ATTACHMENT 2:

GROUND LEASE

FOR THE ARMORY BUILDING SITE

BY AND BETWEEN

CITY OF SEATTLE,
A WASHINGTON MUNICIPAL CORPORATION,
AS LANDLORD

_____, A WASHINGTON _____,
AS GROUND TENANT

AND

HISTORICAL SOCIETY OF SEATTLE AND KING COUNTY,
A WASHINGTON NONPROFIT CORPORATION,
AS MOHAI

DATED: _____, 20___

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GROUND LEASE

This GROUND LEASE ("Lease"), dated as of _____, 20___, is by and between [TAX CREDIT ENTITY], a Washington _____ ("Ground Tenant"), the HISTORICAL SOCIETY OF SEATTLE AND KING COUNTY, a Washington nonprofit corporation ("MOHAI"), and the CITY OF SEATTLE, a Washington municipal corporation ("City").

RECITALS

A. City is the owner of that certain improved parcel of real property located in the City of Seattle, King County, Washington legally described on, and also depicted on, Exhibit A hereto, together with all appurtenances, rights and privileges now belonging or appertaining thereto (the "Premises"). The historic Armory Building (the "Armory Building") is located on the Premises. City received the Premises and the Armory Building pursuant to that certain Quit Claim Deed from the United States of America, acting by and through the Department of the Navy, as grantor, to City, as grantee, recorded on September 1, 2000 under AFN 20000901000377, records of King County Washington (the "Federal Deed"). The Armory Building is built on a piling support system (the "Building Pile System").

B. MOHAI is a Washington nonprofit corporation that has operated the Museum of History and Industry in the Montlake area of Seattle for over fifty (50) years. MOHAI is being displaced from its current Montlake location due to the SR 520 expansion project and MOHAI and City have agreed that the Armory Building is a suitable and desirable site for MOHAI's relocation. Tenant Parties (as defined below) intend to operate a regional history museum as more particularly described in Exhibit E, Section 1 (the "Museum").

C. To facilitate obtaining certain historic rehabilitation tax credit financing for the rehabilitation of the historic Armory Building, which is the "Project" as defined in the Development Agreement (the "Project"), MOHAI has formed Ground Tenant, which is a subsidiary of MOHAI. MOHAI is currently the sole beneficial owner of Ground Tenant and controls its operations and activities. MOHAI is executing this Lease, not as the tenant but rather to evidence its agreement to provide, directly or indirectly, certain public benefits, generally as described in the Project's development principles, adopted pursuant to Resolution Number 31092, and more specifically described on Exhibit E hereto, and to agree to cause Ground Tenant to perform such public benefit obligations in addition to its other obligations hereunder. MOHAI and Ground Tenant are collectively called "Tenant Parties."

D. City and MOHAI are parties to that certain Project Development Agreement dated _____, 2009 (as now or hereafter amended, the "Development Agreement"). Pursuant to the Development Agreement, City has agreed to convey the Armory Building to MOHAI, who will convey it to Ground Tenant (such conveyance, however, to be accomplished via direct deed from City to Ground Tenant) with a covenant that it be used only as a regional history museum.

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E. Following completion of the Project and placement of the Armory Building into service, Ground Tenant will lease the Armory Building to "Master Tenant," an entity formed by a tax credit investor, who will in turn sublease the Armory Building to MOHAI. MOHAI will thereafter operate or cause to be operated the Museum in the Armory Building.

F. City believes it serves an important public function to have a vibrant and successful Museum at the Armory Building and to see that the Armory Building is maintained over time.

G. The parties have agreed that this Lease is in the best interests of all parties to facilitate the establishment and operation of the Museum in the new location at the Armory Building. Thus, the parties are entering into this Lease for the Premises on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, City, Ground Tenant and MOHAI agree as follows:

ARTICLE 1
DESCRIPTION OF THE PREMISES

1.1 Recitals. The above Recitals are hereby incorporated by this reference.

1.2 Lease of Premises. Consistent with the Development Agreement, this Lease becomes effective (the "Effective Date") on the date when the Armory Building is conveyed to the Ground Tenant. As of the Effective Date, City as landlord hereby leases to Ground Tenant as tenant, and Ground Tenant hereby leases from City, the Premises, subject to the obligations, terms, and conditions contained herein. The Premises consist of the land and the Building Pile System that supports the Armory Building, as legally described on Exhibit A hereto, and the associated appurtenant rights and easements only (including the easements described below) and do not include the Armory Building. Tenant Parties' right to use and occupy the Premises is subject to City's reserved rights in the Public Use Area as described in Section 1.6.3. The Armory Building has been separately conveyed to Ground Tenant contemporaneously herewith. The purpose of this Lease is to permit the Armory Building to remain on the Premises and to provide for the on-going rights and obligations of the parties with respect to the Armory Building and the Premises for the Term.

1.3 Tax Credit Structure. In addition to leasing the Armory Building to the Master Tenant, Ground Tenant will sublease the Premises to Master Tenant, both for terms exceeding thirty (30) years. Master Tenant will in turn sublease the Armory Building to MOHAI. Such structure is designed to comply with requirements for historic rehabilitation tax credits and must remain in effect during the period required under the Internal Revenue Code for such credits to be available for tax credit investors (the "Tax Credit Compliance Period").

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1.4 Expansion of Premises. City is in the process of vacating Terry Avenue adjoining the Premises. When such vacation is complete, the portion of Terry Avenue to the centerline thereof adjoining the Premises shall automatically and without further action by the parties become part of the Premises. Following such vacation, Ground Tenant shall be permitted to construct, at its expense and consistent with City-approved plans and any applicable National Park Service requirements, a terrace on the west side of the Armory Building (the "Terrace" in such addition to the Premises.

1.5 Easements. To operate the Armory Building for Museum purposes, certain easements are required, as hereinafter described. Thus, City hereby grants and conveys to Tenant Parties, their successors and assigns, for the Term, the Construction Easement, the Parking Easement, the Access Easement, the Utility Easement and the Drop-Off Easement (collectively, the "Easements"), on the terms and conditions of this Lease. The memorandum of this Lease that is recorded on the Effective Date shall provide notice of these Easements. The Easements are located on and burden Lake Union Park, or portions thereof surrounding the Premises, owned by City, described on Exhibit B attached hereto, together with Terry Avenue adjoining the Premises and Lake Union Park.

1.5.1 Construction Easement. "Construction Easement" means an exclusive easement for construction staging activities in the North Parking Lot, which area is depicted on Exhibit C attached hereto. The Construction Easement area shall be reserved for the exclusive use by Tenant Parties, their agents, employees and contractors. Activities permitted in the Construction Easement area shall include parking of construction and contractor vehicles and storage of construction materials to be used in the Project. The Construction Easement shall commence on the date that MOHAI or Ground Tenant authorizes its contractor to proceed with construction of the Project, and terminate when the Project is complete and the Armory Building is placed in service.

1.5.2 Parking Easement. "Parking Easement" means a non-exclusive easement for vehicular parking (including disabled parking) and a secondary loading dock in the North Parking Lot, which area is depicted on Exhibit C attached hereto. The Parking Easement shall commence when the Construction Easement terminates. Permitted users of the Parking Easement shall include Tenant Parties, their invitees, licensees, employees, contractors, service providers and permitted subtenants and assignees ("Permitted Users"). Emergency vehicles shall be permitted access through the Parking Easement area. Tenant Parties' use of the Parking Easement area shall be consistent with the Lake Union Park parking plan that City's Superintendent of Parks and Recreation ("Superintendent") will develop in consultation with Tenant Parties and other interested parties (the "Parking Plan"). The initial Parking Plan shall be completed as provided in the Development Agreement and must be reasonably acceptable to Tenant Parties. The Parking Plan is subject to review and revision by the Superintendent, in consultation with Tenant Parties and other interested parties; any such revisions and any successor Parking Plans must be reasonably acceptable to Tenant Parties and must be consistent with the Parking Easement rights granted herein and Tenant Parties' rights to use of other parking resources under Section 1.7. The Parking Plan may allocate parking stalls for the exclusive use of Tenant Parties and other Lake Union Park tenants. There shall be no charge to Tenant Parties and the Permitted Users for parking and loading dock use in the Parking

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Easement and, if the Access Easement described below is gated or otherwise secured so as to restrict access to the Parking Easement area, Permitted Users of the Parking Easement shall be provided with a means of access through such gate or security system. MOHAI shall provide staff to regulate and coordinate vehicular access in and out of the North Parking Lot when either the Museum or the Museum café are open to the general public ("Operating Hours") to facilitate loading, special deliveries and disabled parking with respect to the use of the Museum only. Staffing shall not include providing personnel for any security or parking booth at a gated access point.

1.5.3 Access Easement. "Access Easement" means a non-exclusive easement for access in the area depicted on Exhibit C attached hereto. This right to access shall include all forms of access to the Premises, including access for Permitted Users and access for cars, vans, trucks, construction vehicles, bicycles and pedestrians. If the Access Easement is gated or otherwise secured so as to restrict access, Permitted Users of the Access Easement shall be provided with a means of access through such gate or security system.

1.5.4 Utility Easement. "Utility Easement" means a non-exclusive easement for all utilities (including electric, water, sewer, communications, cable and gas) serving or to serve the Premises and the Armory Building to provide utility service thereto. Ground Tenant shall be permitted to have a telecommunications provider(s) install its cables in the conduit in the Utility Easement. The Utility Easement shall be for the utilities in the locations where installed or relocated from time to time, which are in Terry Avenue adjoining the Premises and Lake Union Park and in the portions of Lake Union Park described on Exhibit B attached hereto.

City has previously installed water lines, electric services, sewer lines, conduits for communications, meters, fire department connections and hydrants and other utility facilities to serve the Premises, as described in the Development Agreement. City shall keep these utilities and related facilities installed in the Utility Easement area in good condition and repair at all times at City's sole cost and provide such utility service to the Premises. Notwithstanding the foregoing, Ground Tenant shall be responsible for the portion of the sewer line connecting from the side sewer stub into the Armory Building, and City is not responsible for the communications lines installed by a third party provider at the request of Ground Tenant.

Ground Tenant may install additional utilities and upgrade or repair utilities in the Utility Easement at its sole cost and with the prior written approval of the Superintendent, which approval shall not be unreasonably withheld or delayed. In doing such work, Ground Tenant shall not disturb the vegetation and topography and improvements on the property outside of the Utility Easement area. Upon completion of such reconstruction, maintenance, repair or other permitted activity, Ground Tenant shall immediately restore all disturbed topography and vegetation to their condition immediately prior to the initiation of such maintenance or repair and, as to the installation of any new utilities by Ground Tenant, Ground Tenant shall thereafter be responsible for their maintenance and repair.

Electrical service to the Armory Building shall be separately metered; water shall be submetered. Tenant Parties shall be responsible for utility charges for their usage. The parties recognize that electric service lines and service that serve the Wharfs and surrounding Lake

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Union Park are located within the Armory Building; such lines will remain on the Premises. City (by and through City Light) shall have the right to access as needed to maintain, repair and replace such electric lines and service (a) at all times to the Armory Building's electrical service room, which shall be accessible from outside the Building; and (b) to the Armory Building, provided that such persons are accompanied by appropriate MOHAI staff, during Operating Hours or any time, with or without MOHAI staff, if necessitated by an emergency or dangerous condition. Such access shall be conducted in such a way as to minimize interference with the operation of the Museum and activities in the Armory Building and City shall repair any damage caused by such access.

1.5.5 Drop Off Easement. "Drop Off Easement" means a non-exclusive easement for buses and other vehicles to pick up and drop off visitors to the Premises in the area depicted on Exhibit C attached hereto. Currently, the East Wharf and North Parking Lot are not configured to permit visitor drop off/pick up by school or tour bus. Therefore, Tenant Parties and other Permitted Users may utilize the Valley Parking Lot for such purpose on a non-exclusive basis. Tenant Parties acknowledge that the Valley Parking Lot is a temporary parking lot that may be removed as part of on-going Lake Union Park improvements. Before City were to remove the Valley Parking Lot or make it unavailable for Museum visitor drop off, City and Tenant Parties must agree on and implement a mutually acceptable plan to either: (a) extend the corner of the East Wharf so as to permit bus and other vehicles access to and turnaround from the North Parking Lot; or (b) otherwise provide for MOHAI's need for a bus drop-off. The parties agree to cooperate to develop, identify funding for and implement such a mutually acceptable plan if the need arises, recognizing that providing the Public Benefits described herein depends on having drop off arrangements reasonably acceptable to MOHAI.

1.6 Building Pile System and Wharfs.

1.6.1 Maintenance and Reinforcement of Building Pile System. Subject to the provisions of the Development Agreement regarding assessments of the Building Pile System at completion of shell and core construction and contemporaneously with the issuance of a certificate of occupancy for the Museum, and subject to the provisions of Section 9.3 and the qualifications below, from and after the time the Project is complete and a certificate of occupancy is issued for the Museum: (i) City will be responsible for the condition of the Building Pile System and for maintaining it in a safe and sound condition, capable of supporting the Armory Building for its use for Museum and related purposes for the duration of its use as such; and (ii) City will address, at no cost to Tenant Parties, any conditions that impair the ability of the Building Pile System to support the Armory for its intended use for Museum and related purposes for the duration of its use as such.

Notwithstanding the foregoing, with respect to any (a) alteration to the Armory Building or Premises that affect the Building Pile System; or (b) specific change or addition to exhibitry reasonably likely to affect the Building Pile System, either of which are undertaken after issuance of the certificate of occupancy for the Museum, Ground Tenant and the Superintendent shall reasonably determine the measures, if any, to be undertaken in conjunction with such alteration or exhibitry change or addition that are needed to enable the Building Pile System to continue to support the Armory Building for its intended use for Museum and related purposes.

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Ground Tenant shall at its expense, complete such measures as a component of its alteration or exhibitry change or addition described in clauses (a) or (b) above. Ground Tenant also will inform the Superintendent of any damage to the Building Pile System incurred during the construction of any alteration or exhibitry change or addition described in clauses (a) or (b) above, together with the measures it proposes to take to repair any such damage, which measures shall be subject to the Superintendent's reasonable approval. Ground Tenant will confirm that such repairs have been completed. All such measures or repairs shall be the property of City upon their completion and shall thereafter be considered part of the Building Pile System (and be maintained, repaired or replaced by City as required herein).

1.6.2 Loading Docks. Ground Tenant shall be entitled to locate and use its loading dock (including dumpsters) in the area located on the East Wharf as depicted on Exhibit B attached hereto. Ground Tenant shall also be entitled to locate and use its secondary loading dock in the North Parking Lot as also depicted on Exhibits B and C.

1.6.3 Control, Maintenance and Management of Public Areas. City shall be responsible for the maintenance, repair, replacement, management, regulation and programming of the Wharfs and other public portions of the Premises outside the Armory Building footprint (which footprint shall be deemed to include the concrete steps along and attached to the north side of the Armory Building and the loading dock on the east side of the Armory Building) and Terrace (collectively, the "Public Use Area"). The Public Use Area is depicted on Exhibit D hereto. City shall manage and operate the Public Use Area in a clean, safe and unobstructed manner consistent with the operation of the Museum. Loitering shall not be permitted in the Public Use Areas. Tenant Parties shall not obstruct members of the public from entering upon and using and enjoying the Public Use Area for park purposes except for occasional closures of the Wharfs for Museum events approved by City in advance, and except for temporary construction activities and fencing near the Armory Building in connection with the Project (in locations approved by the Parks Department Project Coordinator identified under the Development Agreement). City will not block or obstruct, or permit the blocking or obstruction of the Public Use Areas (including without limitation the loading docks described in the preceding section, the steps on the north side of the Armory Building and other points of ingress and egress from the Armory Building) or modify the Public Use Areas except for occasional, temporary obstructions for park events. Such obstructions shall not materially interfere with public access to the Museum or Tenant Parties' ability to use the Premises and the Armory Building for their intended purposes. City will consult with Ground Tenant to minimize any impacts from any temporary blockage or obstruction.

Neither Ground Tenant nor MOHAI shall have any responsibility or liability for the activities on the Wharfs or the condition thereof, unless and to the extent caused by Ground Tenant, MOHAI, or their employees or agents (as further provided in Section 13, Indemnity). In collaboration with MOHAI, the Superintendent shall develop and implement an expeditious procedure for providing MOHAI with the permits necessary for Tenant Parties to use or host the use of the Wharfs adjoining the Armory for MOHAI events on mutually acceptable terms and conditions.

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1.7 Public Parking. In addition to the Parking Easement, visitors to the Museum and the Armory Building shall be permitted to use the Valley Parking Lot (depicted on Exhibit C) and other City owned, controlled and managed parking conveniently located for visitors to Lake Union Park and amenities located therein for parking pursuant to the Parking Plan on a basis no less favorable than City makes it available to other visitors to Lake Union Park.

1.8 As-Is Condition. Except as specifically required in the Development Agreement or in this Lease, City has no obligation to contribute to the cost of the Project, nor shall City be obligated to perform any construction or make any improvements in connection with the Project, except as provided in this Lease with respect to the Building Pile System. The acceptance of possession of the Premises by Ground Tenant on the Effective Date shall be conclusive evidence that Ground Tenant accepts the Premises in their then "as-is" condition, subject to City's obligation in the Development Agreement to provide a clean and empty building, free and clear of tenants and their personal property. Ground Tenant hereby acknowledges that City has made and makes no representations or warranties, express or implied, regarding the condition of the Premises or their suitability for the intended use. Ground Tenant confirms that it has had ample opportunity to inspect the Premises and is familiar with their condition.

1.9 Signage. Tenant Parties shall have the right to place informational and directional signage in Lake Union Park (but outside of the Premises) to inform the public about the location of and access to the Museum, with the Superintendent's prior written consent. Tenant Parties shall develop for the Superintendent's approval a signage plan for the installation of appropriate signage for the Museum within Lake Union Park (but outside of the Premises). In determining whether to approve such signage plan the Superintendent may consider, among other factors, Tenant Parties' needs for public awareness of the location of and access to the Museum; the signage needs of other Lake Union Park tenants and uses; the design, scale, placement and materials proposed for such signage; and compatibility of the proposed signage with other Lake Union installations. Tenant Parties may request modifications of the signage plan from time to time, such changes are also subject to the approval of the Superintendent.

The parties recognize that the Project will entail installation of a signage system for the Armory Building and Terrace, which system will be approved by the Superintendent pursuant to the Development Agreement. The signage system will support a continuing display of banners and signs advertising events and exhibits at the Premises and the presence of the Museum. Such banners and signs shall not be subject to approval by the Superintendent and need not conform to sign regulations for Lake Union Park, so long as they relate to the Museum and events and exhibits at the Museum. In addition, Tenant Parties may install temporary signage at the entrance to Lake Union Park on Valley Street, to advertise special events on the Premises, subject to the approval of the Superintendent as to size, location and content.

1.10 Covenant and Warranty of Quiet Possession. City covenants and warrants that Ground Tenant's peaceable and quiet occupation, use and enjoyment of the Premises shall not be disturbed by City or anyone claiming by or through City. City shall defend at its expense any third party claims asserted that would interfere with Ground Tenant's (and its permitted successors and assigns) right to such occupancy, use, and enjoyment of the Premises or City's title to the Premises.

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ARTICLE 2
TERM

2.1 Term. All obligations of City, Ground Tenant and MOHAI hereunder shall commence and be binding on the parties as of the Effective Date. Ground Tenant shall be entitled to and shall take possession of the Premises upon the Effective Date. Thus, City shall have removed or caused to be removed all tenants, occupants and personal property in the Premises before the Effective Date. This Lease shall be and continue in full force and effect for a term (the "Term") that commences on the Effective Date and continues for approximately fifty-five (55) years, ending on _____, 20__, unless sooner terminated pursuant to the provisions hereof.

ARTICLE 3
CONSIDERATION, PUBLIC BENEFITS AND EXPENSE ALLOCATION

3.1 Consideration. During the Term, as consideration for this Lease, Tenant Parties shall at their expense (i) undertake the Project, including rehabilitation of the Armory Building for Museum purposes and the construction and installation of museum exhibits; (ii) maintain and operate the Armory Building as a Museum open to the public and in a condition suitable for Museum purposes; and (iii) maintain the Historic Features, all as further provided below. In addition, to support Ground Tenant's lease of the Premises, MOHAI shall provide or cause to be provided the Public Benefits and perform or cause to be performed the Museum Operation Activities, all as further provided below. "Rent" as used herein means the duties and obligations to be undertaken by Tenant Parties set forth in this Section 3.1 and as further detailed in Sections 3.2 through 3.7 below. The parties agree that there is no monetary consideration or monetary rent that is owed by Tenant Parties to City hereunder. Rather, the consideration for this Lease consists of the Public Benefits to be provided and the rehabilitation, maintenance and operation of the Armory Building at the expense of Tenant Parties as provided herein.

3.2 Redevelopment and Maintenance. Tenant Parties shall rehabilitate and redevelop the Armory Building to be suitable for Museum uses as provided in the Development Agreement. From and after the date the Armory Building is placed in service, the relocation of the Museum displays to the Armory Building and the opening of the Museum in the Armory Building to the public ("Opening Date"), Tenant Parties shall ensure that the Armory Building is maintained in good operating condition and state of repair and in a condition suitable for the Public Benefits to be provided, subject to the terms and conditions of this Lease as further described in Section 6.2 below. Tenant Parties shall also maintain the Historic Features as provided in Section 6.3 below.

3.3 Public Benefits. A central element of this Lease is the identification of and MOHAI's commitment to the ongoing provision of certain public benefits as described herein. In fulfillment of Tenant Parties' commitment, from and after the Opening Date, Tenant Parties shall operate or cause to be operated the Museum located in the Armory Building and shall perform or ensure the provision of certain "Public Benefits" identified in Exhibit E during the Term of this Lease, all at no cost to City. At the Superintendent's request from time to time

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throughout the Term, but no more frequently than annually, MOHAI will produce a report documenting the Public Benefits that MOHAI has provided during the designated time period (the "Public Benefits Report"). The Public Benefits Report shall include such information as the Superintendent may reasonably request but at a minimum shall contain a description of the benefits provided; the number of persons served, by date and age group, if known; and the value of any fee discounts or scholarships provided. In addition, on or before the Opening Date, MOHAI shall provide the Superintendent with a report documenting the public benefits provided during the last full year of its operations at its Montlake facility to use as a benchmark against future reporting.

3.4 Maritime Heritage Group. In addition to the Public Benefits identified in Exhibit E, from and after the Opening Date, MOHAI shall collaborate with City in its management of the Maritime Heritage Group, which will focus on cultural, educational and recreational maritime-related activities at the "Historic Wharf" adjacent to the Premises and include from time to time Museum programming that links exhibits to visits to historic ships moored at the Historic Wharf.

3.5 Museum Operations.

3.5.1 Hours of Operation and Public Access. Notwithstanding the Public Benefits, the Armory Building will be open to the public only during regular hours of operation as determined by MOHAI but consistent with the requirements of Exhibit E. MOHAI may restrict access to the Armory Building as necessary for security purposes. MOHAI may close portions of the Armory Building to the public for offices, ancillary services, installation or repairs, as MOHAI deems necessary or desirable from time to time. MOHAI may use any portion of the Armory Building for its purposes when the Armory Building is not open to the general public. Nothing herein shall limit Tenant Parties' ability to regulate use of the café, restrooms or other facilities consistent with Museum security needs or to address unruly or inappropriate behavior.

3.5.2 Continuing Use of Montlake Facility. MOHAI may for some period of time maintain storage, office, public assembly and other space at the Montlake location as the transition to the Armory Building occurs. This use may continue until the Montlake facility is removed from service by the Washington State Department of Transportation ("WSDOT") or MOHAI has secured facilities fully replacing all of the facilities and functions provided at the Montlake facility on the Effective Date. Following the Opening Date, MOHAI shall pay all operations and maintenance costs for the Montlake facility during the time it continues to be occupied exclusively by MOHAI or on a pro rata basis with City if the use is shared between MOHAI and City. If the facility is not removed from service by WSDOT immediately upon MOHAI's vacation, the auditorium and other primary public assembly spaces within the Montlake facility shall be available for City Parks and Recreation Department-related uses as well as MOHAI uses (subject to WSDOT consent) and MOHAI and City shall develop a protocol for programming such spaces.

3.6 Property Operating Expenses. Ground Tenant and/or MOHAI shall bear all costs and expenses during the Term that are associated with the improvement, restoration, repair, remodeling, replacement, maintenance, operation, lease and management of the Armory

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Building and the Museum (the "Property Operation Activities") on an absolute net basis. Property Operation Activities shall exclude the improvement, restoration, repair, replacement, maintenance, operation and management of the Building Pile System and Wharfs. City is to bear no expenses of any kind with respect to the Premises, except as provided herein. "Property Operating Expenses" shall include, without any limitation, all costs and expenses associated with the following:

3.6.1 Insurance premiums and deductibles as required under this Lease or as Ground Tenant and/or MOHAI may elect;

3.6.2 All charges for public and private utility services, including but not limited to electricity, gas, heating, air conditioning, telephone and telecommunications service, garbage, janitorial services, sewer and water services;

3.6.3 Permits, licenses and certificates necessary for the Property Operation Activities;

3.6.4 Expenses incurred to comply with any Laws with respect to the operation of the Museum in the Armory Building (excluding expenses that are the responsibility of City under this Lease); and

3.6.5 Management, operation, repair, maintenance and restoration of the Armory Building to the extent required herein, including, without limitation, any of the building systems and their equipment and components.

As of the Effective Date, Tenant Parties shall be responsible for direct payment of all Property Operating Expenses accruing from and after the Effective Date as and when any such expenses are due. The parties shall cooperate to arrange for direct billing of all Property Operating Expenses from the service provider to Ground Tenant (to the extent practical; for example water service will be submetered from City's meter).

3.7 Real Estate Taxes. Ground Tenant shall bear all cost and expense of any taxes and assessments related to the Premises accruing during the Term, including without any limitation the following (collectively, "Real Estate Taxes"):

3.7.1 General real estate taxes levied against the Armory Building or taxes in lieu thereof;

3.7.2 Special assessments or taxes in the nature of improvement or betterment assessments;

3.7.3 Any taxes relating to operation of the Premises by MOHAI; and

3.7.4 All taxes on personal property and intangibles of Tenant Parties on or used in connection with the Premises.

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As of the Effective Date, Tenant Parties shall be responsible for direct payment of all Real Estate Taxes accruing during the Term before any such taxes are delinquent, subject to the protest rights described below. The parties may agree to implement direct billing of all Real Estate Taxes to Ground Tenant or MOHAI, with appropriate notice to City. All Real Estate Taxes that are payable by Tenant Parties pursuant hereto for the tax year in which the Term commences, as well as during the year in which the Term expires, shall be prorated between City and Tenant Parties on an actual per diem basis. If any of the Real Estate Taxes that either of Tenant Parties is obligated to pay in whole or in part is permitted by law to be paid in installments, Tenant Parties may pay the taxes in installments. Any exemption for property tax, in lieu tax or leasehold excise tax will accrue to the benefit of Tenant Parties (i.e., it will have no obligation to pay such taxes under this Section 3.7 to the extent of such exemption).

Tenant Parties may contest the validity or amount, including the assessed valuation upon the Premises, of any Real Estate Taxes that they in good faith believe is excessive, improper or invalid. In such event, the payment thereof may be deferred during the pendency of such contest, if diligently prosecuted. City agrees to join at Tenant Parties' request in any such contest to the extent such joinder is a prerequisite to such prosecution under statute, regulation or administrative practice. In connection with a judicial or administrative challenge to any assessment, Tenant Parties may take advantage of any stay in collection available under statute, regulation, or court or administrative order or rules. Nothing herein contained, however, shall be so construed as to allow such items to remain unpaid for such length of time as shall permit the Premises, or any part thereof, to be sold by any governmental authority for the nonpayment of the taxes. Within thirty (30) days after the amount of such contested item is finally determined to be due, Tenant Parties shall pay the amounts so determined, together with any penalties, interest and expenses associated with such contest.

ARTICLE 4
USE OF PREMISES

4.1 Use of Premises. As provided in the Development Agreement, the deed conveying the Armory Building to Ground Tenant shall restrict the use of the Armory Building by Tenant Parties to Museum purposes (including the display of historic materials and artifacts, and cultural and special events), ancillary purposes (including café and gift shop), functions and events hosted or sponsored by Tenant Parties (including short term event rentals of three (3) consecutive days or less), and related office, educational, research, administrative, storage and back-of-house uses only. The use of the Premises shall be for purposes consistent with the use restrictions in such deed and shall comply with this Lease, any easements, covenants, restrictions (including those imposed by the Federal Deed), as well as all laws, statutes, ordinances, regulations, rules and other governmental requirements of any kind applicable to the Premises (hereinafter "Laws"). Although the Premises are located in a City park area managed by City's Department of Parks and Recreation, prohibitions on the serving and consumption of alcoholic beverages on the Premises shall not apply and Tenant Parties may permit alcoholic beverages to be served on the Premises (e.g., in the café and terrace and at events, but not on the Wharfs, unless pursuant to a Parks Department permit as described in Section 1.6.3 above), provided that Tenant Parties are responsible for seeing that all required liquor permits/licenses are obtained..

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4.2 Prohibited Activities. Nothing shall be done by Tenant Parties or their officers, directors or employees upon or about the Premises that violates any Law. Tenant Parties will not do or keep anything in or upon the Premises that may prevent the obtaining of any insurance required under this Lease or carried with respect to the Premises or that may void any such insurance. Tenant Parties agree to adopt and implement a policy prohibiting any person, except for law enforcement officers and on-duty security personnel, from possessing firearms on the Premises or in the Armory Building.

4.3 Compliance with Laws. Tenant Parties shall be solely responsible, at their sole cost (as between Tenant Parties and City), for compliance with Laws affecting the design, construction and operation of the Armory Building and those affecting their use of the Premises throughout the Term. City agrees that Tenant Parties shall have the right to reasonably contest, at Tenant Parties' sole cost, any asserted or alleged violation of any Laws in the name of either of Tenant Parties, as Tenant Parties deem appropriate.

ARTICLE 5
ALTERATIONS

5.1 Alterations. "Alterations" are any alterations, additions or improvements made by Tenant Parties to the Armory Building. Tenant Parties may, from time to time, at their own cost and expense and without the consent of City make alterations to the Armory Building, except as provided below. Such alterations include, without limitation, the Project and the construction of the Terrace in the vacated portion of Terry Avenue that becomes part of the Premises. Notwithstanding the foregoing, Tenant Parties shall not make any alterations to the Armory Building or the Premises that affect the Building Pile System, the Wharfs or the Armory Building public entry and amenities (i.e., café and café restrooms) without City's prior written consent, which will not be unreasonably withheld. Changes to any exhibitry, whether fixed or temporary exhibits, are not subject to City review or approval provided they are not reasonably likely to affect the Building Pile System. Alterations to the Historic Features must be in compliance with Section 6.3. Tenant Parties may make any other alterations to the Armory Building, at their sole cost and expense, without City's consent.

5.2 Ownership of Armory Building and Alterations. Title to the Armory Building and any Alterations thereto constructed by Ground Tenant shall be vested in Ground Tenant until the expiration or earlier termination of this Lease, at which time the Armory Building, including all alterations thereto shall become the property of City, free and clear of all liens and encumbrances, without any obligation on the part of City to pay therefor. At City's request, Ground Tenant shall deliver a deed to the Armory Building to City confirming this transfer at the expiration or termination of this Lease, together with a complete set of all as-built or other building plans and all keys to the Armory Building and any other improvements on the Premises.

Subject to the terms of Section 9.1 relating to damage and destruction, upon expiration or earlier termination of the Term of this Lease, whether by lapse of time or otherwise (including any holdover period), Tenant Parties at their expense shall: (a) remove all of Tenant Parties' moveable, unaffixed personal property, goods and effects and those of all persons claiming under MOHAI from the Armory Building and the Premises; (b) to the extent required by City, remove

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all of its exhibitry and exhibitry-related casework, and (c) promptly and peacefully surrender the Armory Building and the Premises (including surrender of all Tenant Parties' improvements, alterations and additions installed in the Armory Building or on the Premises) in at least as good a condition as at the conclusion of the Project, reasonable wear and tear and casualty excepted. Any property left on the Premises more than thirty (30) days after the expiration or termination of the Term shall be deemed to have been abandoned and to have become the property of City to dispose of as City deems expedient and Tenant Parties shall be liable for all costs associated with the disposal of such property. Tenant Parties hereby waive all claims for damages that may be caused by City re-entering and taking possession of the Premises or removing and storing Tenant Parties' property as herein provided. No such reentry shall be considered or construed to be a forcible entry.

Notwithstanding the foregoing, nothing herein shall give City any right whatsoever to the Museum Property, as further provided in Section 8 below.

5.3 Alteration Construction. In conducting any construction work on the Premises, Tenant Parties shall cause all work to be done in a good and workmanlike manner and shall comply with or cause compliance with all Laws. Tenant Parties shall obtain or cause to be obtained and maintain in effect, as necessary, all building permits, licenses and other governmental approvals that may be required in connection with such work and such insurance as the Tenant Parties, in consultation with City, determine reasonable for the scope and scale of the work to be undertaken.

5.4 Mechanic's Liens. Tenant Parties shall have no authority, express or implied, to create or place any lien or encumbrance of any kind or nature upon, or in any manner to bind, the interest of City in the Premises for any claim in favor of any person dealing with Tenant Parties, including those who may furnish materials or perform labor for any construction or repairs to the Premises. Each such claim shall affect and each such lien shall attach to, if at all, only the leasehold interest granted to Ground Tenant by this Lease. Tenant Parties will pay or cause to be paid all sums payable by them on account of any labor performed or materials furnished in connection with any work performed on the Premises. Tenant Parties will discharge, by bond or otherwise, any mechanic's or materialman's lien filed against the Premises for work claimed to have been done for, or materials claimed to have been furnished to Tenant Parties, within sixty (60) days after filing. Tenant Parties shall indemnify, defend and hold City harmless from any and all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of City in the Premises or under the terms of this Lease.

ARTICLE 6
OPERATION, MAINTENANCE AND SUPPORT

6.1 Operation. Tenant Parties shall procure and maintain at their expense all permits and approvals that may be required for any use made of the Premises. Tenant Parties shall comply with the requirements of any Laws (i) regarding the condition of the Premises; or (ii) relating to the lawful use of the Premises. Tenant Parties shall conduct or cause to be

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conducted the Museum operations on the Premises in compliance with all terms and conditions of this Lease.

6.2 Maintenance and Repair By Tenant Parties. Ground Tenant, at its sole cost and expense (as between Ground Tenant and City), without cost or charge to or contribution by City, shall be responsible for and shall perform all improvements, repairs, replacements, restoration and maintenance to the Armory Building throughout the Term. Following completion of the Project, Ground Tenant shall at all times maintain the Armory Building in good operational order, condition and repair. If Ground Tenant fails to perform its obligations under this section following sixty (60) days' prior written notice (or such shorter period as may be necessitated by an emergency or dangerous condition, or such longer time as may be needed provided that Ground Tenant is diligently pursuing the necessary work) from City to Tenant Parties, City may perform such work and Tenant Parties shall be responsible for reimbursing City for the cost thereof.

Upon completion of the Project, Tenant Parties will provide City with a long-term maintenance plan for the Armory Building. Every five (5) years thereafter, Tenant Parties will provide City with a report on its performance against the plan during the preceding five (5) years, as well as an updated long-term maintenance plan. With the submission of each plan, Tenant Parties will demonstrate to City's reasonable satisfaction that they have or will have sufficient resources to meet their responsibilities identified in the long-term maintenance plan.

6.3 Maintenance of Historic Features. The Armory Building exterior contains certain historic elements and features (the "Historic Features"). The Historic Features are described in (i) the Federal Deed; and (ii) the Armory Building's landmark listings with the City of Seattle Landmarks Preservation Board and the National Register of Historic Places. Tenant Parties, at their sole cost and expense (as between Tenant Parties and City), without cost or charge to or contribution by City, shall be responsible for and shall perform all improvements, repairs, restoration and maintenance of the Historic Features throughout the Term required by and in compliance with the Historic Requirements. The "Historic Requirements" are those imposed by the Deed, the National Register of Historic Places and the City of Seattle Landmarks Preservation Board, all with regard to the Historic Features.

6.4 Maintenance and Repair By City. Subject to the provisions of Sections 1.6.1 and 9.2 and except as provided below, City, at its sole cost and expense (as between Ground Tenant and City), without cost or charge to or contribution by Ground Tenant, shall be responsible for and shall perform all improvements, repairs, replacements, restoration and maintenance to the Building Pile System and Wharfs throughout the Term in a manner that provides adequate support for the Amory Building and its use as contemplated by this Lease and in good, clean and safe condition compatible with Museum use.

Notwithstanding the foregoing, with respect to any measures or repairs with respect to the Building Pile System undertaken by Ground Tenant after issuance of a certificate of occupancy for the Museum pursuant to Section 1.6.1 in connection with (a) alterations to the Armory Building or Premises that affect the Building Pile System; or (b) specific changes or additions to exhibitry reasonably likely to affect the Building Pile System, such measures or repairs shall be

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considered part of the Building Pile System upon their completion (and be maintained, repaired or replaced by City as required herein).

6.5 Operating Support.

6.5.1 City will contribute on an annual basis by April 1 of each year during the Term the amount of Three Hundred Thousand Dollars ($300,000) to MOHAI (or, at MOHAI's direction, to Ground Tenant) to be used to help defray the costs of operating, maintaining and repairing the Armory Building (the "Support Payments"). MOHAI shall separately account for the Support Payments and shall use them solely to pay operating and maintenance expenses for the Armory Building. MOHAI shall keep complete and accurate records and books of account with respect to all expenditures from the Support Payments account and shall provide City with copies of relevant records reasonably promptly upon City request.

6.5.2 If City reasonably determines that Tenant Parties have failed to maintain the Armory Building in good condition and repair as measured by their performance under the maintenance plan described in Section 6.2 above, then City may withhold the Support Payments until such time as Tenant Parties complete the necessary maintenance and repairs. City will reimburse Tenant Parties for the cost of such maintenance and repairs, up to the total amount of the withheld Support Payments, upon Tenant Parties' presentation of an invoice therefor.

6.6 Placement of Artifacts in the Park. From time to time, MOHAI may request that certain of its artifacts be placed in the Lake Union Park surrounding the Armory Building or on the Wharfs. Such a request shall be in writing and accompanied by details of the nature and proposed location of the artifact and the plans for installation. If approved by City in its sole discretion, MOHAI shall be responsible for the cost of installation and maintenance of the artifact. The placement of such artifact in Lake Union Park or on the Wharfs shall be at the risk of MOHAI and City shall not be responsible for any damage to or loss of such artifact. Following installation, MOHAI may remove the artifact at its discretion.

6.7 Maritime Heritage Group. Pursuant to the Development Agreement, City has organized the Maritime Heritage Group among City, MOHAI and certain other maritime heritage organizations resident at South Lake Union. The Maritime Heritage Group is documented through agreements between the various organizations and City establishing the basis for an ongoing collaboration on cultural, educational and recreational maritime-related activities. Through the Maritime Heritage Group, the parties envision an integrated Museum and historic ship visitor experience that enhances Lake Union Park and the Historic Wharf and encourages knowledge and support for the preservation of the region's diverse history, particularly including its maritime history. City, by and through its Superintendent, will be responsible for management, at City's expense, of the Maritime Heritage Group.

MOHAI will cooperate with the other maritime heritage participants in the Maritime Heritage Group and will participate in the Maritime Heritage Group. MOHAI will enter into collaborative agreements from time to time as desirable and appropriate with the Center for Wooden Boats, Northwest Seaport and the Virginia V Foundation (and with similar organizations in the event the foregoing named entities' presence at South Lake Union ends)

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relating to, among other things, marketing, programming and reasonable shared use of appropriate Museum facilities for public accommodations (such as ticketing, merchandizing and way-finding facilities).

ARTICLE 7
ENVIRONMENTAL

7.1 Hazardous Substances.

7.1.1 For the purposes of this Lease, (a) the term "Environmental Law" means any federal, state or local law, statute, ordinance, regulation or order pertaining to hazardous substances or materials, including without limitation those defined in this Section 7.1 as "Hazardous Substances;" and (b) the term "Hazardous Substance" means any hazardous or toxic substance, material or waste, pollutants or contaminants, as defined, listed or regulated now or in the future by any federal, state or local law, ordinance, code, regulation, rule, order or decree regulating, relating to or imposing liability or standards of conduct concerning, any Hazardous Substances, including without limitation, (i) chlorinated solvents, (ii) petroleum products or by-products, (iii) asbestos, (iv) polychlorinated biphenyls, (v) lead-based paint, and (vi) mold, fungus and other microbial matter.

7.1.2 Tenant Parties agree that:

(a) Neither Tenant Parties nor their employees, agents, contractors, assignees, subtenants, licensees or invitees will use, generate, manufacture, produce, store, release, discharge or dispose of on, under or about the Premises, or transport to or from the Premises, any Hazardous Substances except in such quantities as are typically used in connection with the construction, rehabilitation, operation and use of property of the similar sort for the uses permitted under this Lease and the Development Agreement, and then only in compliance with all Environmental Laws.

(b) Tenant Parties shall give prompt written notice to City of:

(i) Any proceeding or inquiry by any governmental authority known to Tenant Parties with respect to the presence or release of any Hazardous Substance on, in, about or from the Premises, Armory Building, Building Pile System or Wharfs, or relating to any loss or injury resulting from any Hazardous Substance, all caused or alleged to be caused by Tenant Parties or their employees, agents, contractors, assignees, subtenants or invitees;

(ii) All claims made or threatened by any third party in writing against Tenant Parties with respect to the Premises, Armory Building, Building Pile System or Wharfs relating to any loss or injury resulting from any Hazardous Substance caused or alleged to be caused by Tenant Parties;

(iii) Discovery after the Effective Date by Ground Tenant or MOHAI of any occurrence or condition on the Premises, Armory Building, Building Pile System

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or Wharfs that could cause them to be subject to any restrictions on occupancy or use under any Environmental Law; and

(iv) Any release of a Hazardous Substance on or from the Premises or the Armory Building by Tenant Parties.

(c) Excluded from all obligations of Tenant Parties under this Section 7.1 are any obligations, claims or liabilities arising out of the use or condition of or events occurring with respect to (i) the Building Pile System, Wharfs, Lake Union or surrounding City property or property in the vicinity, or out of the use thereof or the use of the Premises pursuant to the Maritime Heritage Group agreements (except for Tenant Parties' sole use) or members of the public, or (ii) Hazardous Substances existing on, under, in or about the Premises, the Building Pile System, the Wharfs, Lake Union or surrounding City property or property in the vicinity prior to the Effective Date unless arising in whole or in part from the Tenant Parties' conduct.

(d) Except as provided in Sections 7.2 and 13.1.2, Tenant Parties shall protect, indemnify, pay the defense costs of and hold harmless City Parties (as defined in Section 13.1.2) from any loss, damage, cost, expense, claim, suit, action, penalty or liability (collectively, "Claims"), including, without limitation, reasonable attorneys' fees and costs and the costs of any required or necessary repairs or cleanup of the Premises or the Armory Building and the implementation of any remediation or other plans required by any Environmental Law directly or indirectly arising out of or attributable to the presence, use, generation, manufacture, production, storage, release, discharge or disposal of a Hazardous Substance on, under or emanating from the Premises or the Armory Building (i) on or after the Effective Date and (ii) caused by Ground Tenant, MOHAI, their employees, agents, assignees, subtenants or licensees.

7.1.3 The indemnity provisions of this Section 7.1 shall survive expiration or termination of this Lease.

7.2 City Environmental Obligations.

7.2.1 City shall give prompt written notice to Ground Tenant of:

(a) Any proceeding or inquiry by any governmental authority known to City with respect to the presence or release of any Hazardous Substance on, in, about or from the Premises, Armory Building, Building Pile System or Wharfs;

(b) All claims made or threatened by any third party in writing against City with respect to the Premises, Armory Building, Building Pile System or Wharfs relating to any loss or injury resulting from any Hazardous Substance; and

(c) City's discovery of any occurrence or condition on the Premises, Armory Building, Building Pile System or Wharfs that could cause them to be subject to any restrictions on use under any Environmental Law.

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Excluded from City's obligations under this Section 7.2 are any obligations, claims or liabilities arising out of the use or condition of the Armory on or after the Effective Date caused by Tenant Parties or their employees, agents, assignees, subtenants or licensees that are the responsibility of Tenant Parties under Section 7.1.2.

7.2.2 Except as provided in Sections 7.1 and 13.2, City shall protect, indemnify, pay the defense costs of and hold harmless Tenant Parties and their board members, officers, employees and agents from any Claims, including, without limitation, reasonable attorneys' fees, expenses and costs and the costs of any required or necessary repairs or cleanup of the Premises, Building Pile System and Wharfs and the implementation of any remediation or other plans required by any Environmental Law directly or indirectly arising out of or attributable to the presence, use, generation, manufacture, production, storage, release, discharge or disposal of a Hazardous Substance on, under or emanating from the Building Pile System, Wharfs or the Premises, or, to the extent caused by City, its employees, agents, assignees or licensees.

7.2.3 The indemnity provisions of this Section 7.2 shall survive expiration or termination of this Lease.

ARTICLE 8
MUSEUM PROPERTY

8.1 Museum Property. Notwithstanding anything in this Lease to the contrary, City shall have no interest in, lien on or right of any kind to any fixtures, display cases, exhibits, art, artifacts, personal property or the Museum collection located in or used in connection with the Armory Building, or on the Wharfs or in Lake Union Park ("Museum Property"), however installed or located in the Armory Building, the Wharfs, on the Premises or in Lake Union Park. All Museum Property shall be and remain at all times the property of MOHAI, Ground Tenant or the other owners thereof as the case may be. Notwithstanding the foregoing, if Tenant Parties fail to properly maintain (in accordance with the approval of the Superintendent granted under Section 6.6 above) any Museum Property installed or located on the Wharfs, in Lake Union Park, or in the Public Use Area following thirty (30) days' prior written notice (or such shorter period as may be necessitated by an emergency or dangerous condition) from City to Tenant Parties, such Museum Property shall be deemed abandoned and City may perform remove and dispose of the same, without recourse to Tenant Parties and Tenant Parties shall be responsible for reimbursing City for the cost thereof.

ARTICLE 9
DAMAGE AND DESTRUCTION

9.1 Repair and Rebuilding. If all or part of the Armory Building is damaged or destroyed, then Ground Tenant shall at their sole cost (as between City and Ground Tenant) complete the repair and rebuilding thereof (the "Rebuilding"), provided that: (a) Ground Tenant determines that such Rebuilding is economically, legally and operationally feasible; (b) sufficient insurance proceeds are available and/or Tenant Parties raise the costs of such repairs from private donations or other sources; and (c) the Rebuilding will be complete at least five (5) years before

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the end of the Term. Notwithstanding the foregoing, Ground Tenant shall in any event be required to repair or restore any damage and destruction to the extent necessary to bring the Armory Building and Premises into a safe and sanitary condition and to remove debris (although not to the condition required for occupancy). All Rebuilding shall be done in consultation with City and the plans therefor shall be subject to City's reasonable approval. Nothing herein shall require Tenant Parties to repair and restore damage to Museum Property.

If Ground Tenant will be restoring the Armory Building, then Ground Tenant shall apply for any permits or approvals required in connection with such Rebuilding diligently after the applicable insurance claims have been adjusted and proceeds thereof made available to Ground Tenant and other funding, if necessary, has been arranged, and after City has approved of the plans for Rebuilding. Ground Tenant shall commence Rebuilding promptly after issuance of such permits and approvals and thereafter diligently pursue completion of such Rebuilding.

If the Armory Building is not repaired or restored as provided herein, then this Lease shall terminate on a date mutually agreed by the parties, Tenant Parties and City shall cooperate in settling the loss with the insurance company and Tenant Parties agree to contribute to City all rights Tenant Parties have to all insurance proceeds (net of recovery costs (agreed by the parties to be reasonable third party costs for such recovery) and deductibles) for the loss of the Armory Building (excluding that received for Museum Property) as a result of such damage and destruction.

9.2 City Rebuilding of Building Pile Systems and Wharfs. Ground Tenant's obligation to restore as provided in Section 9.1 is subject to City's agreement to repair, restore or reconstruct as necessary the Building Pile System and Wharfs at its expense. Therefore, in planning for any Rebuilding, the parties shall work cooperatively together to expeditiously determine the feasibility and desirability of such Rebuilding and make plans for the same.

Further, if Ground Tenant decides to undertake to restore the Armory Building, then City shall restore and rebuilding the Building Pile System and Wharfs to the extent necessary to permit the restoration of the Armory Building for Museum purposes.

The obligation of City to restore the Building Pile System and Wharfs is in every instance limited to the amount of available insurance proceeds received by City (or made available by Tenant Parties if the parties agree under Section 12.7 to have Tenant Parties insure the Building Pile System and Wharfs) (together with the amount of any deductible attributable to the Building Pile Systems and Wharfs in excess of a commercially reasonable or available deductible) for the loss of the Building Pile System and Wharfs (and, if and to the extent that the same are self insured, then such self insurance shall be deemed to be in the amount of the full replacement cost of the Building Pile Systems and Wharfs).

9.3 No City Liability. In no event shall City be liable to Tenant Parties for destruction or damage by casualty to any of Museum Property, except for Claims for which City indemnifies Tenant Parties pursuant to Section 13.2 hereof.

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ARTICLE 10
CONDEMNATION

10.1 Taking. "Taking" means a taking by condemnation or by the exercise of the power of eminent domain by a public or quasi-public authority or entity, whether or not there is a taking of title, or a conveyance in lieu thereof. If there is a taking of the entire Premises and the Armory Building, then this Lease shall terminate as of the earlier of the date title to the Premises is transferred or the date Ground Tenant is dispossessed by the Taking authority. City agrees not to exercise its eminent domain rights with respect to the Premises or the Armory Building during the Tax Credit Compliance Period.

City further agrees that in any Taking by City pursuant to its power of eminent domain that results in the termination of this Lease, the measure of the damages to Ground Tenant for the value of the Armory Building shall be the cost to replace such facility, meaning funds sufficient to pay for a substitute facility of at least equal size, function, and capacity.

10.2 Termination for Material Interference. If there is a Taking of part of the Premises or Armory Building that in Tenant Parties' reasonable judgment materially interferes with Tenant Parties' ability to use the Premises for the purposes set forth herein, which interference cannot be feasibly, economically, operationally or legally remediated, then Ground Tenant shall have the right to terminate this Lease by giving City notice of its election within sixty (60) days after the Taking. If this Lease is so terminated, then it shall terminate on the earlier of the date when title is transferred, the date Ground Tenant is dispossessed by the Taking authority or thirty (30) days following Ground Tenant's notice; provided that such termination shall in no event extinguish or diminish Ground Tenant's right under Section 10.3 to receive a portion of the award payable on account of the Taking.

If the Taking does not materially interfere with Tenant Parties' ability to operate the Premises for the purposes set forth in this Lease, then this Lease shall continue in full force and effect as to the part not taken, except that Ground Tenant need not operate a Museum or provide the Public Benefits in the space so taken.

10.3 Taking Award. The parties are entitled to the following portions of any award or settlement in lieu thereof payable on account of a Taking:

(a) City shall be entitled to all amounts attributable to the value of the land comprising the Premises; and

(b) Ground Tenant shall be entitled to receive:

(i) All amounts attributable to the value of the Armory Building provided that such funds are used for a replacement facility for a regional history museum in Seattle. Such replacement facility shall be of comparable scale and quality to the Armory Building Museum. MOHAI shall provide public benefits at the replacement facility consistent with those enumerated in Exhibit E for not less than the remaining term of this Lease or 40 years, whichever is longer. In selecting the location for a replacement facility, Tenant Parties shall give

priority consideration to a leasehold interest in any suitable City-owned site or facility that City may propose for such purpose. The term of the MOHAI lease in any such City-owned site or facility shall be long enough to justify the investment that will be necessary to replace the Museum and in no event less than the remaining term of this Lease when the Armory Building is taken;

(ii) All amounts attributable Museum Property; and

(iii) Tenant Parties' relocation expenses.

If MOHAI has not started construction on a replacement facility for a regional history museum in Seattle within seven (7) years after the Taking and payment of the Taking proceeds to MOHAI (with such extensions as City may grant in its reasonable discretion), then the Taking proceeds described in Section 10.3(b)(i) above shall be contributed to City and MOHAI shall have no further claim to them. The provisions of this Section 10 shall survive expiration or termination of this Lease.

ARTICLE 11
ACCESS TO PREMISES

11.1 Access. City and City's agents, employees, and representatives shall have the right to access, enter and inspect the Premises and the Armory Building at any reasonable time during the Operating Hours or when Museum staff is on Premises to escort the inspector for the purpose of ascertaining the condition of the Premises or the Armory Building, monitoring compliance with this Lease or for any other purpose permitted under the terms of this Lease. City understands that Museum operating requirements prohibit unaccompanied, unsupervised access (including inspection), except as specifically provided herein. City, in its capacity as the landlord under this Lease, shall have the right to enter the Armory Building only upon reasonable prior notice to Tenant Parties. In exercising such rights, the parties shall cooperate and shall take all reasonable steps to avoid disruption or unnecessary interference with Tenant Parties' use and operations of the Premises.

ARTICLE 12
INSURANCE, WAIVER OF CLAIMS AND LIMITATION OF LIABILITY

12.1 Tenant's Liability Insurance. Tenant Parties, at their expense, shall purchase and keep in force during the Term Commercial General Liability insurance with limits of not less than Five Million and 00/100 Dollars ($5,000,000.00) combined single limit each occurrence, covering bodily injury to persons, including death, and damage to property. Such insurance shall provide coverage for Tenant Parties' premises and operations and contractual liability assumed in Article 13. Tenant Parties shall cause their Commercial General Liability insurer to name City as an additional insured under such insurance and such policy shall contain a severability of interests provision, a provision that the insurance provided to City as additional insured shall be primary to and not contributory with insurance maintained by City, and a provision that an act or omission of one of the insureds or additional insureds that would void or otherwise reduce coverage shall not reduce or void the coverage as to the other named and additional insureds.

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12.2 Premises Property Insurance. Throughout the Term of this Lease, Tenant Parties shall maintain a standard form property insurance policy insuring City's and Tenant Parties' interests in the Armory Building (excluding Museum Property) against all risks of physical loss or damage (including earthquake and flood). The insurance required under this Section 12.2 shall provide coverage in an amount not less than one hundred percent (100%) of the replacement cost of the Armory Building with a commercially reasonable deductible or self-insured retention.

12.3 General Insurance Requirements. All of the insurance policies required to be maintained under Sections 12.1-.2 shall: (a) be issued by insurance companies authorized to do business in the State of Washington and having an A.M. Best's rating of not less than A- VII, unless placed as a surplus line by an authorized Washington State surplus lines broker; (b) contain an endorsement requiring thirty (30) days' written notice from the insurance company to both parties before cancellation, non-renewal or change in the coverage, scope or amount of any policy; and (c) be written as primary policies, not contributing with and not supplemental to the coverage that other party may carry. Certificates of insurance evidencing that the insurance required under this section is in effect shall be delivered to City before any entry on the Premises by Tenant Parties, and shall be kept current throughout the Term. Such certificate shall reflect the status of City as additional insured (as to the insurance under Section 12.1), and shall provide for at least thirty (30) days advance notice to City in the event of cancellation. City and Tenant Parties shall assist and cooperate with any insurance company in the adjustment or litigation of all insurance claims arising under the insurance required by this Article. A certificate of demonstrating procurement of the required insurance, including an actual copy of the additional insured policy provision, shall be issued to The City of Seattle, P.O. Box 94669, Seattle, WA 98024-4669. However, the original certification shall not be mailed but sent either by facsimile transmission to (206) 470-1270 or emailed as an attachment in PDF format to riskmanagement@seattle.gov.

12.4 City Obligation to Insure Piles. City shall maintain or pay the allocated cost of standard form of property insurance, including earth movement, insuring against loss to the Building Pile System and the Wharfs. The insurance required under this Section 12.4 shall provide coverage in an amount not less than one hundred percent (100%) of the replacement cost of the Building Pile System and the Wharfs with a commercially reasonable deductible or self-insured retention.

Certificates of insurance evidencing that the insurance required under this Section 12.4 is in effect shall be delivered to Tenant Parties before any entry on the Premises by Tenant Parties, and shall be kept current throughout the Term. Such certificate shall provide for at least thirty (30) days advance notice to Ground Tenant in the event of cancellation. City and Tenant Parties shall assist and cooperate with any insurance company in the adjustment or litigation of all insurance claims arising under the insurance required by this Section 12.4.

12.5 Waiver of Recovery and Subrogation. City and Tenant Parties release and relieve the other from any liability they might otherwise have and waive their entire right of recovery for loss or damage to property located within or constituting a part or all of the Premises or the Armory Building to the extent that the loss or damage either (a) is actually covered by the

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injured party's property insurance, or (b) would have been covered by the property insurance the injured party is required to carry under this Article 12, whichever is greater. This waiver applies regardless of the cause or origin of the claim including without limitation loss due to the negligent acts or omissions of City or Tenant Parties, or their respective officers, directors, council members, employees, agents, contractors, invitees, Tenant Parties' assignees or subtenants. The parties shall have their property insurers endorse the applicable insurance policies to reflect the foregoing waiver of claims, provided however, that the endorsement shall not be required if the applicable policy of insurance permits the named insured to waive rights of subrogation on a blanket basis, in which case the blanket waiver shall be acceptable.

12.6 Limitation of Tenant's Liability. In no event shall City, its successors or assigns, have any recourse whatsoever for any damages payable, obligations assumed or indemnifications proffered by Tenant Parties under this Lease to (a) the Museum Property, endowment, archives or other property of MOHAI; (b) funds and pledges of funds raised by MOHAI for the Project or operation of the Museum; (c) proceeds, rents or other income derived, arising from or attributable to the Armory Building or Museum, excluding insurance or condemnation proceeds; or (d) any claims for relief related to the Armory Building or the Project, including claims arising under the insurance policies required to be carried under this Lease or actually carried by Tenant Parties, except as provided in Section 9.1 above. Under no circumstances shall City have any recourse whatsoever to Tenant Parties' officers, trustees, directors, agents, employees, contractor or licensees for any debt or obligation created by this Lease.

12.7 Reallocation of Insurance Responsibilities. Notwithstanding the allocations of responsibility to insure contained in Sections 12.1-12.4 above, the parties may by mutual agreement decide to reallocate such responsibilities, including having one or another party insure both the Building Pile System and Wharfs along with the Armory Building and allocating the cost thereof in an appropriate way among the parties. The parties will engage in good faith discussions, including consulting with their insurance professionals, to agree on the preferred arrangements for purchasing the insurance and sharing the cost thereof, which may change from time to time by mutual agreement. In addition, the parties may by mutual agreement amend the insurance requirements of this Lease from time to time as appropriate to address changes in insurance practices and the insurance needs of the parties consistent with their rights and obligations hereunder.

ARTICLE 13
INDEMNIFICATION

13.1 Tenant Parties Indemnification.

13.1.1 Subject to the waiver of recovery and subrogation in Section 12.5, Tenant Parties shall indemnify, pay the defense costs of and hold harmless City and its council members and employees from Claims for damages, costs, personal injury, death or for loss or damage to property that arise out of or relate to: (a) the acts or omissions of any of Tenant Parties, their employees, agents, contractors, affiliates or licensees in the development, improvement, operation, maintenance or use of the Premises or conduct of the Project; or (b) any breach or

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default by either of Tenant Parties in the performance of any obligation on Tenant Parties' part to be performed under this Lease.

13.1.2 This indemnity does not apply: (x) to Claims to the extent they are caused by the acts, omissions or misconduct of City Parties; or (y) to damages, claims, suits, actions or liabilities waived under Section 12.5. The term "City Parties" means City, its council members, agents, employees, contractors and licensees.

13.1.3 Subject to Section 13.3, the foregoing indemnity shall also include reasonable costs, expenses and attorneys' fees incurred in connection with any indemnified Claim or incurred by City in successfully establishing the right to indemnity. Tenant Parties shall have the right to assume the defense of any Claim subject to this indemnity. City agrees to cooperate fully with Tenant Parties and their counsel in any matter in which either Tenant Party elects to defend, provided that Tenant Parties promptly reimburse City for reasonable costs and expenses incurred in connection with its duty to cooperate.

13.2 City Indemnification.

13.2.1 Subject to the waiver of recovery and subrogation in Section 12.5, City shall indemnify, pay the defense costs of and hold harmless Tenant Parties and their officers, directors, trustees, agents, employees, contractors and licensees from Claims for damages, costs, personal injury, death or for loss or damage to property that arise out of or relate to the negligence or willful misconduct of City Parties in connection with the Premises, the Project or this Lease.

13.2.2 This indemnity does not apply: (y) to Claims to the extent they are caused by the acts or omissions or misconduct of the Tenant Parties, including their officers, directors, trustees, agents, employees, contractors, affiliates and licensees; or (z) to damages, claims, suits, actions or liabilities waived under Section 12.5.

13.2.3 Subject to Section 13.3, the foregoing indemnity shall also include reasonable costs, expenses and attorneys' fees incurred in connection with any indemnified Claim or incurred by Tenant Parties in successfully establishing the right to indemnity. City shall have the right to assume the defense of any Claim subject to this indemnity. Tenant Parties agree to cooperate fully with City and City's counsel in any matter in which City elects to defend, provided that City promptly reimburses Tenant Parties for reasonable costs and expenses incurred in connection with its duty to cooperate.

13.3 Joint, Comparative or Concurrent Negligence of Willful Misconduct. If the parties are determined to be jointly and severally liable in any action, then each party's duty to indemnify and defend shall be proportionate to such party's allocable share of joint, comparative or concurrent negligence or willful misconduct.

13.4 Waiver of Indemnity. City and Tenant Parties agree that the foregoing indemnities specifically include, without limitation, Claims brought by either party's employees against the any other party. THE FOREGOING INDEMNITIES ARE EXPRESSLY

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INTENDED TO CONSTITUTE A WAIVER OF EACH PARTY'S IMMUNITY UNDER WASHINGTON'S INDUSTRIAL INSURANCE ACT, RCW TITLE 51, TO THE EXTENT NECESSARY TO PROVIDE THE OTHER PARTY OR PARTIES WITH A FULL AND COMPLETE INDEMNITY FROM CLAIMS MADE BY EACH PARTY AND ITS EMPLOYEES, TO THE EXTENT OF THEIR NEGLIGENCE. CITY AND TENANT PARTIES ACKNOWLEDGE THAT THE INDEMNIFICATION PROVISIONS OF THIS ARTICLE WERE SPECIFICALLY NEGOTIATED AND AGREED UPON BY THEM.

ARTICLE 14
ASSIGNMENT AND SUBLETTING

14.1 Assignment and Subletting. No party may directly or indirectly make or permit an assignment, transfer, sublease or other alienation of such party's rights or obligations under this Lease at any time without the prior written consent of the other parties. Although the Armory Building is not part of the Premises, Ground Tenant has informed City that, in the ordinary course of business for purposes consistent with normal Museum operations, Ground Tenant or MOHAI may sublet portions of the Armory Building or enter into licenses, concessions for a café and gift store, and permit short term event rentals (not to exceed three (3) consecutive days per event), which subleases shall be permitted hereunder. Nothing in this Section 14.1 shall change the requirements of Section 3.3 above under which Tenant Parties provide or cause to be provided certain Public Benefits as the operator of the Armory Building.

Further notwithstanding the foregoing, the following, in the event such actions are taken, shall be permitted assignments and subleases hereunder: (i) the lease of the Armory Building and sublease of the Premises to a Master Tenant and the Master Tenant's sublease of the Armory Building and Premises to MOHAI or such other entity as may be operating the Museum; (ii) the acquisition by Ground Tenant of Master Tenant or of the interest of Master Tenant in the various leases and subleases of the Premises and the Armory Building; (iii) the acquisition by MOHAI of Master Tenant or of the interest of Master Tenant in the various leases and subleases of the Premises and the Armory Building and the termination of the sublease to MOHAI; (iv) the acquisition by purchase or reorganization by MOHAI of Ground Tenant or of the interest of Ground Tenant in this Lease or the fee interest of the Ground Tenant in the Armory Building and the termination of this Lease and the various subleases of the Armory Building and the Premises; and (v) assignments or subleases to an entity affiliated with and under the control of either of Tenant Parties. ("Subleases" as used herein shall include all leases below this Lease, including sub-subleases.)

ARTICLE 15
DEFAULT AND REMEDIES

15.1 Tenant Parties' Default. Each of the following constitutes a default by Tenant Parties under this Lease ("Default"):

15.1.1 Either of Tenant Parties transfers its rights and obligations under this Lease in contravention of Article 14;

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15.1.2 Tenant Parties fail to perform or observe any covenant, provision or obligation of Tenant Parties under this Lease not specifically addressed in another section of this Section 15.1, including failure to perform the Public Benefits or Museum operations obligations under Sections 3.4 and 3.5, within ninety (90) days of the date of written notice of default from City (or if the breach requires longer than ninety (90) days to cure, either or both of Tenant Parties fail to start curing the default within ninety (90) days after receipt of written notice and to thereafter diligently prosecute the cure thereof to completion);

15.1.3 Tenant Parties vacate, abandon or cease to use the Premises or cause the Premises to be used for Museum operations for sixty (60) consecutive calendar days or longer, subject to excuse for force majeure reasons or periods of reconstruction following casualty or condemnation;

15.1.4 Either or both of Tenant Parties consolidates, dissolves or liquidates or takes an equivalent action or an involuntary case is commenced (other than by City) under any federal or state bankruptcy, reorganization, insolvency, moratorium or similar statute against either Tenant Party, or a custodian, receiver, trustee, assignee for the benefit of creditors or other similar official is appointed to take possession, custody, or control of the property of either Tenant Party unless such case, petition or appointment is dismissed, set aside or withdrawn or ceases to be in effect within ninety (90) days after the date such case is commenced or the date of said filing or appointment; or either Tenant Party becomes insolvent or admits in writing its inability to pay its debts as they mature, or commences any voluntary case or files any petition or action for relief relating to any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors; or either Tenant Party makes an assignment for the benefit of creditors or enters into an agreement of composition with its creditors; or either Tenant Party fails generally to pay its debts as they become due; or either Tenant Party fails to have discharged promptly any judgment, execution, garnishment or attachment of such consequence as could impair the ability of either Tenant Party to carry on its operations or to fulfill its obligations under this Lease. Reorganization or dissolution of a Tenant Party not in the insolvency context but rather in the context of a restructuring of the entities as part of the tax credit process (either obtaining tax credits or winding down after the Tax Credit Compliance Period) shall not be an Event of Default hereunder.

15.1.5 A court enters an order, judgment or decree approving a petition filed against either or both of Tenant Parties seeking an arrangement, composition, liquidation, dissolution or similar relief under the present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors (other than at the instigation of City), and the order, judgment or decree remains unvacated or unstayed for one hundred twenty (120) days.

15.2 City's Remedies for Tenant Parties' Default. If a Default occurs , then the parties shall use the dispute resolution procedures set forth in Section 18 hereof. Subject to Section 18 hereof if applicable, upon the occurrence of a Default, City may do any one or more of the following:

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15.2.1 After the end of the Tax Credit Compliance Period, which the parties anticipate to be five (5) years from and after the date the Project is completed and the Museum is placed in service, terminate this Lease upon one hundred eighty (180) days' prior written notice. Then and in any such event, the Armory Building and all improvements (excluding Museum Property) constructed or installed upon the Premises shall become the property of City without the necessity of any deed or conveyance from Ground Tenant to City;

15.2.2 Hold Ground Tenant liable for all other damages and reasonable expenses except attorneys' fees incurred by City in enforcing its remedies for any Default; and

15.2.3 Exercise any other legal or equitable right or remedy that it may have. Notwithstanding the foregoing, City may not elect to relet the Premises for its own or Ground Tenant's account or any other remedy that seeks to maintain Tenant Parties' obligation to pay or perform the Rent obligations hereunder after the date of termination of this Lease (which shall not in any event be before the end of the Tax Credit Compliance Period).

15.3 City Exigent Circumstances. Notwithstanding anything in Sections 15.2 to the contrary, if a Default by Tenant Parties has occurred that involves an imminent danger to public health or safety, then City shall not be required to exhaust all the dispute resolution procedures set forth in Section 18 before exercising its remedies under Sections 15.2 hereunder, but the parties shall nonetheless work together in good faith to try to resolve such dispute in accordance with such dispute resolution procedures.

15.4 City's Default. Each of the following constitutes a default by City under this Lease ("City Default"):

15.4.1 City fails to perform or observe any obligation of City under this Lease within ninety (90) days of the date of written notice from Ground Tenant (or if the breach requires longer than ninety (90) days to cure, City fails to start curing within ninety (90) days after receipt of written notice and thereafter to diligent prosecute such cure to completion).

15.5 Tenant Parties' Remedies for City Default. If a City Default occurs, then the parties shall use the dispute resolution procedures set forth in Section 18 hereof. If the mediation required pursuant to Section 18 hereof does not resolve the Dispute, then Tenant Parties may exercise any remedies available to it at law, including without limitation any one or more of the following:

15.5.1 Terminate this Lease upon one hundred eighty (180) days prior written notice. Then and in any such event, and the Armory Building and all improvements (excluding Museum Property) constructed or installed upon the Premises shall become the property of City without the necessity of any deed or conveyance from Ground Tenant to City;

15.5.2 Hold City liable for all other damages and reasonable expenses except attorneys' fees incurred by Tenant Parties in enforcing its remedies for any City Default;

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15.5.3 Tenant Parties may cease or suspend the provision of some or all of the Public Benefits to the extent that the City Default makes it impossible or impractical to provide the same; and

15.5.4 Tenant Parties may exercise any other legal or equitable right or remedy that they may have.

15.6 Tenant Parties' Exigent Circumstances. Notwithstanding anything in Sections 15.5 to the contrary, if a City Default has occurred that involves an imminent danger to public health or safety, then Tenant Parties shall not be required to exhaust all the dispute resolution procedures set forth in Section 18 before exercising its remedies under Sections 15.5 or 15.6 hereunder, but the parties shall nonetheless work together in good faith to try to resolve such dispute in accordance with such dispute resolution procedures.

ARTICLE 16
NOTICES

16.1 Notices. All notices, demands or requests that may or are required to be given by one party to the other under this Lease shall be given in writing and delivered personally, or sent by U.S. certified mail, postage prepaid, return receipt requested, or nationally recognized overnight air carrier, and addressed to City's address or Tenant Parties' address, as follows:

City's address for notices:	The City of Seattle Dept. of Parks and Recreation 100 Dexter Avenue North Seattle, WA 98109 Attn: Superintendent
With a copy to:	The City of Seattle Law Department 600 Fourth Avenue, 4th Floor Seattle, WA 98104 Attn: Helaine Honig
Tenant Parties' address for notices:	Museum of History and Industry McCurdy Park 2700 24th Avenue East Seattle, WA 98112-2099 Attn: Executive Director

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With a copy to:

K&L Gates LLP
925 Fourth Avenue
Suite 2900
Seattle, WA 98104
Attn: Gerry Johnson

Notices shall be deemed to have been given upon receipt or attempted delivery where delivery is not accepted. Either party may change its address and/or those receiving copies of notices upon written notice given to the other.

ARTICLE 17
MEMORANDUM OF AGREEMENT

17.1 Memorandum. This Lease shall not be recorded except as permitted in this Article 17. The parties shall promptly execute and record, at Ground Tenant's cost, a short form memorandum describing the Premises and stating the Term, the Effective Date and any other information the parties reasonably agree to include and/or necessary for any financing with respect to the Project.

ARTICLE 18
DISPUTE RESOLUTION TC "

18.1 In General; Mediation. In the event of any dispute or difference that shall arise between the parties relating to the construction, meaning or effect of this Lease, or of the rights or liabilities of the parties hereunder, the parties shall first follow the procedures in this section before filing or initiating a lawsuit. The parties shall make their best efforts to resolve disputes as expeditiously as possible through negotiations at the lowest possible decision-making level, and in the event such negotiations are unsuccessful, the matter shall be referred to the Superintendent of City's Park and Recreation Department and the Executive Director of MOHAI or the manager of Ground Tenant. If those officials are unable to resolve the dispute within a period of fifteen (15) days after the matter has been formally referred to them for resolution, they shall meet during the immediately succeeding seven (7) days to select a mediator to assist in the resolution of such dispute. Tenant Parties and City agree to participate in mediation with the agreed upon mediator for a reasonable amount of time and in good faith. The cost of the mediation shall be shared equally between Tenant Parties and City.

ARTICLE 19
MISCELLANEOUS

19.1 No Partnership. Nothing contained in this Lease shall create any partnership, joint venture or other relationship between Tenant Parties and City. It is the intent of the parties that this Lease creates a leasehold estate in the Premises and that the relationship of the parties hereunder is that of landlord and tenant only.

19.2 Successors. This Lease shall bind and inure to the benefit of City, its successors and assigns, Tenant Parties and their successors and assigns.

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19.3 Severability. If any provision of this Lease is determined to be invalid or unenforceable, then that provision and the remainder of this Lease shall continue in effect and be enforceable to the fullest extent permitted by law. It is the intention of the parties that if any provision of this Lease is capable of two constructions, one of which would render the provision void, and the other of which would render the provision valid, then the provision shall have the meaning that renders it valid.

19.4 Integration and Amendments. Together with the Development Agreement, this Lease contains the entire integrated agreement between the parties as to the matters covered herein and supersedes any oral statements or representations or prior written matter not contained in this instrument as to the matters set forth herein. This Lease shall not be modified except by a written document signed by City and Tenant Parties (or their successors in title) upon passage of an ordinance by the City Council.

19.5 Governing Law; Venue. This Lease shall be governed by and construed and enforced in accordance with the laws of the State of Washington.

19.6 No Waiver. Failure of either party to complain of any act or omission on the part of the other, no matter how long the failure may continue, shall not constitute a waiver of any rights under this Lease. No waiver by any party of any breach of any provisions of this Lease shall be deemed a waiver of a breach of any other provision of this Lease or a consent to any subsequent breach of any other provision. If any action of any party requires the consent or approval of another, consent or approval given on one occasion shall not be deemed a consent to or approval of that action on any other occasion. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.

19.7 Construction. The following rules shall apply to the construction of this Lease unless the context otherwise requires:

(a) Words describing the singular number shall include the plural number and vice versa, except where otherwise indicated.

(b) All references herein to particular articles, sections or exhibits are references to articles, sections or exhibits of this Lease, unless otherwise expressly stated.

(c) The headings and table of contents herein are solely for convenience of reference and shall not constitute a part of this Lease nor shall they affect its meaning, construction or effect.

(d) This Lease shall not be construed as if it had been prepared by one of the parties, but rather as if all parties had prepared it.

19.8 Time. Time is of the essence of every provision of this Lease.

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19.9 Cumulative Remedies. The rights and remedies that either party may have under this Lease or at law or in equity, upon any breach, are distinct, separate and cumulative and shall not be deemed inconsistent with each other, and no one of them shall be deemed to be exclusive of any other.

19.10 Authority. Each party hereto warrants that it has the authority to enter into this Lease and to perform its obligations hereunder and that all necessary approvals, acts or resolutions to authorize this transaction have been taken, and the signatories, by executing this Lease, warrant that they have the authority to bind the respective parties.

19.11 Consents and Approvals. In any instance when either party's consent or approval is required under this Lease, such consent or approval shall not be unreasonably withheld, conditioned or delayed. No permission, consent, or approval of City contained herein or given pursuant to this Lease is, or shall be construed as, a representation or assurance that the matter consented to or approved complies with applicable Laws, nor shall any such consent or approval be construed to authorize any failure to comply with such Laws. No action of the Superintendent in implementation of this Lease shall constitute or excuse any official action by any other City department or official that may be required by law, ordinance, rule or regulation.

19.12 Counterparts. This Lease may be executed in counterparts for the convenience of the parties, and such counterparts shall together constitute one Lease.

19.13 Force Majeure. Except as otherwise expressly provided in this Lease, time periods for any party's performance under any provisions of this Lease shall be suspended for periods of time during which such performance is prevented due to circumstances beyond such party's reasonable control, including without limitations, strikes, embargoes, shortages of labor or materials, governmental regulations, acts of God, unforeseen site conditions, casualty, war or other strife.

19.14 Exhibits. Exhibits A through E attached hereto are hereby incorporated herein and made a part of this Lease, and the term "Lease" shall include all exhibits hereto.

19.15 Limitation on Third Party Rights. Nothing in this Lease expressed or implied is intended or shall be construed to give to any person other than City or Tenant Parties any legal or equitable right, remedy or claim under or in respect of this Lease or any covenant, condition or provision herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of City and Tenant Parties.

19.16 Rights Reserved by City. City reserves the right to do the following, without liability of any kind, so long as such actions do not substantially interfere with Tenant Parties' rights under this Lease or their ability to operate the Museum and provide the Public Benefits:

19.16.1 Appearance, Size and Location of Lake Union Park. Increase, reduce, and change in any manner whatsoever the number, appearance, dimension, and locations of Lake Union Park walks, buildings, landscaping, parking, and service areas, and make improvements,

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IN WITNESS WHEREOF, this Lease is executed on the day and year first above written.

City:

CITY OF SEATTLE, a Washington municipal corporation

By: _____
Name: _____
Title: _____

Approved as to form:

_____
City of Seattle Assistant City Attorney

Ground Tenant:

[TAX CREDIT ENTITY], a Washington
_____

By: _____
Name: _____
Title: _____

MOHAI:

HISTORICAL SOCIETY OF SEATTLE AND KING COUNTY, a Washington nonprofit corporation

By: _____
Name: _____
Title: _____

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alterations, and additions to the portions of the Premises that are located outside of the Armory Building footprint.

19.16.2 Traffic Regulation. Regulate all traffic within and adjacent to the Lake Union Park.

19.16.3 Admission Charges. Impose a reasonable charge for use of facilities (other than the Museum) within Lake Union Park, including parking facilities.

19.16.4 Rules and Regulation Promulgation. Promulgate, from time to time, reasonable rules and regulations regarding the use and occupancy of any area of Lake Union Park; provided that no such rule or regulation that would directly or indirectly affect any right granted to MOHAI by this Lease shall be promulgated without City having given prior written notice of such action to MOHAI and at least thirty (30) days to comment on such proposed action unless such promulgation is because of a declared emergency.

19.16.5 Days and Hours for Operations. Determine the hours Lake Union Park will be open to the public. Nevertheless, regardless of park hours, City cannot restrict or block access to the Premises and Armory Building (recognizing that the Museum may be operating on different hours than when the park is open).

19.16.6 Park Concessions. Determine the size, number, type and identity of concessions and operations being conducted or undertaken at Lake Union Park other than in the Armory Building.

[signatures on next page]

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STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

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

Dated: _____

(Seal or stamp)

_____
(Signature)

_____
(Printed Name)
Notary Public
My appointment expires _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that s/he signed this instrument, on oath stated that s/he was authorized to execute the instrument and acknowledged it as the _____ of [Ground Tenant], a Washington _____, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

(Seal or stamp)

_____
(Signature)

_____
(Printed Name)
Notary Public
My appointment expires _____

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STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that s/he signed this instrument, on oath stated that s/he was authorized to execute the instrument and acknowledged it as the _____ of the Historical Society of Seattle and King County, a Washington nonprofit corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

(Seal or stamp)

_____
(Signature)

_____
(Printed Name)
Notary Public
My appointment expires _____

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EXHIBIT A

Legal Description of Premises

Lots 9 through 12, inclusive, Block 74, all in Lake Union Shore Lands,

Situate in the City of Seattle, County of King, State of Washington.

Together with the eastern one-half of Terry Avenue adjoining the foregoing described property, upon the vacation thereof by the City of Seattle.

Depiction of Premises on continuation of Exhibit A attached.

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EXHIBIT B

Description of Portions of Lake Union Park Burdened by the Easements

[SEE ATTACHED]

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EXHIBIT C

Depiction of Easements
(except Utility Easement)

[SEE ATTACHED]

EXHIBIT D

Depiction of Public Use Area

[SEE ATTACHED]

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EXHIBIT E

MOHAI Public Benefits

The Museum of History and Industry is committed to preserving and sharing the rich and diverse history of Seattle and its region with residents of and visitors to the city as well as to presenting exhibits and programs from institutions around the country that illuminate our shared national heritage. In partial consideration for the public support for the development of its new regional history museum at the Armory Building in Seattle's Lake Union Park and in fulfillment of its mission and ongoing commitment to the community, Ground Tenant and MOHAI (which for purposes of this Exhibit shall include any successor operator of the Museum) agrees that from and after the Opening Date of the Museum through the Term of the Lease, it will:

1. Regional History Museum. Cause the Armory Building to be operated as an integrated, publicly accessible regional history museum with exhibits and programs devoted primarily to the history, culture, industry, commerce and maritime heritage of the Puget Sound region and the Pacific Northwest, including related space for meeting and educational functions, book store/gift shop and café.

2. Opening Hours and General Admissions. Operate the Museum in the Armory Building at least fifty (50) hours per week, fifty (50) weeks per year, subject to the following admissions policy:

(a) General public admission will be subject to reasonable standard admission charges;

(b) Every day the Museum is open, any member of the public unable to pay the standard admission fee will be admitted (excluding special events) upon payment of whatever amount he or she determines he or she can pay. MOHAI will include this policy in its written admissions policies, including indication of this policy on its website;

(c) At least one (1) day per calendar month will be regularly scheduled when admission to the Museum (excluding special events) is free of charge to all visitors; and

(d) Children of elementary and middle school age (fourteen (14) years or younger) will be admitted free of charge every day the Museum is open. This excludes school and group admissions and special events.

3. School Programs. Develop and offer on-going educational programs for elementary, middle and high school classrooms and provide reduced fee and other scholarship assistance to students from schools that participate in federal free or reduced price school lunch programs. In the event regional or other programs provide scholarship or transportation benefits to students from schools, MOHAI will participate in such programs.

4. Cultural Diversity in Programming. Develop and implement programs and enrichment opportunities of interest to particular segments of the public by ensuring a robust

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slate of culturally diverse programming throughout the year, consistent with its traditional role in sharing and presenting the history of African Americans, Asian and Pacific Islander Americans, Hispanic Americans, Native Americans and others. To this end, MOHAI's programs and exhibits will incorporate the perspectives and stories of the entire Seattle community.

5. City Use. Make the Museum available for up to four public events each year, identified by City and scheduled to the mutual convenience of the parties. Such events cannot unreasonably interfere with the operation of the Museum. The group sponsoring such events must be either City or an organized nonprofit corporation and such event sponsor must execute a use agreement required by Tenant Parties including appropriate indemnities and agreement to pay for costs as hereafter described. There shall be no facility rental fee for such events, but MOHAI shall be compensated for (and may required advance payment of) audio/visual, after hours or special security or staffing, catering and other event special needs and costs, if MOHAI elects to provide the same. MOHAI will also allow City to make occasional use of the Terrace for events in Lake Union Park, subject to the terms and conditions for the four events described in this paragraph.

6. Meeting Space. Provide meeting room space for noncommercial use by South Lake Union community organizations for up to thirty (30) hours per month on a first-come, first-served basis, during hours when the Museum is open to the public, and subject to demand for such meeting space, MOHAI's rules regarding use of such space and MOHAI's scheduling convenience and execution of use agreements required by Tenant Parties (including appropriate indemnities and agreement to pay for costs as hereafter described). The parties recognize that separate, dedicated meeting space will not be included in the Project design and such meetings would need to occur in Museum areas that also serve other functions. There shall be no facility rental fee for such meetings, but MOHAI shall be compensated for (and may require advance payment of) audio/visual, special security or staffing, special set up and other event special needs and costs, if MOHAI elects to provide the same. MOHAI shall publicize the availability of such meeting space by, at a minimum, posting notice thereof in a prominent position on its website.

7. Public Restrooms. Make available for public use restrooms in the café to be located in the Armory Building during Operating Hours without requiring payment of Museum admission charges.

8. City Staff Work Space. Make available work space for regular use by City staff during Operating Hours or when Museum staff is on Premises in connection with the operation and maintenance of the Lake Union Park and the Maritime Heritage Group.

9. Publicly Accessible Café. Design and cause the café to be operated so as to serve not only the Museum but Lake Union Park users generally. The café's open hours (if less than normal Museum open hours, exclusive of special events) and access policies (if any) shall be subject to the review and approval of the Superintendent, which consent shall not be unreasonably withheld.

10. Emergency Use. Tenant Parties acknowledge that Lake Union Park and the Armory Building have been designated as "Tier 2 Sheltering Sites" in City's Emergency

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Response Plan and that use of the Armory Building for Museum purposes may be impacted in the event of a declared emergency. City and Tenant Parties shall develop a protocol concerning any such use, providing for management of the Premises during a declared emergency and City responsibility for any cost, damage or liability associated with such use.

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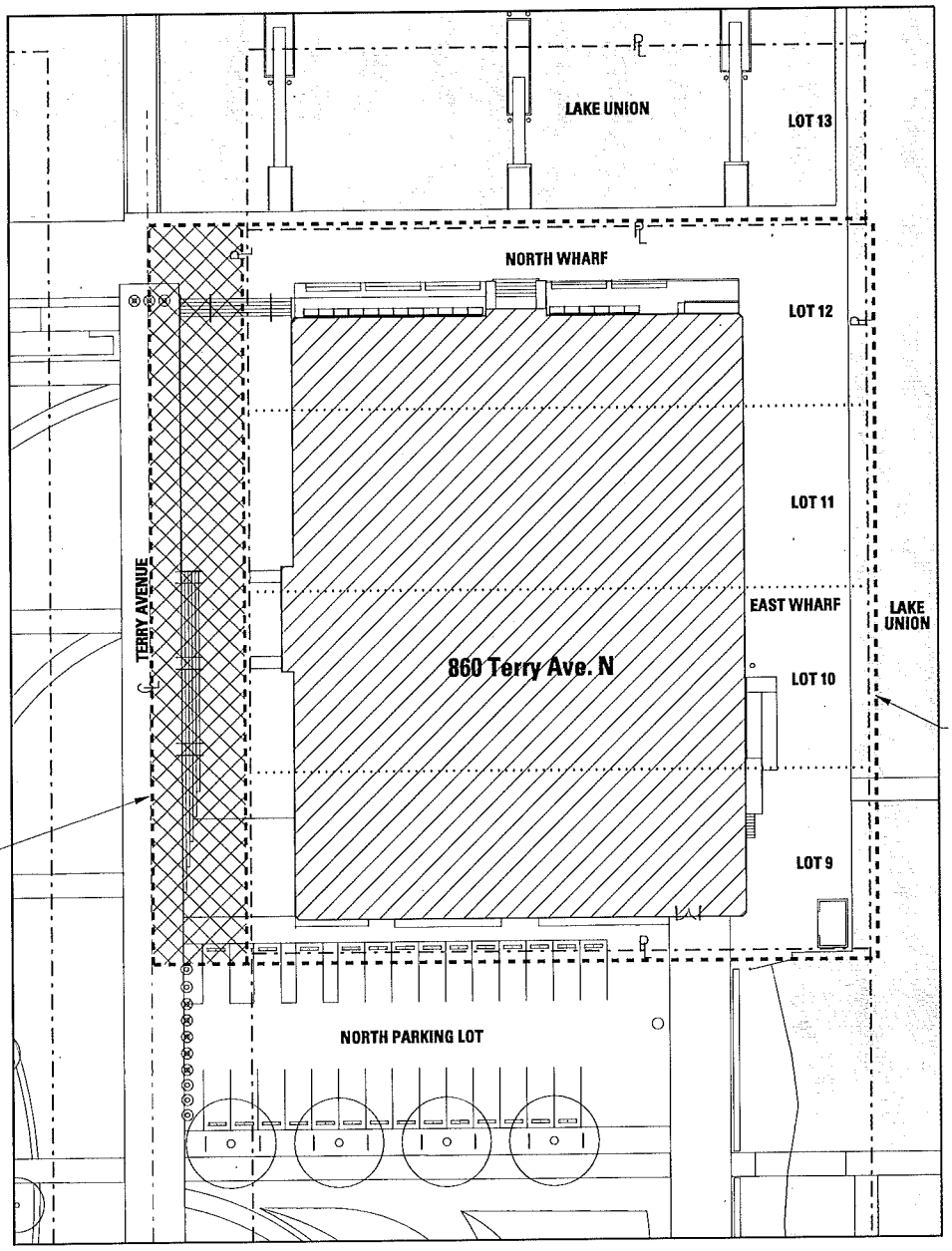


NORTH

PREMISES GROUND LEASE EXHIBIT A

1"= 40'-0"

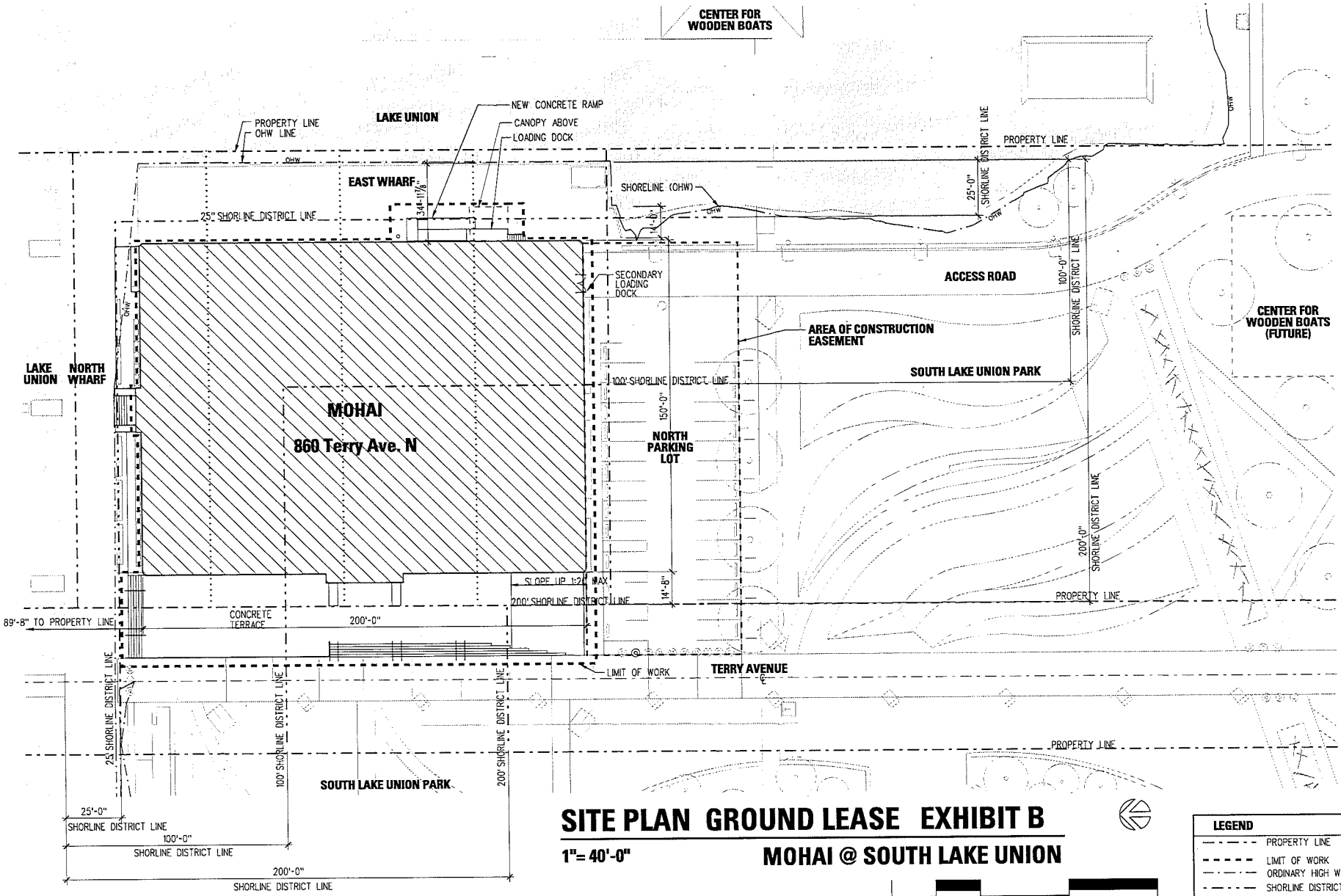
MOHAI @ SOUTH LAKE UNION

LEGAL DESCRIPTION

LOTS 9 THROUGH 12, INCLUSIVE, BLOCK 74, ALL IN LAKE UNION SHORE LANDS, TOGETHER WITH ANY AND ALL RIGHTS TO THE EAST HALF OF ABUTTING STREET, BEING TERRY AVENUE NORTH AS SHOWN ON THE ALTA/ACSM LAND TITLE SURVEY OF US NAVAL RESERVE CENTER SOUTH LAKE UNION

0 20' 40' 80' 120'

COUNCIL CLERK



SITE PLAN GROUND LEASE EXHIBIT B

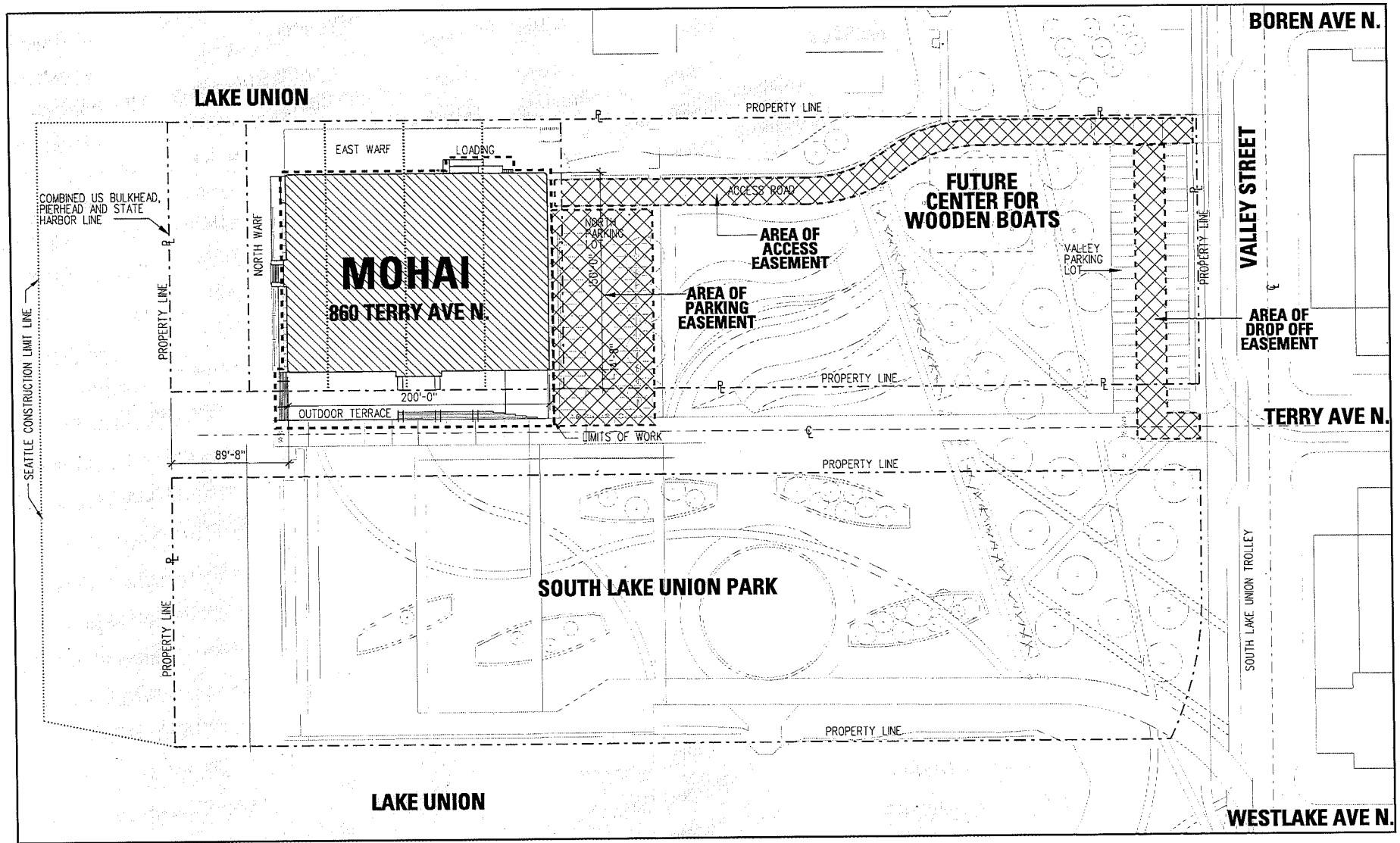
1"= 40'-0"

MOHAI @ SOUTH LAKE UNION

0 20' 40' 80' 120'

LEGEND

- PROPERTY LINE
- LIMIT OF WORK
- ORDINARY HIGH WATER LINE (OHW)
- SHORLINE DISTRICT LINE
- LOT LINES



LEGEND	
PROPERTY LINE	
CENTER LINE	
LIMITS OF WORK BOUNDARY	

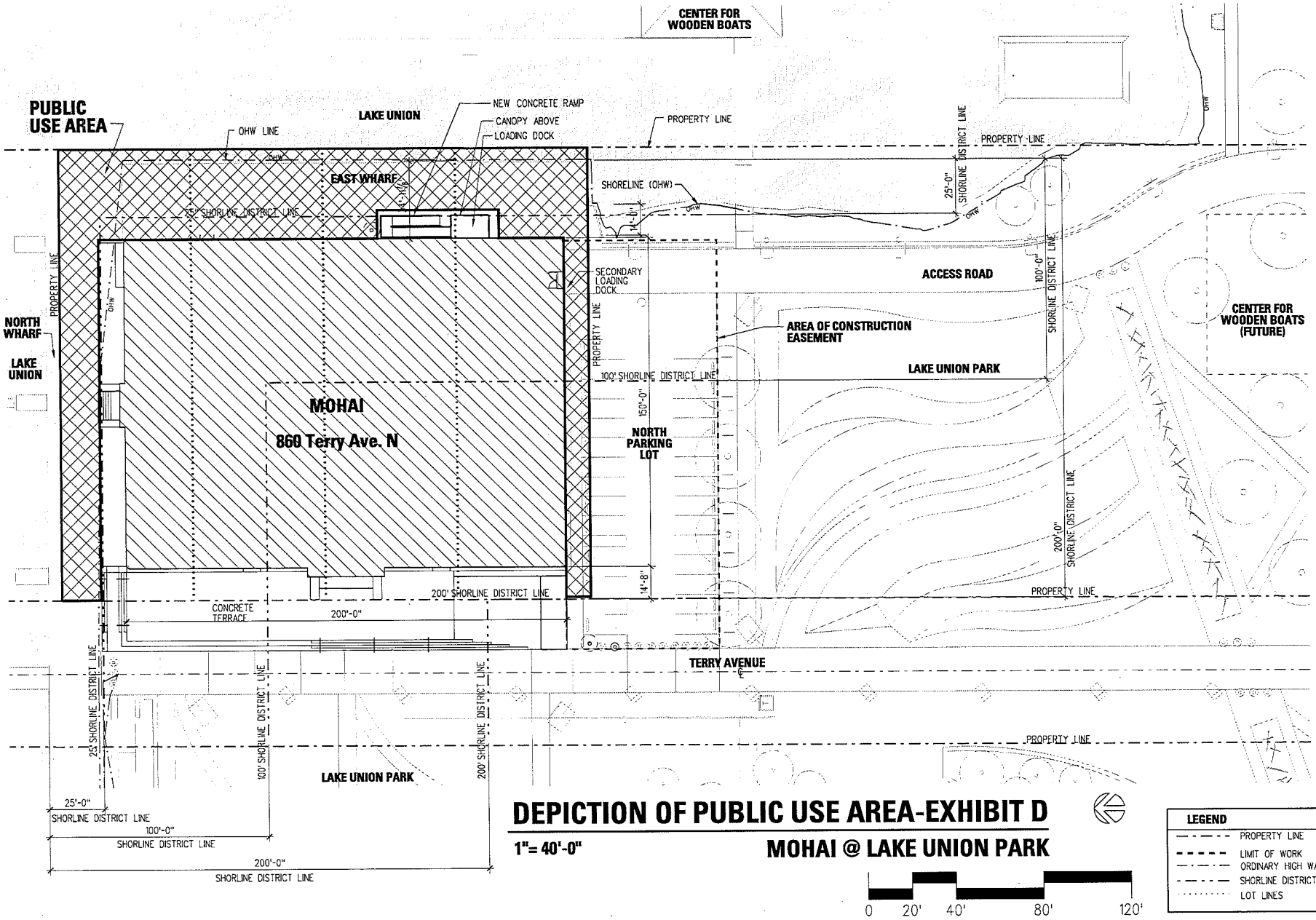
SITE PLAN-PARKING AND ACCESS GROUND LEASE EXHIBIT C

1" = 70'

MOHAI @ SOUTH LAKE UNION

0 50' 100' 200' 300'

NORTH



DEPICTION OF PUBLIC USE AREA-EXHIBIT D

1"= 40'-0"

MOHAI @ LAKE UNION PARK

0 20' 40' 80' 120'

LEGEND

- PROPERTY LINE
- LIMIT OF WORK
- ORDINARY HIGH WATER LINE (OHW)
- SHORLINE DISTRICT LINE
- LOT LINES