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Bill Craven
FAS OPA Lease ORD
May 14, 2014
Version # 3

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 118110

AN ORDINANCE relating to a lease agreement for office space; authorizing the Director of Finance and Administrative Services to enter into a lease agreement with 720 3rd Avenue Partners, L.L.C. for office space in the Pacific Building, for use by the Office of Professional Accountability; amending Ordinance 124349 that adopted the 2014 Budget to increase appropriations to provide for necessary costs and expenses related to preparing the leased premises for City use and occupancy; and ratifying and confirming certain prior acts; all by a three-fourths vote of the City Council.

WHEREAS,720 3rd Avenue, L.L.C. is the current owner and landlord for the property located at 720 3rd Avenue in downtown Seattle; and

WHEREAS, the Seattle Police Department's Office of Professional Accountability ("OPA") needs additional office space that cannot be accommodated within City-owned buildings for the foreseeable future; and

WHEREAS, FAS evaluated proposals to provide office space in the vicinity of City Hall and the Seattle Municipal Tower, the best of which was from 720 3rd Avenue, L.L.C. for leased office space in the Pacific Building; and

WHEREAS, the Landlord is providing certain tenant improvements under the lease, however OPA will need to make additional tenant improvements which may include technology improvements, increased security and data connectivity in order to make the Premises suitable for OPA's use and occupancy; and

WHEREAS, funding for this project will be held in Finance General Reserves and be accessed via the FAS Customer Requested Tenant Improvement Program as required; and

WHEREAS, Seattle Municipal Code Section 3.127.020.C.1 requires City Council approval of lease agreements that involve more than 5,000 square feet of office space in any single building. NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. As requested by the Director of Finance and Administrative Services and recommended by the Mayor, said Director is hereby authorized to execute, for and on behalf of

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the City of Seattle, a lease agreement with the landlord of the property located at 720 3rd Avenue generally in the form of Office Lease Gross – Pacific Building, attached hereto as Attachment 1, providing for the City of Seattle's tenancy and occupancy of a portion of the real property located at 720 3rd Avenue in Seattle.

Section 2. The initial term of the Lease Agreement is for ten years, beginning on the commencement date specified in the Lease Agreement and expiring ten years thereafter. Additionally, the Director or his or her successor is authorized to extend the term of the lease for up to two additional five-year extensions as determined by the Director to be in the best interest of the City on the terms and conditions provided in the Lease Agreement.

Section 3. The rental payments contemplated by the terms of the Lease Agreement authorized in Section 1 hereof shall be charged to the appropriate expenditure allowance or allowances in the budget of the Department of Finance and Administrative Services (FAS) and shall be reimbursed to FAS by the Departments that are utilizing the leased space.

Section 4. In order to pay for necessary costs and expenses incurred or to be incurred in 2014, but for which insufficient appropriations were made due to causes that could not reasonably foreseen at the time of the making of the 2014 Adopted Budget, appropriations for the following items in the 2014 Adopted Budget are increased from the funds show, as follows:

Item	Fund	Department	Budget Control Level	Amount
5.1	General Subfund 00100	Finance General	Reserves BCL - 2QD00	**$330,000**
			Total	**$330,000**

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Section 5. In accordance with RCW 35.32A.060, the foregoing appropriation is made to meet the actual necessary expenditures of the City for which insufficient appropriations have been made due to causes that could not reasonably have been foreseen at the time of making the 2014 Adopted Budget. Unspent funds hereby appropriated shall carry forward to subsequent fiscal years until they are exhausted or abandoned by ordinance.

Section 6. Any act consistent with the authority of this ordinance taken after its passage and prior to its effective date is hereby ratified and confirmed.

Section 7. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by a three-fourths vote of all the members of the City Council on the ____ day of _____, 2014, and signed by me in open session in authentication of its passage this _____ day of _____, 2014.

_____

President _____ of the City Council

Approved by me this ____ day of _____, 2014.

_____

Edward B. Murray, Mayor

Filed by me this ____ day of _____, 2014.

_____

Monica Martinez Simmons, City Clerk

(Seal)

Attachment 1: Office Lease – Gross – Pacific Building

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OFFICE LEASE - GROSS
PACIFIC BUILDING

This Lease is made as of __, 2014, by and between **720 3RD AVENUE PARTNERS, L.L.C.**, a Delaware limited liability company ("**Landlord**"), and **THE CITY OF SEATTLE**, a municipal corporation of the State of Washington ("**Tenant**").

In consideration of the mutual covenants and agreements in this Lease, Landlord and Tenant agree as follows:

1. **Fundamental Terms.** As used in this Lease, the following capitalized terms shall have the following meanings:

(a) "**Land**" means the land on which the Building is located, situated in the City of Seattle, County of King, State of Washington, which is described on Exhibit A.

(b) "**Building**" means the building in which the Premises are located, situated on the Land and commonly known as the Pacific Building, located at 720 Third Avenue in Seattle, Washington.

(c) "**Premises**" means that certain space consisting of the entire 18th floor of the Building and designated as Suite 1800.

(d) "**Agreed Areas**" means the agreed amount of rentable square feet of space in the Building and the Premises. Landlord and Tenant stipulate and agree for all purposes under this Lease the Building contains 129,026 rentable square feet of space (the "**Building Area**") and the Premises have an agreed area of 8,226 rentable square feet of space (the "**Premises Area**").

(e) "**Tenant's Share**" means the Premises Area divided by the Building Area, expressed as a percentage, which is 6.38%. Notwithstanding the foregoing, the percentage may be changed, but only as provided in this subsection. If one or more of the services and utilities, the costs of which are included within the definition of Operating Costs, is not furnished to one or more spaces or to particular types of spaces (e.g., the services or utilities are only furnished to office tenants and not ground floor retail tenants), then in connection with the calculation of Tenant's Share of each of such Operating Costs the Building Area shall be reduced by the number of rentable square feet leased to tenants not receiving such services, and Tenant's Share shall be separately computed as to each of such costs. If the Building Area shall increase during the Term as a result of building additions or internal reconfiguration of space, the percentage of Tenant's share shall be recalculated with reference to the increased rentable square feet of space in the Building Area. If a portion of the Building is damaged or condemned, or any other event occurs which alters the number of rentable square feet of space in the Premises or the Building, then Landlord shall adjust Tenant's Share to equal the number of rentable square feet of space then existing in the Premises (as altered by such event) divided by the number of rentable square feet of space then existing in the Building (as altered by such event).

(f) "**Commencement Date**" means the date determined pursuant to Section 4 hereof.

(g) "**Target Commencement Date**" means July 1, 2014.

(h) "**Expiration Date**" means the last day of the one hundred twentieth (120th) full calendar month of the Term, unless this Lease is terminated or the Term is extended in accordance with the terms of this Lease.

(i) "**Term**" means the period of time commencing on the Commencement Date and ending on the Expiration Date, unless sooner terminated pursuant to this Lease.

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(j) "**Minimum Monthly Rent**" means the monthly portion of the Annual Rental Rate payable during the Term of this Lease in the following amounts:

Month of Term	Annual Rental Rate/RSF	Monthly Amount
Commencement Date – Month 12	$29.50	$20,222.25*
Month 13 – Month 24	$30.25	$20,736.38
Month 25 – Month 36	$31.00	$21,250.50
Month 37 – Month 48	$31.75	$21,764.63
Month 49 – Month 60	$32.50	$22,278.75
Month 61 – Month 72	$33.25	$22,792.88
Month 73 – Month 84	$34.00	$23,307.00
Month 85 – Month 96	$34.75	$23,821.13
Month 97 – Month 108	$35.50	$24,335.25
Month 109 – Month 120	$36.25	$24,849.38

*Subject to abatement as provided in Section 5(c) below.

(k) "**Permitted Use**" means general business office use and related administrative uses consistent with the character and operation of the Building.

(l) "**Base Year**" means the calendar year 2014.

(m) "**Prepaid Rent**" means $20,222.25.

(n) "**Security Deposit**" means $0.00.

(o) "**Landlord's Address for Notice**":

720 3rd Avenue Partners, L.L.C.
c/o Joel Aslanian
Meriwether Partners LLC
1191 Second Avenue, Suite 1570
Seattle, WA 98101

With a copy to:

720 3rd Avenue Partners, L.L.C.
c/o Pinnacle Realty
720 3rd Avenue, Suite 1605
Seattle, WA 98104

(p) "**Landlord's Address for Payment of Rent**":

720 3rd Avenue Partners, L.L.C.
c/o Pinnacle Realty
720 3rd Avenue, Suite 1605
Seattle, WA 98104

(q) "**Tenant's Address for Notice**":

City of Seattle
Finance and Administrative Services
ATTN: Property Management

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Suite 5200
PO Box 94689
Seattle, WA 98124-4689

(r) **"Landlord's Agent"** means American Management Services, dba Pinnacle Realty, or such other agent as Landlord may appoint from time to time.

(s) **"Broker(s)"** means Colliers International (Dan Dahl and David Gurry) representing Landlord, and Flinn Ferguson (Dan Flinn) representing Tenant.

(t) **"Exhibits"** means the following Exhibits to this Lease:

Exhibit A - Legal Description of the Property
Exhibit B - Work Letter
Exhibit C - Rules and Regulations

(u) **"Definitions"** means the words and phrases defined in Section 43 below.

2. **Consent and Notices.** Whenever the consent of either Landlord or Tenant is required under this Lease, such consent shall not be effective unless given in writing and shall not be unreasonably withheld or delayed, unless expressly provided otherwise in this Lease. All notices or requests required or permitted under this Lease shall be in writing as provided in Section 44(g) below.

3. **Premises and Appurtenances.** Landlord leases to Tenant and Tenant leases from Landlord the Premises for the Term. Tenant, and its authorized representatives, shall have the right to use, in common with others and subject to the Rules and Regulations, the Common Areas of the Building. Landlord shall have the right, in Landlord's sole discretion, from time to time to (i) make changes to the Building interior and exterior (other than the Premises) and Common Areas, including without limitation, changes in the location, size, shape, number and appearance thereof, (ii) to close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available, and (iii) to use the Common Areas while engaged in making additional improvements, repairs or alterations to the Building. All of the windows and exterior walls of the Premises and any space in the Premises used for shafts, stacks, pipes, conduits, ducts, electrical equipment or other utilities or Building facilities are reserved solely to Landlord and Landlord shall have rights of access through the Premises for the purpose of operating, maintaining and repairing the same, provided, however, that such changes shall not materially affect Tenant's access to, or use and occupancy of, the Premises.

4. **Term.**

(a) **Commencement Date.** The Term shall commence on the Commencement Date and expire on the Expiration Date, unless sooner terminated or extended pursuant to this Lease. The Target Commencement Date listed in Section 1 of this Lease represents an estimate of the Commencement Date. The Commencement Date shall be the first to occur of the following events: (i) five (5) days after Landlord notifies Tenant that any improvements, alterations or modifications to be made by Landlord pursuant to the Work Letter are substantially completed, or (ii) the date on which Tenant takes possession of the Premises for purposes other than completing tenant improvements.

(b) **Tenant Obligations.** If the Tenant Improvements, if any, are not substantially completed by the Target Commencement Date primarily due to a Tenant Delay (as defined in the Work Letter) or due to Tenant's failure to fulfill any other obligation under this Lease, then the Term shall be deemed to have commenced on Target Commencement Date and Tenant's obligation to pay Rent shall commence on such date.

(c) **Tenant Termination Rights.** If Landlord is unable to deliver possession of the Premises to Tenant, with the Tenant Improvements, if any, substantially completed, on the Target Commencement Date,

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Landlord shall not be liable for any damage caused by failing to deliver possession and this Lease shall not be void or voidable; however, (i) Tenant shall not be liable for Rent until Landlord delivers possession of the Premises to Tenant (except as otherwise provided in Section 4(b) above), and (ii) if Landlord does not deliver possession of the Premises to Tenant within three (3) months of the Target Commencement Date, and the delay is not the result of a Tenant Delay or Tenant's failure to fulfill any other obligation under this Lease, then Tenant may elect to terminate this Lease by giving notice to Landlord within ten (10) days following the end of such three (3) month period but prior to the date Landlord notifies Tenant in writing that the Tenant Improvements, if any, are substantially complete. If this Lease is so terminated by Tenant, Landlord shall promptly refund to Tenant the prepaid rent paid by Tenant to Landlord.

(d) **Confirmation of Commencement Date**. When the Commencement Date has been established in accordance with this Section 4, Landlord shall confirm the Commencement Date by written notice to Tenant.

(e) **Early Entry**. With prior written notice to Landlord, Tenant and Tenant's contractors shall have the privilege of entering into the Premises prior to the substantial completion of the Tenant Improvements for purposes of cable, telephone and furniture installation; provided such entry or work does not interfere with the construction of the Tenant Improvements. All of the terms and provisions of this Lease (including those in Sections 17 and 19) shall be applicable upon such early entry, except for those provisions applicable to the commencement of the Term and the payment of Rent. Tenant shall be responsible for any damages to the Building or the Premises caused by Tenant or Tenant's contractors as a result of such early entry.

(f) **Renewal Option**. So long as Tenant is not then in default under this Lease, Tenant shall have the option to extend the term of this Lease for up to two (2) additional five (5) year periods (each an "**Additional Term**"). To exercise its option to extend this Lease for an Additional Term, Tenant must deliver to Landlord a written notice (an "**Option Notice**") exercising its renewal option at least nine (9) months (but not more than twelve (12) months) prior to the date the term of this Lease will expire. The renewal option granted to Tenant pursuant to this Section 5(f) is personal to Tenant and may not be exercised by or for the benefit of any assignee or sublessee of Tenant. All of the terms and conditions of this Lease shall apply during any applicable Additional Term except (i) the base annual rent shall be the Fair Market Rent (defined below) for the Premises, including such periodic adjustments which are then typical for similar buildings in similar locations, as mutually agreed to by Landlord and Tenant or determined by arbitration as set forth below; (ii) unless otherwise agreed by Landlord in writing, there shall be no further renewal options after the commencement of the second (2nd) Additional Term; and (iii) the Base Year during any applicable Additional Term shall be the calendar year during which the Additional Term commences. In no event shall the Minimum Monthly Rent payable by Tenant during an Additional Term be less than the Minimum Monthly Rent payable by Tenant for the last full calendar month of the Term, as previously extended. When the rental rate for an Additional Term is determined, whether by agreement of the parties or pursuant to arbitration as provided below, Landlord and Tenant shall enter into a lease extension agreement setting forth the new Minimum Monthly Rent for the Premises and such other terms as may be applicable. If at the time Tenant delivers the Option Notice to Landlord, or at any time between such date and the commencement date of the applicable Additional Term, Tenant defaults under this Lease and fails to cure its default within the applicable cure period, if any, Landlord may declare the Option Notice null and void by written notice to Tenant. The term "**Fair Market Rent**" means the rate per rentable square foot per year that a new, willing, non-equity tenant would pay in an arms-length transaction for comparable space in the Building or in comparable buildings in the central business district of Seattle, Washington (the "**Market Area**"), for leases having a five (5) year term. Landlord and Tenant agree the base annual rent for each applicable Additional Term shall be determined as follows:

(i) Promptly after Landlord receives the Option Notice, the parties (or their designated representatives) shall promptly meet and attempt to agree on the base annual rent for the Additional Term. If the parties have not agreed on the base annual rent for the Additional Term within one hundred twenty (120) days after Landlord receives the Option Notice, then unless otherwise agreed in writing by the parties, the matter shall be submitted to arbitration in accordance with the terms of the following paragraphs. The last day of such one hundred

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twenty (120) day period (as the same may be extended by the written agreement of the parties) is referred to in this Lease as the "**Arbitration Commencement Date**".

(ii) Within fifteen (15) days after the Arbitration Commencement Date, each party shall provide the other party with written notice (a "**Rent Notice**") of its determination of Fair Market Rent. The matter shall then be submitted for decision to an arbitrator (the "**FMR Arbitrator**"). The FMR Arbitrator shall be a commercial real estate broker with an active real estate license in the State of Washington who has been active over the ten (10) year period ending on the Arbitration Commencement Date in the leasing of commercial office space in the Market Area, who is not then representing either Tenant or Landlord and has not represented Tenant or Landlord during the five (5) year period ending on the Arbitration Commencement Date. If Landlord and Tenant have not agreed on the FMR Arbitrator within thirty (30) days after the Arbitration Commencement Date, each shall select an arbitrator who shall be qualified under the same criteria as set forth above for the FMR Arbitrator, and so notify the other party in writing within ten (10) days after the end of such thirty (30) day period. The two arbitrators so chosen by the parties shall then appoint the FMR Arbitrator within ten (10) days after the date of the appointment of the last appointed arbitrator. If either party fails to select its arbitrator within such ten (10) day period, and the other party timely selects its arbitrator, then the arbitrator selected by the other party shall be the sole arbitrator for determining who will act as the FMR Arbitrator. If the two arbitrators chosen by the parties cannot agree on the FMR Arbitrator within ten (10) days after the date the second arbitrator has been appointed, the FMR Arbitrator will be appointed by the then presiding judge of the King County Superior Court upon the application of either party.

(iii) Within thirty (30) days after the selection of the FMR Arbitrator pursuant to subsection (ii) above, the FMR Arbitrator shall determine Fair Market Rent by selecting either the Fair Market Rent stated in Landlord's Rent Notice or the Fair Market Rent stated in Tenant's Rent Notice. The FMR Arbitrator shall have no power to average such amounts or to designate a Fair Market Rent other than that specified in either Landlord's Rent Notice or Tenant's Rent Notice.

(iv) Both parties may submit any information to the FMR Arbitrator for his or her consideration, with copies to the other party. The FMR Arbitrator shall have the right to consult experts and competent authorities for factual information or evidence pertaining to the determination of Fair Market Rent. The FMR Arbitrator shall render his or her decision by written notice to each party. The determination of the FMR Arbitrator will be final and binding upon Landlord and Tenant. The cost of the arbitration (including the reasonable charges of the arbitrator selected by the other party) will be paid by Landlord if the Fair Market Rent determined by arbitration is the Fair Market Rent specified in Tenant's Rent Notice, and by Tenant if the Fair Market Rent determined by arbitration is the Fair Market Rent specified in Landlord's Rent Notice.

5. **Minimum Monthly Rent; Late Charge.**

(a) **Minimum Monthly Rent.** Tenant shall pay to Landlord the Minimum Monthly Rent without deduction, offset, prior notice or demand, in advance on the first day of each month during the Term. Minimum Monthly Rent for any partial month shall be prorated at the rate of 1/30th of the Minimum Monthly Rent per day. Minimum Monthly Rent is exclusive of any sales, franchise, or other tax directly assessed on rents (other than Landlord's general income taxes) and should such taxes apply during the Term, the Minimum Monthly Rent shall be increased by the amount of such taxes to the extent permitted by law. All Rent shall be paid to Landlord at Landlord's Address for Payment of Rent or at such other address as Landlord may specify by notice to Tenant.

(b) **Late Charge.** Tenant acknowledges the late payment by Tenant of any Rent will cause Landlord to incur administrative, collection, processing and accounting costs and expenses not contemplated under this Lease, the exact amount of which are extremely difficult or impracticable to fix. Therefore, if any Rent is not received by Landlord from Tenant by the fifth (5th) day after such Rent is due, Tenant shall immediately pay to Landlord a late charge equal to five percent (5%) of the amount of such Rent or $150, whichever is greater. Landlord and Tenant agree this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for its loss caused by Tenant's nonpayment. Should Tenant pay said late charge but fail

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to pay contemporaneously therewith all unpaid amounts of Rent, Landlord's acceptance of this late charge shall not constitute a waiver of Tenant's default with respect to Tenant's nonpayment nor prevent Landlord from exercising all other rights and remedies available to Landlord under this Lease or under law.

(c) **Rent Abatement.** So long as Tenant is not in default under this Lease beyond any applicable notice and/or cure period, the Minimum Monthly Rent payable by Tenant during the first seven (7) months of the Term shall be abated in full. In addition, during the first twelve (12) months of the Term, the Minimum Monthly Rent shall be calculated based on a Premises area of 5,726 and the amounts otherwise payable by Tenant pursuant to Section 1(j) above shall be adjusted accordingly. The Minimum Monthly Rent abated pursuant to this Section 5(c) is referred to in this Lease as the "**Abated Rent**".

6. **Prepaid Rent.** As partial consideration for Landlord's execution of this Lease, on execution of this Lease, Tenant shall deposit with Landlord the Prepaid Rent, as monthly rent for the first full month of the Term for which Rent is payable. Landlord's obligations with respect to the Prepaid Rent are those of a debtor and not a trustee. Landlord may commingle the Prepaid Rent with Landlord's general and other funds.

7. **Real Property Taxes.**

(a) **Payment of Tenant's Share of Increases in Real Property Taxes.** Beginning on January 1, 2015, Tenant shall pay to Landlord, as Additional Rent, monthly, in advance on the first day of each month during the Term, an amount equal to one-twelfth (1/12th) of Tenant's Share of all increases in Real Property Taxes that are or will be levied or assessed against the Property during each calendar year during the Term over and above the Real Property Taxes that are levied or assessed against the Property during the Base Year, as reasonably estimated by Landlord. Within one hundred twenty (120) days after the end of each calendar year during the Term or within such longer period of time as may be reasonably necessary, Landlord shall furnish to Tenant a statement of the actual Real Property Taxes for the preceding calendar year and Tenant's Share of the increase in Real Property Taxes. If Tenant's Share of the increase in such Real Property Taxes for that calendar year over such Real Property Taxes for the Base Year exceeds the monthly payments made by Tenant, then Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of the statement. If Tenant's payments made during that calendar year exceed Tenant's Share of the increase in such Real Property Taxes for that calendar year over such Real Property Taxes for the Base Year, then, at Landlord's option, either Landlord shall pay Tenant the excess at the time Landlord furnishes the statement to Tenant, or Tenant shall be entitled to offset the excess against the next installment(s) of Minimum Monthly Rent and Additional Rent, provided, however, at the end of the Term Landlord shall pay Tenant the excess at the time Landlord furnishes the statement to Tenant.

(b) **General and Special Assessments.** With respect to any general or special assessments which may be levied against or upon the Property, or which under the laws then in force may be evidenced by improvement or other bonds or may be paid in annual installments, only the amount of such annual installment, and interest due thereon, shall be included in the computation of Real Property Taxes.

(c) **Proration.** Tenant's Share of Real Property Taxes shall be prorated on the basis of a 360-day year to account for any fractional portion of a tax year included in the Term at its commencement and expiration.

(d) **No Effect on Minimum Monthly Rent.** Notwithstanding anything to the contrary in this Section, the Minimum Monthly Rent payable by Tenant shall in no event be less than the Minimum Monthly Rent specified in Section 1.

8. **Personal Property Taxes.** Tenant shall pay prior to delinquency all personal property taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Tenant contained in the Premises or elsewhere. If possible, Tenant shall cause such trade fixtures, furnishings, equipment and all other personal property of Tenant to be assessed and billed separately from the Property.

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9. **Operating Costs.**

(a) **Payment of Tenant's Share of Increases in Operating Costs.** Beginning on January 1, 2015, Tenant shall pay to Landlord, as Additional Rent, monthly, in advance on the first day of each month during the Term, an amount equal to one-twelfth (1/12th) of Tenant's Share of the increase in the Operating Costs of the Property for each calendar year during the Term over the Operating Costs for the Base Year as reasonably estimated by Landlord. If the average occupancy of the Building for the Base Year or any calendar year during the Term is less than 95%, then Landlord shall, in accordance with sound accounting and management principles, both reasonably estimate, and finally determine, the Operating Costs for the Base Year and for each calendar year during the Term based on the Operating Costs that would have been incurred if the Building had been 95% occupied during the Base Year or each such calendar year, as the case may be, taking into account historical operating costs for the Building. Within one hundred twenty (120) days after the end of each calendar year during the Term or within such longer period of time as may be reasonably necessary, Landlord shall furnish to Tenant a statement (the "**Annual Statement**") of the actual Operating Costs for the preceding calendar year and Tenant's Share of the increase in the Operating Costs. If Tenant's Share of the increase in the Operating Costs for that calendar year over the Operating Costs for the Base Year exceeds the monthly payments made by Tenant, then Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of the statement. If Tenant's payments made during that calendar year exceed Tenant's Share of the increase in the Operating Costs for that calendar year over the Operating Costs for the Base Year, then, at Landlord's option, either Landlord shall pay Tenant the excess at the time Landlord furnishes the statement to Tenant, or Tenant shall be entitled to offset the excess against the next installment(s) of Minimum Monthly Rent and Additional Rent, provided, however, at the end of the Term Landlord shall pay Tenant the excess at the time Landlord furnishes the statement to Tenant.

(b) **Proration.** Tenant's Share of Operating Costs shall be prorated on the basis of a 360-day year to account for any fractional portion of a year included in the Term at its commencement and expiration.

(c) **No Effect on Minimum Monthly Rent.** Notwithstanding anything to the contrary in this Section, the Minimum Monthly Rent payable by Tenant shall in no event be less than the Minimum Monthly Rent specified in Section 1.

(d) **Right to Examine Landlord's Books and Records.**

(i) In addition to any audit rights established by law, so long as Tenant is not then in default under this Lease, Tenant shall have the right (no more frequently than once per calendar year) to review Landlord's books and records pertaining to Operating Costs and Real Property Taxes for the preceding calendar year by giving Landlord written notice within six (6) months (the "**Audit Period**") after receiving the Annual Statement for the applicable calendar year to be provided to Tenant by Landlord pursuant to Sections 7(a) and 9(a) of this Lease. If in Tenant's opinion such review discloses an error in Landlord's books and records with regards to the calculation of Tenant's Share of Operating Costs or Real Property Taxes, Tenant may cause an audit of Landlord's books and records which will be conducted by a third party designated by Tenant and reasonably acceptable to Landlord, who does not represent and is not employed by either Landlord or Tenant on any other matters, is not a tenant of the Building, and is not being compensated on (i) a contingent basis, (ii) the basis of a percentage of any savings or refund resulting from the audit or (iii) in any other manner that makes such representative's compensation for such audit in any way dependent on the results of the audit. Tenant may take exception to matters included in Operating Costs, Real Property Taxes, or Landlord's computation of Tenant's Share. Nothing in this Section 9(d) is intended nor shall be interpreted to relieve Tenant of its obligations to pay Tenant's Share of the estimated Operating Costs and Real Property Taxes during any review or audit of Landlord's books and records. The rights of Tenant under this Section 9(d) may not be exercised by or for the benefit of any sublessee of the Premises. Tenant shall make best efforts require its auditor to complete any review or audit of Landlord's books and records pursuant to this Section 9(d) within nine (9) months following Tenant's receipt of the Annual Statement for the applicable Lease Year, however a failure to complete the review or audit within that time shall not be construed as a waiver by Tenant of any of its rights under this Section 9 (d).

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(ii) If Tenant believes any audit or review of Landlord's books and records discloses errors or discrepancies in the amount of the Operating Costs or Real Property Taxes charged to Tenant by Landlord, Tenant shall provide Landlord with a written report specifying with reasonable detail the alleged errors and discrepancies. Upon the completion of any audit of Landlord's books and records pursuant to this Section 9(d), Tenant will provide (or cause its auditor to provide) Landlord with a true and correct copy of the audit report and all supporting information used by the auditor in compiling its report. If any such audit discloses Tenant overpaid its share of Operating Costs or Real Property Taxes for the calendar year in question, the amount of the overpayment shall be credited against the Rent next coming due under this Lease, or if the results of the credit are not disclosed until the Term has expired, Landlord shall pay Tenant the amount of the overpayment within thirty (30) days after the results of the audit have been disclosed to both parties. If any such audit discloses Tenant underpaid its share of Operating Costs or Real Property Taxes during any calendar year, Tenant shall pay Landlord the amount of the underpayment within thirty (30) days after the results of the audit have been disclosed to both parties. Tenant shall pay all costs and expenses of the audit; however, if the audit shows Landlord overstated Tenant's Share of Operating Costs and Real Property Taxes for the subject calendar year by more than five percent (5%) of the actual amount payable by Tenant, Landlord shall reimburse Tenant for the reasonable costs and expenses of the audit.

(iii) Any review or audit of Landlord's books and records pertaining to Operating Costs or Real Property Taxes shall occur at the office of Landlord's Agent in King County and shall occur during the normal business hours of Landlord's Agent, unless otherwise agreed in writing by Landlord. In no event may Tenant require Landlord to copy its books and records and send them to Tenant or its auditors. A failure by Tenant to initiate a review or audit of Landlord's books and records for the preceding calendar year prior to the expiration of the applicable Audit Period shall conclusively be deemed to be an acceptance by Tenant of the information contained in the applicable Annual Statement and Tenant shall have no right to (i) review or audit Landlord's books and records or (ii) seek any financial adjustment from Landlord, with respect to the calendar year covered by such Annual Statement or any prior calendar year. The results of the audit and any information obtained by Tenant from the audit or Tenant's review of Landlord's books and records shall be kept confidential and shall not be disclosed to any person or entity (including without limitation any other tenant of the Building) other than Tenant's agents, employees, accountants and/or attorneys, unless Tenant is required by law to disclose such information. Landlord, at its option, may require that Tenant's auditor execute a confidentiality agreement incorporating the terms and conditions of this paragraph.

10. **Use.** Tenant shall use the Premises for the Permitted Use and for no other use without Landlord's prior consent. Tenant agrees it has determined to its satisfaction the Premises can be used for the Permitted Use. Tenant waives any right to terminate this Lease if the Premises cannot be used for the Permitted Use during the Term unless the prohibition or limitation on use is the result of actions taken by Landlord or Landlord's failure to act, or unless permitted under Section 23. Landlord is entering into this Lease with the express understanding that the Premises will be used and occupied by the City of Seattle's Office of Professional Accountability. Tenant acknowledges and understands that alternative uses of the Premises by Tenant or the use or occupancy of all or any part of the Premises by any other department or agency of Tenant shall not be permitted without Landlord's prior written consent which will not be unreasonably withheld and Landlord may withhold its consent if Landlord in good faith believes the proposed use of the Premises will have an adverse impact on Landlord's ability to attract other tenants to the Building. Tenant acknowledges and agrees the following uses of the Premises shall not be permitted: social service offices, medical services or clinic, legal services clinic, judicial administration, juvenile detention, corrections, mental health services, chemical abuse, dependency services or for any other use substantially similar to the foregoing uses. Not less than thirty (30) days prior to changing the use of the Premises or allowing all or any part of the Premises to be used or occupied by any other department or agency of Tenant, Tenant will provide Landlord with written notice of such change. Tenant's use of the Premises shall be in accordance with the following:

(a) **Insurance.** Tenant shall not do, bring, or keep anything in or about the Premises or the Property that will cause a cancellation of any insurance covering the Property. If the rate of any insurance carried by Landlord on the Property as published by the Washington Survey and Rating Bureau, or any successor rating

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bureau or agency, is increased as a result of Tenant's use, then Tenant shall pay to Landlord not less than ten (10) days before the date Landlord is obligated to pay a premium on the insurance, a sum equal to the difference between the original premium and the increased premium.

(b) **Compliance with Laws**. Tenant shall comply with all laws concerning the Premises and Tenant's use of the Premises.

(c) **Waste, Nuisance and Improper Use**. Tenant shall not use the Premises in any manner that will constitute waste, nuisance or unreasonable annoyance to other tenants in the Building, including without limitation, (i) the use of loudspeakers or sound or light apparatus that can be heard or seen outside the Premises, (ii) for cooking or other activities that cause odors that can be detected outside the Premises, or (iii) for lodging or sleeping rooms.

(d) **Damage to Property**. Tenant shall not do anything in, on or about the Premises that will cause damage to the Property.

(e) **Rules and Regulations**. Tenant and its authorized representatives shall comply with the Rules and Regulations set forth on Exhibit C attached. Landlord shall have the right to reasonably amend the Rules and Regulations from time to time. In the event of a conflict between this Lease and the Rules and Regulations, as amended, this Lease shall control. Landlord shall have the right to enforce the Rules and Regulations. So long as Landlord takes commercially reasonable steps to enforce the Rules and Regulations in a nondiscriminatory manner, Landlord shall have no liability or responsibility whatsoever with respect to the noncompliance by other tenants or their authorized representatives with any of such Rules and Regulations.

11. **Hazardous Substances**. Tenant shall not dispose of or otherwise allow the release of any Hazardous Substances in, on or under the Premises, or the Property, or in any tenant improvements or alterations placed on the Premises by Tenant. Tenant represents and warrants to Landlord that Tenant's intended use of the Premises does not involve the use, production, disposal or bringing on to the Premises of any Hazardous Substances, except for products normally used in general business offices which constitute Hazardous Substances, provided such products are used, stored and disposed of in accordance with applicable Laws and manufacturer's and supplier's guidelines. Tenant shall promptly comply with all laws and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, treatment, disposal, storage, control, removal or cleanup of Hazardous Substances, on or under the Premises or the Property, or incorporated in any tenant improvements or alterations, at Tenant's expense.

(a) **Compliance; Notification**. After notice to Tenant and a reasonable opportunity for Tenant to effect such compliance, Landlord may, but is not obligated to, enter upon the Premises and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest in the Premises and the Property, provided, however Landlord shall not be obligated to give Tenant notice and an opportunity to effect such compliance if (i) such delay might result in material adverse harm to the Premises, or the Property, or (ii) an emergency exists. Tenant shall reimburse Landlord for the full amount of all costs and expenses incurred by Landlord in connection with such compliance activities, and such obligation shall continue even after expiration or termination of the Term. Tenant shall notify Landlord immediately of any release of any Hazardous Substances on the Premises or the Property.

(b) **Indemnity by Tenant**. Except as limited by law, Tenant agrees to hold Landlord harmless from and against any and all damages, charges, cleanup costs, remedial actions, costs and expenses, which may be imposed on, incurred or paid by, or asserted against Landlord, the Premises or the Property by reason of, or in connection with (1) any misrepresentation, breach of warranty or other default by Tenant under this Section 11, or (2) the acts or omissions of Tenant, or its employees or agents, or any subtenant or licensee, resulting in the release of any Hazardous Substances brought onto the Premises or the Property by Tenant or its employees or agents or subtenant or licensee.

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(c) **Indemnity by Landlord.** Except as limited by law, Landlord agrees to hold Tenant harmless from and against any and all damages, charges, cleanup costs, remedial actions, costs and expenses, which may be imposed on, incurred or paid by, or asserted against Tenant, the Premises or the Property by reason of, or in connection with the acts or omissions of Landlord, or its employees, agents, tenants or licensees, resulting in the release of any Hazardous Substances on the Premises or the Property.

(d) **Acknowledgment as to Hazardous Substances.** Landlord represents that to Landlord's current actual knowledge, the Premises do not contain any Hazardous Substances which require remediation under applicable Law. If Landlord is required by any law to take any action to remove or abate any Hazardous Substances, or if Landlord deems it necessary to conduct special maintenance or testing procedures with regard to any Hazardous Substances, or to remove or abate any Hazardous Substances, Landlord may take such action or conduct such procedures at times and in a manner Landlord deems appropriate under the circumstances, and Tenant shall permit the same.

(e) **Survival.** The provisions of this Section shall survive the expiration or sooner termination of the Term. No subsequent modification or termination of this Lease by agreement of the parties or otherwise shall be construed to waive or to modify any provisions of this Section unless the termination or modification agreement or other document expressly so states in writing.

12. **Landlord's Maintenance; Inclusion in Operating Costs.**

(a) **Landlord's Maintenance.** Except as provided in Sections 13, 23 and 24 of this Lease, and except for damage caused by any negligent or intentional act or omission of Tenant or its authorized representatives, Landlord shall maintain in good condition and repair the following: (i) the structural parts of the Building, which structural parts include only the foundations, bearing and exterior walls, exterior glass, glass entrance doors (excluding interior glass and interior glass doors), subflooring and roof, (ii) the building standard lighting fixtures, window coverings and ceiling tiles and the unexposed electrical, plumbing and sewage systems, including without limitation, those portions lying outside the Premises, (iii) the heating, ventilating and air-conditioning system, if any, servicing the Building, (iv) the lobbies, corridors, elevators, public or common restrooms and other common areas of the Building, and (v) the sidewalks, grounds, landscaping, parking and loading areas, if any, and other common areas of the Property.

(b) **Inclusion in Operating Costs.** The cost of maintaining, repairing, replacing or servicing the portions of the Building that Landlord is required to maintain pursuant to this Section shall be included in Operating Costs to the extent provided in Section 9 and 43 (y) of this Lease.

13. **Tenant's Maintenance; Remedies.**

(a) **Tenant's Maintenance.** Except as provided in Sections 12, 23 and 24 of this Lease, and except for damage caused by any grossly negligent or intentional act or omission of Landlord or its authorized representatives, Tenant, at its cost, shall maintain in good condition and repair the Premises, including without limitation, all of the Tenant Improvements, Tenant's alterations, Tenant's trade fixtures, Tenant's personal property, signs, walls, interior partitions, wall coverings, windows, non-building standard window coverings, glass within the Premises, doors, carpeting and resilient flooring, non-building standard ceiling tiles, plumbing fixtures and non-building standard lighting fixtures. Tenant shall be liable for any damage to the Premises and the Building resulting from the acts or omissions of Tenant or its authorized representatives.

(b) **Landlord's Remedies.** If Tenant fails to maintain the Premises in good condition and repair as required by Subsection 13(a) and if such failure is not cured within thirty (30) days after notice of such failure is given by Landlord to Tenant, then Landlord may, at its option, cause the Premises to be maintained in good condition and repair and Tenant shall promptly reimburse Landlord for all reasonable costs incurred by Landlord in performance of Tenant's obligation to maintain the Premises.

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14. **Tenant Improvements; Alterations and Trade Fixtures.**

(a) **Tenant Improvements**. Tenant accepts the Premises in their "AS IS" condition without any agreements, representations, understandings or obligations on the part of Landlord to perform any alterations, repairs or improvements or to provide any allowances unless otherwise expressly provided in this Lease or in the Work Letter. Tenant shall not make any improvements or alterations to the Premises without Landlord's prior consent.

(b) **Alterations**. Any improvements and alterations made by either party shall remain on and be surrendered with the Premises on expiration or termination of the Term, except Landlord can elect by giving notice to Tenant within thirty (30) days before the expiration of the Term, or within thirty (30) days after termination of the Term, to require Tenant to remove any improvements and alterations that Tenant has made to the Premises. If Landlord so elects, Tenant, at its cost, shall restore the Premises to the condition designated by Landlord in its election, before the last day of the Term, or within thirty (30) days after notice of election is given, whichever is later. Any improvements and alterations that remain on the Premises on expiration or termination of the Term shall automatically become the property of Landlord and title to such improvements and alterations shall automatically pass to Landlord at such time without any payment therefor by Landlord to Tenant. If Tenant or its authorized representatives make any improvements or alterations to the Premises as provided in this Section, then such improvements and alterations (i) shall be made in a first class manner in conformity with then building standard improvements, (ii) shall be made utilizing then building standard materials, (iii) shall be made in compliance with the Rules and Regulations and the reasonable directions of Landlord, (iv) shall be made pursuant to a valid building permit to be obtained by Tenant, at its cost, and (v) shall be made in conformity with then applicable Laws, including without limitation, building codes.

(c) **Trade Fixtures**. Tenant shall not install any trade fixtures in or on the Premises without Landlord's prior consent.

15. **Mechanics' Liens**. Tenant shall pay, or cause to be paid, all costs of labor, services and/or materials supplied in connection with any Work. Tenant shall keep the Property free and clear of all mechanics' liens and other liens resulting from any Work. Prior to the commencement of any Work costing more than an amount equal to one (1) month's Minimum Monthly Rent, or the supply or furnishing of any labor, services and/or materials in connection with any such Work, Tenant shall provide Landlord with a labor and material payment bond, a letter of credit or other security satisfactory to Landlord in an amount equal to one hundred percent (100%) of the aggregate price of all contracts therefor, with release of the bond conditioned on Tenant's payment in full of all claims of lien claimants for such labor, services and/or materials supplied in the prosecution of the Work. Said payment bond shall name Landlord as a primary obligee, shall be given by a surety which is satisfactory to Landlord, and shall be in such form as Landlord shall approve in its sole discretion. Tenant shall have the right to contest the correctness or validity of any such lien if, immediately on demand by Landlord, it procures and records a lien release bond issued by a responsible corporate surety in an amount sufficient to satisfy statutory requirements therefor in the State of Washington. Tenant shall promptly pay or cause to be paid all sums awarded to the claimant on its suit, and, in any event, before any execution is issued with respect to any judgment obtained by the claimant in its suit or before such judgment becomes a lien on the Premises, whichever is earlier. If Tenant shall be in default under this Section, by failing to provide security for or satisfaction of any mechanic's or other liens, then Landlord may (but shall not be obligated to), in addition to any other rights or remedies it may have, discharge said lien by (i) paying the claimant an amount sufficient to settle and discharge the claim, (ii) procuring and recording a lien release bond, or (iii) taking such other action as Landlord shall deem necessary or advisable, and, in any such event, Tenant shall pay as Additional Rent, on Landlord's demand, all reasonable costs (including reasonable attorney fees) incurred by Landlord in settling and discharging such lien together with interest thereon in accordance with Section 39 below, from the date of Landlord's payment of said costs. Landlord's payment of such costs shall not waive any default of Tenant under this Section.

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16. **Utilities and Services.**

(a) **Utilities and Services Furnished by Landlord.** Landlord shall furnish the Premises with:

(i) Electricity for lighting and power suitable for the use of the Premises for ordinary general office purposes; provided, however, Tenant shall not at any time have a connected electrical load for lighting purposes in excess of the wattage per square foot of Premises Area required for building standard amounts of lighting, or a connected load for all other power requirements in excess of four (4) watts per square foot of Premises Area as determined by Landlord, and the electricity so provided for lighting and power shall not exceed such limits, subject to any lower limits set by any governmental authority with respect thereto;

(ii) Subject to the reasonable limitations of the existing building systems, heating, ventilating and air-conditioning sufficient to maintain a temperature range in the Premises which is customary for similar office space in the Seattle, Washington area (but in compliance with any applicable governmental regulations with respect thereto). Tenant agrees to keep closed, when necessary, blinds, draperies and windows which must be closed to provide for the efficient operation of the heating and air conditioning systems, if any, and Tenant agrees to cooperate with Landlord and to abide by the regulations and requirements which Landlord may prescribe for the proper functioning and protection of the heating, ventilating and air-conditioning system, if any. Twenty-four (24) hours per day, seven (7) days per week, Tenant shall have access to the Premises (subject to such security systems and procedures as may be in place from time to time). Landlord will provide employees designated by Tenant with card keys permitting access to the primary entrances to the Building. The cost of replacing any lost or damaged card keys shall be reimbursed to Landlord by Tenant. If Tenant requires heating, ventilating and air conditioning to the Premises on Monday through Friday other than during Normal Business Hours, or on Saturdays or Sundays (such after hours service being referred to as "**Overtime HVAC**"), Landlord shall furnish such Overtime HVAC upon Tenant's request, such request to be made not less than twenty four (24) hours before the time Tenant requires Overtime HVAC during the week (i.e., Monday through Friday), and not later than Noon on the Friday before any Saturday or Sunday on which Tenant requires Overtime HVAC, and not later than Noon of the day before any holiday on which Tenant requires Overtime HVAC. If Tenant receives such Overtime HVAC, then Tenant shall pay Landlord on demand, an amount equal to the actual cost to Landlord (as determined by Landlord) of providing Overtime HVAC;

(iii) Water for restroom and drinking purposes and access to restroom facilities;

(iv) Elevator service for general office pedestrian usage if the Building is serviced by elevators;

(v) Replacing building-standard light fixtures;

(vi) Washing of interior and exterior surfaces of exterior windows with reasonable frequency; and

(vii) Janitorial service five (5) times per week, except holidays.

(b) **Payment for Excess Utilities and Services.** All services and utilities for the Premises not required to be furnished by Landlord pursuant to Section 16(a) shall be paid for by Tenant. If Tenant requires, on a regular basis, water, heat, air conditioning, electric current, elevator or janitorial service in excess of that provided for in Section 16(a), then Tenant shall first obtain the consent of Landlord which consent may be withheld in Landlord's sole discretion. If Landlord consents to such excess use, Landlord may install an electric current or water meter (including, without limitation, any additional wiring, conduit or panel required therefor) to measure the excess electric current or water consumed by Tenant or may cause the excess usage to be measured by other reasonable methods (e.g. by temporary "check" meters or by survey). Tenant shall pay to Landlord upon demand (i) the cost of any and all water, heat, air conditioning, electric current, janitorial, elevator or other

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services or utilities required to be furnished to Tenant in excess of the services and utilities required to be furnished by Landlord as provided in Section 16(a); (ii) the cost of installation, maintenance and repair of any meter installed in the Premises; (iii) the cost of all electricity and water consumed by Tenant in connection with any dedicated heating, ventilating and/or air conditioning, computer power and/or air conditioning, telecommunications or other special systems of Tenant, including any power usage other than through existing standard 110-volt AC outlets; and (iv) any reasonable cost incurred by Landlord in keeping account of or determining such excess utilities or services furnished to Tenant. Landlord's failure to bill Tenant for any such excess utilities or services shall not waive Landlord's right to bill Tenant for the excess at a later time. Overtime HVAC usage will be invoiced to Tenant at rates established by Landlord from time to time.

(c) **Temperature Balance.** Landlord makes no representation to Tenant regarding the adequacy or fitness of the heating, ventilating and air-conditioning systems in the Building to maintain temperatures that may be required for, or because of, any of Tenant's equipment other than normal office equipment, such as personal computers, laser printers, copiers, dictating machines and other small equipment normally used in business offices, and Landlord shall have no liability for loss or damage suffered by Tenant or others in connection therewith. If the temperature otherwise maintained in any portion of the Premises by the heating, air conditioning or ventilation system is affected as a result of (i) any lights, machines or equipment (including without limitation electronic data processing machines) used by Tenant in the Premises or the use of more than one personal computer per person, (ii) the occupancy of the Premises by more than one person per two hundred (200) square feet of rentable area therein, (iii) an electrical load for lighting or power in excess of the limits per square foot of rentable area of the Premises specified in Section 16(a), or (iv) any rearrangement by Tenant of partitioning or other improvements, Landlord may install any equipment, or modify any existing equipment (including the standard air conditioning equipment) Landlord deems necessary to restore the temperature balance. The cost of any such equipment, including without limitation, the cost of design and installation thereof, and the cost of operating, metering, maintaining or repairing the same, shall be paid by Tenant to Landlord upon demand. Tenant shall not install or operate window-mounted heating or air-conditioning units.

(d) **Special Electrical or Water Connections; Electricity Use.** Tenant will not, without the prior consent of Landlord, which Landlord in its sole discretion may refuse, connect or use any apparatus or device in the Premises (i) using current in excess of 110 volts or (ii) which will cause the amount of electricity, water, heating, air conditioning or ventilation furnished to the Premises to exceed the amount required for use of the Premises for ordinary general office purposes, as determined by Landlord, during normal business hours or (iii) which would cause Tenant's connected load to exceed any limits established in Section 16(a). Tenant shall not connect with electric current except through existing outlets in the Premises and shall not connect with water pipes except through existing plumbing fixtures in the Premises. In no event shall Tenant's use of electricity exceed the capacity of existing feeders to the Building or the risers or wiring installation, and Landlord may prohibit the use of any electrical equipment which in Landlord's opinion will overload such wiring or interfere with the use thereof by other tenants in the Building. If Landlord consents to the use of equipment requiring such changes, Tenant shall pay the cost of installing any additional risers, panels or other facilities that may be necessary to furnish energy to the Premises. Landlord will not permit additional coring of the floor of the Premises in order to install new electric outlets in the Premises (or otherwise) unless Tenant furnishes Landlord with X-ray scans of the floor area where Tenant wishes to place additional electrical outlets (or otherwise core) and Landlord, in its absolute discretion, is satisfied, on the basis of such X-ray scans and other information obtained by Landlord, that coring of the floor will not weaken the structure of the floor.

(e) **Landlord's Duties.** Landlord shall not be in default under this Lease or liable for any damages resulting from, or incidental to, any of the following, nor shall any of the following be an actual or constructive eviction of Tenant, nor shall the Rent be abated by reason of: (i) any interruption or failure to furnish or delay in furnishing any of the services described in this Section when such failure or delay is caused by accident or any condition beyond the reasonable control of Landlord, including the making of necessary repairs or improvements to the Premises or to the Building, (ii) any electrical surges or spikes, or (iii) failure to make any repair or to perform any maintenance, unless such failure shall persist for an unreasonable time after notice of the

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need for such repair or maintenance is given to Landlord by Tenant or another tenant in the Building. Landlord shall use reasonable efforts to remedy any interruption in the furnishing of such services.

(f) **Governmental Regulations**. Any other provisions of this Section notwithstanding, if any governmental authority or utility supplier imposes any laws, controls, conditions, or other restrictions upon Landlord, Tenant, or the Building, relating to the use or conservation of energy or utilities, mandated changes in temperatures to be maintained in the Premises or the Building (collectively, the "**Controls**"), or in the event Landlord is required or elects to make alterations to the Building in order to comply with the Controls, Landlord may, in its sole discretion, make such alterations to the Building (including the Premises) in order to comply with the Controls and require Tenant to comply with the Controls. Such compliance and the making of such alterations shall not constitute an actual or constructive eviction of Tenant, impose on Landlord any liability whatsoever, or entitle Tenant to any abatement of Rent.

(g) **Telecommunications Services**. All telephone and telecommunications services desired by Tenant shall be ordered and utilized by Tenant at its sole cost and expense. Tenant shall separately contract with a telephone or telecommunications provider (a "**Provider**") to provide telephone and telecommunications services to the Premises. If Tenant desires to utilize the services of a Provider whose equipment is not presently servicing the Building, such Provider must obtain the written consent of Landlord (which consent will not be unreasonably withheld) before it will be permitted to install its lines or other equipment within the Building. Landlord's consent to the installation of lines or equipment within the Building by any Provider shall be evidenced by a written agreement between Landlord and the Provider, which contains terms and conditions acceptable to Landlord in its reasonable discretion. Landlord's refusal for any reason whatsoever to consent to any prospective Provider shall not be deemed a default or breach by Landlord of its obligations under this Lease. Landlord makes no warranty or representation to Tenant as to the suitability, capability or financial strength of any Provider whose equipment is presently serving the Building, and Landlord's consent to a Provider whose equipment is not presently serving the Building shall not be deemed to constitute such a representation or warranty. To the extent the service by a Provider is interrupted, curtailed or discontinued for any reason whatsoever, Landlord shall have no obligation or liability in connection therewith unless the interruption is caused by the negligence or intentional misconduct of Landlord, and it shall be the sole obligation of Tenant at its expense to obtain substitute service. The provisions of this paragraph are solely for the benefit of Tenant and Landlord and are not for the benefit of any third party, specifically including without limitation, no telephone or telecommunications provider shall be deemed a third party beneficiary of this provision.

17. **Indemnity**.

(a) **Generally**. Except as limited by law, Tenant shall hold Landlord harmless from and against any and all damages arising out of any damage to any persons or property occurring in, on or about the Premises or the Property resulting from the acts or omissions of Tenant or its employees or agents. Landlord shall hold Tenant harmless from and against any and all damages arising out of any damage to any persons or property occurring in, on or about the Premises or the Property resulting from the acts or omissions of Landlord or its authorized representatives. A party's obligation under this Section to indemnify and hold the other party harmless shall be limited to the sum that exceeds the amount of insurance proceeds, if any, received by the party being indemnified.

(b) **Concurrent Negligence of Landlord and Tenant**. Notwithstanding Section 17(a) above, in the event of concurrent negligence of Tenant, or its authorized representatives, on the one hand, and that of Landlord, or its authorized representatives, on the other hand, which concurrent negligence results in damage to any persons or property occurring in, on or about the Premises or the Property, either party's obligation to indemnify the other party as set forth in Section 17(a) shall be limited to the extent of the negligence of the indemnifying party, or its authorized representatives, including the indemnifying party's proportional share of costs and attorneys' fees incurred in connection with any claims, actions or proceedings brought with respect to such damage.

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(c) **Waiver of Worker's Compensation Immunity.** The indemnification obligations contained in this Section shall not be limited by any worker's compensation, benefit or disability laws, and each indemnifying party hereby waives (solely for the benefit of the indemnified party) any immunity said indemnifying party may have under the Industrial Insurance Act, Title 51 RCW and similar worker's compensation, benefit or disability laws.

(d) **Provisions Specifically Negotiated.** LANDLORD AND TENANT ACKNOWLEDGE BY THEIR EXECUTION OF THIS LEASE THAT EACH OF THE INDEMNIFICATION PROVISIONS OF THIS LEASE (SPECIFICALLY INCLUDING BUT NOT LIMITED TO THOSE RELATING TO WORKER'S COMPENSATION BENEFITS AND LAWS) WERE SPECIFICALLY NEGOTIATED AND AGREED TO BY LANDLORD AND TENANT.

18. **Exemption of Landlord from Liability.** Landlord and Landlord's Agent shall not be liable for injury to Tenant's business or loss of income therefrom or for damage which may be sustained to the, goods, wares, merchandise or property of Tenant, or property of its authorized representatives, or property of any other person in or about the Premises, caused by or resulting from fire, steam, electricity, gas, water or rain, which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures of the same, whether the said damage or injury resulting from conditions arising upon the Premises or upon other portions of the Building or the Property unless such injury or damage is caused by the gross negligence or willful misconduct of Landlord or its authorized representatives.

19. **Commercial General Liability and Property Damage Insurance.** Tenant, at its cost, shall maintain commercial general liability insurance or self-insurance (including contractual liability and products and completed operations liability) with liability limits of not less than $2,000,000 per occurrence, and $3,000,000 annual aggregate if the Premises contain less than 5,000 rentable square feet of space or $5,000,000 annual aggregate if the Premises contain 5,000 rentable square feet of space or more, insuring against all liability of Tenant and its authorized representatives arising out of or in connection with Tenant's use and occupancy of the Premises and property damage insurance with liability limits of not less than $1,000,000. All such commercial general liability and property damage insurance shall insure performance by Tenant of the indemnity provisions of Section 17 of this Lease. Landlord and Landlord's Agent shall be additional named insureds on such insurance policy, except if self-insured.

20. **Tenant's Fire Insurance.** Tenant, at its cost, shall maintain on all of Tenant's Alterations, Trade Fixtures and Personal Property in, on or about the Premises, a policy of standard All Risk fire insurance, in an amount equal to at least their full replacement cost. The proceeds of any such policy shall be used by Tenant for the restoration of Tenant's Alterations and Trade Fixtures and the replacement of its Personal Property. Any portion of such proceeds not used for such restoration shall belong to Tenant.

21. **Waiver of Claims; Waiver of Subrogation.** Landlord and Tenant release each other, and their respective authorized representatives, from, and waive their entire claim of recovery for, any claims for damage to the Premises and the Building and to Tenant's alterations, trade fixtures and personal property that are caused by or result from fire, lightning or any other perils normally included in an "all risk" property insurance policy whether or not such loss or damage is due to the negligence of Landlord, or its authorized representatives, or of Tenant, or its authorized representatives. Landlord and Tenant shall cause each insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation against either party in connection with any damage covered by such insurance policy.

22. **Other Insurance Matters.** All insurance required to be carried by Tenant under this Lease shall: (i) be issued by insurance companies authorized to do business in the State of Washington with a rating of A/VI or better as rated in the most recent edition of Best's Insurance Reports; (ii) be issued as a primary policy, and (iii) contain an endorsement requiring thirty (30) days' prior written notice from the insurance company to both parties, to Landlord's Agent, and, if requested by Landlord, to Landlord's lender, before cancellation or change in the

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coverage, scope, or amount of any policy. Each policy or a certificate of the policy, together with evidence of payment of premiums, shall be deposited with Landlord on or before the Commencement Date, and a certificate on renewal of the policy not less than fifteen (15) days after expiration of the term of the policy. Policy can be made available upon request after it is received by Tenant.

23. **Destruction.**

(a) **Insured Damage.** If during the Term the Premises or the Building are partially or totally destroyed by any casualty that is covered by any insurance carried by Landlord covering the Building, rendering the Premises partially or totally inaccessible or unusable, Landlord shall restore the Premises or the Building to substantially the same condition as they were in immediately before such destruction, if (i) the insurance proceeds available to Landlord equal or exceed the cost of such restoration, (ii) in the opinion of a registered architect or engineer appointed by Landlord such restoration can be completed within one hundred eighty (180) days after the date on which Landlord obtains all permits necessary for such restoration, and (iii) such restoration is permitted under then existing laws to be done in such a manner as to return the Premises, or the Building, as the case may be, to substantially the same condition as they were in immediately before such destruction. To the extent the insurance proceeds must be paid to a mortgagee under, or must be applied to reduce any debt secured by, a mortgage covering the Property, the insurance proceeds shall be deemed not to be available to Landlord unless such mortgagee permits Landlord to use the insurance proceeds for such restoration. Such destruction shall not terminate this Lease.

(b) **Major or Uninsured Damage.** If during the Term the Premises or the Building are partially or totally destroyed by any casualty and Landlord is not obligated under Section 23(a) above to restore the Premises or the Building, as the case may be, then Landlord may, at its election, either (i) restore the Premises or the Building to substantially the same condition as they were in immediately before such destruction, or (ii) terminate this Lease effective as of the date of such destruction. If Landlord does not give Tenant notice within sixty (60) days after the date of such destruction of its election to restore the Premises or the Building, as the case may be, Landlord shall be deemed to have elected to terminate this Lease. If Landlord elects to restore the Premises or the Building, as the case may be, Landlord shall use commercially reasonable efforts to complete such restoration within one hundred eighty (180) days after the date on which Landlord obtains all permits necessary for such restoration, provided, however, such one hundred eighty (180) day period shall be extended by a period equal to any delays caused by force majeure, and such destruction shall not terminate this Lease. If Landlord does not complete such restoration within one (1) year following the date of such destruction, then Tenant may elect to terminate this Lease by giving notice to such effect to Landlord within ten (10) days following the end of such one (1) year period.

(c) **Damage to the Building.** If during the Term the Building is partially destroyed by any casualty and if in the opinion of Landlord the Building should be restored in such a way as to materially alter the Premises, then Landlord may, at Landlord's election, terminate this Lease by giving notice to Tenant of Landlord's election to do so within sixty (60) days after the date of such destruction.

(d) **Extent of Landlord's Obligation to Restore.** If Landlord is required or elects to restore the Premises as provided in this Section, Landlord shall not be required to restore alterations made by Tenant, Tenant's trade fixtures and Tenant's personal property, such excluded items being the sole responsibility of Tenant to restore.

(e) **Abatement or Reduction of Rent.** In case of damage to or destruction of the Premises or the Building, the Minimum Monthly Rent and the Additional Rent shall be abated or reduced, between the date of destruction and the date of completion of restoration, by an amount that is in the same ratio to the Minimum Monthly Rent as the total number of square feet of the Premises that are so damaged or destroyed bears to the total number of square feet in the Premises. Notwithstanding the foregoing, if the Premises are not damaged, but the damage or destruction to the Building is such that the Premises may not reasonably be used for the Permitted Use,

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Rent shall be abated between the date of destruction and the date when the Premises may again reasonably be used for the Permitted Use.

(f) **Duty to Cooperate.** To the extent Landlord is required or elects to make repairs to the Premises and/or the Building pursuant to this Section 23, Tenant shall cooperate with Landlord as and when reasonably requested by Landlord in connection with the making of such repairs, including the temporary relocation of Tenant's furniture, furnishings and equipment if such relocation is necessary in order to make such repairs.

24. **Condemnation.** If during the Term there is any taking of part or all of the Premises or the Building by condemnation, then the rights and obligations of the parties shall be as follows:

(a) **Minor Taking.** If there is a taking of less than ten percent (10%) of the Premises, this Lease shall remain in full force and effect.

(b) **Major Taking.** If there is a taking of ten percent (10%) or more of the Premises and if the remaining portion of the Premises are of such size or configuration that Tenant in Tenant's reasonable judgment is unable to conduct its business in the Premises, then the Term shall terminate as of the date of taking.

(c) **Taking of Part of the Building.** If there is a taking of a part of the Building other than the Premises and if in the opinion of Landlord the Building should be restored in such a way as to materially alter the Premises, then Landlord may terminate the Term by giving notice to such effect to Tenant within sixty (60) days after the date of vesting of title in the condemnor and the Term shall terminate as of the date specified in such notice, which date shall not be less than sixty (60) days after the giving of such notice.

(d) **Award.** The entire award for the Premises, the Building and the Property, shall belong to and be paid to Landlord, Tenant hereby assigning to Landlord Tenant's interest therein, if any, provided, however, Tenant shall have the right to claim and recover from the condemnor compensation for the loss of any alterations made by Tenant, Tenant's trade fixtures, Tenant's personal property, moving expenses and business interruption.

(e) **Abatement of Rent.** If any part of the Premises are taken by condemnation and this Lease remains in full force and effect, on the date of taking the Minimum Monthly Rent and the Additional Rent shall be reduced by an amount that is in the same ratio to the Minimum Monthly Rent as the total number of square feet in the Premises taken bears to the total number of square feet in the Premises immediately before the date of taking.

(f) **Duty to Cooperate.** To the extent Landlord is required or elects to make repairs to the Premises and/or the Building pursuant to this Section 24, Tenant shall cooperate with Landlord as and when reasonably requested by Landlord in connection with the making of such repairs, including the temporary relocation of Tenant's furniture, furnishings and equipment if such relocation is necessary in order to make such repairs.

25. **Assignment and Subletting.**

(a) **Landlord's Consent; Definitions.** Tenant acknowledges the Building is a multi-tenant office building, occupied by tenants specifically selected by Landlord, and Landlord has a legitimate interest in the type and quality of such tenants, the location of tenants in the Building and in controlling the leasing of space in the Building so Landlord can better meet the particular needs of its tenants and protect and enhance the relative image, position and value of the Building in the office building market. Tenant further acknowledges the rental value of the Premises may fluctuate during the Term in accordance with market conditions, and, as a result, the Rent paid by Tenant under this Lease at any particular time may be higher or lower than the then market rental value of the Premises. Landlord and Tenant agree, and the provisions of this Section are intended to so provide, if Tenant voluntarily assigns its interest in this Lease or in the Premises or subleases any part or all of the Premises, a portion of the profits from any increase in the market rental value of the Premises shall belong to Landlord.

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Tenant acknowledges, if Tenant voluntarily assigns this Lease or subleases any part or all of the Premises, Tenant's investment in the subject portion of the Premises (specifically including, but not limited to, tenant improvements, good will or other assets) may be lost or reduced as a result of such action.

(b) **Consent Required.** Except for a Permitted Transfer (as that term is defined below), Tenant shall not voluntarily assign or encumber its interest in this Lease or in the Premises, or sublease any part or all of the Premises, without Landlord's prior consent, which consent shall not be unreasonably withheld or delayed. Any assignment, encumbrance or sublease without Landlord's consent shall be voidable and, at Landlord's election, shall constitute a default by Tenant under this Lease. In determining whether to approve a proposed assignment or sublease, Landlord shall place primary emphasis on the proposed transferee's reputation and creditworthiness, the character of the business to be conducted by the proposed transferee at the Premises and the effect of such assignment or subletting on the tenant mix in the Building. In addition, Landlord shall have the right to approve the specific form of any assignment or sublease agreement. In no event shall Landlord be obligated to consent to any assignment or subletting which increases (i) the Operating Costs, (ii) the burden on the Building services, or (iii) the foot traffic, elevator usage or security concerns in the Building, or creates an increased probability of the comfort and/or safety of Landlord and other tenants in the Building being unreasonably compromised or reduced (for example, but not exclusively, Landlord may deny consent to an assignment or subletting where the space will be used for a school or training facility, an entertainment, sports or recreation facility, retail sales to the public (unless Tenant's permitted use is retail sales), a personnel or employment agency, a medical office, or an embassy or consulate or similar office). Landlord shall not be obligated to approve an assignment or subletting to (x) a current tenant of the Building or (y) a prospective tenant of the Building with whom Landlord is then negotiating. Landlord's foregoing rights and options shall continue throughout the entire term of this Lease. No consent to any assignment, encumbrance or sublease shall constitute a waiver of the provisions of this Section and no other or subsequent assignment, encumbrance or sublease shall be made without Landlord's prior consent. Neither an assignment or subletting nor the collection of Rent by Landlord from any person other than Tenant, nor the application of any such Rent as provided in this Section shall be deemed a waiver of any of the provisions of this Section or release Tenant from its obligation to comply with the terms and provisions of this Lease and Tenant shall remain fully and primarily liable for all of Tenant's obligations under this Lease, including the obligation to pay Rent under this Lease. Any personal guarantee(s) of Tenant's obligations under this Lease shall remain in full force and effect following any such assignment or subletting. In addition to Landlord's other rights under this Section, Landlord may condition approval of an assignment or subletting hereunder on the payment of a security deposit or on receipt of personal guarantees of the assignee's or sublessee's obligations under this Lease. If Landlord approves of an assignment or subletting hereunder and this Lease contains any renewal or extension options, expansion options, rights of first refusal, rights of first negotiation or any other rights or options pertaining to additional space in the Building, such rights and/or options shall not run to the assignee or subtenant, it being agreed by the parties hereto that any such rights and options are personal to Tenant named herein and may not be transferred.

(c) **Conditions to Assignment or Sublease.** Tenant agrees any instrument by which Tenant assigns or sublets all or any portion of the Premises shall expressly provide that the assignee or subtenant may not further assign or sublet the assigned or sublet space, except pursuant to a Permitted Transfer, without Landlord's prior consent (which consent shall not, subject to Landlord's rights under this Section, be unreasonably withheld or delayed), and that the assignee or subtenant will comply with all of the provisions of this Lease and that Landlord may enforce this Lease directly against such assignee or subtenant. If this Lease is assigned, whether or not in violation of the terms and provisions of this Lease, Landlord may collect Rent from the assignee. If the Premises, or any part thereof, is sublet, Landlord may, upon a default under this Lease, collect rent from the subtenant. In either event, Landlord shall apply the amount collected from the assignee or subtenant to Tenant's obligation to pay Rent under this Lease.

(d) **Events Constituting an Assignment or Sublease.** For purposes of this Section, the following events shall be deemed an assignment: (i) the issuance of equity interests (whether stock, partnership interests or otherwise) in Tenant, or any assignee or subtenant, if applicable, or any entity controlling any of them, to any person or group of related persons, in a single transaction or a series of related or unrelated transactions,

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such that, following such issuance, such person or group shall have Control (as defined below) of Tenant, or any assignee or subtenant, if applicable; or (ii) a transfer of Control of Tenant, or any assignee or subtenant, if applicable, or any entity controlling any of them, in a single transaction or a series of related or unrelated transactions (including, without limitation, by consolidation, merger, acquisition or reorganization), except the transfer of outstanding capital stock or other listed equity interests by persons or parties other than "insiders" within the meaning of the Securities Exchange Act of 1934, as amended, through the "over-the-counter" market or any recognized national or international securities exchange, shall not be included in determining whether Control has been transferred. For the purposes of this Lease, the term "**Control**" means (i) direct or indirect ownership of fifty percent (50%) or more of all the legal and equitable interest in any business entity, or (ii) the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of any business entity. The use of the Premises by a City department other than the Office of Professional Accountability shall not be deemed an assignment, but shall be subject to Section 10 above.

(e) **Processing Expenses**. Tenant shall pay to Landlord the amount of Landlord's cost of processing each proposed assignment or subletting, including without limitation, reasonable attorneys' and other professional fees, and the cost of Landlord's administrative, accounting and clerical time (collectively, "**Processing Costs**"), and the amount of all reasonable direct incurred by Landlord arising from the assignee or sublessee taking occupancy of the subject space, including without limitation, reasonable costs of freight elevator operation for moving of furnishings and trade fixtures, security service, janitorial and cleaning service, rubbish removal service, costs of changing signage, and costs of changing locks and making new keys (collectively, "**Occupancy Costs**"). Notwithstanding anything to the contrary herein, Landlord shall not be required to process any request for Landlord's consent to an assignment or subletting until Landlord has receive a deposit from Tenant in an amount equal to the greater of $500.00, or Landlord's estimate of the Processing Costs and the Occupancy Costs.

(f) **Consideration to Landlord**. In the event of any assignment or sublease, whether or not requiring Landlord's consent, Landlord shall be entitled to receive, as Additional Rent, one-half (1/2) of any consideration, including without limitation, payment for leasehold improvements paid for by Landlord, paid by the assignee or subtenant for the assignment or sublease, and, in the case of sublease, the excess of the amount of rent paid for the sublet space by the subtenant over the total amount of Minimum Monthly Rent under Section 5 and Additional Rent under Sections 7 and 9. Upon Landlord's request, Tenant shall assign to Landlord all amounts to be paid to Tenant by the assignee or subtenant and shall direct such assignee or subtenant to pay the same directly to Landlord. If there is more than one sublease under this Lease, the amounts (if any) to be paid by Tenant to Landlord pursuant to the preceding sentence shall be separately calculated for each sublease and amounts due Landlord with regard to any one sublease may not be offset against rental and other consideration due under any other sublease.

(g) **Procedures**. If Tenant desires to assign this Lease or any interest therein or sublet all or part of the Premises, Tenant shall give Landlord written notice thereof designating the space proposed to be sublet and the terms proposed. Except for a Permitted Transfer, if the proposed sublease covers the entire Premises and if the term of the proposed sublease (including any renewal terms) will expire during the final six (6) months of the Term (or if Tenant has exercised a renewal option, if any, then during the final six (6) months of the subject renewal period), then Landlord shall have the prior right and option (to be exercised by written notice to Tenant given within fifteen (15) days after receipt of Tenant's notice) (i) to terminate this Lease, or (ii) to approve Tenant's proposal to sublet conditional upon Landlord's subsequent written approval of the specific sublease obtained by Tenant and the specific subtenant named therein. If Landlord exercises its option described in (ii) above, Tenant shall submit to Landlord for Landlord's written approval Tenant's proposed sublease agreement (in which the proposed subtenant shall be named) together with a current reviewed or audited financial statement prepared by a certified public accountant for such proposed subtenant and a credit report on such proposed subtenant prepared by a recognized credit reporting agency. If Landlord fails to exercise its option to terminate this Lease, this failure shall not be construed as or constitute a waiver of any of the provisions of this Section. If Landlord exercises its option to terminate this Lease, Landlord shall not have any liability for any real estate brokerage commission(s) or with respect to any of the costs and expenses that Tenant may have incurred in

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connection with its proposed subletting, and Tenant agrees to hold Landlord harmless from and against any and all claims (including, without limitation, claims for commissions) arising from such proposed subletting. Landlord's foregoing rights and options shall continue throughout the Term. For purposes of this Section, a proposed assignment of this Lease in whole or in part shall be deemed a proposed subletting of such space.

(h) **Documentation**. No permitted subletting by Tenant shall be effective until there has been delivered to Landlord a counterpart of the sublease in which the subtenant agrees to be and remain jointly and severally liable with Tenant for the payment of Rent pertaining to the sublet space and for the performance of all of the terms and provisions of this Lease; provided, however, the subtenant shall be liable to Landlord for rent only in the amount set forth in the sublease. No permitted assignment shall be effective unless and until there has been delivered to Landlord a counterpart of the assignment in which the assignee assumes all of Tenant's obligations under this Lease arising on or after the date of the assignment. The failure or refusal of a subtenant or assignee to execute any such instrument shall not release or discharge the subtenant or assignee from its liability as set forth above.

(i) **No Merger**. Without limiting any of the provisions of this Section, if Tenant has entered into any subleases of any portion of the Premises, the voluntary or other surrender of this Lease by Tenant, or a mutual cancellation by Landlord and Tenant, shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subleases or subtenancies or, at the option of Landlord, operate as an assignment to Landlord of any or all such subleases or subtenancies.

26. **Default**. The occurrence of any of the following shall constitute a default by Tenant under this Lease:

(a) **Failure to Pay Rent**. Failure to pay Rent when due, if the failure continues for a period of three (3) days after notice of such default has been given by Landlord to Tenant.

(b) **Failure to Comply with Rules and Regulations**. Failure to take reasonable steps to comply with the Rules and Regulations, if the failure continues for a period of twenty-four (24) hours after notice of such default is given by Landlord to Tenant. If the failure to comply cannot reasonably be cured within twenty-four (24) hours, then Tenant shall not be in default under this Lease if Tenant commences to cure the failure to comply within twenty-four (24) hours and diligently and in good faith continues to cure the failure to comply.

(c) **Other Defaults**. Failure to perform any other provision of this Lease, if the failure to perform is not cured within thirty (30) days after notice of such default has been given by Landlord to Tenant. If the default cannot reasonably be cured within thirty (30) days, then Tenant shall not be in default under this Lease if Tenant commences to cure the default within thirty (30) days and diligently and in good faith continues to cure the default.

(d) **Appointment of Trustee or Receiver**. The appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days.

27. **Remedies**. If Tenant commits a default, Landlord shall have the following alternative remedies, which are in addition to any remedies now or later allowed by law:

(a) **Maintain Lease in Force**. Maintain this Lease in full force and effect and recover the Rent and other monetary charges as they become due, without terminating Tenant's right to possession, irrespective of whether Tenant shall have abandoned the Premises. If Landlord elects to not terminate this Lease, Landlord shall have the right to attempt to re let the Premises at such rent and upon such conditions and for such a term, and to do all acts necessary to maintain or preserve the Premises as Landlord deems reasonable and

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necessary without being deemed to have elected to terminate this Lease including removal of all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. In the event any such re letting occurs, this Lease shall terminate automatically upon the new Tenant taking possession of the Premises. Notwithstanding that Landlord fails to elect to terminate this Lease initially, Landlord at any time during the term of this Lease may elect to terminate this Lease by virtue of such previous default of Tenant.

(b) **Terminate Lease.** Terminate Tenant's right to possession by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including without limitation thereto, the following: (i) The worth at the time of award of any unpaid Rent which had been earned at the time of such termination; plus (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of fair market rental value at the time of the award; plus (iii) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including without limitation, any costs or expenses incurred by Landlord in (A) retaking possession of the Premises, including reasonable attorney fees therefor, (B) maintaining or preserving the Premises after such default, (C) restoring the Premises to the condition required for surrender under Section 37 (D) leasing commissions incident to reletting to a new tenant; plus (iv) the prorated amount of the Abated Rent if the default occurs during the initial Term and not during any applicable Additional Term; plus (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable state law. The amounts described in clause (D) shall be amortized over the term of the new tenant's lease, and Tenant shall only be liable to Landlord for the portion of such amounts attributable to the period prior to the Expiration Date of this Lease set forth in Section 1. Upon any such re-entry Landlord shall have the right to make any reasonable repairs, alterations or modifications to the Premises, which Landlord in its sole discretion deems reasonable and necessary. As used in Subsections 27(b)(i), 27(b)(ii) and 27(b)(iii) the "worth at the time of award" is computed by discounting such amounts at the discount rate of eight percent (8%) per year. Nothing in this Section 27 shall be construed to amend or limit Landlord's obligation to mitigate its damages as provided for by law or equity.

28. **Bankruptcy.**

(a) **Assumption of Lease.** If Tenant becomes a Debtor under Chapter 7 of the Bankruptcy Code ("**Code**") or a petition for reorganization or adjustment of debts is filed concerning Tenant under Chapters 11 or 13 of the Code, or a proceeding is filed under Chapter 7 of the Code and is transferred to Chapters 11 or 13 of the Code, the Trustee or Tenant, as Debtor and as Debtor-In-Possession, may not elect to assume this Lease unless, at the time of such assumption, the Trustee or Tenant has:

(i) Cured all defaults under this Lease and paid all sums due and owing under this Lease or provided Landlord with "Adequate Assurance" (as defined below) that: (i) within ten (10) days from the date of such assumption, the Trustee or Tenant will completely pay all sums due and owing under this Lease and compensate Landlord for any actual pecuniary loss resulting from any existing default or breach of this Lease, including without limitation, Landlord's reasonable costs, expenses, accrued interest, and attorneys' fees incurred as a result of the default or breach; (ii) within twenty (20) days from the date of such assumption, the Trustee or Tenant will cure all non-monetary defaults and breaches under this Lease, or, if the nature of such non-monetary defaults is such that more than twenty (20) days are reasonably required for such cure, that the Trustee or Tenant will commence to cure such non-monetary defaults within twenty (20) days and thereafter diligently prosecute such cure to completion; and (iii) the assumption will be subject to all of the provisions of this Lease.

(ii) For purposes of this Section, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding involving Tenant, at a minimum, "**Adequate Assurance**" shall mean: (i) the

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Trustee or Tenant has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Tenant will have sufficient funds to fulfill the obligations of Tenant under this Lease; (ii) the Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or Tenant shall have granted a valid and perfected first lien and security interest and/or mortgage in or on property of Trustee or Tenant acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Tenant to cure the monetary and/or non-monetary defaults and breaches under this Lease within the time periods set forth above; and (iii) the Trustee or Tenant, at the very minimum, shall deposit a sum equal to two (2) month's Minimum Monthly Rent to be held by Landlord (without any allowance for interest thereon) to secure Tenant's future performance under this Lease.

(b) **Assignment of Lease.** If the Trustee or Tenant has assumed this Lease pursuant to the provisions of this Section for the purpose of assigning Tenant's interest hereunder to any other person or entity, such interest may be assigned only after the Trustee, Tenant or the proposed assignee have complied with all of the terms, covenants and conditions of this Lease, including, without limitation, those with respect to Additional Rent. Landlord and Tenant acknowledge such terms, covenants and conditions are commercially reasonable in the context of a bankruptcy proceeding of Tenant. Any person or entity to which this Lease is assigned pursuant to the provisions of the Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon request execute and deliver to Landlord an instrument confirming such assignment.

(c) **Adequate Protection.** Upon the filing of a petition by or against Tenant under the Code, Tenant, as Debtor and as Debtor-In-Possession, and any Trustee who may be appointed agree to adequately protect Landlord as follows: (i) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed by Order of the Bankruptcy Court; (ii) to pay all monetary obligations required under this Lease, including without limitation, the payment of Minimum Monthly Rent, Tenant's Share of Real Property Taxes, Tenant's Share of Operating Costs and any other sums payable by Tenant to Landlord under this Lease which is considered reasonable compensation for the use and occupancy of the Premises; (iii) provide Landlord a minimum of thirty (30) days prior written notice, unless a shorter period is agreed to in writing by the parties, of any proceeding relating to any assumption of this Lease or any intent to abandon the Premises, which abandonment shall be deemed a rejection of this Lease; and (iv) to perform to the benefit of Landlord as otherwise required under the Code. The failure of Tenant to comply with the above shall result in an automatic rejection of this Lease.

29. **Reserved.**

30. **Landlord's Default; Limitation on Landlord's Liability.**

(a) Landlord shall be in default if Landlord fails to perform its obligations under this Lease within thirty (30) days after its receipt of notice of nonperformance from Tenant; provided that if the default cannot reasonably be cured within the thirty (30) day period, Landlord shall not be in default if Landlord commences the cure within the thirty (30) day period and thereafter diligently pursues such cure to completion. At the request of Landlord, Tenant will provide Landlord's lender with written notice of any default by Landlord under this Lease, and a reasonable opportunity to cure such default after receiving such notice.

(b) Anything in this Lease to the contrary notwithstanding, covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements or for the purpose of binding Landlord's partners, members, shareholders, officers, directors, employees or agents (the "**Landlord Parties**"). No personal liability or personal responsibility is assumed by, nor shall at any time be asserted or enforceable against the Landlord Parties or their respective heirs, legal representatives, successors and assigns on account of this Lease or on account of any covenant, undertaking or agreement of Landlord contained in this Lease.

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31. **Signs**. Tenant shall not have the right to place, construct or maintain any sign, advertisement, awning, banner or other exterior decoration without Landlord's consent. Any sign that Tenant has Landlord's consent to place, construct and maintain shall comply with all laws, and Tenant shall obtain any approval required by such laws. Landlord makes no representation with respect to Tenant's ability to obtain such approval. Landlord, at Landlord's cost and expense, will provide Tenant with (a) Building standard signage in any directory now or hereafter located in the main Building lobby, and (b) Building standard signage in the elevator lobby on the floor in the Building on which the Premises are located.

32. **Landlord's Right to Enter the Premises**. Landlord and its authorized representatives shall have the right to enter the Premises at reasonable times and upon reasonable prior notice (except in an emergency when no such notice shall be required) for any of the following purposes: (i) to determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease, (ii) to do any maintenance; to make any restoration to the Premises or the Building that Landlord has the right or the obligation to perform, and to make any improvements to the Premises or the Building that Landlord deems necessary, (iii) to serve, post or keep posted any notices required or allowed under the provisions of this Lease, (iv) to post any ordinary "For Sale" signs at any time during the Term and to post any ordinary "For Lease" signs during the last ninety (90) days of the Term, and (v) to show the Premises to prospective brokers, agents, purchasers, tenants or lenders, at any time during the Term. Landlord shall not be liable in any manner for any inconvenience, annoyance, disturbance, loss of business, nuisance, or other damage arising out of Landlord's entry on the Premises as provided in this Section, except damage resulting from the grossly negligent or willful acts of Landlord or its authorized representatives. Tenant shall not be entitled to an abatement or reduction of Rent if Landlord exercises any right reserved in this Section. Landlord shall conduct its activities on the Premises as allowed in this Section in a reasonable manner so as to cause minimal inconvenience, annoyance or disturbance to Tenant.

33. **Subordination**. This Lease is and shall automatically be subject and subordinate to any mortgage or deed of trust recorded now or hereafter affecting the Property, as well as all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the holder or holders of any such mortgage or deed of trust shall advise Landlord that they desire or require this Lease to be prior and superior thereto, upon written request of Landlord to Tenant, Tenant agrees to promptly execute, acknowledge and deliver any and all documents or instruments which Landlord or such lessor, holder or holders deem necessary or desirable for purposes thereof. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all ground or underlying leases, mortgages or deeds of trust which may hereafter be executed covering the Premises, the Project or the property or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided, however, that Landlord obtains from the lender or other party in question a written undertaking in favor of Tenant to the effect that such lender or other party will not disturb Tenant's right of possession under this Lease if Tenant is not then or thereafter in breach of any covenant or provision of this Lease.

34. **Right to Estoppel Certificates**. Tenant, within ten (10) business days after notice from Landlord, shall execute and deliver to Landlord, in recordable form, a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified and stating the modifications. The certificate shall also state the amount of Minimum Monthly Rent, the dates to which Rent has been paid in advance, and the amount of any Prepaid Rent and such other matters as Tenant does not dispute that Landlord may reasonably request. Failure to deliver the certificate or to object in writing to any content therein within such ten (10) business day period shall be conclusive upon Tenant for the benefit of Landlord and any successor to Landlord, that this Lease is in full force and effect and has not been modified except as may be represented by Landlord requesting the certificate.

35. **Transfer of Landlord's Interest**. If Landlord sells or transfers the Property, Landlord, on consummation of the sale or transfer, shall be released from any liability thereafter accruing under this Lease if Landlord's successor has assumed in writing, for the benefit of Tenant, Landlord's obligations under this Lease. If

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any Security Deposit or Prepaid Rent has been paid by Tenant, Landlord shall transfer such Security Deposit or Prepaid Rent to Landlord's successor and on such transfer Landlord shall be discharged from any further liability with respect to such Security Deposit or Prepaid Rent.

36. **Reserved.**

37. **Surrender; Holding Over.**

(a) **Surrender.** On expiration or ten (10) days after termination of the Term, Tenant shall surrender the Premises and all Tenant's improvements and alterations to Landlord broom clean and in good condition, ordinary wear and tear excepted. Tenant shall remove all of its trade fixtures and personal property, which personal property specifically includes all cabling installed in the Premises by Tenant (unless Tenant has received consent from Landlord that such cabling may be surrendered with and remain in the Premises), within the time period stated in this Section. Tenant, at its cost, shall perform all restoration made necessary by, and repair any damage to the Premises caused by, the removal of its trade fixtures, personal property and signs to Landlord's reasonable satisfaction within the time period stated in this Section. Landlord may, at its election, retain or dispose of in any manner any of Tenant's trade fixtures or personal property that Tenant does not remove from the Premises on expiration or within ten (10) days after termination of the Term as allowed or required by the provisions of this Lease by giving ten (10) days' notice to Tenant. Title to any such trade fixtures and personal property that Landlord elects to retain or dispose of on expiration of such ten (10) day period shall vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such trade fixtures and personal property. Tenant shall be liable to Landlord for Landlord's reasonable costs for storing, removing and disposing of Tenant's trade fixtures and personal property that Tenant was required to remove under the terms of this Lease. If Tenant fails to surrender the Premises to Landlord on expiration or ten (10) days after termination of the Term as required by this Section, Tenant shall pay Landlord Rent in an amount equal to 150% of the Minimum Monthly Rent applicable for the month immediately prior to the expiration or termination of the Term, or the amount provided by law, whichever is greater, for the entire time Tenant thus remains in possession and Tenant shall be liable for, shall indemnify Landlord against and shall hold Landlord harmless from all damages resulting from Tenant's failure to timely surrender the Premises, including without limitation, (i) any Rent payable by, or any damages claimed by, any prospective tenant of any part or all of the Premises, and (ii) Landlord's damages resulting from such prospective tenant rescinding or refusing to enter into the prospective lease of part or all of the Premises by reason of Tenant's failure to timely surrender the Premises. If Tenant, without Landlord's prior consent, remains in possession of the Premises after expiration or termination of the Term, or after the date in any notice given by Landlord to Tenant terminating this Lease, such possession by Tenant shall be deemed to be a tenancy at sufferance terminable at any time by either party.

(b) **Holding Over with Landlord's Consent.** If Tenant, with Landlord's prior consent, remains in possession of the Premises after expiration or termination of the Term, or after the date in any notice given by Landlord to Tenant terminating this Lease, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable by Landlord by a notice given to Tenant at least twenty (20) days prior to the end of any such monthly period or by Tenant by a notice given to Landlord at least twenty (20) days prior to the end of any such monthly period. During such month-to-month tenancy, Tenant shall pay Rent in the amount then agreed to in writing by Landlord and Tenant. All provisions of this Lease, except those pertaining to term, shall apply to the month-to-month tenancy.

38. **Brokers.** Landlord and Tenant each represent to the other that neither is represented by any broker, agent or finder with respect to this Lease in any manner, except the Broker(s). The commission due to the Broker(s) shall be paid by Landlord pursuant to a separate agreement. Each party agrees to indemnify and hold the other party harmless from and against any and all liability, costs, damages, causes of action or other proceedings instituted by any broker, agent or finder, licensed or otherwise, claiming through, under or by reason of the conduct of the indemnifying party in any manner whatsoever in connection with this Lease. If Tenant engages a broker, agent or finder to represent Tenant in connection with any renewal of this Lease, then the commission or any fee of such broker, agent or finder shall be paid by Tenant.

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39. **Interest on Unpaid Rent.** In addition to the Late Charge as provided in Section 5(b), Rent not paid when due shall bear interest from the date due until paid at the rate of twelve percent (12%) per year, or the maximum legal rate of interest, whichever is less.

40. **Reserved.**

41. **Parking.** On the Commencement Date, Tenant shall be entitled to purchase eleven (11) permits for unreserved, unassigned parking privileges in the Building parking garage (the "**Garage**"). Tenant acknowledges the number of parking permits allocated to Tenant pursuant to this Section 41 may be reduced to the extent Landlord is required to set aside parking spaces in the Building as short term visitor parking or for carpools or vanpools in order to comply with applicable Law or the TMP. For each parking permit so allocated to Tenant, Tenant shall pay the then standard monthly charge for unreserved parking in the Garage, as such charge may change from time to time to reflect changes in the market. Tenant's parking privileges in the Garage shall be subject to whatever parking methods (e.g., stack parking, valet parking, self-parking, etc.) are then being used in the Garage and subject to any applicable rules and regulations. Tenant shall have access to the Garage through a card key access system twenty four (24) hours per day, seven (7) days per week, subject to such security systems and procedures as may be in effect from time to time. Tenant assumes full financial responsibility for all parking used by Tenant or Tenant's employees. Landlord has no liability whatsoever for damage to property or any other items located in the Garage, and Tenant agrees to look solely to its insurance carriers for payment of any losses to Tenant's property sustained in connection with any use of the Garage. Landlord reserves the right to assign specific spaces, and to reserve spaces for visitors, small cars, handicapped persons and for other tenants, guests of tenants or other parties. Neither Tenant nor any of its employees may park in any such reserved or assigned spaces. Landlord also reserves the right to close all or any portion of the Garage (a) in order to make repairs or perform maintenance services, or to alter, modify, restripe or renovate the Garage, or (b) if required by casualty, strike, condemnation, acts of God, governmental law or requirement, or other reason beyond Landlord's reasonable control. If Tenant does not purchase the full number of parking permits allocated to it for any period of two (2) consecutive calendar months, Landlord may sell or reallocate such unused permits to other tenants of the Building and Tenant shall have no further rights to such permits.

42. **Financial Statements.** Tenant shall, from time to time during the Term within fifteen (15) days following Tenant's receipt of a written request of Landlord, submit to Landlord such financial statements or other financial information as Landlord may reasonably request. Such statements shall be prepared in accordance with generally accepted accounting principles consistently applied and certified as true and correct by an authorized officer of Tenant. Landlord may not require Tenant to provide such financial statements or information to Landlord more frequently than once in any calendar year unless Tenant is in default under this Lease. Notwithstanding the foregoing, this Section 42 shall not be applicable so long as the stock in Tenant is publicly traded on the New York Stock Exchange, the American Stock Exchange or NASDAQ. Any financial statements provided to Landlord pursuant to this Section 42 shall be kept confidential and not disclosed to any third parties other than Landlord's Lender, any prospective lender or any actual or prospective purchaser of the Property, or as required by Law or a court order. Notwithstanding any of the foregoing, this Section 42 shall not be applicable so long as Tenant is the City of Seattle.

43. **Definitions.** As used in this Lease, the following words and phrases, whether or not capitalized, shall have the following meanings:

(a) "**Additional Rent**" means pass-throughs of increases in Operating Costs and Real Property Taxes, as defined in this Lease, and other monetary sums to be paid by Tenant to Landlord under the provisions of this Lease.

(b) "**Alteration**" means any addition or change to, or modification of, the Premises made by Tenant, including without limitation, fixtures, but excluding trade fixtures as defined in this Section.

(c) "**Authorized representatives**" means any officer, agent, employee, independent contractor or invitee of either party.

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(d) **"Award"** means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation.

(e) **"Common Areas"** means all areas outside the Premises and within the Building or on the Land that are provided and designated by Landlord from time to time for the general, non-exclusive use of Landlord, Tenant and other tenants of the Building and their authorized representatives, including without limitation, common entrances, lobbies, corridors, stairways and stairwells, elevators, escalators, public restrooms and other public portions of the Building.

(f) **"Condemnation"** means the exercise of any governmental power, whether by legal proceedings or otherwise, by a condemnor and a voluntary sale or transfer by Landlord to any condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

(g) **"Condemnor"** means any public or quasi-public authority or entity having the power of condemnation.

(h) **"Damage"** means any injury, deterioration, or loss to a person, property, the Premises or the Building caused by another person's acts or omissions or by Acts of God. Damage includes death.

(i) **"Damages"** means a monetary compensation or indemnity that can be recovered in the courts by any person who has suffered damage to his person, property or rights through another's acts or omissions.

(j) **"Date of taking"** means the date the condemnor has the right to possession of the property being condemned.

(k) **"Encumbrance"** means any mortgage, deed of trust or other written security device or agreement affecting the Premises, and the note or other obligation secured by it, that constitutes security for the payment of a debt or performance of an obligation.

(l) **"Expiration"** means the coming to an end of the time specified in this Lease as its duration, including any extension of the Term.

(m) **"Force majeure"** means strikes, lockouts, labor disputes, shortages of labor or materials, fire or other casualty, Acts of God or any other cause beyond the reasonable control of a party.

(n) **"Good condition"** means the good physical condition of the Premises and each portion of the Premises, including without limitation, all of the Tenant Improvements, Tenant's alterations, Tenant's trade fixtures, Tenant's Personal Property, all as defined in this Section, signs, walls, interior partitions, windows, window coverings, glass, doors, carpeting and resilient flooring, ceiling tiles, plumbing fixtures and lighting fixtures, all of which shall be in conformity with building standard finishes, ordinary wear and tear, damage by fire or other casualty and taking by condemnation excepted.

(o) **"Hazardous substances"** means any industrial waste, toxic waste, chemical contaminant or other substance designated as hazardous, toxic or lethal to persons or property under any Law, as defined in this Section, including without limitation, asbestos material or materials containing asbestos.

(p) **"Hold harmless"** means to defend and indemnify from all liability, losses, penalties, Damages as defined in this Section, costs, expenses (including without limitation, attorneys' fees), causes of action, claims or judgments arising out of or related to any Damage, as defined in this Section, to any person or property.

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(q) "**Law**" means any constitution, statute, ordinance, regulation, rule, resolution, judicial decision, administrative order or other requirement of any federal, state, county, municipal or other governmental agency or authority having jurisdiction over the parties or the Property, or both, in effect either at the time of execution of this Lease or at any time during the Term, including without limitation, any regulation or order of a quasi-official entity or body (e.g., board of fire examiners or public utilities) and any legally effective conditions, covenants or restrictions affecting the Property.

(r) "**Lender**" means the mortgagee, beneficiary, secured party or other holder of an encumbrance, as defined in this Section.

(s) "**Lien**" means a charge imposed on the Premises by someone other than Landlord, by which the Premises are made security for the performance of an act.

(t) "**Maintenance**" means repairs, replacement, repainting and cleaning.

(u) "**Mortgage**" means any deed of trust, mortgage or other written security device or agreement affecting the Premises, and the note or other obligation secured by it, that constitutes security for the payment of a debt or performance of an obligation.

(v) "**Mortgagee**" means the beneficiary under a deed of trust or mortgagee under a mortgage.

(w) "**Mortgagor**" means the grantor or trustor under a deed of trust or mortgagor under a mortgage.

(x) "**Normal Business Hours**" means 7:30 A.M. to 6:00 P.M. Monday - Friday, except those legal holidays generally observed in the State of Washington.

(y) "**Operating Costs**" means all costs of any kind incurred by Landlord in operating, cleaning, equipping, protecting, lighting, repairing, replacing, heating, air-conditioning, maintaining and insuring the Property. Operating Costs shall include, without limitation, the following costs: (i) salaries, wages, bonuses and other compensation (including hospitalization, medical, surgical, retirement plan, pension plan, union dues, life insurance, including group life insurance, welfare and other fringe benefits, and vacation, holidays and other paid absence benefits) provided to employees of Landlord or its agents directly engaged in the management, operation, repair, or maintenance of the Property; (ii) payroll, social security, workers' compensation, unemployment and similar taxes with respect to such employees of Landlord or its authorized representatives, and the cost of providing disability or other benefits imposed by law or otherwise, with respect to such employees; (iii) uniforms (including the cleaning, replacement and pressing thereof) provided to such employees; (iv) premiums and other charges incurred by Landlord with respect to fire, earthquake, other casualty, all risk, rent loss and liability insurance, any other insurance as is deemed necessary or advisable in the reasonable judgment of Landlord and, after the Base Year, costs of repairing an insured casualty to the extent of the deductible amount under the applicable insurance policy; (v) water charges and sewer rents or fees; (vi) license, permit and inspection fees; (vii) sales, use and excise taxes on goods and services purchased by Landlord in connection with the operation, maintenance or repair of the Property and Building systems and equipment; (viii) telephone, facsimile, messenger, express delivery service, postage, stationery supplies and other expenses incurred in connection with the operation, management, maintenance, or repair of the Property; (ix) property management fees and expenses; (x) repairs to and physical maintenance of the Property, including building systems and appurtenances thereto and normal repair and replacement of worn-out equipment, facilities and installations, but excluding capital expenses and the replacement of major building systems (except to the extent provided in (xvi) and (xvii) below); (xi) janitorial, window cleaning, security, extermination, water treatment, rubbish removal, plumbing and other services and inspection or service contracts for elevator, electrical, HVAC, mechanical and other building equipment and systems or as may otherwise be necessary or proper for the operation or maintenance of the Property; (xii) supplies, tools, materials, and equipment regularly used in connection with the

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operation, maintenance or repair of the Property; (xiii) accounting, legal and other professional fees and expenses; (xiv) painting the exterior or the public or common areas of the Building and the cost of maintaining the sidewalks, landscaping and other common areas of the Property; (xv) all costs and expenses for electricity, chilled water, air conditioning, water for heating, gas, fuel, steam, heat, lights, power and other energy related utilities required in connection with the operation, maintenance and repair of the Property; (xvi) the cost of any improvements which Landlord elects to capitalize made by Landlord to the Property during the Term in compliance with the requirements of any laws or regulation or insurance requirement with which the Property was not required to comply during the Base Year, as reasonably amortized by Landlord, with interest on the unamortized balance at the rate of twelve percent (12%) per year, or the maximum legal rate of interest, whichever is less; (xvii) the cost of any improvements which Landlord elects to capitalize made by Landlord to the Property during the term of this Lease which are (A) for the protection of the health and safety of the occupants of the Property or that are intended to reduce other Operating Costs, or (B) incurred because of requirements imposed with respect to the Building under any amendment to any applicable building, health, safety, fire, personal disabilities, nondiscrimination or similar Law, or any new Law, or any new interpretation of an existing Law, with interest on the unamortized balance at the rate of twelve percent (12%) per year, or the maximum legal rate of interest, whichever is less; (xviii) the cost of furniture, draperies, carpeting, landscaping and other customary and ordinary items of personal property (excluding paintings, sculptures and other works of art) provided by Landlord for use in Common Areas of the Building or in the Building office (to the extent that such Building office is dedicated to the operation and management of the Property), such costs to be amortized over the useful life thereof; (xix) Building management office rent or rental value; and (xx) all other costs which, in accordance with generally sound accounting and management principles used by Landlord, as applied to the maintenance and operation of office and/or retail buildings, are properly chargeable to the operation and maintenance of the Property. If any category of Operating Costs includes costs incurred for more than one property owned by Landlord, Operating Costs under this Lease shall only include that portion of such cost which is attributable to the Property. Operating Costs shall not include the following: (1) depreciation on the Building; (2) debt service or ground lease payments; (3) capital improvements, except as otherwise provided in clauses (xvi) and (xvii) above, (4) rental under any ground or underlying leases; (5) Real Property Taxes, (6) attorneys' fees and expenses incurred in connection with lease negotiations with prospective tenants, or default or enforcement proceedings with respect to defaulting tenants; (7) the cost of tenant improvements; (8) advertising expenses; or (9) real estate broker's or other leasing commissions.

(z) "**Parties**" means Landlord and Tenant.

(aa) "**Party**" means Landlord or Tenant.

(bb) "**Person**" means one or more human beings, or legal entities or other artificial persons, including without limitation, partnerships, corporations, trusts, estates, associations and any combination of human beings and legal entities.

(cc) "**Property**" means the Premises, the Building and the Land.

(dd) "**Provision**" means any term, agreement, covenant, condition, clause, qualification, restriction, reservation, or other stipulation in this Lease that defines or otherwise controls, establishes, or limits the performance required or permitted by either party.

(ee) "**Real Property Taxes**" means any form of tax, assessment, general assessment, special assessment, lien, levy, bond obligation, license tax, tax or excise on rent, or any other levy, charge or expense, together with any statutory interest thereon, (individually and collectively, the "**Impositions**"), now or hereafter imposed or required by any authority having the direct or indirect power to tax, including any federal, state, county or city government or any school, agricultural, lighting, drainage or other improvement or special assessment district thereof, (individually and collectively, the "**Governmental Agencies**") on the Property, including without limitation:

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(i) any Impositions upon, allocable to or measured by the area of the Premises or the Property, or the rental payable hereunder, including without limitation, any excise tax levied by any Governmental Agencies with respect to the receipt of such rental; or

(ii) any Impositions upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair or use or occupancy by Tenant of the Premises or any portion thereof; or

(iii) any Impositions upon or with respect to the building equipment and personal property used in connection with the operation and maintenance of the Property or upon or with respect to the furniture, fixtures and decorations in the common areas of the Property.

(iv) any Impositions upon this Lease or this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises; or

(v) any Impositions by Governmental Agencies (whether or not such Impositions constitute tax receipts) in substitution, partially or totally, of any impositions now or previously included within the definition of real property taxes, including those calculated to increase tax increments to Governmental Agencies and to pay for such services as fire protection, water drainage, street, sidewalk and road maintenance, refuse removal or other governmental services formerly provided without charge to property owners or occupants; or

(vi) any and all costs, including without limitation, the fees of attorneys, tax consultants and experts, incurred by Landlord should Landlord elect to negotiate or contest the amount of such real property taxes in formal or informal proceedings before the Governmental Agency imposing such Imposition; provided, however, that Real Property Taxes shall in no event include Landlord's general income, inheritance, estate, gift or franchise taxes.

(ff) "**Rent**" means Minimum Monthly Rent, as adjusted from time to time under this Lease, Additional Rent, Prepaid Rent, all as defined in this Section, payments of Tenant's Share of increases in Real Property Taxes and Operating Costs, insurance, utilities and other charges payable by Tenant to Landlord.

(gg) "**Rentable square feet of space**" as to the Premises or the Building, as the case may be, means the number of usable square feet of space times the applicable R/U Ratio(s) as defined in this Section or as otherwise expressly agreed to in this Lease.

(hh) "**Restoration**" means the reconstruction, rebuilding, rehabilitation and repairs that are necessary to return damaged portions of the Premises and the Building to substantially the same physical condition as they were in immediately before the damage.

(ii) "**R/U Ratio**" means the rentable area of a floor of the Building divided by the usable area of such floor, both of which shall be computed in accordance with American National Standard Z65.1-1996 Method of Measuring Floor Space in Office Buildings as published by the Building Owners and Managers Association, as amended from time to time.

(jj) "**Substantially complete**" or "**substantially completed**" or "**substantial completion**" means the completion of Landlord's construction obligation, subject only to completion or correction of "punch list" items, that is, minor items of incomplete or defective work or materials or mechanical maladjustments that are of such a nature that they do not materially interfere with or impair Tenant's use of the Premises for the Permitted Use.

(kk) "**Successor**" means assignee, transferee, personal representative, heir, or other person or entity succeeding lawfully, and pursuant to the provisions of this Lease, to the rights or obligations of either party.

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(ll) **"Tenant Improvements"** means (i) the improvements and alterations to be made by Landlord or Tenant pursuant to the Work Letter, (ii) window coverings, lighting fixtures, plumbing fixtures, cabinetry and other fixtures installed by either Landlord or Tenant at any time during the Term, and (iii) any improvements and alterations of the Premises made for Tenant by Landlord at any time during the Term.

(mm) **"Tenant's personal property"** means Tenant's equipment, furniture, and movable property (including cabling) placed in the Premises by Tenant.

(nn) **"Tenant's trade fixtures"** means any property attached to the Premises by Tenant.

(oo) **"Termination"** means the ending of the Term for any reason before expiration, as defined in this Section.

(pp) **"TMP"** means any transportation management plan or program or similar plan or program, now or hereafter instituted or required by any governmental authority and applicable to the Building.

(qq) **"Work"** means the construction of any improvements or alterations or the performance of any repairs done by Tenant or caused to be done by Tenant on the Premises as permitted by this Lease.

(rr) **"Work Letter"** means the Work Letter Agreement attached to this Lease as Exhibit B.

44. **Miscellaneous Provisions.**

(a) **Entire Agreement.** This Lease sets forth the entire agreement of the parties as to the subject matter hereof and supersedes all prior discussions and understandings between them. This Lease may not be amended or rescinded in any manner except by an instrument in writing signed by a duly authorized officer or representative of each party hereto.

(b) **Governing Law.** This Lease shall be governed by, and construed and enforced in accordance with, the laws of the State of Washington.

(c) **Severability.** Should any of the provisions of this Lease be found to be invalid, illegal or unenforceable by any court of competent jurisdiction, such provision shall be stricken and the remainder of this Lease shall nonetheless remain in full force and effect unless striking such provision shall materially alter the intention of the parties.

(d) **Jurisdiction.** In the event any action is brought to enforce any of the provisions of this Lease, the parties agree to be subject to exclusive in personam jurisdiction in the Superior Court of the State of Washington in and for the County of King or in the United States District Court for the Western District of Washington and agree that in any such action venue shall lie exclusively at Seattle, Washington.

(e) **Waiver.** No waiver of any right under this Lease shall be effective unless contained in a writing signed by a duly authorized officer or representative of the party sought to be charged with the waiver and no waiver of any right arising from any breach or failure to perform shall be deemed to be a waiver of any future right or of any other right arising under this Lease.

(f) **Captions.** Section captions contained in this Lease are included for convenience only and form no part of the agreement between the parties.

(g) **Notices.** All notices or requests required or permitted under this Lease shall be in writing and shall be personally delivered, delivered by a reputable express delivery service such as Federal Express or DHL, or sent by certified mail, return receipt requested, postage prepaid. Such notices or requests shall be deemed given when so delivered or mailed, irrespective of whether such notice or request is actually received by

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the addressee. All notices or requests to Landlord shall be sent to Landlord at Landlord's Address for Notice and all notices or requests to Tenant shall be sent to Tenant at Tenant's Address for Notice. Either party may change the address to which notices shall be sent by notice to the other party.

(h) **Binding Effect.** Subject to the provisions of Section 25 of this Lease, this Lease shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. No permitted assignment of this Lease or Tenant's rights hereunder shall be effective against Landlord unless and until an executed counterpart of the instrument of assignment shall have been delivered to Landlord and Landlord shall have been furnished with the name and address of the assignee. The term "Tenant" shall be deemed to include the assignee under any such permitted assignment.

(i) **Effectiveness.** This Lease shall not be binding or effective until properly executed and delivered by Landlord and Tenant.

(j) **Gender and Number.** As used in this Lease, the masculine shall include the feminine and neuter, the feminine shall include the masculine and neuter, the neuter shall include the masculine and feminine, the singular shall include the plural and the plural shall include the singular, as the context may require.

(k) **Time of the Essence.** Time is of the essence in the performance of all covenants and conditions in this Lease for which time is a factor.

(l) **Transportation Management Programs; Recycling.** Tenant shall cooperate with Landlord in meeting the objectives and complying with the terms and conditions of any applicable TMP. Landlord will provide Tenant with notice of any TMP now or hereafter in effect. In addition, Tenant will cooperate with and participate in any and all recycling programs now or hereafter in place with respect to the Building, whether or not governmentally mandated.

(m) **Name of Building.** Landlord may change the name of the Building at any time. Any such change shall not require amendment of this Lease or affect in any way Tenant's obligations under this Lease, and except for the name change, all terms and conditions of this Lease shall remain in full force and effect.

(n) **Recording.** Tenant shall not record this Lease or a memorandum thereof without the prior written consent of Landlord.

(o) **Execution by Landlord and Tenant; Approval of Lender.** Landlord shall not be deemed to have made an offer to Tenant by furnishing Tenant with a copy of this Lease with particulars inserted. No contractual or other rights shall exist or be created between Landlord and Tenant until all parties have executed this Lease, and if specified in writing by Landlord, until it has been approved in writing by Landlord's lender and fully executed copies have been delivered to Landlord and Tenant. Tenant agrees to make such changes herein as may be reasonably requested by Landlord's lender, so long as such changes do not increase the Rent due from Tenant or otherwise materially alter Tenant's rights or obligations hereunder.

Dated the date first above written.

LANDLORD:

720 3RD AVENUE PARTNERS, L.L.C.,
a Delaware limited liability company

By:_____
Joel Aslanian, Authorized Person

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TENANT:

THE CITY OF SEATTLE, a municipal corporation of the State of Washington

By_____
Fred Podesta

Its: Director of Finance and Administrative Services

City of Seattle Ordinance Number: _____

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STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this _____ day of _____, 2014, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared **Joel Aslanian**, known to me to be the authorized person who executed the foregoing instrument on behalf of **720 3RD AVENUE PARTNERS, L.L.C.**, a Delaware limited liability company, the limited liability company that executed the such instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.

_____
Signature

_____
Print Name
NOTARY PUBLIC in and for the State of
Washington, residing at _____.
My commission expires _____.

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this _____ day of _____, 2014, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared **Fred Podesta**, known to me to be the Director of the Department of Finance and Administrative Services of **THE CITY OF SEATTLE**, a municipal corporation of the State of Washington, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.

_____
Signature

_____
Print Name
NOTARY PUBLIC in and for the State of
Washington, residing at _____.
My commission expires _____.

CITY CLERK

FAS CITY CLERK

EXHIBIT A

LEGAL DESCRIPTION

Pacific Building

Lots 1 and 4 in Block 27, and the west half of vacated alley adjoining, of the plat of an addition to the Town, now City, of Seattle, laid out on the claims of C. D. Boren and A.A. Denny and H.L. Yesler, in King County, Washington Territory, now State, as per map recorded in Volume 1 of Plats, page 27, records of King County, LESS the west 9 feet of said Lots 1 and 4 for widening of Third Avenue; SUBJECT to easements and restrictions of record.

SEA CITY CLERK

EXHIBIT B

WORK LETTER AGREEMENT

This Work Letter Agreement ("**Agreement**") is attached to an Office Lease (the "**Lease**") between **720 3RD AVENUE PARTNERS, L.L.C.**, a Delaware limited liability company ("**Landlord**"), and **THE CITY OF SEATTLE**, a municipal corporation of the State of Washington ("**Tenant**"), covering certain premises (the "**Premises**") more particularly described in the Lease. In consideration of the mutual covenants in the Lease, Landlord and Tenant hereby agree as follows:

1. TENANT IMPROVEMENT COORDINATOR. Within three (3) days after the Lease is executed by Landlord and Tenant, Landlord and Tenant shall each designate in writing the name of one person who shall be that party's tenant improvement representative. All communication concerning the tenant improvements shall be directed to the appropriate party's tenant improvement representative. Tenant shall not have the right or authority to instruct Landlord's contractor to take any action. Any action Tenant desires Landlord's contractor to take shall be communicated by Tenant to Landlord's tenant improvement representative, and Landlord's tenant improvement representative shall give the necessary instructions to the contractor.

2. PLANS AND SPECIFICATIONS.

2.1 SPACE PLAN. On or before March 31, 2014, Tenant and Landlord shall finalize a detailed space plan ("**Space Plan**") for modifications to the Premises which shall include without limitation, the location of doors, partitions, electrical and telephone outlets, plumbing fixtures, heavy floor loads and other special requirements. Tenant will work with Weaver Architects as the space planner. Landlord agrees to cooperate with Tenant and its design representatives in connection with the preparation of the Space Plan.

2.2 PLANS. Based on the approved Space Plan, Landlord shall cause to be prepared, specifications and working drawings ("**Plans**") for the construction of Tenant's leasehold improvements to the Premises ("**Improvements**"). As used herein, the term "Improvements" shall include all work to be done in the Premises pursuant to the Plans, including, but not limited to: demolition work, partitioning, doors, ceiling, floor coverings, wall finishes (including paint and wall coverings), window coverings, electrical (including lighting, switching, telephones, outlets, computer and special electrical equipment, etc.), plumbing, heating, ventilating and air conditioning, fire protection, sprinklers, alarms, cabinets and other millwork. Once the Plans have been completed and approved by both Landlord and Tenant, Landlord will provide Tenant for its approval a cost breakdown for the total cost of the Improvements (the "**Cost Breakdown**").

2.3 DESIGN ALLOWANCE. In addition to the Improvement Allowance provided for below, Landlord will make available to Tenant an allowance (the "Design Allowance") in the amount of $1,234 to pay for the cost of preparing the Space Plan.

3. SPECIFICATIONS FOR BUILDING STANDARD IMPROVEMENTS. Specifications and details for building standard improvements ("**Standards**") are available upon request. Except as specified in Section 5 below, the Space Plan and Plans shall be consistent with the Standards, and no deviations shall be permitted from the Standards without Landlord's consent as set forth in Section 5 below.

4. GROUNDS FOR DISAPPROVAL. Tenant may request deviations from the Standards for Improvements provided that the deviations ("**Non-Standards**") shall not be of lesser quality than the Standards. Landlord shall not be required to approve any Non-Standards that are not acceptable to Landlord, in Landlord's sole and absolute discretion.

5. IMPROVEMENT COST AND ALLOWANCE.

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5.1 IMPROVEMENT ALLOWANCE. Landlord hereby grants to Tenant an "**Improvement Allowance**" of up to $287,910, which Improvement Allowance shall be used only for, and will pay the cost of, the Improvements to the Premises.

5.2 COST INCREASES. In the event that the cost of the Improvements increases subsequent to Tenant's approval of the Cost Breakdown due to the requirements of any governmental agency imposed with respect to the construction of the Improvements, Tenant shall pay to Landlord the amount of such increase within thirty (30) days of Landlord's written notice; provided, however, that Landlord shall first apply toward such increase any remaining balance in the Improvement Allowance.

5.3 CHANGE IN PLANS. In the event that Tenant requests a change in the Plans subsequent to approval of the Cost Breakdown, Landlord shall advise Tenant of Landlord's estimate of any increases in the cost of the Improvements and any delay such change would cause in the construction of the Improvements (the "**Estimate**"). Tenant shall approve or disapprove such change within five (5) days after receiving Landlord's Estimate. In the event that Tenant approves such change, Tenant shall accompany its approval with payment in the amount of any cost increase resulting from such change; provided, however, that Landlord shall first apply toward such increase any remaining balance in the Improvement Allowance. Landlord shall have the right to decline Tenant's request for a change in the approved Plans if the change is inconsistent with Sections 3, 4 or 5 above.

5.4 NO REFUND. If the actual cost of the Improvements does not exceed the Improvement Allowance, the unused portion of the Improvement Allowance shall not be paid or refunded to Tenant or be available to Tenant as a credit against any obligations of Tenant under the Lease. Any portion of the Improvement Allowance not expended prior to the date that is one (1) year after the date of the Lease shall be retained by Landlord, and Tenant shall have no further right to the use of such unused portion of the Improvement.

5.5 BASE BUILDING IMPROVEMENTS. In addition to the Improvement Allowance, Landlord, either prior to or in conjunction with the construction of the Improvements, will complete the following Base Building work at Landlord's cost and expense:

(a) replace the ceiling tile in the entire Premises;

(b) replace the lighting with building Standard fixtures in accordance with Tenant's ceiling plan as set forth in the Plans;

(c) distribute the fire sprinkler system; and

(d) install and distribute a new mechanical system with seven (7) new variable air volume units.

6. CONSTRUCTION OF IMPROVEMENTS.

6.1 CONSTRUCTION. Within a reasonable period following approval of the Plans by Tenant, and after payment of any sum required under Section 5.2 above, Landlord shall instruct its contractor to secure a building permit and to commence construction of the Improvements.

6.2 COMPLETION. Landlord shall endeavor to cause the contractor to substantially complete construction of the Improvements in a diligent manner, but Landlord shall not be liable for any loss or damage as a result of delays in construction of the Improvements or delivery of possession of the Premises except as otherwise provided in the Lease.

6.3 CONSTRUCTION SUPERVISORY FEE. The cost of the Improvements shall include a construction supervisory fee payable to Landlord equal to four percent (4%) of the total cost of constructing the Improvements.

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6.4 ACCEPTANCE OF THE PREMISES.

(a) Landlord will notify Tenant when the Improvements are substantially complete. Within ten (10) business days after receiving such notice, and prior to move-in of any furniture, fixtures or equipment, Tenant shall inspect the Premises for any deficiencies in the Improvements. A "punchlist" of all the deficiencies in the Improvements shall be prepared and agreed upon by both Landlord and Tenant. Landlord will correct defective items stated in the punchlist which are the responsibility of Landlord or its contractor. If Tenant does not so provide Landlord with a punchlist prior to occupying the Premises, Tenant shall be deemed to have accepted the Premises and the Improvements in their then present condition, except for latent defects not reasonably discoverable upon an inspection of the Premises. So long as the work is substantially complete, the existence of minor punchlist items shall not postpone the Commencement Date of the Lease or result in a delay or abatement of Tenant's obligation to pay rent or give rise to a damage claim against Landlord. Landlord agrees to complete all punchlist items which are Landlord's or its contractor's responsibility within forty five (45) days after receiving the final punchlist (or longer if reasonably necessary).

(b) Notwithstanding the estimated Commencement Date set forth in the Lease, Tenant's obligation for the payment of rent under the Lease shall not commence until the Improvements are substantially complete; however, if substantial completion of the Improvements is delayed because of Tenant Delay, then Tenant's obligation to pay rent under the Lease, and the Term, shall commence on the date the Premises would have been substantially complete except for the delays caused by Tenant, as reasonably determined by Architect. The phrase "**Tenant Delay**" means any delay that Landlord may encounter in the construction of the Improvements as a result of (i) delays resulting from changes in or additions to the Plans or the Improvements which are requested by Tenant after the Plans have been finalized pursuant to Section 2.2 above; (ii) delays by Tenant in the timely submission of information required of Tenant pursuant to this Work Letter, or the giving of authorizations or approvals within any time limits set forth in this Work Letter; (iii) delays due to the postponement of any of the Improvements at the request of Tenant; or (iv) delays otherwise attributable to the acts or omissions of Tenant or its employees, agents or contractors, other than delays in the Improvements requested by Landlord. As used in this Work Letter and the Lease, "Tenant Delay" does not include any delay arising from delays in permit issuance or inspection by any City department acting in its governmental capacity.

7. APPROVALS. If either party's consent or approval is required pursuant to this Work Letter, and such party has not notified the other party in writing within ten (10) business days after the date its approval or consent was requested in writing, that it is giving its consent or approval, or withholding its consent or approval, the party whose consent or approval is required shall be deemed to have given its consent or approval to the matter in question.

8. INCORPORATION. This Agreement is and shall be incorporated by reference in the Lease.

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EXHIBIT C

RULES AND REGULATIONS

1. No sign, placard, picture, advertisement, name or notice shall be installed or displayed on any part of the exterior or in any area visible from the exterior of the Building without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. Landlord shall have the right to remove, at Tenant's expense and without notice, any sign installed or displayed in violation of this rule. All signs or lettering on doors and walls shall be printed, painted, affixed or inscribed at the expense of Tenant. At the expiration or termination of Tenant's Lease, Tenant, at Tenant's sole cost and expense, shall remove all tenant-installed signage and repair and paint any and all damage resulting from installation and/or removal of said signage.

2. Tenant shall not install any curtains, blinds, shades, screens or hanging plants or other similar objects attached to or used in connection with any window or door of the Premises except building-standard blinds approved by Landlord. No awning shall be permitted on any part of the Premises. Tenant shall not place anything against or near glass partitions or doors or windows that may appear unsightly from outside the Premises.

3. Tenant shall not obstruct any sidewalks, lobbies, halls, passages, exits, entrances, elevators, or stairways of the Building. The halls, passages, exits, entrances, lobbies, elevators, and stairways are not open to the general public. Landlord shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the judgment of Landlord would be prejudicial to the safety, character, reputation and interest of the Building and its Tenants; provided that nothing herein contained shall be construed to prevent such access to persons with whom any Tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. No Tenant and no employee or invitee of any tenant shall go upon the roof of the Building without Landlord's prior written consent.

4. The directory of the Building will be provided exclusively for the display of the name and location of tenants' businesses only and Landlord reserves the right to exclude any other names therefrom.

5. All cleaning and janitorial services for the Building and the Premises, unless otherwise provided in the Lease, shall be provided exclusively through Landlord, and except with the written consent of Landlord, no person or persons other than those approved by Landlord shall be employed by Tenant or permitted to enter the Building for the purpose of cleaning the same. Tenant shall not cause any unnecessary labor by carelessness or indifference to the good order and cleanliness of the Premises. Landlord shall not in any way be responsible to any tenant for any loss of property on the Premises, however occurring, or for any damage to any tenant's property by the janitor or any other employee or any other person.

6. Landlord shall furnish Tenant with appropriate number of keys to each door lock in the Premises and to the main entrance door of the Building. Landlord may make a reasonable charge for any additional keys. Tenant shall not make or have made additional keys, and Tenant shall not alter any lock or install a new additional lock or bolt on any door of its Premises. Tenant, upon termination of its tenancy, shall deliver to Landlord all keys to all doors which have been furnished to Tenant, and in the event of loss of any keys so furnished, shall reimburse Landlord for the cost of any new lock(s) required due to such loss.

7. Tenant shall not install computer cabling, telephone, burglar alarm or similar services without Landlord's approval for installation of the same. Upon termination of Tenant's tenancy, at Landlord's option, Tenant shall remove any equipment and/or services from the Premises and shall restore the Premises to its condition prior to such installation.

8. Freight elevator(s), if any, shall be available for use by all tenants in the Building, subject to such reasonable scheduling, as Landlord in its discretion shall deem appropriate. No equipment, materials, furniture,

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packages, supplies, merchandise or other property will be received in the Building or carried in the passenger elevators except between such hours and in such elevators as may be designated by Landlord.

9. Tenant shall not place a load upon any floor of the Premises, which exceeds the load per square foot, which such floor was designed to carry and which is allowed by law. Landlord shall have the right to prescribe the weight, size and position of all equipment, materials, furniture or other property brought into the Building. Heavy objects shall, if considered necessary by Landlord, stand on such platforms as determined by Landlord to be necessary to properly distribute the weight of such objects. Business machines and mechanical equipment belonging to Tenant which cause noise or vibration that may be transmitted to the structure of the Building or to any space therein or to any tenants in the Building shall be placed and maintained by Tenant, at Tenant's sole cost and expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration. Landlord will not be responsible for loss of, or damage to, any such equipment or other property from any cause, and all damage done to the Building by maintaining or moving such equipment or other property shall be repaired at the expense of Tenant.

10. Tenant shall not use or keep in the Premises any kerosene, gasoline or inflammable or combustible fluid or material other than those limited quantities necessary for the operation or maintenance of office equipment. Tenant shall not use or permit to be used in the Premises any foul or noxious gas or substance, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors, or vibrations, nor shall Tenant bring into or keep in or about the Premises any animals, including dogs (except seeing-eye dogs).

11. Tenant shall not use any method of heating or air conditioning other than that supplied by Landlord.

12. Tenant shall not waste electricity, water or air conditioning, and Tenant agrees to cooperate fully with Landlord to assure the most effective operation of the Building's heating and air-conditioning system and to comply with any governmental energy-saving rules, laws or regulations, of which Tenant has actual notice, and shall refrain from attempting to adjust controls. Tenant shall keep corridor and exterior doors closed and shall close window coverings at the end of each business day.

13. The name of the Building is the Pacific Building. Landlord reserves the right, exercisable without notice and without liability to Tenant, to change the name of the Building.

14. Landlord reserves the right to exclude from the Building between the hours of 6:00 p.m. and 7:00 a.m. the following day, or such other hours as may be established from time to time by Landlord, and on Sundays and legal holidays any person, unless that person is known to the person or employee in charge of the Building and has a pass or is properly identified. Tenant shall be responsible for all persons for whom it requests passes and shall be liable to Landlord for all acts of such persons. Landlord shall not be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. Landlord reserves the right to prevent access to the Building in case of invasion, mob, riot, public excitement or other commotion by closing the doors or by other appropriate action.

15. Tenant shall close and lock the doors of its Premises and entirely shut off all water faucets or other water apparatus, electricity, copiers and other office equipment, including coffee pots, etc., before Tenant and its employees leave the Premises. Tenant shall be responsible for any damage or injuries sustained by other tenants or occupants of the Building or by Landlord for noncompliance with this rule.

16. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant, or employees or invitees of the tenant, who shall have caused it.

DOS CITY CLERK

17. Tenant shall not make any room-to-room solicitation of business from other tenants in the Building. Tenant shall not use the Premises for any business or activity other than that specifically provided for in Tenant's Lease.

18. Canvassing, soliciting and distribution of handbills or any other written material, and peddling in the Building are prohibited, and each tenant shall cooperate to prevent the same.

19. Tenant shall not install any radio or television antenna, loudspeaker or other device on the roof or exterior walls of the Building except as permitted in the Lease. Tenant shall not interfere with radio or television broadcasting or reception from or in the Building or elsewhere.

20. Landlord reserves the right to direct electricians as to where and the method in which telephone, computer or other wiring or cabling are to be introduced to the Premises. Tenant shall not cut nor bore holes for wiring or cabling without Landlord's prior written consent; said consent shall not be unreasonably withheld. Tenant shall not affix any floor covering to the floor of the Premises in any manner except as approved by Landlord. Tenant shall repair any damage resulting from noncompliance with this rule.

21. Landlord reserves the right to exclude or expel from the Building any person who, in Landlord's judgment, is intoxicated or under the influence of alcohol or drugs or who is in violation of any of the Rules and Regulations of the Building.

22. Tenant shall store all its trash and garbage within its Premises. Tenant shall not place in any trash box or receptacle any material, which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. All garbage and refuse disposal shall be made in accordance with directions issued from time to time by Landlord. All garbage over and above normal (i.e., major-delivery wrappings, etc.) shall be at Tenant's sole cost and expense. Tenant agrees to cooperate with Landlord in recycling programs as may be established from time to time by Landlord.

23. The Premises shall not be used for lodging or for manufacturing of any kind, nor shall the Premises be used for any improper, immoral or objectionable purpose. No cooking shall be done or permitted by Tenant on the Premises, except that use by Tenant of Underwriters Laboratory approved equipment for brewing coffee, tea, hot chocolate and similar beverages, and microwave ovens shall be permitted; provided that such equipment and use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations and does not cause objectionable odor.

24. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.

25. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.

26. Tenant assumes any and all responsibility for protecting its Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed.

27. An authorized individual will attend to the requirements of Tenant only upon appropriate application to the office of the Building. Employees of Landlord shall not perform any work or do anything outside their regular duties unless under special instructions from Landlord, and no employee of Landlord will admit any person (Tenant or otherwise) to any office of the Building without specific instructions from Landlord.

28. Tenant and Tenant's employees shall not park vehicles in any parking areas designated by Landlord as reserved parking areas or as visitor parking areas. Tenant shall not park any vehicles in the Building parking areas other than automobiles, motorcycles, motor-driven or nonmotor-driven bicycles or four-wheeled trucks.

2015 CITY CLERK

29. Tenant and Tenant's delivery personnel shall utilize loading zones and delivery entrances for all deliveries. Any damage to the Building or Premises resulting from Tenant's deliveries shall be repaired at the sole cost and expense of Tenant.

30. Tenant and Tenant's delivery personnel shall not use in any space or in the common areas of the Building any hand truck except those equipped with rubber tires and side guards or such other material-handling equipment as Landlord may approve. Tenant shall not bring vehicles of any other kind into the Building.

31. All moving of furniture or other equipment shall be done so as to have minimal impact on other tenants' and visitors' use of elevators, common areas, and parking facilities.

32. The Building is a nonsmoking building.

33. Landlord may waive any one or more of these Rules and Regulations for the benefit of Tenant or any other tenant, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of Tenant or any other tenant, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the tenants of the Building.

34. These Rules and Regulations are in addition to and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of any premises in the Building.

35. Landlord reserves the right to make such other and reasonable Rules and Regulations as, in its judgment, may from time to time be needed for safety and security, for care and cleanliness of the Building and for the preservation of good order therein. Tenant agrees to abide by all such Rules and Regulations hereinabove stated and any additional reasonable Rules and Regulations which are adopted.

36. Tenant shall be responsible for the observance of all of the foregoing Rules and Regulations by Tenant's employees, agents, clients, customers, invitees and guests.

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Form revised: February 26, 2014

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
FAS	Bill Craven / 733-9238	Jennifer Devore / 615-1328
SPD	Pierce Murphy	Candice Livingston / 233-7274

Legislation Title:
AN ORDINANCE relating to a lease agreement for office space; authorizing the Director of Finance and Administrative Services to enter into a lease agreement with 720 3rd Avenue Partners, L.L.C. for office space in the Pacific Building, for use by the Office of Professional Accountability; amending Ordinance 124349 that adopted the 2014 Budget to increase appropriations to provide for necessary costs and expenses related to preparing the leased premises for City use and occupancy; and ratifying and confirming certain prior acts; all by a three-fourths vote of the City Council.

Summary of the Legislation:
This legislation authorizes the Director of Finance and Administrative Services (FAS) to enter into a lease agreement with 720 3rd Avenue Partners, L.L.C. ("Landlord") for approximately 8,226 square feet of office space in the Pacific Building located at 720 3rd Avenue in Seattle. Legislation is required because the amount of leased space exceeds FAS' leasing authority under Seattle Municipal Code 3.127 020.C.1 of 5,000 square feet of office space in any one building in one calendar year. This legislation will allow the Director to enter into an agreement for an initial period no longer than ten years, with two additional five-year extensions; commencing upon substantial completion of the tenant improvements as generally depicted in the Lease Agreement (see Attachment 1). Additionally, the City or its employees have the ability to rent at market rate up to 11 parking stalls under this agreement.

Background:
The Office of Professional Accountability (OPA) currently resides in two separate locations. The Director, Deputy Director and one administrative assistant are housed on the 7th floor of the Seattle Police Department (SPD) headquarters building. The remaining 12 OPA staff members are housed on the 16th floor of the Seattle Municipal Tower (SMT) in approximately 4,500 square feet of space. OPA staff shares the 16th floor with City and non-City tenants.

It is important that the civilian Director and other staff be moved out of the SPD headquarters and be housed with the rest of the OPA staff to provide the necessary leadership and oversight the role requires. Due to the numerous investigations that OPA performs and the confidentiality of their work, private offices are a requirement that limit the ability of staff to double up in existing offices to save space. A survey of SMT space provided no viable options to co-locate the OPA team in other parts of the building or into another City-owned facility.

In addition, the current space does not easily accommodate OPA Auditor and Monitor Team member review of cases, nor does it provide a public meeting space for more than six attendees.

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Conference room space is essential to ensure proper community outreach and engagement meetings that OPA may conduct.

Before selecting the Pacific Building, FAS and SPD also considered a proposal from the Central Building. However, the Pacific Building was determined to be the best option because of its close proximity to Civic Center, lease rate, and the ability to lease an entire floor which provides increased security and privacy for patrons.

According to the negotiated lease agreement, several concessions from the landlord are financially advantageous to the City. These include the landlord paying up to $35.00 per square feet for tenant improvement in the space and free rent for the first seven months. This means that SPD will not need any new appropriation to pay rent in 2014. In addition, the five remaining months of the first year of the lease will be priced based on renting only 5,726 square feet of rentable space instead of the full 8,226 square feet that will be used therefore extending reduced rent well into 2015.

FAS estimates that the total tenant improvement costs for the space may exceed the landlord covered improvements by $330,000; however, true cost estimates for the improvements will be unavailable until the lease is signed and space design is complete. As such, funding for this project will be held in Finance General Reserves and be accessed via the FAS Customer Requested Tenant Improvement Program as required.

The full cost of this lease is estimated to be $72,000 for the remaining five months of the first year and approximately $250,000 per year beginning in year two. This amount will be adjusted annually for inflation as agreed upon in the lease. Funding for the lease will not be required in 2014 as lease payments will not begin until 2015.

Table 1:

	Yearly Rent/SF	**Annual Rent***
Year 1	$29.50/sf	$72,494
Year 2	$30.25/sf	$256,302
Year 3	$31.00/sf	$262,656
Year 4	$31.75/sf	$269,011
Year 5	$32.50/sf	$275,365
Year 6	$33.25/sf	$281,720
Year 7	$34.00/sf	$288,075
Year 8	$34.75/sf	$294,429
Year 9	$35.50/sf	$300,784
Year 10	$36.25/sf	$307,138

*This amount is calculated based on 5,726 sq ft for the first year. Year 2 and beyond is calculated on the full rental space 8,226 sq ft,

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X This legislation has financial implications.

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2014 Appropriation	2015 Anticipated Appropriation
General Subfund - 00100	Seattle Police Department	Office of Professional Accountability BCL - P1300	$0	TBD
General Subfund - 00100	Finance General	Reserves BCL - 2QD00	$330,000	$0
TOTAL			**$330,000**	**$0**

Appropriations Notes:
This item increases appropriation authority by $330,000 in the Finance General Reserve BCL to provide resources to renovate the Pacific Building to address OPA space requirements. FAS will manage the renovation project via the FAS Customer Requested Tenant Improvement Program which has adequate appropriation for this item. The appropriation in Finance General will carry forward until spent.

The 2015 SPD appropriation for lease payments (that will begin seven months after the start of the lease) will be determined during the 2015-16 Budget process. At this time, it is unknown whether SPD will require any additional appropriation authority or a transfer of existing appropriation within their baseline budget.

Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2014 Expenditures	2015 Anticipated Expenditures
General Subfund - 00100	Finance General	Reserves BCL - 2QD00	$330,000	$0
TOTAL			**$330,000**	**$0**

Spending/Cash Flow Notes:

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**
This legislation will obligate the City to pay to the Landlord the monthly rental amount as described in Table 1 for the duration of the lease agreement.

b) **What is the financial cost of not implementing the legislation?**
The need for additional office space still remains in the event that this legislation is not approved. Additional office space will need to be secured for OPA, whether it is in the Pacific Building or another similar office building.

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c) **Does this legislation affect any departments besides the originating department?**
Yes, this legislation affects the Seattle Police Departments Office of Professional Accountability. FAS administers and manages the lease agreement and passes through any charges, including rent, and operating costs.

d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
The only viable alternative would be to secure similar office space at another property. That space would likely be inferior to this office space and lack financial advantages that have been negotiated.

e) **Is a public hearing required for this legislation?**
No.

f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.

g) **Does this legislation affect a piece of property?**
Yes, this legislation authorizes the Director of Finance and Administrative Services to execute a lease agreement on a portion of property located at 720 3rd Avenue. Please see Attachment 2, proximity map of the leased office space.

h) **Other Issues:**

List attachments to the fiscal note below:
Attachment 1: Basic Lease Terms
Attachment 2: Proximity map of leased property

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Bill Craven
FAS OPA Lease FISC ATT 1
March 26, 2014
Version #1

Basic Lease Terms
Pacific Building

Landlord: 720 3rd Avenue Partners, L.L.C., a Delaware Corporation

Premises: Floor 18, approximately 8,226 rentable square feet

Term: 10 years, plus two 5 year options to extend.

Rental Rate: Rate begins at $29.50 per square foot per year, with $0.75 per square foot annual increases.

Abated Rent: The rent is abated for the First 7 months.
Months 8 through 12 City pays rent on only 5,726 square feet of space.

Tenant Imp: $35.00/rsf

Parking: Right, but no obligation to lease from landlord up to 1 stall per 750rsf of lease space (approximately 11 stalls.)

DIS CITY CLERK

Bill Craven
FAS - OPA Lease FISC ATT 2
April 7, 2014
Version #1

City of Seattle

Pacific Building
720 3rd Ave, Seattle
Seattle Police Department
Office of Professional Accountability

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April 2014

CITY CLERK

City of Seattle
Edward B. Murray
Mayor

May 20, 2014

Honorable Tim Burgess
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Burgess:

I am pleased to transmit the attached proposed Council Bill authorizing the Director of Finance and Administrative Services (FAS) to execute a ten-year lease agreement, with two five-year extension options, with 720 3rd Avenue Partners, L.L.C. (Landlord) for 8,226 square feet of office space at 720 3rd Avenue (the Pacific Building) for the Office of Professional Accountability (OPA). Legislation is required to sign the lease because the size and duration of the lease exceeds FAS' statutory authority for leasing without the Council's approval.

The majority of the OPA is currently housed on the 16th floor of the Seattle Municipal Tower (SMT) with the Director, Deputy Director and an Administrative Staff Assistant located separately in the Seattle Police Department Headquarters. It is essential that these staff members be co-located and that their office space be located outside of police headquarters to reinforce the independence of the office. FAS determined that SMT is unable to accommodate the needs of OPA due to space limitation. As such, FAS evaluated several private office buildings nearby and found that the Pacific Building sufficiently meets OPA's requirements.

The proposed lease will provide OPA with a long-term location convenient to the Civic Center area as it is located two blocks west of the Municipal Tower and Police Headquarters. Because OPA will be the sole occupants of an entire floor of the Pacific Building, it provides greater security for both the staff assigned to this unit as well as city residents making inquiries than presently exists. This location also houses existing City IT infrastructure because the Seattle City Employees Retirement currently occupies other space in the building and will provide some tenant improvement savings unavailable with other locations.

Passage of this legislation and movement of OPA to office space independent of the Civic Center area will increase OPA's accessibility and effectiveness. Should you have questions, please contact Bill Craven at 733-9238.

Sincerely,

Edward B. Murray
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

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