision contained in this section, in no event shall the monthly minimum rent during any extended term be less than the last monthly rental amount for the preceding period.

4. Taxes. Lessee shall pay before delinquent all personal property taxes that may be assessed against the contents of the leased premises. Lessee shall also pay all real estate taxes, special and/or public improvement assessments for on the property.

5. Use of the Premises.

5.1 Date. Lessee shall have possession of the Property upon the Commence Date.

5.2 Use. The Property is leased to Lessee for the purpose of constructing a building for the operation of a Subway restaurant and all uses incidental thereto. No other use shall be made of the property without the prior written consent of Lessor, which consent shall not be unreasonably withheld.

6. Permits; Compliance With Codes. All building permits and other permits, licenses, consents and approvals required to be obtained from governmental agencies or third parties in connection with construction and any subsequent improvements, repairs, replacements or renovations to the Property shall be acquired as required by applicable laws, ordinances or regulations by Lessee at the expense of Lessee. Lessee shall cause all work on the Property during the Term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction.

7. Ownership of Alterations and Improvements. Alterations, additions or improvements to the subject property of this Lease shall not be made by Lessee without the prior consent of Lessor.

Prior to beginning any changes, alterations and/or improvements, Lessee shall submit, for Lessor's consideration and review, written plans and/or drawings of sufficient detail and description to Lessor and Lessor's building contractor to determine the nature and extent of the proposed change, alteration and/or improvement.

Lessor shall have ten business days from receipt of the plans and/or drawings for review and either approve or object to the same. If an objection is not made within the ten day period, the proposal shall be deemed approved. Only changes, alterations and/or improvements submitted in writing to and approved by Lessor shall be made, and Lessor shall not unreasonably withhold approval.

Any alteration, addition or improvements made by Lessee after such consent is given shall be done at Lessee's expense, and except for trade fixtures, machinery and/or equipment, at Lessor's option, become the property of Lessor upon expiration or sooner termination of this Lease.

8. Assignment Sub-letting. The Lessee shall not assign this Lease or any interest therein, nor sublet the said premises or any part thereof or any right or privilege appurtenant thereto, nor permit the occupancy or use of any part thereof, by any other person without the written consent of the Lessor first had and obtained, which consent shall not be unreasonably withheld. This provision shall not apply to family members of Lessee or family owned entities.

9. Repairs.

9.1. Acceptance of Property. Lessee accepts the Property in the condition shown on the date this Lease is executed without the obligation of the Lessor to make any repairs, additions or improvements thereto.

9.2 Lessee's Repairs and Operation. At all times during the Term of this Lease and any extension thereof, Lessee shall neither commit nor suffer any waste to the Property and shall at its sole cost and expense, keep and maintain the Property and all improvements thereon and all facilities appurtenant thereto in good order and repair and in safe condition, and the whole Property, including all improvements and landscaping, in a clean, sanitary, and attractive condition. Lessee shall make any and all additions to or alterations or repairs in and about the Property, as may be required by, and shall otherwise observe and comply with, all public laws, ordinances and regulations, which from time to time are applicable to the Property.

10. Quiet Possession. Lessor covenants that it has full right, power and authority to execute this Lease. Lessor covenants that Lessee, so long as Lessee is not in default hereunder and subject to the provisions of this Lease, shall have quiet and peaceful possession of the Property during the entire Term of this Lease.

11. Condemnation.

11.1 Definitions.

(a) Total Taking. The term "total taking" as used in this Lease means the taking of the entire Property and any improvements thereon under the power of eminent domain, either by judgment or settlement in lieu of judgment, or the taking of so much of the Property and improvements as to prevent the use thereof by Lessee or render the Property impossible to use for the uses and purposes hereinabove provided. In the event of a dispute between Lessor and Lessee as to whether so much of the Property and improvements thereon have been taken as to prevent use or render impossible the operation thereof by Lessee, the Lessor and Lessee agree that the dispute shall be submitted to binding arbitration through the Lewis County MAR Process.

(b) Partial Taking. The term "partial taking" means the taking of a portion only of the leased Property, which does not constitute a total taking as defined above.

(c) Voluntary Conveyance. The terms "total taking" and "partial taking" shall include a voluntary conveyance to any agency, authority, public utility, person or corporation empowered to condemn property in lieu of formal court proceedings.

(d) Date of Taking. The term "date of taking" shall mean the date on which title to the Property or a portion thereof passes to and vests in the condemnor or the effective date of any order for possession if issued prior to the date title vests in the condemnor.

11.2 Effect of Taking. If during the Term hereof there shall be a total taking of the Property by the exercise of the power of eminent domain, then the leasehold estate of the Lessee in and to the Property shall cease and terminate as to the date of taking. If this Lease is so terminated, in whole or in part, the rentals and other charges payable by Lessee to Lessor hereunder and attributable to the Property shall be paid by Lessee up to the date of taking by the condemnor, and the parties thereupon shall be released from all further liability in relation thereto.

11.3 Allocation of Award. Any award or payment in respect to a total taking of the Property shall be allocated between Lessor and Lessee as follows:

(a) Lessee shall receive that portion of the award, which is equal to the sums so paid attributable to the taking for the improvements made by Lessee upon the Property. If the portion of the award attributable to the taking of the improvements is not determined at the time the payment or award is made, the portion of the award attributable to the taking of the improvements shall be that portion of the award which bears the same relationship to the total award as the value of the improvements made upon the Property bears to the total value of the Property.

improved which has been taken. These amounts shall be determined by a qualified real estate appraiser mutually selected by Lessor and Lessee.

(b) The balance of the award or payment after deducting the above shall be paid to Lessor.

(c) All awards from a partial taking shall be paid to Lessor. There shall be no abatement for rent as a result of any partial taking.

12. Casualty. In the event the improvements on the premises shall be damaged by other casualty, they shall be repaired or restored to the preceding condition. Such repair and restoration shall be initiated by Lessee within forty-five (45) days following damage.

13. Breach by Lessee.

13.1 Breach and Default. In the event of any breach of any provision of this Lease by Lessee, the breach shall be deemed a default entitling Lessor to the remedies hereinafter set forth after Lessor has delivered to Lessee notice of the alleged breach and a demand that the same be remedied immediately, provided that if the breach pertains to a matter other than the payment of rent, Lessee shall not be in default after receipt of the notice if Lessee shall promptly commence to cure the default and shall cure the default within twenty (20) days after receipt of the notice; or if the breach pertains to the payment of rent, Lessee shall have seven (7) days after receipt of the notice to cure the breach; provided, further, if such default is non-monetary in nature and is not reasonably susceptible of being cured in said twenty (20) days, Lessee shall commence to cure such default within said period and diligently pursue such action to completion. If a breach has been cured within the grace periods permitted by this Section, it shall no longer constitute a default.

13.2 Right of Re-entry. In the event of a default, Lessor in addition to all rights or remedies that it may have, shall have the immediate right of re-entry. Should Lessor re-enter or take possession of the lease Property, it may either terminate this Lease or, from time to time, without terminating this Lease, relet the leased Property or any part thereof for the account in the name of the Lessee or otherwise, for any such term or terms and conditions as Lessor may deem advisable with the right to complete construction of or make alterations and repair improvements. Rentals received by Lessor from such reletting shall be applied: first, to the payment of any indebtedness, other than rent, due hereunder from Lessee to Lessor; second, to the payment of rent due and unpaid hereunder and to any other payments required to be made by the Lessee hereunder and the residue, if any, shall be held by Lessor and applied in payment of future damages in the event of termination as the same may become due and payable hereunder; and the balance, if any, at the end of the Term of this Lease shall be paid to Lessee.

14. Lessor May Inspect the Property. Lessee shall permit Lessor and its employees or agents to enter into and upon the Property at all reasonable times for the purpose of inspecting the same. Lessor's entry shall not interfere with the operation of Lessee's business.

15. Insolvency. If any proceeding in bankruptcy or insolvency be filed by the Lessee, or if any writ of attachment or writ of exclusion be levied upon the interest herein of the Lessee, or if any proceedings or levies shall not be released or dismissed within sixty (60) days thereafter, or if a sale of the leasehold interest hereby created, or any other part thereof should be made under execution or other judicial process, or if the Lessee shall make any assignment for the benefit of creditors or shall voluntarily institute bankruptcy or insolvency proceedings, the Lessor, at its election may re-enter and take possession of said premises and remove all persons therefrom.

may at Lessor's option terminate this Lease.

16. Holding Over. This Lease shall terminate without further notice at the expiration of the Term of any extension thereof. Any holding over by Lessee without the express written consent of Lessor shall not constitute a renewal or extension of this Lease nor give Lessee any rights in the leased Property, and such occupancy shall be construed to be a tenancy from month to month on all the same terms and conditions as set forth herein, insofar as they are applicable to a month to month tenancy.

17. Attorney's Fees. In the event of any litigation between the parties hereto arising out of this Lease, the prevailing party therein shall be allowed all reasonable attorney's fees and expenses incurred in such litigation to be recovered as part of the cost therein, including on appeal.

18. Indemnities and Insurance. Lessee covenants with Lessor that Lessor shall not be held liable for any damage or liability of any kind for any injury to or death of persons or damage to property of Lessee or any other person or persons during the term of this lease, from any cause whatsoever, by reason of the use, occupation and enjoyment of the demised premises by Lessee or any other person therein or holding under said Lessee, and that Lessee will defend, indemnify and hold harmless the Lessor from all liability whatsoever, on account of such real or claimed damage or injury, and from all liens, claims or demands arising out of the use of the demised premises.

Lessee's obligation to defend and indemnify shall include but not be limited to payment of Lessor's reasonable costs of retention of legal counsel and investigation costs, and all other reasonable costs, expenses and liabilities from the first notice that any claim or demand is made or may be made.

During the term of the lease, Lessee shall procure and maintain in full force and at cost liability insurance, naming Lessor as an additional named insured, at limits of not less than \$4,000,000.00 aggregate/\$2,000,000 per person, and the full replacement value of all improvements, insuring against any and all liability with respect to the demised premises or arising out of Lessor's maintenance, use or occupancy thereof. Written verification should be provided to Lessor and/or upon request.

All policies of insurance provided for herein shall be issued by good, responsible companies reasonably acceptable to Lessor and authorized to do business in the State of Washington, and shall be issued in the name of Lessee, with Lessor included as a named insured, which policies shall be for the mutual and joint benefit and protection of Lessor and Lessee. All policies of insurance provided for above must contain the provision that the company writing said policy will give to Lessor (20) days notice in writing in advance of any cancellation or lapse, or of the effective date of reduction in the amounts of insurance.

19. Waiver of Subrogation. Each of the parties hereby releases and waives any right of recovery against the other for loss of or damage to said waiving party or his property or the property of others under his control, or anyone claiming through or under any of them, by subrogation or otherwise, for any loss or damage to property caused by fire or any of the exclusions covered by coverage or supplementary contract casualties, even if such fire or other casualty shall have been caused by the fault or negligence of the other party, or anyone for whom such party is responsible; provided, however, that this release and waiver of subrogation shall apply only to loss and damage for which the waiving party is insured, and only if their insurance will not be impaired by this release and waiver of subrogation. Except as provided above, nothing in this lease shall

deemed to release Lessee from liability for damages resulting from default or negligence of Lessee, the agents, employees or invitees of Lessee.

20. Utilities and Services. The Lessee agrees to pay for all utilities, which are furnished to it or used by it in or about the demised premises, including any special and/or improvement amounts related thereto. Lessee shall indemnify and hold Lessor harmless against from any loss, liability or expense resulting from any failure of Lessee to pay all such charge due.

21. Notices. Any notices required or desired to be given under this Lease shall be in writing with copies directed as indicated herein and shall be personally served or given by mail. Notice given by mail shall be deemed to have been given when seventy-two (72) hours have elapsed from the time when such notice was deposited in the United States mails, certified and postage prepaid, addressed to the party to be served at the last address given by that party to the other under the provisions of this Section. At the date of the execution of this Lease, the address of the Lessor is:

BS Properties, Inc.
P.O. Box 98
Chehalis, WA 98532

in addition, the address of the Lessee is:

Sub Bros NW Inc.
2981 Harrison Avenue
Centralia, WA 98531

22. Successors. The covenants and agreements contained in this Lease shall be binding upon the parties hereto and their respective successors and assigns, to the extent the Lease is assignable.

23. Termination. Upon the termination of this Lease by expiration of time or other event, the rights of Lessee and of all such persons, firms, corporations and entities claiming under Lessee and to the Property shall cease.

24. Miscellaneous.

24.1 Paragraph Headings. The paragraph headings used in this Lease are for convenience only. They shall not be construed to limit or to extend the meaning of any part of this Lease.

24.2 Amendments. Any amendments or additions to this Lease shall be made in writing by the parties hereto, and neither Lessor nor Lessee shall be bound by verbal or informal agreements.

24.3 Waiver. The waiver by Lessor 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 in any subsequent breach of the same or any other term, covenant or condition herein contained. Lessor's acceptance of rent by Lessor following a breach by the Lessee of any provision of this Lease shall not constitute a waiver of any right of the Lessor with respect to such breach. Lessor shall not be deemed to have waived any right hereunder only if Lessor shall so state in writing.

24.4 Time of the Essence. Time is expressly declared to be of the essence of this Lease and each and every covenant of Lessee hereunder.

24.5 Entire Agreement. This Lease contains the entire agreement of the parties hereto with respect to the matters covered hereby, and no other agreement, statement or promise made by any party hereto or to any employee, officer, or agent of any party hereto, which is contained herein shall be binding or valid.

24.6 Language. The word "Lessee" when used herein shall be applicable to more persons, as the case may be, the singular shall include the plural, the neuter shall include masculine and feminine, and if there be more than one, the obligations hereof shall be joint and several. The word "persons" whenever used shall include individuals, firms, associations, partnerships, and corporations. This Lease, and its terms, has been freely negotiated by the Lessor and the Lessee. The language in all parts of this Lease shall in all cases be construed as a whole and in accordance with its fair meaning, and shall not be construed strictly for or against Lessor or Lessee.

24.7 Invalidity. If any provision of this Lease shall prove to be invalid, void, or illegal, it shall in no way affect, impair or invalidate any other provision hereof.

24.8 Applicable Law. This Lease shall be interpreted and construed under the laws pursuant to the laws of the state of Washington. Any reference to a statute enacted by the state of Washington shall refer to that statute as presently enacted and any subsequent amendments thereto unless the reference to said statute specifically provides otherwise. Venue for any action involving this lease shall be Lewis County, Washington.

24.9 Provisions Independent. Unless otherwise specifically indicated, the provisions set forth in this Lease are independent of one another, and the obligations or duty of either party hereto under any one provision are not dependent upon either party performing under any other provision.

24.10 Date of Execution. The date this Lease is executed shall be deemed to be the day and year first above written.

24.11 Survival. All obligations of Lessee performed after the termination shall survive the termination and shall continue as obligations until fully performed.

24.12 Recordation. Lessee may record a memorandum of this Lease in the county in which the Property is located. Lessee shall provide Lessor with a copy of any recording and recording information including the date of recordation and file number.

24.13 Hazardous, Toxic or Harmful Substances. Lessee shall (i) not cause or permit any hazardous material (as hereinafter defined) to be brought upon, kept or used in or about the Property by Lessee, its agents, employees, contractors or invitees, without the prior written consent of Lessor. If Lessee breaches the obligations stated in the preceding sentence, or if the presence of hazardous material on the Property caused or permitted by Lessee results in contamination of the Property or any adjacent property, then Lessee shall indemnify, defend and hold Lessor harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including without limitation, diminution in value of the Property and/or adjacent property, damages for loss of or restriction on use of rentable or usable space or of any amenity of the Property and/or adjacent property, damages arising from any adverse impact on marketing of the Property and/or adjacent property, and sums paid in settlement of claims, attorneys' fees, consultant fees, and expenses which arise during or after the Lease Term or any extended term as a result of such contamination including for the investigation of site conditions or any cleanup, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of hazardous material present in the soil or ground water on or under the Property and/or adjacent property. Without limiting the foregoing, if the presence of any hazardous material on the Property caused or permitted by Lessee results in any contamination of the Property and/or adjacent property, Lessee shall promptly take all actions at its sole expense as are necessary to return the Property and/or adjacent property to the condition existing prior to the introduction of any such hazardous material.

material to the Property and/or adjacent property; provided that Lessor's approval of such a shall first be obtained, which approval shall not be unreasonably withheld so long as such a would not potentially have any material adverse long-term or short-term effect on the Property adjacent property. As used herein, the term "hazardous material" means any hazardous or substance, material or waste, which is or becomes regulated, by local governmental authority state of Washington, or the United States government.

25. Relationship of the Parties. It is understood and agreed that the relationship parties hereto is strictly that of Lessor/Lessee. This Lease shall not be construed as a joint vent partnership. The Lessee is not and shall not be deemed to be an agent or representative of the I

26. Non-Disturbance Agreement. Lessor agrees to execute a non-disturbance agre with Subway Real Estate Corporation providing that in the event Lessee shall default under the of this lease, Subway shall have the opportunity to cure said default and be substituted as I hereunder. In the event of such occurrence, Subway shall be bound by all of the term provisions of this Lease, as was the original Lessee.

27. Right of First Refusal. During the term of this Lease, including any renewal ter the event Lessor shall receive a bona fide offer for the sale of the real property being hereunder, Lessor shall immediately convey the terms and conditions of said bona fide of Lessee. Lessee shall then have a period of fifteen (15) days from and after the date of receipt terms and provisions of said offer to elect to purchase said real property pursuant to the same and conditions as contained in said offer. In the event Lessee does not elect to purchase th property pursuant to the terms and conditions of said offer, the right of first refusal shall expir Lessor shall be free to sell the described real property to the party making the bona fide offer.

event Lessor does not sell the described real property to the party making the bona fide offer. Lessee's right of first refusal hereunder shall revive as to any subsequent bona fide offer.

28. Cooperation. Lessor acknowledges that Lessee will be obtaining a lease mortgage to finance the construction of a building on the property. Lessor agrees to reas cooperate with Lessee to enable Lessee to obtain financing to construct the building, an Lessor's authorization and/or consent for Subway, Inc. to assume this lease.

In Witness whereof the Lessor and Lessee have executed this Lease this 6th

JUNE, 2003.

LESSOR:

LESSEE:

BS PROPERTIES, INC.

SUB BROS NW INC.

By:

[Signature]
Name:
As Its President

By:

[Signature]
DARCY FAST
As Its President

By:

[Signature]
Name:
As Its Secretary

By:

[Signature]
JOANN FAST
As Its Secretary