

May 22, 1997

Introduced By: LARRY PHILLIPS  
Chris Vance

kngstrord:pj

Proposed No.: 97-0204

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ORDINANCE NO.

**12754**

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AN ORDINANCE approving a lease for county use of approximately 310,000 square feet of office and retail space and related parking in a building to be known as King Street Center in the City of Seattle and authorizing the county executive to execute such lease, and approving certain provisions of the plan to be used by the owner of King Street Center to finance construction of the building.

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PREAMBLE:

By Ordinance No. 12614, passed on January 21, 1997, the county council determined that the public interest, welfare and benefit require the county to lease approximately 310,000 square feet of office space in downtown Seattle for county use. By such ordinance, the county council also found that the proposal of Wright Runstad & Company ("Wright Runstad") to build an office building located adjacent to the King Street Station in downtown Seattle, to be known as King Street Center, best satisfies the county's requirements.

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In accordance with provisions of K.C.C. 4.04.040, the King County council may adopt an ordinance permitting

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the county to enter into contracts requiring the payment of funds from the appropriations of subsequent fiscal years.

The council now wishes to approve the terms of a lease for office and retail space and related parking in the King Street Center and to authorize the executive to execute such lease and to take all other action necessary to accomplish the financing plan approved herein.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Findings. The council hereby ratifies and confirms its findings, made in Section 1 of Ordinance No. 12614, passed on January 21, 1997, (i) that the public interest, welfare and benefit require the county to lease approximately 310,000 square feet of office space in downtown Seattle for county use, and (ii) that the proposal of Wright Runstad & Company ("Wright Runstad") to build an office building located adjacent to the King Street Station in downtown Seattle, to be known as King Street Center, best satisfies the county's requirements.

SECTION 2. Approval of Lease. The council hereby approves the lease by and between the county and CDP-King County III, a Washington nonprofit corporation ("CDP"), a copy of which lease is attached as Exhibit A to this ordinance and incorporated herein by this reference (the "Lease"). The executive is hereby authorized to execute the Lease in substantially the form set forth on Exhibit A, subject only to such changes as may be required by the trustee for certain lease revenue bonds to be issued by

1 CDP as described in Section 3 of this ordinance, the  
2 insurer or underwriter of such bonds, bond counsel for the  
3 county, or the office of the prosecuting attorney of the  
4 county; provided, however, that such changes shall not  
5 materially increase the responsibilities or liabilities of  
6 the county. In no event shall the term of the Lease  
7 exceed 30 years, nor shall the total amount of "Monthly  
8 Rent" (as such term is defined in the Lease) exceed  
9 \$6,125,000 per year. When fully executed, a copy of the  
10 Lease shall be filed with the clerk of the council.

11 SECTION 3. Approval of Financing Plan. The council  
12 hereby acknowledges Wright Runstad's plan to enter into an  
13 agreement with CDP-King County III ("CDP"), a nonprofit  
14 corporation and a subordinate organization of the NDC  
15 Housing and Economic Development Corporation , for  
16 development of King Street Center.

17 For the purpose of complying with the requirements of  
18 Revenue Ruling 63-20 of the U.S. Department of Treasury  
19 (as compiled and supplemented by Revenue Procedure 82-26  
20 of the U S. Department of Treasury), the council hereby  
21 acknowledges and approves CDP's plans to finance  
22 development of King Street Center by CDP's issuance of its  
23 tax-exempt lease revenue bonds in the aggregate principal  
24 amount of not to exceed \$80,400,000 (the "Bonds"). The  
25 county hereby acknowledges and approves the pledge by CDP

1 of revenues to be received by CDP from the county under  
2 the Lease to secure payment of the Bonds in accordance  
3 with an indenture of trust to be entered into by CDP and  
4 Mellon Bank, F.S.B., as trustee. The Bonds shall in no  
5 way represent or create a general obligation of the  
6 county, and the county shall not pledge its full faith and  
7 credit for the repayment of the Bonds. The county agrees  
8 that when the Bonds are retired, the county shall accept  
9 delivery of full legal and unencumbered title to King  
10 Street Center for no additional consideration.

11 The county further acknowledges that, under Rule  
12 15c2-12 of the Securities and Exchange Commission (the  
13 "Rule"), it will be an "obligated person" with respect to  
14 the Bonds. The finance director of the county or his  
15 designee is hereby authorized to "deem final" pursuant to  
16 the Rule those portions of any preliminary official  
17 statement for the Bonds that will relate to the county,  
18 the Lease and the leased premises. The finance director  
19 is also hereby authorized to enter into an undertaking to  
20 provide continuing disclosure about the county as may be  
21 required under the Rule.

22 SECTION 4. King Street Center Maintenance Reserve.

23 The county council hereby approves and adopts a funding  
24 plan for major maintenance and tenant improvement  
25 rehabilitation for the King Street Center Building. The

1 King Street Center sub-fund of the Major Maintenance Fund  
2 shall be funded on a pro-rata basis by county tenants  
3 occupying the King Street Building in an amount of  
4 \$310,000 per year by annual payments of an assessment,  
5 equivalent discounted "one-time" payments, or a  
6 combination thereof. These proceeds shall be deposited  
7 into the King Street Center sub-fund of the county's Major  
8 Maintenance Fund and shall only be available for use in  
9 connection with maintenance and tenant improvements at and  
10 on behalf of the King Street Center as authorized by the  
11 county council, at and on behalf of the King Street Center  
12 Building.

13 SECTION 5. General Authorization. The appropriate  
14 county officials, agents and representatives are hereby  
15 authorized and directed to do everything necessary and  
16 desirable to accomplish the plan of leasing office space  
17 authorized by this ordinance and to do all things  
18 necessary or desirable for the orderly sale and delivery  
19 of the Bonds, including but not limited to the execution  
20 and delivery of such certificates and opinions as may be  
21 approved by the county's bond counsel or the office of the  
22 prosecuting attorney.

23 SECTION 6. Severability. If any one or more of  
24 the covenants or agreements provided in this ordinance  
25 to be performed on the part of the county shall be

1 declared by any court of competent jurisdiction to be  
2 contrary to law, then such covenant or covenants,  
3 agreement or agreements, shall be null and void and  
4 shall be deemed separable from the remaining covenants  
5 and agreements of this ordinance and shall in no way  
6 affect the validity of the other provisions of this  
7 ordinance or of the Lease.

8 INTRODUCED AND READ for the first time this 7<sup>th</sup>  
9 day of April, 1997.

10 PASSED by a vote of 11 to 2 this 27<sup>th</sup> day of  
11 May, 1997.

12 KING COUNTY COUNCIL  
13 KING COUNTY, WASHINGTON

14  
15 Jane Hogue  
16 Chair

17 ATTEST:

18 James Masno  
19 ACTING Clerk of the Council

20 APPROVED this 30 day of May, 1997,  
21 1997.

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23 Smel  
24 King County Executive

25 Attachments: Exhibit A - Copy of the Lease

12754 11

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LEASE AGREEMENT

between

CDP-KING COUNTY III, a Washington  
non-profit corporation, as Landlord

and

KING COUNTY, a political subdivision  
of the State of Washington, as Tenant

DATED: \_\_\_\_\_, 1997

KING STREET CENTER  
Seattle, Washington

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Exhibits

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Exhibit B	Detailed Description of Plans and Specifications for the Project
Exhibit C	Dates for Design, Development and Construction of the Project
Exhibit D	Land
Exhibit E	Confirmation of Commencement and Expiration Dates
Exhibit F	Memorandum of Lease

## LEASE AGREEMENT

This Lease Agreement ("Lease") is made as of the \_\_\_ day of \_\_\_\_\_, 1997 by and between CDP-KING COUNTY III, a Washington non-profit corporation, as "Landlord" and KING COUNTY, a political subdivision of the State of Washington, as "Tenant." Landlord and Tenant agree as follows:

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

1.1 "ADA" means the Americans With Disabilities Act of 1990, as amended from time to time.

1.2 "Additional Rent" means the Operating Costs, Taxes, and Utilities, each as defined herein, and any other monetary sum to be paid by Tenant to Landlord or to third parties under the provisions of this Lease (other than Monthly Rent).

1.3 "Architect" means NBBJ West Limited Partnership.

1.4 "Bond Closing" refers to the date the Bond proceeds are available to the Trustee.

1.5 "Bond Insurer" means an insurance company which issues a municipal bond insurance policy at the request of the Landlord in connection with the issuance of the Bonds.

1.6 "Bonds" means those tax-exempt obligations which satisfy the requirements of Revenue Ruling 63-20, Revenue Procedure 82-26 and other regulations, interpretations and letter rulings issued by the Internal Revenue Service with respect to such financing, from the proceeds of which Landlord intends to pay, among other things, the Fixed Price.

1.7 "Building Enhancement Costs" means the actual cost of design, acquisition and installation of the Building Enhancements into the Project, together with state and local retail sales taxes applicable thereto and the management fee to be paid Developer to equal five percent (5%) of the actual costs, exclusive of state and local sales taxes applicable thereto, for the design, acquisition and installation of Building Enhancements.

1.8 "Building Enhancements" means the cabling system including, but not limited to, data transmission, telephone and fiber optic cabling for the Project which meets the design criteria previously provided by Tenant to Landlord. As of the date of this Lease, Landlord has been provided an estimate for the cost of the Building Enhancements of \$1,523,000. The parties understand and agree, however, that this amount is only an estimate and is subject to adjustment. Building Enhancements are not included as part of the Fixed Price and all Building

Enhancement Costs shall be paid by Landlord and reimbursed by Tenant at Tenant's sole cost and expense, except as they may be paid out of the Design Contingency pursuant to Section 5(i) of the Development Agreement.

1.9 "Calendar Year" means a calendar year commencing with January 1 and ending with December 31.

1.10 "Code" means the Internal Revenue Code of 1986, as amended, or any successor federal income tax statute or code. Any reference to a provision of the Code shall include the applicable Department of Treasury regulations.

1.11 "Commencement Date" means the date of Substantial Completion of the Project.

1.12 "Construction Contracts" means the General Construction Contract and all other contracts for construction services entered into between Landlord or Developer, on behalf of and acting as agent for Landlord, and any Contractor, including the General Contractor, for construction of Tenant Improvements, Building Enhancements or any other portion of the Project not covered by the General Construction Contract.

1.13 "Construction Documents" mean the Construction Drawings and Detailed Specifications approved by the Landlord for the construction of the Project, including technical drawings, schedules, diagrams, plans and specifications setting forth in detail the requirements for construction of the Project and providing information customarily required for the use of the building trades.

1.14 "Construction Drawings" means Drawings setting forth in detail the requirements for the construction of the Project. As used herein, "Drawings" include all graphic and pictorial documents depicting the design, location and dimensions of the elements of the Project (including Tenant Improvements) and include plans, elevations, sections, details, schedules and diagrams for the Project. Construction Drawings may consist of separate Drawings for the building shell and core prepared by the Architect and separate Drawings for Tenant Improvements prepared by Interior Designer.

1.15 "Contract Documents" means the Construction Documents, the General Construction Contract and the other documents identified as Contract Documents in the General Construction Contract.

1.16 "Contractor(s)" means the General Contractor and any other construction contractors with whom Landlord enters into direct contracts upon the written recommendation of Developer, or with whom the Developer on behalf of and acting as the Landlord's agent, contracts for the Project.

1.17 "Design Contingency" means the contingency described in Section 5(i) of the Development Agreement which may be used by the Landlord, with the concurrence of

Tenant, to cover any increase in Project Costs resulting from design and construction of improvements and/or deviations required by the Landlord, with the concurrence of Tenant, from the Preliminary Plans and Outline Specifications, increases in Building Enhancement Costs, art acquisition or installation or Tenant Improvements requested by Landlord, with the concurrence of Tenant, in excess of the Tenant Improvement Allowance.

1.18 "Detailed Specifications" means all written detailed requirements for materials, equipment, construction systems, standards and workmanship for the construction of the Project.

1.19 "Developer" means Wright Runstad Associates Limited Partnership, a Washington limited partnership and its successors and permitted assigns under the Development Agreement.

1.20 "Development Agreement" means that certain Development Agreement dated \_\_\_\_\_, 1997, as amended from time to time with the consent of Tenant, between Developer and Landlord which provides for the acquisition of the Land and the development, design, permitting and construction of the Project.

1.21 "Effective Date" means the date that this Lease is fully executed, acknowledged and delivered by Landlord and Tenant.

1.22 "Environmental Laws" means, as amended from time to time, the Federal Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901 et seq., Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., Federal Hazardous Materials Transportation Control Act, 42 U.S.C. Section 1801 et seq., Federal Clean Air Act, 42 U.S.C. Section 7401 et seq., Federal Water Pollution Control Act, Federal Water Act of 1977, 93 U.S.C. Section 1251 et seq., Federal Insecticide, Fungicide and Rodenticide Act, Federal Pesticide Act of 1978, 7 U.S.C. Section 136 et seq., Federal Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., Federal Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., Washington Water Pollution Control Act, RCW Chapter 90.48, Washington Clean Air Act, RCW Chapter 70.94, Washington Solid Waste Management Recovery and Recycling Act, RCW Chapter 70.95, Washington Hazardous Waste Management Act, RCW Chapter 70.105, Washington Hazardous Waste Fees Act, RCW Chapter 70.95E, Washington Model Toxics Control Act, RCW Chapter 70.105D, Washington Nuclear Energy and Radiation Act, RCW Chapter 70.98, Washington Radioactive Waste Storage and Transportation Act of 1980, RCW Chapter 70.99, Washington Underground Petroleum Storage Tanks Act, RCW Chapter 70.148.

1.23 "Event(s) of Default" has the meaning set forth in Paragraph 22 of this Lease.

1.24 "Expiration Date" means June 1, 2027 (unless sooner terminated pursuant to this Lease).

1.25 "Final Acceptance" means the Landlord's written approval and concurrence that certain events, more fully defined in Section 13 of the Development Agreement, have occurred prior to Final Payment (as defined in the Development Agreement) being made.

1.26 "Fixed Price" means the sum of \$60,300,000, which is the amount to be paid by Landlord for the acquisition of the Land and the completion of the design, development, permitting and construction of the Project, and is the price to be paid by Landlord for Project Costs. The Fixed Price includes an \$8,180,000 Tenant Improvement Allowance. A detailed description of Project Costs by line item and category is set forth in the Project Budget.

1.27 "General Construction Contract" means the form of agreement between the Landlord and the General Contractor for construction of the building shell and core and Tenant Improvements for the Project.

1.28 "General Contractor" means Lease Crutcher Lewis.

1.29 "Hazardous Substance" means any material, waste, substance, industrial waste, toxic waste, chemical contaminant, petroleum, asbestos, polychlorinated biphenyls, radioactive materials, or other substances regulated or classified by Law or Environmental Laws as hazardous, toxic or lethal to persons or property.

1.30 "Holdover Costs" has the meaning set forth in Paragraph 9.19 of this Lease.

1.31 "Indenture" means the loan agreement, trust indenture or other agreements or documents pursuant to which Landlord will cause the issuance of the Bonds.

1.32 "Interior Designer" means Marvin Stein Associates, Inc.

1.33 "Land" means the land on which the Premises is located, as more particularly described in Exhibit D attached hereto and by this reference incorporated herein.

1.34 "Landlord" means CDP-King County III, a Washington nonprofit corporation, its successors and permitted assigns.

1.35 "Law(s)" 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 Premises, 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 all rules, laws and regulations issued thereunder, as the same may be amended from time to time.



1.36 "Lease Year" means each succeeding year of the Term, commencing with the Commencement Date and ending with the date which is one (1) day less than one (1) year later.

1.37 "Liens" means any lien, charge, security interest or encumbrance, except the Indenture and the Mortgage, which may be attached to, upon or against the Premises or any portion thereof.

1.38 "Monthly Rent" means the rent payable by Tenant under this Lease from the Commencement Date to and including the Expiration Date in the amounts for each Lease Year as set forth on the Schedule of Monthly Rent annexed hereto as Exhibit A and by this reference incorporated herein.

1.39 "Mortgage" means the (a) Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing; (b) Assignment of Leases and Cash Collateral; (c) applicable Uniform Commercial Code financing statements; and (d) other security documents executed by Landlord in connection with or to secure the Bonds.

1.40 "Notice Address" means, as to each of the Notice Parties, its respective address as specified in or pursuant to Paragraph 32.7 of this Lease.

1.41 "Notice Parties" means each of Landlord, Tenant, Trustee and Bond Insurer.

1.42 "Operating Costs" has the meaning given to it in Paragraph 5 of this Lease.

1.43 "Parking Garage" means the entirety of a two level underground parking garage which constitutes a portion of the Project and containing a minimum of 304 parking stalls.

1.44 "Permitted Use" has the meaning given to it in Paragraph 7 of this Lease.

1.45 "Preliminary Plans and Outline Specifications" are the initial renditions for the shell and core of a first class office building to be constructed on the Land pursuant to the Master Use Permit issued with respect to the Project by the City of Seattle, a copy of which is attached hereto as Exhibit B and by this reference incorporated herein.

1.46 "Premises" means the entirety of the building to be known as King Street Center, containing approximately 310,000 square feet of rentable area together with the Parking Garage.

1.47 "Project" means the total design and construction, including all professional design services, and all labor, materials and equipment used or incorporated in such design and construction of an eight story first class office building to be constructed on the Land

and to be known as King Street Center containing approximately 310,000 square feet of rentable area as more fully described in the Preliminary Plans and Outline Specifications, including all HVAC, electrical and other building systems, Building Enhancements, Tenant Improvements and the entirety of a two level underground parking garage located on the Land containing a minimum of 304 parking spaces. The Project shall include work which is consistent with and reasonably inferable from the approved Project Requirements as being necessary to produce the intended results.

1.48 "Project Budget" means the budget for development of the Project attached to the Development Agreement as Exhibit F, as revised from time to time by Developer and Landlord, with the concurrence of Tenant, in accordance with the Development Agreement.

1.49 "Project Requirements" means the Preliminary Plans and Outline Specifications and as otherwise specifically agreed to by Landlord and Developer.

1.50 "Project Schedule" means the schedule for development and construction of the Project as revised from time to time by Developer and Landlord, with the concurrence of Tenant, in accordance with the Development Agreement. The initial Project Schedule is set forth in Exhibit C attached hereto and by this reference incorporated herein.

1.51 "Punch List" means a list of items required to be completed prior to Final Acceptance that are minor items which do not affect Landlord's ability to lease the Premises to Tenant and do not affect Tenant's ability to use the Premises for their intended use.

1.52 "Rent" means Monthly Rent and Additional Rent, each as defined herein.

1.53 "Sale of the Bonds" means execution and delivery by Landlord and a responsible bond underwriter of an agreement providing for the purchase and sale of Bonds and with no conditions to the underwriter's obligation to pay for and accept delivery of the Bonds other than those conditions contained in the agreement between Landlord and the responsible bond underwriter.

1.54 "State Nonprofit Corporation Act" means the Washington Nonprofit Corporation Act, Chapter 24.03 RCW, as amended from time to time.

1.55 "Substantial Completion" means that each of the following events shall have occurred with respect to the Project:

(a) Developer shall have notified Landlord in writing that the Project, including Building Enhancements and all Tenant Improvements (which may exclude street level retail rental space) are Substantially Completed in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items;

(b) Architect shall have issued its "Certificate of Substantial Completion" AIA Document G704 stating that the work under the Construction Contracts is

sufficiently complete in substantial accordance with the Contract Documents to permit Tenant to occupy or utilize the Project for government office purposes;

(c) The City of Seattle has issued a temporary certificate of occupancy such that the Tenant is permitted to and could, pursuant to such issued certificate of occupancy, physically occupy the Project for normal government office purposes, including parking;

(d) Landlord has received satisfactory evidence from the Developer that all real property taxes and assessments on the Project that were due and owing have been paid;

(e) Each Contractor shall have issued its "Certificate of Substantial Completion" together with its Affidavit of Payment of Debts and Claims, AIA Forms 706 and 706A together with partial waivers and releases of lien for work performed prior to the date of its "Certificate of Substantial Completion" in form satisfactory to Landlord, with Tenant's concurrence, from such materialmen, laborers, contractors and subcontractors as Landlord, with Tenant's concurrence may require;

(f) Developer has submitted a certificate from the Trustee that there is available within the Project Fund established under the Indenture an amount equal to 101% of the amount reasonably estimated by Landlord, with Tenant's concurrence, to pay for all work done or to be done (including Punch List Items) but not yet billed or paid by Developer and all other Project Costs required to cause Final Acceptance of the Project; and

(g) Landlord, with Tenant's concurrence, shall have accepted the Project as Substantially Complete, subject to completion of the Punch List items agreed upon by Landlord, with Tenant's concurrence.

1.56 "Substantial Completion Date" for the Project means the date twenty-four (24) months after Bond Closing. The Substantial Completion Date shall be extended to the extent of (i) Unavoidable Delay; provided, however, that extensions due to Unavoidable Delay shall not exceed ninety (90) days; and (ii) Tenant-caused delays (e.g., delays due to Tenant-initiated change proposals or delays caused by Tenant's failure to timely provide space plans to Landlord, in order that Landlord can deliver the space plans to the Developer in accordance with Section 2(b) of the Development Agreement, that result in Substantial Completion failing to occur by the date of 24 months after Bond Closing

1.57 "Substantially Complete" means that the Project has been constructed in substantial accordance with the Contract Documents and: (a) all elements required for the functioning of the Project shall be operational and in good working order and condition including satisfying applicable ADA building requirements as set forth in Chapter 51-30 of the Washington Administrative Code; (b) the Project shall be weather tight and waterproof; (c) the fire and life safety systems within the Project shall be operational and in good working order and condition; (d) the elevators shall operate and function in good working order and condition, but may still require touch up installation and cleaning; (e) the mechanical and electrical systems, including

the HVAC system, shall be individually tested and in good working order able to support the Project and shall also be tested to assure that Project systems operate on an integrated basis, but the HVAC system may still require final balancing work; (f) the finish work is substantially completed, including, but not limited to public lobby, elevator, HVAC, plumbing, fire and life safety, sprinkler and electrical systems, doors, partitions, cabinetry, carpet and base, including removal of all construction debris; (g) all site utilities, sidewalks and landscaping are substantially completed and construction barricades and equipment have been removed; (h) the Parking Garage, including Parking Garage elevators and lobbies, and all entrances and exits thereto are completed; and (i) the access and security systems for the Project (including the Parking Garage) are installed and operational, except in each case minor Punch List items which do not materially affect use and occupancy of the Project for government offices.

1.58 "Taxes" means all real property taxes and assessments (including assessments for special improvements), license and permit fees, charges for public utilities, leasehold excise taxes, other excise taxes, levies, sales, use and occupancy taxes, any tax or charge assessed against the Rent or fair market value of the Premises and any taxes levied or assessed in addition to or in lieu of, in whole or in part, such taxes, assessments or other charges and all other governmental impositions and charges of every kind and nature, general and special, ordinary and extraordinary, foreseen and unforeseen of every character (including interest and penalties thereon) which at any time from and after the Commencement Date of this Lease may be imposed, levied upon or assessed against or which arise with respect to or constitute a lien upon the Land, the Premises (or any part thereof), the leasehold estate created by this Lease or any part thereof, or any estate, right or interest therein, or any occupancy, use or possession of or activity conducted on the Premises or any part thereof.

1.59 "Tenant Improvement Allowance" means within the Fixed Price, an \$8,180,000 allowance to cover the design and construction costs of the Tenant Improvements.

1.60 "Tenant Improvements" means those certain interior improvements to the Project, all of which are more specifically defined in the Construction Documents.

1.61 "Tenant" means King County, a political subdivision of the State of Washington, its successors and permitted assigns.

1.62 "Tenant's Construction Representative" means the Director of DCFM or the Director's designee as appointed by the Director, from time to time.

1.63 "Tenant's Personal Property" means Tenant's furniture, equipment and movable property placed in the Premises by the Tenant and any property installed in or about the Premises by Tenant for purposes of the transaction of business, ornament, decoration or related uses. Tenant shall provide Tenant's Personal Property at Tenant's sole cost and expense.

1.64 "Term" means the period beginning on the Effective Date and ending on the Expiration Date.

1.65 "Trustee" means a national bank or other financial institution with trust powers selected by Landlord to serve as the bond trustee under the Indenture or any duly authorized successor thereto appointed pursuant to the Indenture.

1.66 "Unavoidable Delays" means any delay in the performance by Developer or General Contractor of its obligations with respect to construction of the Project caused by strikes (other than those directly caused by Developer's acts, omissions or failures to bargain in good faith), acts of God, unusually inclement weather, unavoidable casualties and similar causes which, after the exercise of due diligence to mitigate the effects thereof, delay construction of the Project, other than such delays resulting from (a) Developer's or General Contractors' failure to comply with the terms and provision of the Development Agreement, (b) increased prices, or (c) unavailability of funds, provided the Fixed Price is paid in accordance with Section 10 of the Development Agreement. Unavoidable Delays will entitle Developer to request an extension of time within which to complete the Project but will in no way entitle Developer to additional compensation.

1.67 "Utilities" means all utilities and services furnished to the Premises, including without limitation, gas, electricity, water, sewer, garbage collection, and telephone service.

2. Premises. Landlord leases to Tenant and Tenant leases from Landlord the Premises for the Term.

3. Term. The Term shall commence on the Effective Date and shall expire on the Expiration Date; provided, however, that the obligation of the Tenant to pay Rent shall not commence until the Commencement Date. Landlord and Tenant shall confirm the Commencement and Expiration Dates by executing within fifteen (15) days after the Commencement Date, a written Confirmation of Commencement and Expiration Dates in the form attached hereto as Exhibit E, which Confirmation of Commencement and Expiration Dates shall become a part of this Lease and be binding upon Landlord and Tenant to establish the actual Commencement Date and Expiration Date of the Term. Notwithstanding that the obligation of Tenant to pay Rent under this Lease, shall not commence until the Commencement Date, all of the other terms and provisions of this Lease shall be effective from and after the Effective Date (except as otherwise provided herein).

4. Monthly Rent. Commencing on the Commencement Date, Tenant shall pay to Landlord or as Landlord may otherwise direct in writing and without deduction, offset, prior notice or demand, in advance on the first day of each month during the Term an amount equal to Monthly Rent. Tenant acknowledges that time is of the essence in payment of Monthly Rent since Landlord intends to use Monthly Rent to make principal and interest payments on the Bonds.

Monthly Rent for any partial month shall be prorated on a daily basis at the rate of 1/30th of the Monthly Rent. All Monthly Rent shall be paid to Landlord at Landlord's Notice Address or as otherwise directed in writing by Landlord.

5. Additional Rent: Payment of Operating Costs, Taxes and Utilities.

5.1 Absolute Net Lease. Tenant acknowledges that this Lease is an absolute net lease. From and after the Commencement Date of this Lease it is the intention of the parties that Tenant pay all the Operating Costs, Taxes and Utilities relating to the Premises. Prior to the Commencement Date of this Lease, all Operating Costs, if any, Taxes and Utilities relating to the Premises shall be paid by Developer or Landlord pursuant to the provisions of the Development Agreement.

5.2 Operating Costs. Operating Costs means any and all costs and expenses directly related to and incurred by Landlord from and after the Commencement Date of this Lease in connection with:

(i) the repair, replacement, operation, and maintenance of the Premises, including, without limitation, interior and exterior maintenance, all exterior doors and windows, elevators, sidewalks, driveways, interior perimeter and interior partition walls and finishes (including periodic painting thereof), exterior wall finishes, broken glass in exterior and interior doors and windows, roof, floor covering, window frames, gutters and downspouts, HVAC system, landscaping and all other areas used in connection with the Project, excluding, however:

(a) repairs or replacements made to rectify or correct any latent defect(s) in the original design, materials or workmanship of the Project, as originally constructed;

(b) repairs or replacements attributable to fire or other casualty;

(c) repairs or replacements necessitated by the negligence or willful misconduct of Landlord, Landlord's employees, contractors or agents;

(ii) the asset management fee paid Landlord under the operating budget and the property management fees paid to the entity or entities managing the Premises under property management contracts which meet the requirements of Paragraph 10.3 of this Lease;

(iii) the auditing fees incurred by Landlord in connection with the preparation of the financial statements required under Paragraph 10.3 of this Lease;

(iv) the expenses, fees and charges paid to the operator of the Parking Garage, if any, and incurred in connection with operation of the Parking Garage, provided such fees are competitive with then current market rates and any parking management contract which complies with Revenue Procedure 97-13 or any successor revenue procedure issued by the Internal Revenue Service governing management, operation or other service contracts in connection with the issuance of tax-exempt obligations;

(v) all costs of services furnished by or through Landlord (provided, however, Landlord shall be required to obtain such services at rates generally competitive in the marketplace), including janitorial, security, gardening, landscaping, and related costs and expenses, licenses, permits, and inspection fees, the cost of supplies, materials, equipment, and tools used in connection with the maintenance, operation, or repair of the Premises and all other reasonable, necessary and customary costs and expenses directly related to the operation, maintenance, and repair of the Premises;

(vi) any damage to the Premises (but not to Tenant's Personal Property) caused by breaking and entering;

(vii) all costs of compliance with governmental laws or the board of fire underwriters (or similar organization) now or hereafter constituted in applicable to the Premises; and

(viii) all insurance premiums for insurance required to be carried under this Lease (including loss of rent insurance required under the Mortgage);

5.3 Exclusions From Operating Costs. Operating Costs shall not include:

(i) costs incurred in connection with the original construction of the Premises;

(ii) costs arising from Landlord's political or charitable contributions;

(iii) fines, penalties and interest penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments when due or take such other actions as may be required;

(iv) principal and/or interest payments required under any debt secured by a mortgage or deed of trust on the Premises;

(v) costs and expenses incurred in complying with Environmental Laws, except costs or expenses incurred as a result of Tenant activities;

(vi) legal fees, accountant's fees and other expenses incurred in connection with (a) disputes with Tenant or associated with the enforcement of the terms of this Lease (unless otherwise provided for herein to be paid by Tenant); (b) arising out of Landlord's violation of the terms of this Lease; or (c) the defense of Landlord's title to or interest in the Premises or the Land;

(vii) cost of any service provided to Tenant for which Tenant is reimbursed, or any other expense for which Landlord is or will be reimbursed by another source (i.e., expenses covered by insurance or warranties);

(viii) fees to Landlord or Developer for goods or services in excess of the fees that would typically be charged by unrelated, independent persons or entities for similar goods and services; or

(ix) Taxes and Utilities paid by the Tenant directly to the applicable government authority or utility provider pursuant to the provisions of Paragraph 5.4 and Paragraph 6 of this Lease.

5.4 Payment of Taxes by Tenant. From and after the Commencement Date of this Lease, Tenant shall pay all Taxes directly to the applicable governmental agency prior to delinquency and shall provide proof of such payment promptly to Landlord. To the extent Taxes or other charges can be paid in installments, Tenant may pay such Taxes in installments and shall only be liable for Taxes which accrue from and after the Commencement Date of this Lease. With respect to any general or special assessments which may be levied against or upon the Premises, 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 within the computation of Taxes.

5.5 Real Property Tax Statements. Tenant shall make appropriate arrangements to receive directly from the applicable governmental agency assessment notices and real property tax statements for the current year and Tenant shall provide a copy thereof promptly to Landlord.

5.6 Right to Contest Taxes. If Landlord receives prior notice that an appraisal of the Premises, or any portion thereof, will be conducted for real property tax purposes, Landlord shall so notify Tenant and permit Tenant to be present during such appraisal if Tenant so elects. Tenant shall have the right in Landlord's name and stead, and at Tenant's sole expense, to contest the validity or amount of any real property taxes. Landlord shall cooperate with Tenant and provide reasonable assistance with respect to any such contest, including, without limitation, such information and supporting documents as may be reasonably requested by Tenant. Notwithstanding any provision of this Lease to the contrary, Tenant shall not be required, nor shall Landlord have the right, to pay, discharge or remove any such real property tax so long as no Event of Default has occurred and Tenant is contesting the existence, amount, applicability or validity thereof by appropriate proceedings conducted in good faith with due diligence. In the event Landlord shall obtain a tax refund as a result of any such tax appeal or other proceedings Tenant shall be entitled to, and Landlord shall promptly pay to Tenant, all such tax refunds.

5.7 Payment of Operating Costs. From and after the Commencement Date of this Lease Tenant shall pay the Operating Costs to Landlord in the following manner. Tenant shall pay monthly, as Additional Rent, in advance, commencing on the Commencement Date, and on the first day of each month during the Term thereafter, an amount equal to one-twelfth (1/12th) of the Operating Costs for each Calendar Year occurring from and after the Commencement Date of this Lease as reasonably estimated by Landlord. Within



ninety (90) days after the end of each Calendar Year occurring during the Term (or, if applicable, the Expiration Date), Landlord shall furnish to Tenant a reconciliation statement of the actual Operating Costs for the preceding Calendar Year and Tenant's actual payment of the estimated Operating Costs. The reconciliation statement shall be prepared, signed and certified to be correct by Landlord. If the actual Operating Costs for that Calendar Year exceed the monthly payments of estimated Operating Costs made by Tenant, Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of the reconciliation statement. If Tenant's payments of estimated Operating Costs made during that Calendar Year exceed the actual Operating Costs, the excess shall be credited by Landlord to the Additional Rent next due and payable; provided, however, that such excess sum which is more than three (3) months of then estimated Operating Costs shall be paid to Tenant in cash via Landlord's check within thirty (30) days after the reconciliation statement.

5.8 Proration. Operating Costs shall be prorated on the basis of a 365 day year to account for any fractional portion of a Calendar Year included in the Term at its commencement and expiration.

5.9 Right to Audit. Each Calendar Year, within that period expiring thirty (30) days after Tenant's receipt of the reconciliation statement provided under Paragraph 5.7 herein, Tenant shall have the right to audit Landlord's books and records pertaining to the accuracy of the computation of Operating Costs. Copies of such audit shall be delivered to Landlord and Bond Insurer. If, after consultation with Landlord to determine such accuracy, any such audit, conducted in accordance with generally accepted accounting principles, reveals a discrepancy between Landlord's statement of the actual Operating Costs for a Calendar Year and the amount determined by such audit, then Landlord shall reimburse to Tenant the excess amount paid by Tenant (or Tenant shall pay to Landlord the deficiency), if any; and, if such discrepancy exceeds three percent (3%) or more, Landlord shall pay for the cost of such audit.

5.10 Warranties. During the Term of this Lease, Landlord shall exert its good faith and diligent efforts to enforce any and all applicable warranties, express or implied, in connection with defects which may arise in the original design, materials or workmanship of the Premises as originally constructed.

6. Utilities. From and after the Commencement Date of this Lease, Tenant shall be solely responsible for and shall pay separately for all charges for Utilities used or consumed in the Premises. It is understood that Landlord shall not be required to provide any Utilities to Tenant, and Tenant shall make any necessary arrangements to have all such Utilities billed directly to and paid for directly by Tenant.

7. Use. Tenant intends to use the Premises for government offices and may use the Premises for any other lawful use consistent with the provisions of this Paragraph 7 (the "Permitted Use"). Landlord acknowledges that approximately 15,000 square feet of retail space on the street floor of the Project which the City of Seattle requires be occupied for retail spaces may be subleased by Tenant with governmental entities or with private persons at a rent and on other terms and conditions acceptable to Tenant; provided, however, that the aggregate square

footage of leasable space in the Premises that is subleased to private persons shall not be increased beyond 15,000 square feet without the prior written consent of Tenant and Bond Insurer and provided, further, that Landlord, Bond Insurer, and Tenant receive an opinion of nationally recognized bond counsel that such sublease(s) will not adversely affect the tax-exempt status of interest payable on the Bonds. Tenant has determined to its satisfaction that the Premises can be used for the Permitted Use. Tenant's use of the Premises shall be in accordance with the following:

7.1 No Insurance Cancellation. Tenant shall not do, bring, or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises.

7.2 Compliance With Laws. From and after the Commencement Date of this Lease, or such earlier date as Tenant occupies the Premises, Tenant shall comply with all Laws concerning the Premises and Tenant's use of the Premises, including without limitation, Environmental Laws. Tenant shall not use the Premises for the transportation, storage or generation of any Hazardous Substances in violation of Environmental Laws. From and after the Commencement Date of this Lease or such earlier date as Tenant occupies the Premises, and to the extent permitted by law, Tenant shall absolutely and unconditionally indemnify, defend and hold Landlord harmless from and against any and all debts, demands, obligations, liens, judgments, claims, liabilities, losses, damages, cleanup costs and expenses (including reasonable attorneys' fees) now or hereafter arising in connection with the presence, transportation, storage, disposal or handling of Hazardous Substances located in, on or about the Premises or Land caused by or resulting from the actions of Tenant, its agents or employees after the Commencement Date of this Lease or such earlier date as Tenant occupies the Premises, excluding (a) any Hazardous Substances present on the Land or the Premises prior to the Commencement Date of this Lease; (b) any such debt, demand, obligation, lien, judgment, claim, liability, loss, damage, cleanup cost or expense resulting from the actions or omissions of Landlord, Developer, General Contractor and their respective agents, employees, contractors, subcontractors or invitees; or (c) any debt, demand, obligation, lien, judgment, claim, liability, loss, damage, cleanup cost or expense resulting from actions of Landlord which result in violation of any contractual obligation of Landlord under this Lease, the Indenture, or any other document executed by Landlord in connection with a Mortgage incurred in connection with Paragraph 11 of this Lease. This indemnification shall survive the Expiration Date of this Lease.

7.3 No Waste, Nuisance or Damage. Tenant shall not use the Premises in any manner that will constitute waste of the Premises or nuisance and Tenant shall not do anything on the Premises that will cause damage to the Premises.

7.4 Tax Covenants. At all times from and after the Effective Date, Landlord (a) shall maintain its purposes and engage only in activities which are in furtherance of its purposes and which are permitted by the State Nonprofit Corporation Act; (b) will maintain its status as a nonprofit corporation under the State Nonprofit Corporation Act and as an organization described in Section 501(c)(3) of the Code whose income does not inure to the benefit of any private person; (c) shall not encumber, pledge, hypothecate or grant a security interest in all or any part of the Premises (except for the Indenture and the Mortgage which

comply with the provisions of Paragraph 11 of this Lease) or except as consented to by Tenant and Bond Insurer in writing; (d) shall not engage in any activities related to the Premises or the Mortgage incurred by Landlord (except those specifically set forth in Paragraphs 9 and 11 of this Lease) which would cause the transaction contemplated under this Lease to constitute an unrelated trade or business determined by applying Section 513(a) of the Code; and (e) will not take any action or omit to take any action which, if taken or omitted, would adversely affect the tax-exempt status of interest payable on the Bonds. At all times during the term of this Lease, Landlord shall not assign its rights under this Lease (except to Trustee pursuant to the Mortgage) without the prior written consent of Tenant and Bond Insurer and the opinion of nationally recognized bond counsel to the effect that such assignment will not adversely affect the tax-exempt status of interest payable on the Bonds. At all times from and after the Effective Date of this Lease, Tenant covenants that it will not take any action or omit to take any action which, if taken or omitted, would adversely affect the tax-exempt status of interest payable on the Bonds.

8. Liens.

8.1 Covenant Against Liens. Except for the Indenture and the Mortgage incurred by Landlord in compliance with the provisions of Paragraphs 9 and 11 of this Lease to secure the Bonds, Landlord covenants and agrees that it shall not during the Term of this Lease suffer or permit any Liens to be attached to, upon or against the Premises, or any portion thereof or any Rent payable under this Lease for any reason, including without limitation, Liens arising out of the possession, use, occupancy, acquisition, construction, repair, or rebuilding of the Premises or by reason of the furnishing of labor, services, materials, or equipment to the Premises or to Landlord. Tenant acknowledges that Landlord shall cause Developer to keep the Premises free and clear of all construction liens resulting from the initial construction of the Project (including the right to contest same by appropriate proceedings conducted in good faith with due diligence) under the terms of the Development Agreement prior to the Commencement Date of this Lease. If Developer shall fail to do so, Landlord shall protect, defend, indemnify and hold Tenant harmless against any such liens. Landlord agrees to indemnify, protect, defend and hold Tenant harmless from and against all liabilities, losses, damages, expenses and costs (including reasonable attorneys' fees and costs) incurred in connection with any such Lien. Landlord's obligations pursuant to this Paragraph 8.1 shall survive the Expiration Date of this Lease.

8.2 Covenant to Remove Liens. Landlord will promptly, and in all events within thirty (30) days following the attachment of same, remove and discharge any and all Liens which attach to, upon or against the Premises or any portion thereof, or any leasehold interest of Tenant created under this Lease (other than liens or encumbrances arising through the actions of Tenant). Landlord reserves the right to contest the validity or amount of any such Lien in good faith provided that, within thirty (30) days after the filing of such Lien, Landlord discharges said Lien of record or records a bond which complies with the requirements of RCW 60.04.161 eliminating said Lien as an encumbrance against the Premises. In the event Landlord shall fail to so remove any such Lien, Tenant may take such action as Tenant shall reasonably determine to remove such Lien and all costs and expenses incurred by Tenant including, without limitation, amounts paid in good faith settlement of such Lien and attorneys' fees and costs shall be paid by

Landlord to Tenant together with interest thereon at the rate of twelve percent (12%) interest per annum from the date advanced until paid. Landlord's obligations pursuant to this Paragraph 8.2 shall survive the Expiration Date of this Lease.

Nothing contained in this Lease shall be construed as the consent or request of Tenant, express or implied, for the performance of any labor or services or for the furnishing of any materials or equipment for any construction, alteration, addition, repair or demolition of or to the Premises (or any part thereof). NOTICE IS HEREBY GIVEN THAT TENANT WILL NOT BE LIABLE FOR ANY LABOR, SERVICES, MATERIALS OR EQUIPMENT FURNISHED OR TO BE FURNISHED TO LANDLORD, OR ANYONE HOLDING AN INTEREST IN THE PREMISES (OR ANY PART THEREOF) THROUGH OR UNDER LANDLORD, AND THAT NO CONSTRUCTION OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES, MATERIALS OR EQUIPMENT SHALL ATTACH TO OR AFFECT THE INTEREST OF TENANT IN THE PREMISES.

9. Construction of Project. Tenant would not have entered into this Lease but for the agreement by Landlord to undertake, at Landlord's sole cost and expense, the Project, including without limitation (i) the obtaining of financing for the Project, (ii) the acquisition of the Land, and (iii) the construction and equipping of the Premises for use by Tenant primarily as government offices. It is of critical importance to Tenant that the construction of the Project on the Land be completed in a timely manner, within the Project Budget and thereafter professionally managed by Landlord. Accordingly, Landlord shall diligently cause the Project to be designed, constructed and prosecuted to completion in a good and workmanlike manner and in accordance with the provisions of this Paragraph 9, free and clear of all Liens and otherwise in accordance with the requirements of this Lease.

9.1 Development Agreement. To meet the requirements of this Lease for completion of the Project, Landlord shall, simultaneously with the execution of this Lease by the parties, enter into a Development Agreement with Developer. Pursuant to the terms of the Development Agreement, Developer shall transfer to Landlord its interest as purchaser under a Real Estate Purchase Agreement dated June 11, 1996 with respect to the Land and shall develop, oversee and manage the design, permitting and construction of the Project. Capitalized terms in this Paragraph 9 not otherwise defined shall have the same meanings as set forth in the Development Agreement.

9.2 Schedule for Design and Construction. Landlord and Tenant acknowledge and agree that the dates set forth in the initial Project Schedule attached hereto as Exhibit C and by this reference incorporated herein, and as revised from time to time in accordance with the terms of the Development Agreement, shall serve as target dates for achieving the matters set forth therein. In order to ensure to the greatest extent practicable that the Project is designed, permitted and completed on or before the dates set forth in the Project Schedule, Landlord and Tenant shall each proceed with all necessary due diligence and in good faith to complete such matters as require action or approval on the part of Tenant and Landlord. Landlord shall, following consultation with Tenant, promptly and diligently respond to all questions and

concerns raised by Developer or by the Architect, Interior Designer, Contractors, engineers or other consultants.

(a) Notices from Developer to Landlord. To ensure that Tenant is fully apprised of decisions required of Landlord pursuant to the Development Agreement, Section 27(g) of the Development Agreement requires Developer to simultaneously provide to Tenant and Bond Insurer a copy of all notices, plans and specifications, change orders, Project Applications for Payment, progress reports, invoices, cash flow reports, documents or other agreements required to be delivered by Developer to Landlord and Landlord shall also simultaneously provide to Tenant and Bond Insurer a copy of all notices, plans and specifications, change orders, invoices, cash flow reports, documents or other agreements required to be delivered by Landlord to Developer. In addition, Tenant and Bond Insurer shall have the right, but not the obligation, to attend all meetings, including without limitation, design meetings with Developer, Architect, Interior Designer and all other design professionals as appropriate in the course of development of all Construction Documents.

(b) Notices by Tenant to Landlord and Developer. To ensure that Developer is fully apprised of Tenant's position on Project decisions to be made by Landlord, Tenant shall have the right to simultaneously provide to Developer a copy of any notice Tenant issues to Landlord hereunder. Such notice shall be sent to the Developer at the following address by the same means specified in Section 27(g) of the Development Agreement (i.e. messenger or fax):

Wright Runstad Associates Limited Partnership  
Attn: H. Jon Runstad and Cindy Edens  
1191 2nd Avenue, Suite 2000  
Seattle, WA 98101-2933  
Fax: 206-223-8791

(c) Tenant's Construction Representative. Landlord shall, and shall direct Developer to, direct all notices and submittals required to be sent to Tenant hereunder to the attention of Tenant's Construction Representative.

### 9.3 Plans and Specifications.

(a) Preliminary Plans and Outline Specifications. As of the date of this Lease, Tenant has reviewed and accepted the Project Requirements for the Project to be constructed on the Land including the Preliminary Plans and Outline Specifications attached to this Lease as Exhibit B. In addition, Tenant has reviewed and accepted the Project Budget which sets forth a detailed itemization by line item and category for all Project Costs, including the Design Contingency, Stated Contingency, Tenant Improvement Allowance, Overhead Allowance and Developer's Fee.

(b) Construction Drawings and Detailed Specifications. Pursuant to Section 5 of the Development Agreement, Landlord will cause the preparation by Architect of

Construction Drawings and Detailed Specifications for the building shell and core and shall cause the preparation by Interior Designer of plans and specifications for Tenant Improvements, in each case for review and accepted by Tenant. Landlord shall, following consultation with Tenant, cooperate in good faith with Developer to cause a completed design which meets all Requirements of Law and Project Requirements and is consistent with all Project Requirements and the building quality reflected therein. Accordingly, as provided above, Developer will provide Tenant a copy of all submittals requiring Landlord's review and approval pursuant to the Development Agreement, as and when such submittals are provided to Landlord. Tenant shall have the right to disapprove such Construction Drawings and Detailed Specifications which (i) do not meet the Project Requirements, or (ii) do not comply with Requirements of Law, or (iii) do not comply with previous Construction Drawings and Detailed Specifications in all material respects, or (iv) propose changes in work or materials that would result in a material change in appearance or diminution in quality of the Project. Tenant shall have the right to give notice to Landlord disapproving the Construction Drawings and Detailed Specifications and Landlord shall notify Developer in the manner and within the time period set forth in the Development Agreement. If Tenant fails to issue such notice so as to allow Landlord to make timely objection or comment, such submittals shall be deemed approved by Tenant. The final Construction Drawings and Detailed Specifications setting forth in detail the requirements for the construction of the Project which have been approved by Landlord, following consultation and concurrence by Tenant, are called the Construction Documents.

(c) Changes to Construction Documents. There shall be no material change in the Construction Documents except as provided in Section 9 of the Development Agreement. Accordingly, Landlord has directed that Developer provide Tenant a copy of all proposed changes in the Construction Documents requiring Landlord's review and/or approval pursuant to the Development Agreement, as and when such proposed changes are provided to Landlord. Tenant shall have the right to give notice to Landlord disapproving any such proposed change in the Construction Documents and Landlord shall notify Developer in the manner and within the time period set forth in the Development Agreement. If Tenant fails to issue such notice so as to allow Landlord to make timely objection or comment, any such change shall be deemed approved by Tenant. If Tenant disapproves any such proposed change, Tenant shall notify Landlord in writing specifying the reason for its disapproval and Landlord shall notify Developer in the manner and within the time period set forth in the Development Agreement. Tenant shall have the right to disapprove changes which (i) are not a consistent development of the Project Requirements in all material respects, (ii) do not meet Project Requirements, (iii) do not comply with Requirements of Law, (iv) would violate the terms of any Permits, (v) would cause the Project Schedule to be adversely impacted as a result of such proposed changes, or (vi) involve proposed changes in work or materials which would result in a material change in appearance or diminution in quality of the Project. Disputes regarding a proposed change in the Construction Documents shall be resolved by the independent resolution process set forth in Paragraph 9.7 of this Lease.

9.4 Design Contingency. As described in Section 5(i) of the Development Agreement, the Developer's Fixed Price for the Project includes a Design Contingency of \$1,000,000. During the course of the Project, Tenant may request changes in the Project but, if

Tenant requires any material improvement or material deviation in the Construction Documents or the Detailed Specifications from the design or level of quality reflected in the Preliminary Plans and Outline Specifications, any resulting increase in design or construction Project Costs will be charged against the Design Contingency up to a maximum of \$1,000,000. No further design changes shall be permitted unless Tenant agrees to reimburse Landlord for any resulting increase in Project Costs. To the extent that the Construction Drawings and Detailed Specifications are consistent developments of the Preliminary Plans and Outline Specifications, the Fixed Price shall not be adjusted for any change in the Project Costs required to construct the Project in accordance with such Construction Documents.

9.5 Building Enhancement Costs. If Building Enhancements Costs are less than the estimated \$1,523,000, Landlord, at the written direction of Tenant, may add the surplus to the Design Contingency. Additionally, Landlord, at the written direction of Tenant, may use the Design Contingency for the design and/or construction of Building Enhancements, art acquisition or installation, or Tenant Improvements desired by Tenant in excess of the Tenant Improvement Allowance.

9.6 Tenant Improvement Allowance. The Fixed Price under the Development Agreement includes a Tenant Improvement Allowance of \$8,180,000 for the design and construction of Tenant Improvements. Exhibit G hereto sets forth the dates for delivery of the space plans by which Landlord (i) must deliver the plans to Developer if Landlord wishes to have the Tenant Improvements bid as a part of the shell and core of the Project; or (ii) must deliver the plans to avoid potentially jeopardizing the Project Schedule. If Landlord fails to meet the latter of these dates, Developer shall not be held responsible for resulting delays in achieving Substantial Completion. As part of the design process for the Project, final plans for the Tenant Improvements must be completed within 120 days following Bond Closing if Tenant Improvements are to be bid as a part of the shell and core of the Project. (If the Tenant Improvements are not bid with the shell and core, construction costs may be higher.) If final plans for the Tenant Improvements are not completed within 120 days following the commencement of construction of the Project, and as a result thereof, the Developer is unable to cause Substantial Completion of the Project on or before the twenty-fourth (24th) month following Bond Closing, the Development Agreement provides that the Developer shall not be held responsible for resulting delays in achieving Substantial Completion. Any delay resulting from Landlord's failure to meet the latter of these dates as a result of delays due to Tenant initiated change proposals or delays caused by Tenant's failure to timely provide space plans to Landlord, in order that Landlord can deliver the space plans to the Developer in accordance with Section 2(b) of the Development Agreement, that result in Substantial Completion failing to occur by the date of 24 months after Bond Closing shall be deemed a Tenant-caused delay for purposes of determining the Substantial Completion Date. If Substantial Completion fails to occur by the Substantial Completion Date as a result of Tenant-caused delay, Landlord will be damaged in an amount equal to Monthly Rent which would have been paid by Tenant under the Lease from and after the Commencement Date but for such Tenant-caused delay and Tenant shall reimburse Landlord on or before the first day of each month and until the Commencement Date under the Lease and as damages for such default an amount equal to all such Monthly Rent which would have been payable by Tenant to Landlord under this Lease but for such Tenant-

caused delay. Accordingly, Tenant shall act promptly and diligently in responding to all submittals related to completion of final plans for the Tenant Improvements. If the total cost of constructing the Tenant Improvements is less than the Tenant Improvement Allowance, all excess funds in the Tenant Improvement Allowance shall be subject to Paragraph 9.12 below. If the total cost of constructing the Tenant Improvements desired by Tenant is greater than the Tenant Improvement Allowance, Landlord shall have no obligation to cause such Tenant Improvements to be constructed unless Tenant provides any necessary funds in excess of the Tenant Improvement Allowance.

9.7 Resolution Process. Tenant and Landlord agree to follow the independent resolution process set forth in this Paragraph 9.7 to resolve disputes regarding preparation of the Construction Drawings and Detailed Specifications and changes to Construction Documents in an economic and time efficient manner so that such documents conform to the requirements of this Lease, the Project Schedule is not adversely impacted, and the Project as constructed will satisfy the Project Requirements.

(a) Disputes Resolution Mediator. In the event that a dispute arises between Tenant and Landlord during the design phase of the Project regarding the adequacy of any Drawings or Specifications or the responsibility for any costs associated with any design development, addition or change (e.g., whether any design development is consistent with and reasonably inferable from the Project Requirements and the Preliminary Plans and Outline Specifications), the parties shall proceed in good faith to resolve such dispute as expeditiously as possible and shall cooperate so that the progress of the design and construction of the Project is not delayed. If, however, the parties are unable to resolve the dispute, either party may, by delivering written notice to the other and the Bond Insurer, refer the matter to J. Richard Manning, whose address is 925 Logan Building, 500 Union Street, Seattle, Washington 98101, whom Tenant and Landlord have mutually designated to act as a dispute resolution mediator to resolve such dispute. In all respects, such dispute resolution mediator shall operate within the time frame and in a manner consistent with the Disputes Resolution Board established pursuant to Section 26 of the Development Agreement except that, (i) references to a three member Board shall be inapplicable, (ii) provisions related to Developer shall be deemed to refer to Landlord and references to Owner shall be deemed to refer to Tenant, and (iii) references to the Development Agreement shall be deemed to refer to this Lease and, as applicable, the Development Agreement.

(b) Disputes Resolution Board. At the written request of Tenant Landlord agrees to cause any dispute with respect to design or construction of the Project to be brought before the Disputes Resolution Board established pursuant to Section 26 of the Development Agreement. During any such resolution process, Landlord shall consult with Tenant and allow Tenant to fully participate to seek a resolution which is satisfactory to Tenant. However, any costs or expenses incurred by Landlord as a result of this Paragraph 9.7(b) and any increased Project Costs resulting therefrom which the Disputes Resolution Board determines are the responsibility of Landlord shall be reimbursed to Landlord by Tenant.



9.8 Permits; Costs; Compliance with Legal Requirements. Landlord shall cause Developer to secure at no cost to Tenant all Permits, licenses, permissions, consents and approvals required to be obtained from governmental agencies or third parties in connection with construction of the Project pursuant to Requirements of Law, unless final plans for the Tenant Improvements are not completed within 120 days after Bond Closing and as a result of such delay, Developer is required to apply for an additional building permit to construct the Tenant Improvements, in which case, the cost of such permit shall be paid from the Tenant Improvement Allowance. Tenant shall join in the application for such permits or authorizations whenever such joinder is required; provided, however, Tenant shall incur no expense or liability in connection therewith. Landlord shall cause all work on the Premises during the Term to be performed in accordance with the Development Agreement and all Requirements of Law and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction over the Project and/or the Premises.

9.9 Construction Contracts. Landlord intends to contract for the construction of the Project directly with the General Contractor and to cause Developer to serve as construction manager in connection therewith pursuant to the provisions of the Development Agreement. Prior to Tenant's execution of this Lease, Landlord provided Tenant with the proposed form of General Construction Contract with the General Contractor for Tenant's review. In addition, Tenant shall have the right to view, for its own information, and to determine that any other construction contract is consistent with the requirements of this Lease and the Construction Documents, all construction contracts and the bids submitted by potential contractors and subcontractors prior to Landlord's entry into such construction contracts.

9.10 Construction of Project. Landlord shall use its reasonable best efforts to commence construction of the Project following receipt of the building permit and shall thereafter cause construction of the Project to be diligently and continuously prosecuted. All work shall be performed in a good and workmanlike manner, shall be free of defects in the work and materials and shall be constructed and in substantial accordance with the Contract Documents, the requirements of this Lease and Requirements of Law. The Landlord shall use its reasonable best efforts to cause the Project to be Substantially Completed on or before the date which is twenty-four (24) months following the Bond Closing.

9.11 Payment of Project Costs and Other Costs Associated with the Project. Throughout the course of construction of the Project, Developer shall submit to Landlord on a monthly basis Project Applications for Payment in the manner, and with all supporting documentation described in, Section 10 of the Development Agreement. Pursuant to Paragraph 9.2(a) above, Landlord shall require Developer to simultaneously provide Tenant and Bond Insurer with a copy of all such Project Applications for Payment and supporting documentation. Tenant shall have the right, but not the obligation, to give notice to Landlord objecting to any aspect of such submittals and Landlord shall notify Developer in the manner and within the time period set forth in the Development Agreement. If Tenant fails to give such notice so as to allow Landlord to make timely objection, Landlord shall be free to approve or to take such other action as it deems appropriate with respect to any such submittal. Any dispute

with respect to Project Applications for Payment shall be subject to dispute resolution pursuant to Paragraph 9.7 above.

Upon the prior written request of Tenant, Landlord shall cause Developer to include in any Project Application for Payment to the Trustee, or Landlord shall submit a Requisition Certificate (as defined in the Indenture) to the Trustee, requesting that Trustee disburse to Landlord or Tenant, as either the Project Application for Payment or Landlord's Requisition Certificate shall designate, certain portions of the Bond proceeds designated for Landlord's use, such as costs for art to be included in the Project or management fees payable to Tenant which are not Project Costs and are not included within the Fixed Price. Developer shall have no right or responsibility to review or determine the appropriateness of either such line item or such Requisition Certificate or the amounts thereof, and shall have no responsibility for the payment of either such line item in the Project Application for Payment or any costs itemized on such Requisition Certificate which is not a Project Cost. Tenant shall have the right, but not the obligation, to give notice to Landlord and Trustee objecting to any aspect of a Requisition Certificate in the manner and within the time frame set forth in the Indenture. If Tenant fails to give such notice in the manner and within the time frame set forth in the Indenture, the Trustee shall have the right to disburse money from the Project Fund to Landlord in the amount set forth either in the line item on Developer's Project Application for Payment or Landlord's Requisition Certificate as applicable. Any dispute with respect to such line item in the Project Application for Payment or Requisition Certificate shall be subject to dispute resolution pursuant to Paragraph 9.7 above.

9.12 Savings. In the event that all or some portion of the Tenant Improvement Allowance, Building Enhancement Costs, the Design Contingency or the Landlord's portion of the Stated Contingency is not used in completion of the Project, such amounts shall be for Landlord's account pursuant to Section 13(g) of the Development Agreement. Landlord agrees to provide Tenant and Trustee with written notice of the amount of the Tenant Improvement Allowance, Building Enhancement Costs, Design Contingency and/or the Landlord's portion of the Stated Contingency which is not used for completion of the Project and agrees to direct Trustee to apply such amounts in accordance with the terms and provisions set forth in the Indenture.

9.13 Substantial Completion of Project. Substantial Completion of the Project shall have occurred when all of the events described in Paragraph 1.55 of this Lease have occurred.

9.14 Final Acceptance. Final Acceptance of the Project shall have occurred when all of the events set forth in Section 13(d) of the Development Agreement and Paragraph 1.25 of this Lease have occurred.

9.15 As Built Plans and Specifications; Manuals; Warranties; Permits and Licenses; and Survey. On or before Final Acceptance of the Project Landlord shall provide Tenant with a complete and detailed set of "as-built" plans and specifications for the Project (Tenant Improvements to be provided on CAD), together with copies of all other materials

received from Developer pursuant to Section 15 of the Development Agreement including manuals, warranties, permits and licenses and an as-built survey.

9.16 Enforcement of Warranties. After expiration of the Warranty Period Tenant acknowledges that it shall be fully responsible for maintenance and repair of the Premises pursuant to the terms of this Lease. Landlord shall take all actions reasonably requested by Tenant to enforce or otherwise obtain the benefit of any warranty received from the Developer, the General Contractor or any other contractors or any subcontractor thereof, or any supplier, materialman or manufacturer relating to the Project or Building Enhancements; provided, however, that Landlord shall incur no additional expense or liability in that connection.

9.17 Inspection by Tenant. Tenant and Bond Insurer shall have the right to inspect the on-going construction of the Project and Contract Documents upon reasonable prior notice to Landlord. In addition, Tenant shall have the right to have an independent consulting architect, engineer or other appropriate consultant inspect the Project and Contract Documents pursuant to Section 10(c) of the Development Agreement. Landlord shall cause Developer to provide Tenant's Construction Representative and Bond Insurer with all updates of the status of the construction of the Project issued to Landlord in accordance with the Development Agreement.

9.18 Unavoidable Delays. Notwithstanding the provisions of Paragraphs 9.10, 9.13 and 9.14 above, the dates for obtaining Permits, commencing construction and achieving Substantial Completion and Final Acceptance of the Project shall be extended for Unavoidable Delays. In the event that Substantial Completion of the Project does not occur on the Substantial Completion Date, Developer shall pay to Trustee on the first day of each month an amount equal to the Monthly Rent and shall pay to Landlord all Holdover Costs until the earlier of Substantial Completion or termination of this Lease pursuant to Paragraph 9.20 of this Lease. If Developer has made any payments to Trustee pursuant to the provisions of this Paragraph 9.18, upon Final Acceptance, if there are funds remaining in the Project Fund (as defined in the Indenture) prior to final disbursement of said Project Fund (i.e., sharing of contingency funds), and if Substantial Completion has failed to occur by the Substantial Completion Date, the Developer and the Landlord, with concurrence by the Tenant, shall determine and direct Trustee to pay to Developer any additional interest earnings that accrued on the undisbursed Bond proceeds as a direct result of such delay in excess of interest that would have accrued absent such delay.

9.19 Holdover Costs. In the event that Substantial Completion of the Project fails to occur on or before the Substantial Completion Date, Landlord acknowledges that Tenant will incur certain costs for which Landlord shall be liable ("Holdover Costs"). In any month, such "Holdover Costs" shall be the sum of (i) any "holdover" premium or similar costs payable by Tenant in that month as a result of Tenant's inability to timely vacate premises it then occupies because of the unavailability of the Project for occupancy, and (ii) all actual out-of-pocket expenses incurred by Tenant in that month as a direct result of such delay including relocation costs if Tenant is forced to move personnel to temporary premises because of the unavailability of the Project for occupancy. Tenant shall use its best efforts to mitigate any Holdover Costs for any partial month if Substantial Completion occurs on other than the first day

of a month. Landlord's obligation to pay or cause the payment of Holdover Costs terminates upon the earlier of the date of Substantial Completion of the Project or termination of this Lease.

9.20 Termination of Lease. In the event that the Development Agreement is terminated pursuant to Section 3(d) thereof as a result of a delay in the Sale of Bonds beyond May 30, 1997, this Lease shall terminate and neither Landlord nor Tenant shall have any further rights, duties or obligations hereunder. During the period from and after the Substantial Completion Date and until September 1, 2001, Tenant shall be entitled to Holdover Costs pursuant to Paragraph 9.19 hereof but shall not be entitled to terminate this Lease because Substantial Completion of the Project has not occurred. Upon sixty (60) days prior written notice to Landlord and in the event that Substantial Completion of the Project has not occurred for any reason whatsoever including, but not limited to Unavoidable Delays described in Paragraph 9.18 above by September 1, 2001, Landlord shall be in default under this Lease and Tenant shall have the right to terminate this Lease, without liability to Landlord.

9.21 No Amendment of Documents. In the event Landlord desires to amend the Architect's Agreement, the General Construction Contract, any Contract Document, the Development Agreement, the Indenture, the Mortgage, or any other document, contract or agreement entered into in connection with the Project or the Bonds, Landlord shall submit a copy of such proposed amendment to Tenant for its review and approval. In the event Tenant notifies Landlord within five (5) business days following receipt of such proposed amendment of its objection to such proposed amendment, Landlord shall not enter into the proposed amendment. In the event Tenant does not notify Landlord within the time frame set forth above, Tenant shall be deemed to have consented to such proposed amendment.

10. Maintenance and Modification.

10.1 Maintenance and Repair. Except as otherwise expressly provided herein and except for Owner's Warranty Claims (as defined in the Development Agreement) which shall be paid by Developer as provided in the Development Agreement and except for damage caused by the negligent acts or omissions of Landlord, from and after the Commencement Date of this Lease Landlord shall, at Tenant's sole cost and expense, maintain the Premises and appurtenances and every part thereof in good order, condition and repair and will take all action and will perform all interior and exterior, structural and non-structural, foreseen and unforeseen, ordinary and extraordinary, maintenance and repairs (excluding all necessary replacements, renewals, alterations, additions and any other work required following destruction or Condemnation of the Premises to the extent required under this Lease or as a condition of the continued use of the Premises or any work required by any order of any court or governmental agency which shall be performed by Landlord in accordance with the provisions of Paragraphs 19 and 20 of this Lease) required to keep all parts of the Premises in good repair and condition, subject to ordinary wear and tear. Except as otherwise expressly provided herein and except for Owner's Warranty Claims which Landlord shall cause Developer to cure or remedy in accordance with the provisions of the Development Agreement, Landlord shall not be required to pay for the cost required to maintain all or any part of the Premises in good order, condition and repair.

10.2 Management of Premises; Accounting.

(a) Property Management. Following Substantial Completion of the Premises, Landlord shall at all times cause the Premises to be operated by a professional property management company selected by Landlord and not objected to by Tenant with experience in managing commercial office buildings of comparable size and quality to the Premises at a management fee which shall not be in excess of the management fee charged by property management companies managing commercial office buildings of comparable size and quality in the Seattle metropolitan area. The property management contract shall comply with Revenue Procedure 97-13 or any successor revenue procedure issued by the Internal Revenue Service governing management, operation or other service contracts in connection with the issuance of tax-exempt obligations. Such property manager shall at all times operate the Premises in compliance with the requirements of all Laws and in compliance with the terms and provisions of this Lease.

(b) Financial Statements. As soon as reasonably possible and in any event within ninety (90) days after the close of each fiscal year of Landlord, Landlord shall deliver to Tenant, Trustee, and Bond Insurer the (1) consolidated balance sheet of Landlord and the Premises as at the end of such fiscal year setting forth in comparable form the corresponding figures as at the end of the preceding fiscal year, certified as to accuracy by an officer of Landlord; (2) statements of income, retained earnings and changes in financial position for such fiscal year of Landlord and the Premises setting forth in comparable form the corresponding figures for the previous fiscal year prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year or containing disclosure of the effect on financial position or results of operations of any change in the application of accounting principles during the year certified as to accuracy by an officer of Landlord; (3) operating statement for the Premises for the preceding Calendar Year certified as to accuracy by an officer of Landlord; and (4) certificate executed by an officer of Landlord certifying compliance by Landlord with the requirements of this Lease, the Mortgage, the Indenture and the Bonds. Such year-end balance sheet and income statements of the Premises shall be accompanied by an unqualified report and opinion of independent public accountants of recognized standing selected by Landlord and not objected to by Tenant, which report and opinion shall be in accordance with generally accepted auditing standards relating to reporting, or, if qualified, the opinion shall not be qualified due to any departure from any generally accepted accounting principles, and shall be accompanied by a statement of such accountants that in making the audit necessary for the certification of such financial statements and any such report, such accountants have obtained no knowledge of any default under this Lease, the Mortgage, the Indenture, the Bonds or any other evidence of indebtedness or of any event which, with notice or lapse of time, or both, would constitute an event of default under this Lease, the Mortgage, the Indenture, the Bonds or any other evidence of indebtedness or, if in the opinion of such accountants any such event of default or other event shall exist, shall include a statement as to the nature and status thereof.

(c) Operating Budgets. Landlord shall develop an annual operating budget for the Premises and shall submit a copy of such budget to Tenant and Bond Insurer no later than sixty (60) days prior to the commencement of each Calendar Year for review by Tenant for the purpose of determining the amount of estimated Operating Costs expected to be incurred in connection with the Premises for the upcoming Calendar Year.

(d) Asset Management Fee. As compensation for its services in overseeing the management of the Premises, the preparation of financial statements and the preparation of an operating budget for the Premises, Tenant shall pay Landlord an asset management fee equal to one percent (1%) of the Monthly Rent payable under this Lease. Such asset management fee shall be paid monthly in advance at the same time and in the same manner that Monthly Rent is paid.

10.3 Tenant's Remedies. Tenant shall provide Landlord written notice of any maintenance or repair required to the Premises or of any default by Landlord in the performance of its obligations under Paragraph 10.2 of this Lease. Landlord shall have thirty (30) days after receipt of notice from Tenant detailing the need for maintenance or repair, to commence to perform its obligations under this Lease, except that Landlord shall perform its obligations as soon as reasonably possible if the nature of the problem presents a hazard or emergency. If Landlord does not perform its obligations under Paragraph 10.1 of this Lease within the time limitations set forth in this Paragraph 10.3, provided written notice has been given to Landlord as provided in this Paragraph 10.3, Tenant shall have the right, but not the obligation, to perform such maintenance and repair and shall have the right to be reimbursed by Landlord for the sum it actually expends in the performance of such work. If Landlord does not reimburse Tenant within thirty (30) days after demand from Tenant, Tenant shall have the right to pursue any and all remedies available at law or equity except that Tenant shall have no right to offset against Rent payable under this Lease.

10.4 Modifications, Alterations and Additions. From and after the Commencement Date of this Lease Tenant may, at Tenant's sole cost and expense, make modifications, alterations and additions to the Premises provided that such modifications, alterations and additions do not decrease the value of the Premises, and such modifications, alterations and additions shall be expeditiously completed in a good and workmanlike manner and in compliance with all applicable Laws and the requirements of all insurance policies required to be maintained by Tenant, without further consent from Landlord. Any modifications, alterations and additions made by Tenant shall remain on and be surrendered with the Premises on expiration or termination of the Term.

11. Landlord Financing of Project. Landlord shall not have the right to mortgage, pledge, encumber or assign the Premises in whole or in part except in connection with its financing of the Project through Bonds issued by Landlord pursuant to the Indenture and the Mortgage in compliance with the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 issued by the Internal Revenue Service. Copies of the Indenture and the Mortgage securing the Bonds shall be provided to and shall be approved by Tenant which approval shall not be unreasonably withheld provided Tenant receives an opinion from nationally recognized

bond counsel acceptable to Tenant that the interest on the Bonds secured by such Mortgage is exempt from taxation under the provisions of the Code and the financing proposed by the Indenture and the Mortgage is otherwise in full compliance with all requirements of the Code in connection with the issuance of tax-exempt obligations which satisfy the requirements of Revenue Ruling 63-20, Revenue Procedure 82-26 and other regulations, interpretations and letter rulings issued by the Internal Revenue Service with respect to such financings. The Mortgage shall expressly provide that so long as Tenant is not in default under any of the terms, covenants or conditions of this Lease, the beneficiary under the Mortgage shall not disturb Tenant's possessory rights in the Premises in the event such beneficiary should foreclose the Mortgage.

12. **Construction Liens.** From and after the Commencement Date of the Lease Tenant shall pay all costs for modifications, alterations and additions done by it or caused to be done by it on the Premises as permitted by this Lease (other than the construction of the Project) and Tenant shall keep the Premises free and clear of all construction liens resulting from modifications, alterations and additions done by or for Tenant; provided, however, Tenant shall have the right to contest the correctness or validity of any such Lien by appropriate proceedings conducted in good faith with due diligence. Within thirty (30) days following written notice from Landlord, Tenant shall discharge said Lien of record or record a bond which complies with the requirements of RCW 60.04.161 eliminating said Lien as an encumbrance against the Premises if in the reasonable exercise of Landlord's judgment the protection of the Premises or Landlord's interest therein shall require such payment. In the event Tenant shall fail to so remove any such Lien, Landlord may take such action as Landlord shall reasonably determine to remove such Lien and all costs and expenses incurred by Landlord including, without limitation, amounts paid in good faith settlement of such Lien and attorneys' fees and costs shall be paid by Tenant to Landlord. Tenant's obligations pursuant to this Paragraph 12 shall survive the Expiration Date of this Lease.

Tenant acknowledges that Landlord shall cause Developer to keep the Premises free and clear of all construction liens resulting from the initial construction of the Project (including the right to contest same by appropriate proceedings conducted in good faith with due diligence) under the terms of the Development Agreement prior to the Commencement Date of this Lease. If Developer shall fail to do so, Landlord shall protect, defend, indemnify and hold Tenant harmless against any such liens.

13. **Indemnity and Hold Harmless.** Landlord and Tenant mutually agree that in any and all causes of action and/or claims or third party claims arising out of or in connection with the terms, activities, use and/or operations of this Lease, including the Premises, each party shall be responsible to the other only to the extent of each other's comparative fault in causing the alleged damages or injuries.

As to any and all causes of action and/or claims or third-party claims arising from the sole fault of a party to this Lease, said party shall have the duty to defend, save and hold the other party harmless and upon failure to do so, said party shall pay reasonable attorneys' fees, costs, and expenses incurred by the other party to this Lease in defense of said claims and/or actions.

Nothing contained within this provision shall affect and/or alter the application of any other provision contained within this Lease.

14. Minimum Scope of Insurance Coverage for Landlord.

14.1 Landlord's Coverages. During the Term of this Lease, Landlord shall at a minimum maintain: commercial general liability insurance (Insurance Services Office form number (CG00 001 Ed. 11-88) covering commercial general liability with a limit of not less than \$1,000,000 combined single limit per occurrence; \$2,000,000 aggregate. In addition, Landlord shall maintain workers' compensation coverage as required by the Industrial Insurance Act of the State of Washington, statutory limits.

14.2 Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the Tenant. The deductible and/or self-insured retention of the policies shall not limit or apply to the Landlord and shall be the sole responsibility of the Landlord.

14.3 Other Insurance Provisions. The insurance policies required by this Lease are also to contain or be endorsed to contain the following provisions where applicable:

(a) Liability Policies:

(1) The Bond Insurer and the Tenant, its officers, officials, employees and agents are to be covered as additional insureds as respect liability arising out of activities performed by or on behalf of the Landlord in connection with this Lease.

(2) To the extent of the Landlord's negligence, insurance coverage shall be primary insurance as respects the Tenant, its officers, officials, employees and agents. Any insurance and/or self insurance maintained by Tenant, its officers, officials, employees and agents shall not contribute with the Landlord's insurance or benefit the Landlord in any way.

(3) Landlord's insurance shall apply separately to each insured against whom a claim is made and/or lawsuit is brought, except with respect to the limits of the insurer's liability.

(b) All Policies. Coverage shall not be suspended, voided, canceled, reduced in coverage or in limits except by the reduction of the applicable aggregate limits by claims paid, until after forty-five (45) days prior written notice has been given to the Tenant and Bond Insurer.

(c) Acceptability of Insurers. Unless otherwise approved by Tenant and Bond Insurer:



(1) Insurance is to be placed with insurers with a Best's rating of no less than A:III, or, if not rated by Best's with a rating in one of the two highest categories maintained by Standard & Poor's Rating Group and Moody's Investors Service.

(2) If at any time any of the foregoing policies shall be or become unsatisfactory to Tenant, due to a change in form or substance, or if a company issuing any such policy shall be or become unsatisfactory to the Tenant, the Landlord shall, upon notice to that effect from Tenant promptly obtain a new policy and shall submit the same to Tenant and Bond Insurer with certificates and endorsements, for approvals.

15. Minimum Scope of Insurance Coverage for Tenant.

15.1 General Liability. During the Term of this Lease, Tenant shall have the right to self-insure under Paragraph 15.2 or, at its sole cost and expense, shall obtain and keep in force throughout the Term of this Lease general liability insurance on an occurrence basis insuring Landlord and Tenant against claims for personal injury (including, without limitation, bodily injury or death), property damage liability and such other loss or damage from such causes of loss as are embraced by insurance policies of the type now known as "Commercial General Liability" insurance (Insurance Services Office form number (CG00 001 Ed. 11-88)) with a limit of not less than \$1,000,000 combined single limit per occurrence, \$2,000,000 aggregate. Tenant agrees to add Trustee and the Bond Insurer as additional insureds to any commercial general liability insurance policy.

15.2 Self-Insurance by Tenant. Notwithstanding anything herein to the contrary, Tenant may self-insure for general liability coverage, provided that Tenant maintains at all times a program of self-insurance and provides Landlord, Trustee and Bond Insurer annually with a certified actuarial statement from an independent insurance consultant or actuary that such program is in full force and effect and is actuarially sound and consistent with industry standards and prudent risk management standards. Annual evidence of Tenant's program of self-insurance is and shall continue to be included in the Tenant's financial report and shall be provided to Landlord, Trustee and Bond Insurer. Tenant agrees to provide Landlord and Bond Insurer with at least thirty (30) days prior written notice of any change in Tenant's self-insured status and will provide Landlord and Bond Insurer with a certificate of self-insurance as adequate proof of insurance. In the event Tenant fails to satisfy the condition set forth above, Tenant shall immediately procure the insurance coverage required for risks against which Tenant had previously self-insured. If Tenant elects to self-insure as set forth in this paragraph, Tenant acknowledges and agrees that Landlord shall have no liability for such losses or damage which would otherwise have been covered by the general liability insurance which Tenant could have provided in accordance with Paragraph 15.1 of this Lease, nor shall Tenant's failure to obtain commercial general liability insurance have any effect on Tenant's obligations under this Lease.

15.3 Workers' Compensation. Landlord acknowledges, agrees and understands that Tenant is self-insured for all of its workers' compensation liability exposure. Tenant agrees, at its own expense, to maintain through its self-insurance program coverage for its workers' compensation liability exposure for the duration of the Term of this Lease. Tenant agrees to

provide Landlord and Bond Insurer with at least thirty (30) days prior written notice of any change in the Tenant's self-insured status and will provide Landlord and Bond Insurer with a certificate of self-insurance as adequate proof of insurance.

16. Property Insurance.

16.1 Coverage for Premises. From and after the Commencement Date of this Lease, Tenant agrees that it shall keep the Premises insured for fire and associated perils, as is normally found in an "All Risk" blanket property insurance form, for 100% of its replacement value. The policy shall include earthquake and flood coverage (to the extent such coverage is available), rental insurance coverage for the period required to rebuild the Premises or twenty-four (24) months, whichever is longer, and shall name Trustee as loss payee. As of the Effective Date of this Lease, earthquake and flood insurance is available from insurance companies which satisfy the requirements of this Lease. Tenant shall maintain earthquake and flood insurance as part of its "All Risk" blanket property insurance so long as such coverage is available, but shall not be in default under this Lease if such coverage is no longer written or is otherwise unavailable for properties comparable to the Premises. The Tenant will provide the Landlord, Tenant and Bond Insurer with thirty (30) days notification of material changes in coverage. Tenant will, upon request, furnish Landlord with satisfactory evidence that such coverage is in effect.

16.2. Coverage for Tenant's Personal Property. From and after the earlier of the Commencement Date of this Lease or the date Landlord installs items of Tenant's Personal Property, trade fixtures or equipment in the Premises, Tenant shall either self-insure or, at its cost, Tenant shall obtain and maintain on all of Tenant's Personal Property in, on or about the Premises, insurance policies of the type now known as "all risk" or "special cause of loss" property insurance, in an amount equal to at least 100% of their actual cash value. The proceeds of any such policy shall be used by Tenant for the replacement of Tenant's Personal Property. Landlord shall have no obligation to insure any of Tenant's Personal Property.

17. Waiver of Subrogation. Landlord and Tenant agree that they shall not make a claim against or seek recovery from the other for any loss or damage to their property, or the property of others resulting from the perils for which insurance coverage is provided, to the extent insurance proceeds are actually paid, and each hereby releases the other from any such claim or liability regardless of the cause of such loss or damage. Such waiver is conditioned upon the parties' ability to enter into such a waiver and is valid only to the extent allowed by their respective insurers.

18. Other Insurance Matters.

18.1 Insurance Requirements.

(a) At all times from and after the Effective Date of this Lease, Landlord and Tenant agree to procure and maintain in full force and effect for the duration of the

Term of this Lease insurance against claims for personal injury or property damage which may arise from or in connection with this Lease.

(b) Each insurance policy shall be written on an "occurrence" form.

(c) By requiring such minimum insurance as specified herein, neither party shall be deemed to, or construed to, have assessed the risks that may be applicable to the other party to this Lease. Each party shall assess its own risks and, if it deems appropriate and/or prudent, maintain greater limits or broader coverage.

(d) Nothing contained within these insurance requirements shall be deemed to limit the scope, application and/or limits of coverage afforded, which coverage will apply to each insured to the full extent provided by the terms and conditions of the policy(s). Nothing contained within this provision shall affect and/or alter the application of any other provision contained within this Lease.

(e) Verification of Coverage. Each party shall furnish the other party with certificates of insurance and endorsements as required by this Lease. The certificates and endorsements for each policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements for Landlord's insurance are to be on forms approved by Tenant and are to be received and approved by the Tenant and Bond Insurer prior to the Effective Date of this Lease. The certificate and endorsements for Tenant's insurance are to be received and approved by the Bond Insurer prior to the Effective Date or Commencement Date of this Lease as appropriate. Tenant and Bond Insurer each reserves the right to require complete certified copies of all required policies at any time.

18.2 Insurance Prior to the Commencement Date of this Lease. Prior to the Commencement Date of this Lease, Landlord and Tenant acknowledge, understand and agree that all liability and property insurance necessary in connection with the Land and the Premises (except for Tenant's commercial general liability insurance described in Paragraph 15.1 of this Lease which can be self-insured by Tenant pursuant to Paragraph 15.2 of this Lease) shall be obtained and thereafter maintained in full force and effect by Landlord or Developer with the cost to be allocated between Landlord and Developer pursuant to the provisions of the Development Agreement. Such insurance shall name Landlord, Tenant, Trustee and Bond Insurer as their respective interests may appear and shall be in form satisfactory to Tenant and Bond Insurer.

## 19. Destruction.

19.1 Insured Damage. If during the Term, the Premises are partially or totally destroyed by any casualty that is covered by the insurance described in Paragraph 16, rendering the Premises partially or totally inaccessible or unusable, Landlord shall restore the Premises to substantially the same condition as they were in immediately before such destruction, if (i) the insurance proceeds available to Landlord equals or exceeds the cost of such restoration, (ii) such restoration can be completed within a period which is not longer than eighteen (18) months from

the date of such destruction (provided, however, that Landlord and Tenant may agree to a longer period but not in excess of 24 months), and (iii) such restoration is permitted under then existing laws to be done in such a manner as to return the Premises to substantially the same condition as it was in immediately before such destruction. Landlord will advise Tenant and Trustee with respect to the preceding conditions and, accordingly, whether such restoration of the Premises can proceed, on or before that date which is ninety (90) days after the date of destruction. If the foregoing conditions cannot be met, such destruction shall be treated as "Underinsured Damage" in accordance with the provisions of Paragraph 19.2. Destruction which is required to be restored by Landlord in accordance with the terms of this Paragraph 19.1 shall not terminate this Lease. The insurance proceeds shall be retained by Trustee who shall disburse same to Landlord from time to time as the restoration work progresses, provided, however, that Landlord shall complete such restoration as soon as reasonably practical, but, in any event not longer than that period which is eighteen (18) months from the date of such destruction (or such other period as Landlord and Tenant agree but not in excess of 24 months).

19.2 Underinsured Damage. If during the Term the Premises is partially or totally destroyed by any casualty and the conditions set forth in Paragraph 19.1, captioned "Insured Damage" cannot be met, Landlord shall provide written notice to Tenant and Trustee within ninety (90) days after the date of destruction. Such notice shall describe the extent of the destruction, which of the conditions(s) cannot be met, and the estimated time necessary for a restoration of the Premises and whether Landlord, at its sole option, elects to either (i) restore such portion of the Premises as is damaged or the entirety thereof to substantially the same condition as it was in immediately before such destruction, or (ii) terminate this Lease effective as of the date of such destruction. Within thirty (30) days of Tenant's receipt of Landlord's notice, Tenant shall notify Landlord in writing whether Tenant will proceed to satisfy the conditions which cannot be met. If Tenant so fulfills such conditions, then Landlord shall proceed to restore the portion of the Premises as is destroyed or the entirety thereof in accordance with the terms agreed between Landlord and Tenant. If Landlord elects to restore the Premises or such portion of the Premises as is damaged or destroyed the insurance proceeds shall be retained by Trustee who shall disburse same to Landlord from time to time as the restoration work progresses, provided, however, that Landlord shall complete such restoration as soon as reasonably practical, but, in any event not longer than that period which is eighteen (18) months from the date of such destruction (or such longer period as Landlord and Tenant agree but not in excess of 24 months). If Landlord elects to restore the Premises (or the damaged portion thereof) or if Landlord and Tenant agree that restoration of the Premises (or damaged portion thereof) will occur in accordance with the provisions of this Paragraph, neither party shall be entitled to terminate this Lease. If the Lease is terminated, the insurance proceeds shall be paid to Trustee and applied by Trustee to effect an extraordinary redemption of the Bonds pursuant to the provisions of the Indenture and the remainder, if any, shall be paid to Tenant.

19.3 Extent of Landlord's Obligation to Restore. If Landlord is required or elects to restore the Premises or such portion thereof which has been destroyed as provided in this Paragraph 19, Landlord shall not be required to restore Tenant's Personal Property, such excluded items being the sole responsibility of Tenant to restore.

19.4 Abatement or Reduction of Rent. In case of partial or total destruction of the Premises or any portion thereof, which destruction Landlord is required or elects to restore, there shall be an abatement or reduction of Monthly Rent between the date of destruction and the date of completion of restoration, based on the extent to which the destruction interferes with Tenant's use of the Premises or such damaged portion thereof. The Monthly Rent shall be reduced by a percentage equal to the same percentage that the rentable square footage of the unusable portion of the Premises is of the total rentable square feet of the Premises prior to such destruction.

20. Condemnation.

20.1 Total Condemnation. If during the Term there is a taking or damaging of all or any portion of the Premises by the exercise of any governmental power, whether by legal proceedings or otherwise, by a governmental agency with jurisdiction over the Premises or a transfer by Landlord either under threat of condemnation or while legal proceedings for condemnation are pending (a "Condemnation") such that there can be no reasonable use of the Premises by Tenant, as reasonably determined by Tenant, this Lease shall terminate on the date the condemnor has the right to possession of the property being condemned. The entire award with respect to a taking of the Premises (including Tenant's leasehold estate under this Lease) shall belong to Landlord but shall be paid to Trustee, (except that Tenant shall have the right to claim and retain any compensation payable by the condemning authority for the loss of any Tenant's Personal Property, moving expenses and any other damages provable and suffered by Tenant in connection with the Condemnation so long as such award does not reduce the amount of the condemnation award payable in connection with the taking or damaging of the Premises). The condemnation award shall be used first, to effect an extraordinary redemption of the Bonds pursuant to the provisions of the Indenture and the remainder, if any, shall be paid to Tenant.

20.2 Partial Condemnation. If during the Term there is a partial taking of a part of the Premises by Condemnation, and Tenant determines that a reasonable use can be made of the Premises then the condemnation proceeds shall be paid to Trustee who shall deposit said condemnation proceeds into the Project Fund established under the Indenture and shall disburse such condemnation proceeds to Landlord from time to time as restoration progresses. Landlord shall thereupon restore the Premises or such portion thereof in accordance with the provisions of Paragraphs 19.1, 19.2 and 19.3 above and Monthly Rent shall be abated in accordance with the provisions of Paragraph 19.4 above.

21. Assignment of Project; Subletting. Landlord shall not assign its interest in the Lease or in the Premises (except to Trustee) without the prior written consent of Tenant and the Bond Insurer and a written opinion from nationally recognized bond counsel that any such sale, transfer, conveyance or assignment by Landlord of all or any portion of its interest in the Lease or the Premises will not have an adverse effect on the tax exempt status of interest payable on the Bonds and any attempted assignment in violation of the consent requirements under this Paragraph 21 shall be null and void and shall constitute an event of default under the Indenture. Tenant shall not assign its interest in this Lease or in the Premises (except to another governmental agency or nonprofit corporation) without the prior written consent of Landlord and

Bond Insurer together with an opinion of nationally recognized bond counsel that any such assignment will not adversely affect the tax exempt status of interest payable on the Bonds). Tenant may sublease the Premises or any portion thereof, to the extent and on the terms and conditions set forth under Paragraph 7 of the Lease and so long as the execution of such sublease would not violate the provisions of Paragraph 7 hereof; provided, however, that under no circumstances shall Tenant be released or relieved from any of its obligations hereunder. Any such assignment or sublease as provided for in this Paragraph shall be in writing and shall require such assignee or subtenant to comply fully with the terms of this Lease, including, without limitation, the provisions of Paragraph 7 regarding use of the Premises. Tenant shall provide Landlord, Trustee and Bond Insurer with written notice of any such assignment or sublease and a copy of any such assignment or sublease documentation.

22. Default by Tenant. The occurrence of any of the following shall constitute an Event of Default by Tenant under this Lease:

22.1 Payment. Failure (A) to make any Monthly Rent payments due under this Lease if the failure to pay is not cured within seven (7) days after written notice of such failure has been given by Trustee or Landlord to Tenant, or (B) failure to make any other payment required if the failure to pay is not cured within ten (10) days after written notice of such failure has been given by Landlord to Tenant.

22.2 Other Failure to Perform. Failure to perform any other provision of this Lease if the failure to perform is not cured within thirty (30) days after written 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; provided, however, that if such default is of a nature such that it cannot be cured within ninety (90) days Tenant shall obtain the written approval of Landlord and the Trustee to continue its efforts to cure such default following the ninety (90) day cure period.

22.3 Late Charges; Interest on Past Due Obligations. Tenant acknowledges that a late payment of Rent or Additional Rent hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is difficult to ascertain. Therefore, in the event Tenant shall fail to pay any installment of Rent or any Additional Rent due hereunder for fifteen (15) days after the date such amount is due, then to the extent such payment is made to Landlord, Tenant shall pay Landlord a late charge equal to two percent (2%) of the amount then owing and past due together with interest on such past due amount at an interest rate of twelve percent per annum (12%) commencing eight (8) days after the date such amount is due until paid. Payment of such late charges and/or default interest shall not excuse or cure any default by Tenant under this Lease.

23. Remedies for Tenant Default. If Tenant commits a default and fails to cure such default within the time period provided under Paragraph 22 hereof, then Landlord, by providing Tenant with ten (10) days advance written notice, may cancel and terminate this Lease, evict the Tenant and re-enter the Premises, but notwithstanding such re-entry by Landlord, Tenant

covenants and agrees to make good to Landlord any deficiency arising from a reentry and reletting of the Premises at a lesser Rent than the Rent agreed to through the Term of this Lease, provided Landlord has taken all reasonable measures to ensure that a maximum rental rate was obtained for reletting. Landlord shall provide notice to Tenant of any amount by which rentals from such reletting are less than the Rent and the due dates of such Rent. The deficiency amount for each such Rent payment shall be paid by Tenant on or before the due date for such Rent payment.

24. Signs. Tenant shall have the right to place identification signage, other signage, advertisements, awnings, banners or other exterior decorations on the exterior of the Premises without any further consent or approval from Landlord. Any sign that Tenant has the right 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.

25. Landlord's Right to Enter the Premises. Landlord shall have the right to enter the Premises at reasonable times during Tenant's normal business hours for the below listed purposes; provided, however, Landlord acknowledges and agrees to comply with Tenant's requests regarding security. Landlord shall conduct its activities on the Premises as allowed in this Paragraph in a manner that will cause the least possible inconvenience, annoyance or disturbance to Tenant. 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 Paragraph, except damage resulting from the negligent acts or omissions of Landlord. Tenant shall not be entitled to an abatement or reduction of Rent if Landlord exercises any right reserved in this Paragraph:

25.1 Condition. To determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease.

25.2 Notices. To serve, post or keep posted any notices required or allowed under the provisions of this Lease.

26. No Encumbrances by Landlord. Except to the extent expressly authorized in Paragraphs 11 and 21 of this Lease Landlord shall not at any time during the Term of this Lease sell, transfer, lease (other than to Tenant pursuant to this Lease), convey, encumber (other than to Trustee pursuant to the Mortgage), pledge (other than to Trustee pursuant to the Indenture), hypothecate or otherwise grant a security interest in the Premises or any portion thereof.

27. Right to Estoppel Certificates. Each party, within fifteen (15) days after notice from the other party, shall execute and deliver to the other party, 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. Failure to deliver the certificate within such fifteen (15) day period shall be conclusive upon the party failing to deliver the certificate for the benefit of the party requesting the certificate and any successor to the party requesting the certificate, that

this Lease is in full force and effect and has not been modified except as may be represented by the party requesting the certificate.

28. Limitation on Landlord's Liability. Notwithstanding any provision in the Lease to the contrary, Tenant agrees that it shall look solely to the estate and property of Landlord in the Land and buildings constituting the Premises, any insurance proceeds or condemnation proceeds payable to the Landlord under this Lease, and any sums paid to Landlord under the Development Agreement for the collection of any judgment requiring the payment of money by Landlord or for the enforcement of any other judgment or remedy against Landlord and no other assets of Landlord shall be subject to levy, execution or other procedure for the satisfaction of Tenant's remedies.

29. Attorneys' Fees. In the event either party requires the services of an attorney in connection with enforcing the terms of this Lease, or in the event suit is brought for the recovery of any Rent due under this Lease or for the breach of any covenant or condition of this Lease, or for the restitution of said Premises to Landlord and/or eviction of Tenant during said Term or after the expiration thereof, the prevailing party will be entitled to a reasonable sum for attorneys' fees, witness fees, and court costs, including costs of appeal.

30. Surrender; Holding Over.

30.1 Surrender. Tenant shall surrender the Premises to Landlord on the Expiration Date in good condition, ordinary wear and tear excepted, subject to and in accordance with the following conditions:

30.1.1 Removal of Tenant's Personal Property. Tenant shall remove all of Tenant's Personal Property on the Expiration Date. Tenant shall perform all restoration made necessary by the removal of Tenant's Personal Property within the time period stated in this subparagraph.

30.1.2 Failure to Surrender. If Tenant fails to surrender the Premises to Landlord on the Expiration Date as required by this subparagraph, Tenant shall pay Landlord rent in an amount equal to One Hundred Ten Percent (110%) of the then current Monthly Rent for the entire time Tenant thus remains in possession and Tenant shall hold Landlord harmless from all damages resulting from Tenant's failure to surrender the Premises or any portion thereof, including without limitation, claims made by a succeeding tenant resulting from Tenant's failure to surrender the Premises or any portion thereof.

30.2 Holding Over. If Tenant, with Landlord's consent remains in possession of the Premises after the Expiration Date, 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 on thirty (30) days notice given at any time by either party. During such month-to-month tenancy, Tenant shall pay all Rent required by this Lease. All provisions of this Lease, except those pertaining to Term, shall apply to the month-to-month tenancy.



31. Broker. 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 for the commission payable to Cushman & Wakefield whose commission shall be paid by Landlord as part of Project Costs (as defined in the Development 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 other 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;

32. Miscellaneous Provisions.

32.1 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 and the consent of Bond Insurer if required pursuant to the provisions of Paragraph 32.13 of this Lease.

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

32.3 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.

32.4 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 King County Superior Court for the State of Washington and agree that in any such action venue shall lie exclusively at Seattle, Washington.

32.5 Waiver. No waiver of any right under this Lease shall be effective unless contained in 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.

32.6 Captions. Paragraph captions contained in this Lease are included for convenience only and form no part of the agreement between the parties.

32.7 Notices. All notices or requests required or permitted under this Lease shall be in writing, shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid, or by facsimile transmission and shall be deemed given when so delivered, received or faxed (provided the fax machine has issued a printed confirmation of receipt). All notices or requests to any party shall be sent to all other parties as follows:

127547

If to Landlord: CDP-King County III  
1932 - 1st Avenue, Suite 800  
Seattle, Washington 98101  
Telephone: (206) 448-5244  
Facsimile: (206) 448-5246

If to Tenant: King County  
Attn: Director of DCFM and Manager, Property Services  
King County Administration Building  
500 Fourth Avenue, Room 320  
Seattle, Washington 98104  
Telephone: (206) 296-0630 (Director, DCFM)  
(206) 205-5651 (Manager, Property Services)  
Facsimile: (206) 296-0186 (Director, DCFM)  
(206) 296-0196 (Manager, Property Services)

If to Trustee:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

If to Bond Insurer:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

Any party may change the address to which notices shall be sent by notice to the other party in the manner and with the effect set forth in this Paragraph 32.7.

32.8 Binding Effect. Subject to the provisions of Paragraphs 11 and 21 hereof, 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. The term "Landlord" shall include any successors to or assigns of the Landlord's interest in the Premises following any foreclosure of the Mortgage, including Trustee or any purchaser at a trustee's or sheriff's sale of the Premises.

32.9 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.

32.10 Nondiscrimination. Landlord and Tenant each agree it will not discriminate in employment at the Premises on the basis of race, color, religion, sex, national origin, veteran status, sexual orientation, or physical and mental disability in regard to any position for which the prospective employee is qualified, nor will Landlord or Tenant maintain facilities which are segregated on the basis of race, color, religion, sex or national origin at the Premises.

32.11 Lease Not A Debt. The Lease and the Rent payable hereunder shall not constitute an obligation of King County, moral or otherwise, for which King County is obligated to levy or pledge any form of taxation. Neither the Lease nor the Rent payable hereunder constitutes a debt or a pledge of the full faith and credit of the State of Washington or King County within the meaning of the Constitution of the State of Washington or within the meaning of any debt limitation or restriction.

32.12 Recording; Memorandum of Lease. Neither Landlord nor Tenant shall record this Lease without the written consent of the other; provided, however, that Tenant shall have the right to record a Memorandum of this Lease in the form attached hereto as Exhibit F and by this reference incorporated herein upon the Effective Date. Such Memorandum of Lease shall be amended by the parties and a new Memorandum recorded once the Commencement Date and Expiration Date of this Lease has been determined.

32.13 Amendment of Lease; Bond Insurer Consent. So long as the Bonds remain outstanding and there has been no default by the Bond Insurer under the terms of its municipal bond insurance policy which insures payment of principal and interest on the Bonds, there shall be no amendment of this Lease without the prior written consent of the Bond Insurer.

32.14 Time is of the Essence. Time is of the essence in the performance of each party's obligations under this Lease. Each party will carry out its obligations under this Lease diligently and in good faith.

33. Prevailing Wage. Landlord agrees and covenants with Tenant that the Development Agreement shall obligate Developer to require contractors and subcontractors of such contractors in connection with such contracts as may be let regarding the construction of the Project to pay the prevailing wage to the workmen, laborers and mechanics as may then be determined by the Washington State Department of Labor and Industries for the particular craft in the particular geographic area.

34. Authority. Landlord is a Washington non-profit corporation, duly organized, validly existing and in good standing under the laws of the State of Washington. Tenant is a political subdivision of the State of Washington. By execution of this Lease, Landlord and Tenant represent that they have authority to enter into this Lease.

DATED the date first above written.

Landlord:

CDP-KING COUNTY III, a Washington non-profit corporation

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:

Tenant:

KING COUNTY, a political subdivision of the State of Washington

\_\_\_\_\_  
Deputy Prosecuting Attorney  
King County

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

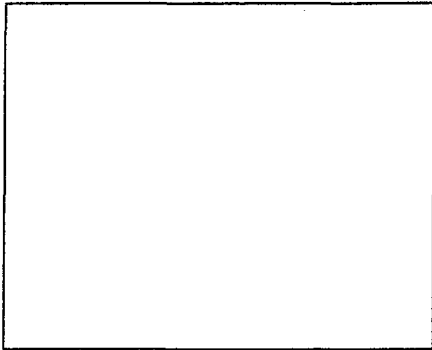
By \_\_\_\_\_  
Its \_\_\_\_\_

12754

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of CDP-KING COUNTY III, a Washington non-profit corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_



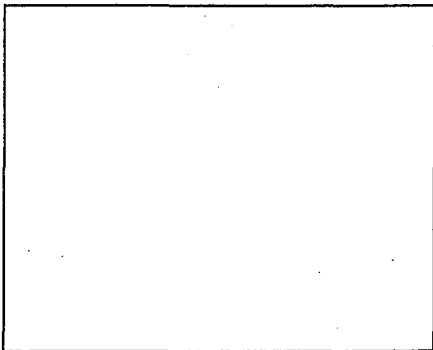
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\_\_\_\_\_  
Notary Public  
Print Name \_\_\_\_\_  
My commission expires \_\_\_\_\_

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of KING COUNTY, a political subdivision of the State of Washington, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_



(Use this space for notarial stamp/seal)

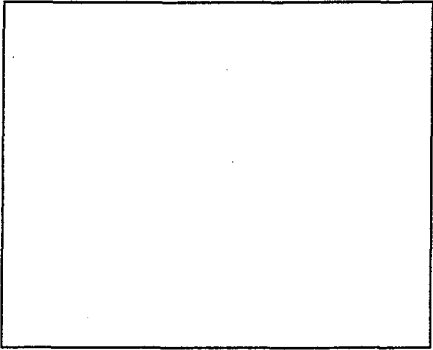
\_\_\_\_\_  
Notary Public  
Print Name \_\_\_\_\_  
My commission expires \_\_\_\_\_

12754

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of KING COUNTY, a political subdivision of the State of Washington, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_



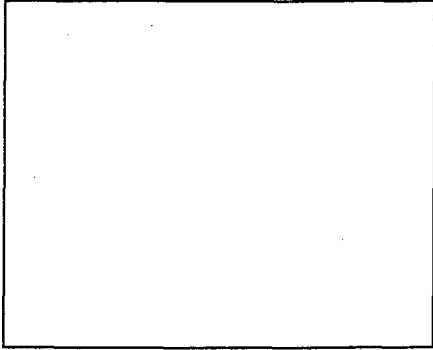
Use this space for notarial stamp/seal)

\_\_\_\_\_  
Notary Public  
Print Name \_\_\_\_\_  
My commission expires \_\_\_\_\_

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

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Dated: \_\_\_\_\_



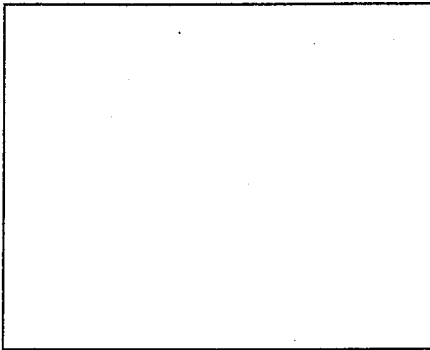
Use this space for notarial stamp/seal)

\_\_\_\_\_  
Notary Public  
Print Name \_\_\_\_\_  
My commission expires \_\_\_\_\_

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of KING COUNTY, a political subdivision of the State of Washington, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_



Use this space for notarial stamp/seal)

\_\_\_\_\_  
Notary Public  
Print Name \_\_\_\_\_  
My commission expires \_\_\_\_\_

EXHIBIT A  
MONTHLY RENT

12754

	Year 1		Year 2		Year 3		Year 4		Year 5
1/1/	\$	1/1/	\$	1/1/	\$	1/1/	\$	1/1/	\$
2/1/	\$	2/1/	\$	2/1/	\$	2/1/	\$	2/1/	\$
3/1/	\$	3/1/	\$	3/1/	\$	3/1/	\$	3/1/	\$
4/1/	\$	4/1/	\$	4/1/	\$	4/1/	\$	4/1/	\$
5/1/	\$	5/1/	\$	5/1/	\$	5/1/	\$	5/1/	\$
6/1/	\$	6/1/	\$	6/1/	\$	6/1/	\$	6/1/	\$
7/1/	\$	7/1/	\$	7/1/	\$	7/1/	\$	7/1/	\$
8/1/	\$	8/1/	\$	8/1/	\$	8/1/	\$	8/1/	\$
9/1/	\$	9/1/	\$	9/1/	\$	9/1/	\$	9/1/	\$
10/1/	\$	10/1/	\$	10/1/	\$	10/1/	\$	10/1/	\$
11/1/	\$	11/1/	\$	11/1/	\$	11/1/	\$	11/1/	\$
12/1/	\$	12/1/	\$	12/1/	\$	12/1/	\$	12/1/	\$
	Year 6		Year 7		Year 8		Year 9		Year 10
1/1/	\$	1/1/	\$	1/1/	\$	1/1/	\$	1/1/	\$
2/1/	\$	2/1/	\$	2/1/	\$	2/1/	\$	2/1/	\$
3/1/	\$	3/1/	\$	3/1/	\$	3/1/	\$	3/1/	\$
4/1/	\$	4/1/	\$	4/1/	\$	4/1/	\$	4/1/	\$
5/1/	\$	5/1/	\$	5/1/	\$	5/1/	\$	5/1/	\$
6/1/	\$	6/1/	\$	6/1/	\$	6/1/	\$	6/1/	\$
7/1/	\$	7/1/	\$	7/1/	\$	7/1/	\$	7/1/	\$
8/1/	\$	8/1/	\$	8/1/	\$	8/1/	\$	8/1/	\$
9/1/	\$	9/1/	\$	9/1/	\$	9/1/	\$	9/1/	\$
10/1/	\$	10/1/	\$	10/1/	\$	10/1/	\$	10/1/	\$
11/1/	\$	11/1/	\$	11/1/	\$	11/1/	\$	11/1/	\$
12/1/	\$	12/1/	\$	12/1/	\$	12/1/	\$	12/1/	\$
	Year 11		Year 12		Year 13		Year 14		Year 15
1/1/	\$	1/1/	\$	1/1/	\$	1/1/	\$	1/1/	\$
2/1/	\$	2/1/	\$	2/1/	\$	2/1/	\$	2/1/	\$
3/1/	\$	3/1/	\$	3/1/	\$	3/1/	\$	3/1/	\$
4/1/	\$	4/1/	\$	4/1/	\$	4/1/	\$	4/1/	\$
5/1/	\$	5/1/	\$	5/1/	\$	5/1/	\$	5/1/	\$
6/1/	\$	6/1/	\$	6/1/	\$	6/1/	\$	6/1/	\$
7/1/	\$	7/1/	\$	7/1/	\$	7/1/	\$	7/1/	\$
8/1/	\$	8/1/	\$	8/1/	\$	8/1/	\$	8/1/	\$
9/1/	\$	9/1/	\$	9/1/	\$	9/1/	\$	9/1/	\$
10/1/	\$	10/1/	\$	10/1/	\$	10/1/	\$	10/1/	\$
11/1/	\$	11/1/	\$	11/1/	\$	11/1/	\$	11/1/	\$
12/1/	\$	12/1/	\$	12/1/	\$	12/1/	\$	12/1/	\$
	Year 16		Year 17		Year 18		Year 19		Year 20
1/1/	\$	1/1/	\$	1/1/	\$	1/1/	\$	1/1/	\$
2/1/	\$	2/1/	\$	2/1/	\$	2/1/	\$	2/1/	\$
3/1/	\$	3/1/	\$	3/1/	\$	3/1/	\$	3/1/	\$
4/1/	\$	4/1/	\$	4/1/	\$	4/1/	\$	4/1/	\$
5/1/	\$	5/1/	\$	5/1/	\$	5/1/	\$	5/1/	\$
6/1/	\$	6/1/	\$	6/1/	\$	6/1/	\$	6/1/	\$
7/1/	\$	7/1/	\$	7/1/	\$	7/1/	\$	7/1/	\$
8/1/	\$	8/1/	\$	8/1/	\$	8/1/	\$	8/1/	\$
9/1/	\$	9/1/	\$	9/1/	\$	9/1/	\$	9/1/	\$
10/1/	\$	10/1/	\$	10/1/	\$	10/1/	\$	10/1/	\$
11/1/	\$	11/1/	\$	11/1/	\$	11/1/	\$	11/1/	\$
12/1/	\$	12/1/	\$	12/1/	\$	12/1/	\$	12/1/	\$



	Year 21		Year 22		Year 23		Year 24		Year 25
1/1/	\$	1/1/	\$	1/1/	\$	1/1/	\$	1/1/	\$
2/1/	\$	2/1/	\$	2/1/	\$	2/1/	\$	2/1/	\$
3/1/	\$	3/1/	\$	3/1/	\$	3/1/	\$	3/1/	\$
4/1/	\$	4/1/	\$	4/1/	\$	4/1/	\$	4/1/	\$
5/1/	\$	5/1/	\$	5/1/	\$	5/1/	\$	5/1/	\$
6/1/	\$	6/1/	\$	6/1/	\$	6/1/	\$	6/1/	\$
7/1/	\$	7/1/	\$	7/1/	\$	7/1/	\$	7/1/	\$
8/1/	\$	8/1/	\$	8/1/	\$	8/1/	\$	8/1/	\$
9/1/	\$	9/1/	\$	9/1/	\$	9/1/	\$	9/1/	\$
10/1/	\$	10/1/	\$	10/1/	\$	10/1/	\$	10/1/	\$
11/1/	\$	11/1/	\$	11/1/	\$	11/1/	\$	11/1/	\$
12/1/	\$	12/1/	\$	12/1/	\$	12/1/	\$	12/1/	\$
	Year 26		Year 28		Year 28		Year 29		Year 30
1/1/	\$	1/1/	\$	1/1/	\$	1/1/	\$	1/1/	\$
2/1/	\$	2/1/	\$	2/1/	\$	2/1/	\$	2/1/	\$
3/1/	\$	3/1/	\$	3/1/	\$	3/1/	\$	3/1/	\$
4/1/	\$	4/1/	\$	4/1/	\$	4/1/	\$	4/1/	\$
5/1/	\$	5/1/	\$	5/1/	\$	5/1/	\$	5/1/	\$
6/1/	\$	6/1/	\$	6/1/	\$	6/1/	\$	6/1/	\$
7/1/	\$	7/1/	\$	7/1/	\$	7/1/	\$	7/1/	\$
8/1/	\$	8/1/	\$	8/1/	\$	8/1/	\$	8/1/	\$
9/1/	\$	9/1/	\$	9/1/	\$	9/1/	\$	9/1/	\$
10/1/	\$	10/1/	\$	10/1/	\$	10/1/	\$	10/1/	\$
11/1/	\$	11/1/	\$	11/1/	\$	11/1/	\$	11/1/	\$
12/1/	\$	12/1/	\$	12/1/	\$	12/1/	\$	12/1/	\$

12754

EXHIBIT B  
PRELIMINARY PLANS AND OUTLINE SPECIFICATIONS

122541

EXHIBIT C  
PROJECT SCHEDULE

12754

EXHIBIT D  
LAND

12754

EXHIBIT E  
CONFIRMATION OF COMMENCEMENT AND EXPIRATION DATES

In accordance with the provisions of Paragraph 3 of the Lease as of this \_\_\_\_ day of \_\_\_\_\_, 199\_\_, Landlord and Tenant acknowledge, agree and confirm the following:

The Commencement Date of this Lease is \_\_\_\_\_;

The Expiration Date of this Lease is \_\_\_\_\_;

The foregoing agreement and confirmation shall be binding upon Landlord and Tenant and shall supersede and control over any other provision in the Lease regarding the Commencement Date and Expiration Date which might be construed other than as set forth in this Confirmation.

AGREED THE DAY AND YEAR FIRST ABOVE WRITTEN.

Landlord:

CDP-KING COUNTY III, Washington non-profit corporation

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:

Tenant:

KING COUNTY, a political subdivision of the State of Washington

\_\_\_\_\_  
Deputy Prosecuting Attorney  
King County

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

12754

EXHIBIT F  
MEMORANDUM OF LEASE