

CHRISTOPHER VANCE
LOUISE MILLER
ROB MCKENNA
PETE VON REICHBAUER
MAGGI FIMIA
LARRY GOSSETT
LARRY PHILLIPS

DWIGHT PELZ GREG NICKELS
Introduced by: CYNTHIA SULLIVAN

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Proposed by: 97-358

ORDINANCE NO. **12774**

AN ORDINANCE authorizing the Executive to enter into
lease for 7308 square feet of space at 615 8th Avenue South
in Seattle, for a Child Care center.

PREAMBLE:

In accordance with the provision of K.C.C. 4.04.040. the King County Council
may adopt an ordinance permitting the county to enter into contracts requiring the
the payment of funds from the appropriation of subsequent fiscal years.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

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LEASE AGREEMENT

LEASE AGREEMENT, dated as of _____, by and between MacDOUGALL-THOMAS LLC, a Washington Limited Liability Company (herein referred to as "Landlord"), and King County, a Public Corporation of the State of Washington (herein referred to as "Tenant")

WITNESSETH:

1. Premises. Landlord hereby leases to Tenant, upon the terms and conditions herein set forth approximately 7308 square feet of space located in the north end of that certain building commonly known as 615 8th Ave. So., Seattle, Washington, constructed on that certain real property described as:

Lot 5 and the south 55 feet of lot 6 in Block 53 of the Town of Seattle. Parking area described as east 18 feet of Lots 3 and 4, Block 53, Town of Seattle as laid out by D.S. Maynard commonly known as D.S. Maynard's Plat recorded in Volume 1 of Plats, page 23, King County, Washington; and

A portion of the adjacent parking lot described as :

The East 18 feet of Lots 3 and 4, Block 53, Town of Seattle, as laid out by D.S. Maynard, commonly known as D.S. Maynard's Plat of Seattle, according to the Plat recorded in Volume 1 of Plats, Page 23, in King County, Washington,

and as delineated in the attached Exhibit "A".

(herein called "Premises").

2. Use of Premises. The premises shall be used for child care and related office functions. Tenant shall not use the premises for any other purpose without the prior written consent of Landlord. Tenant shall not allow use of the premises for any illegal purpose. Tenant shall comply with all governmental rules, orders, regulations or requirements relating to the use and occupancy of the premises.

3. Term. This lease shall be for a term beginning May 1, 1997 and ending April 30, 2002 (the "initial term"). Tenant may, by giving notice to Landlord at least one hundred eighty (180) days prior to the termination of the initial term, extend the term of this lease for an additional period to commence May 1, 2002 and end April 30, 2007 (the "renewal term"), at the then current market rent, provided, however, that such election may be rejected by Landlord at anytime prior to the expiration of the initial term if tenant is in default in any of its obligations under this lease at any time during the initial term.

4.A. Rental. Tenant agrees to pay Landlord, at Landlord's address set forth in Section 20 hereof or at such other place as

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Landlord may designate in writing, monthly rental for the premises and off-street parking as described below:

Four Thousand Five Hundred Dollars and 00/100 (\$4,500.00), which shall be adjusted on each anniversary date of the commencement of the lease by the Bureau of Labor Statistics, Washington, D.C., Consumer Price Index For All Urban Consumers, U.S. City Average All Items (1967=100) as outlined in Exhibit "B".

Rentals shall be payable in advance on the first day of each and every month during the term hereof. Rentals for a partial calendar month at the commencement of this lease shall be due upon commencement and shall be prorated on a daily basis. Rentals for a partial calendar month at the expiration of this lease shall be prorated on a daily basis. A 20% penalty will be charged on rents more than ten (10) days late.

4.B. Security Deposit. Tenant has deposited with Landlord the minimum sum of \$9,000.00, which is equal to the amount of the rent for the first and last month of the original term. Tenant may be required to deposit additional sums if the annual rent increases during the Initial Term. Said sum (plus the increase therein if Tenant exercises its Option to extend the Lease Term) shall be held by Landlord as security for the faithful performance by Tenant of all terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the Lease Term. If Tenant defaults with respect to any provision of this Lease, including but not limited to the provisions relating to the payment of Minimum or Additional rent, Landlord may (but shall not be required to) use, apply or retain all or any part of this Security Deposit for the payment of any such rent or any other sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall, within five (5) days after written demand therefor, deposit with Landlord cash in an amount sufficient to restore the Security Deposit to its original amount, and Tenant's failure to do so shall be a material default under this lease. Landlord shall not be required to keep this Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) after Tenant has vacated the Premises at the expiration of the Lease Term or the sooner termination thereof under the provisions of this Lease. If Landlord's interest in this Lease is terminated, Landlord shall transfer said deposit to Landlord's successor in interest.

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5. Inspection; Delivery of Possession. The taking of possession of the premises by Tenant shall constitute acknowledgment by Tenant that the premises were then in "as is" condition and as represented by Landlord.

6. Quiet Enjoyment. Landlord covenants and agrees that Tenant, upon performance of all of Tenant's obligations under this lease, shall lawfully and quietly hold, occupy and enjoy the Premises during the term of this lease without disturbance by Landlord or by any person claiming under Landlord, subject to the other terms and provisions of this lease and subject to all mortgages, underlying leases and other underlying matters of record to which this lease is or may become subject and subordinate.

7. Utilities and Other Services by Tenant. Tenant, at Tenant's expense, will furnish all services and utilities required by Tenant in connection with the premises during the term of this lease, and will indemnify and hold Landlord harmless against all liabilities or damages on such account.

8. Alterations, Additions, Improvements and Maintenance by Tenant.
8.A. (1) Tenant shall not make any alterations, additions, or improvements to the property without Landlord's written approval, except for non-structural alterations which do not exceed Two Thousand Five Hundred Dollars and 00/100 (\$2,500.00) in cost cumulatively over the lease term and which are not visible from the outside of any building of which the property is part. Landlord may require Tenant to provide demolition and/or lien and completion bonds in form and amount satisfactory to Landlord. Tenant shall, at Tenant's sole expense, promptly remove any alterations, additions, or improvements constructed in violation of this paragraph 8.A.(1.) upon Landlord's written request. All alterations, additions, and improvements shall be done in a good and workmanlike manner, in conformity with all applicable laws and regulations, and by a contractor approved by Landlord. Upon completion of any such work, Tenant shall provide Landlord with "as built" plans, copies of all construction contracts, and proof of payment for all labor and materials. Tenant shall not nail or fasten any item to the interior of the warehouse ceiling without prior written consent of the Landlord.

(2.) Tenant shall pay when due all claims for labor and material furnished to the property. Tenant shall give Landlord at least twenty (20) days' prior written notice of the commencement of any work on the property, regardless of whether Landlord's consent to such work is required. Landlord may elect to record and post notices of non-responsibility on the property.

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8.B. Condition Upon Termination. Upon termination of the lease, Tenant shall surrender the Property to Landlord, broom clean and in the same condition as received except for ordinary wear and tear which Tenant was otherwise obligated to remedy under any provision of this lease. However, Tenant shall not be obligated to repair any damage which Landlord is required to repair under Article Fourteen (Damage or Destruction). In addition, Landlord may require Tenant to remove any alterations, additions or improvements (whether or not made with Landlord's consent) prior to the expiration of the lease and to restore the property to its prior condition, all at Tenant's expense. All alterations, additions and improvements which Landlord has not required Tenant to remove shall become Landlord's property and shall be surrendered to Landlord upon the expiration or earlier termination of the lease, except that Tenant may remove any of Tenant's machinery or equipment which can be removed without material damage to the Property. Tenant shall repair, at Tenant's expense, any damage to the Property caused by the removal of any such machinery or equipment. In no event, however, shall Tenant remove any of the following materials or equipment (which shall be deemed Landlord's property) without Landlord's prior written consent : any power wiring or power panels; lighting or lighting fixtures; wall coverings; drapes, blinds or other window coverings; carpets or other floor coverings; heaters; air conditioners or any other heating or air conditioning equipment; fencing or security gates; or other similar building operating equipment and decorations.

8.C. Maintenance and Repairs. Tenant shall keep and maintain and repair all portions of the leased premises, parking area and the sidewalks adjoining the premises in a clean and orderly condition, free of accumulated dirt and rubbish, and shall keep such sidewalks, and the parking area and similar areas on the premises, free from snow and ice and properly landscaped. Tenant shall, at its own expense, take whatever steps are necessary to ensure that the premises are at all times during the term of this lease, kept and used in accordance with the laws, ordinances, rules and regulations of the United States of America (including any agency, commission or department thereof), the state of Washington and any political subdivision thereof, and in accordance with all directions, rules and regulations of any health officer, fire marshal, building inspector or other proper officer of the United States of America (including any agency, commission or department thereof), the State of Washington or a political subdivision thereof. Tenant shall, at its own expense, keep all drainage pipes free and open, protect water, heating and other pipes so that they will not freeze or become clogged, and repair all damage caused by leaks or by reason of Tenant's failure to protect and keep free, open and unfrozen any of the pipes and plumbing on the premises. In the event Tenant does not maintain the premises, Landlord shall engage such services as are necessary and charge Tenant's Security Deposit for such services.

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Replacement of any hot water tank shall be at the Tenant's expense and repairs to any overhead door shall be at Tenant's expense. Tenant shall pay its pro-rata share of any repairs to the roof, reroofing, painting of exterior walls, repairs to the parking area or repaving, repairs to the sidewalk area or installation of new sidewalks.

9. Taxes. Tenant shall pay, before the same become delinquent, all real property and other taxes, including special assessments, levied against the premises which are due during the term of this lease. With respect to the periods at the beginning and end of the lease term prior to and subsequent to the first and last real property tax payment dates respectively falling within the lease term, such taxes with respect to the premises shall be prorated on a daily basis as between Landlord and Tenant. If said taxes are billed directly to Landlord, Tenant shall satisfy its obligations under the foregoing provisions of this section by reimbursing Landlord for amounts paid by Landlord, such reimbursement to be made within ten (10) days of Landlord's invoice for same. If taxes are assessed upon real property that includes buildings or portions of a building other than the Premises, Tenant's liability under the foregoing provisions of this section shall be based on the square feet of the Premises relative to the total square feet of such building or all such buildings, as the case may be.

Tenant shall pay to Landlord as additional rental, within ten (10) days after notice of the amount thereof, any tax upon rent payable under this lease or any tax or fee in any form (except general income or business and occupation tax) payable by Landlord because of or measured by receipts or income of Landlord derived from this lease.

10. Landlord's Access to Premises. Landlord may inspect the Premises at all reasonable times and enter the same for the purpose of cleaning, repairing, altering, improving or exhibiting the same, but nothing herein shall be construed as imposing any obligation on Landlord to perform any such work.

11. Liability Insurance. Tenant shall take out and keep in force during the term of this lease, at Tenant's expense, comprehensive public liability and property damage insurance insuring against any and all claims for injury to or death of persons and loss of or damage to property occurring upon, in or about the Premises. Such insurance shall be in the minimum amount of \$2,000,000.00 liability per occurrence to any one person for personal injury, with an aggregate limitation of liability of not less than \$2,000,000.00, with not less than \$2,000,000.00 liability to any one person for property damage and with excess public liability coverage of not less than \$2,000,000.00. All such policies shall: (i) name Landlord as an named insured; (ii) be carried by insurers reasonably satisfactory to Landlord who are financially responsible and capable of fulfilling the requirements of such policies; (iii) be automatically provided to Landlord in an

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Accord Form; and (iv) not be cancelable without thirty (30) days prior written notice by the insurer to Landlord.

12. Other Insurance. Landlord shall, at all times during the term of this lease, keep or cause to be kept, at its expense, all buildings and improvements (other than Tenant's trade fixtures) which now or hereafter become part of the Premises insured under a replacement cost form of insurance policy against loss or damage by vandalism, malicious mischief and fire in an amount at least equal to 90% of replacement cost thereof exclusive of foundations and all risk and extended peril coverage. All said policies shall be in the name of Landlord only. Tenant shall reimburse Landlord for premiums paid by Landlord for said insurance in respect of the term of this lease within ten (10) days of Landlord's invoice for same. If said policies insure real property that includes buildings or portions of a building other than the premises, Tenant's liability under the foregoing provisions of this section shall be based upon the square footage of the premises relative to the total square footage of such building or all such buildings as the case may be, and Tenant's portion of the parking area and the loading dock area, and, in the event that Tenant's use of Premises causes Landlord's liability insurance on the entire building, or all such buildings, parking areas and loading dock areas to increase, such increase shall be allocated solely to Tenant.

13. Assignment and Subletting.

13.A. Landlord's Consent Required. No portion of the property or of Tenant's interest in this lease may be acquired by any other person or entity, whether by sale, assignment, mortgage, sublease, transfer, operation of law, or act of Tenant, without Landlord's prior consent, except as provided in Section 13.B. Landlord has the right to grant or withhold its consent as provided in Section 13.E. Any attempted transfer without consent shall be void and shall constitute a non-curable breach of this lease. If Tenant is a partnership, any cumulative transfer of more than twenty (20%) per cent of the partnership interests shall require Landlord's consent. If Tenant is a corporation, any change in the ownership of a controlling interest of the voting stock of the corporation shall require Landlord's consent.

13. B. Tenant Affiliate. Tenant may assign this lease or sublease the Property, without Landlord's consent, to any corporation which controls, is controlled by or is under common control with Tenant, or to any corporation resulting from the merger of or consolidation with Tenant ("Tenant's Affiliate"). In such case, any Tenant's Affiliate shall assume in writing all of Tenant's obligations under this lease.

13.C. No Release of Tenant. No transfer permitted by this Article 13., whether with or without Landlord's consent, shall release Tenant or change Tenant's primary liability to pay the rent and

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to perform all other obligations of Tenant under this lease. Landlord's acceptance of rent from any other person is not a waiver of any provision of this Article 13.. Consent to one transfer is not a consent to any subsequent transfer. If Tenant's transferee defaults under this lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Landlord may consent to subsequent assignments or modifications to this lease by Tenant's transferee, without notifying Tenant or obtaining its consent. Such action shall not relieve Tenant's liability under this lease.

13.D. Offer To Terminate. If Tenant desires to assign the Lease or sublease the Property, Tenant shall have the right to offer, in writing, to terminate the Lease as of a date specified in the offer. If Landlord elects in writing to accept the offer to terminate within twenty (20) days after notice of the offer, the Lease shall terminate as of the date specified and all the terms and provisions of the Lease governing termination shall apply. If Landlord does not so elect, the Lease shall continue in effect until otherwise terminated and the provisions of Section 13. E. with respect to any proposed transfer shall continue to apply.

13.E. Landlord's Consent. Tenant's request for consent for any transfer described in Section 13. A. shall set forth in writing the details of the proposed transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transfer (e.g. the term and the rent and security deposit payable under any proposed assignment or sublease), and any other information Landlord deems relevant. Landlord shall have the right to withhold consent, if reasonable, or to grant consent based on the following factors: (i) the business of the proposed assignee or subtenant and the proposed use of the property; (ii) the net worth and financial reputation of the proposed assignee or subtenant; (iii) Tenant's compliance with all of its obligations under the Lease; and (iv) such other factors as Landlord may deem relevant. If Landlord objects to a proposed assignment solely because of the net worth and/or financial reputation of the proposed assignee, Tenant may nonetheless sublease (but not assign) all or a portion of the property to the proposed transferee, but only on the other terms of the proposed transfer.

13. F. No Merger. No merger shall result from Tenant's sublease of the Property under this Article 13., Tenant's surrender of this Lease or the termination of this lease in any other manner. In any such event, Landlord may terminate any or all subtenancies or succeed to the interest of Tenant as sublandlord under any or all subtenancies.

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14. Damage or Destruction. If the premises are damaged or destroyed by fire or any other cause, Landlord shall restore the Premises except for such fixtures, improvements and alterations as are installed by Tenant, as nearly as practicable to their condition immediately prior to such damage or destruction. Tenant, at Tenant's expense, shall so restore all such fixtures, improvements and alterations installed by Tenant. Notwithstanding any provision of this Section 14 to the contrary: (i) Landlord shall not be required to restore the Premises unless insurance proceeds are available to effect the entire restoration; and (ii) the obligation to restore provided in this section shall be subject to Landlord's termination rights set forth below. Any restoration shall be promptly commenced and diligently prosecuted. Landlord shall not be liable for any operational delays or any consequential, economic or other damages of any character claimed to be due to any such damage or destruction, whether based on contract, tort or otherwise, including but not limited to loss of profits or revenue or cost of capital.

Notwithstanding any of the foregoing provisions of this Section 14, in the event the premises shall be destroyed or damaged to such an extent that Landlord deems that it is not economically feasible to restore the same, then Landlord may terminate this lease by giving Tenant thirty (30) days' prior notice to that effect. If landlord so elects to terminate this lease, rent shall be abated effective as of the date of the damage or destruction. It is hereby agreed that any decision by Landlord to the effect that it is not economically feasible to restore the premises shall not be subject to challenge by Tenant, on any grounds whatsoever, if the result of the destruction or damage preceding such decision was to render thirty percent (30%) or more of the usable space in the Premises untenable. If Landlord undertakes to restore the Premises as provided above in this Section 14, rent shall be abated in the same proportion as the untenable portion of the usable space in the Premises bears to the whole of the usable space in the premises for the period of the restoration.

15. Liens. Tenant shall not suffer or permit any lien to be filed against the Premises or Tenant's leasehold interest, by reason of work, labor, services or materials performed or supplied to Tenant or anyone holding the Premises or any part thereof under Tenant. If any such lien is filed against the Premises or Tenant's leasehold interest, Tenant shall cause the same to be discharged of record within thirty (30) days after the date of filing the same.

16. Indemnity by Tenant. Tenant agrees that Landlord shall not be liable for any claims for death or other injury to persons or damage to or destruction of property sustained by Tenant or by

any other person in the Premises, or in any way connected with Tenant's business or use of the Premises, or in any way connected with any other person's use of the Premises. Without limiting the generality of the foregoing, Tenant agrees that Landlord shall not be liable for any claims caused by or arising from the condition or maintenance of any part of the Premises (unless such damage is caused by the sole negligence of Landlord) or caused by any defects now in the Premises or hereafter occurring therein, or caused by fire or by the bursting or leaking of water, gas, sewer or steam pipes or from any act or neglect of any occupant of the Premises (including, without limitation, Tenant's employees), or due to the happening of any accident from whatsoever cause (other than the sole negligence of Landlord) in and about the Premises. Tenant hereby waives all claims therefor and agrees to indemnify and hold harmless Landlord against any such loss, claim, damage or liability or expense (including reasonable attorneys' fees) incurred by Landlord in connection therewith. In the event of any such loss, claim, damage or liability or expense caused by the joint negligence of Landlord and Tenant, Tenant's indemnification of Landlord shall be enforceable to the extent of Tenant's negligence.

17.A. Default Remedies. The occurrence of any of the following events shall be deemed a breach of and a default under this lease, namely: if Tenant shall make an assignment for the benefit of creditors or shall file a voluntary petition under any bankruptcy act or under any other law for the relief of debtors; or if any involuntary petition is filed against Tenant under any such law and is not dismissed with thirty (30) days after filing; or if a receiver be appointed for the property of Tenant and is not discharged or removed within thirty (30) days; or if any department of any State or Federal government or any officer thereof shall take possession of the business or property of Tenant; or if Tenant is adjudicated a bankrupt. Under any such occurrence, Landlord, at its option, may terminate this lease by giving thirty (30) days' prior notice to Tenant and upon such termination Tenant shall quit and surrender the Premises to Landlord, but Tenant shall remain liable as hereinafter provided.

If Tenant shall fail to pay, when and in the amount due, the rent and other sums required to be paid by Tenant pursuant to this lease, whether or not notice of such failure is given to Tenant, or if Tenant shall otherwise default in performance of any of Tenant's obligations under this lease or shall violate any term or provision of this lease except payment of rent or other sums required to be paid by Tenant, and Tenant shall fail to remedy the same within twenty (20) days after Landlord shall have given Tenant written notice specifying such default or violation, Landlord may, upon giving Tenant ten (10) days' prior notice or, if longer notice is required by law, then such notice as is required by law, terminate this lease and upon such termination Tenant shall quit and surrender the Premises to Landlord but the

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Tenant shall remain liable as hereinafter provided, provided, however, this lease shall not terminate prior to the conclusion of such notice period, Tenant takes such actions as are necessary to cure such default or violation in its entirety. If the premises shall be left vacant or unoccupied for any period, Landlord may, upon giving Tenant ten (10) days' prior notice or, if longer notice is required by law, terminate this lease and upon such termination Tenant shall quit and surrender the Premises to Landlord, but the Tenant shall remain liable as hereinafter provided.

If this lease shall be terminated as herein provided, Landlord may immediately or at any time thereafter remove any and all persons and, subject to Section 18 hereof, any and all property therefrom, by any suitable proceeding at law or otherwise, without liability therefor and reenter the Premises, without such reentry diminishing Tenant's obligation to pay rental for the full term hereof, and Tenant agrees to pay Landlord any deficiency arising from reentry and reletting of the Premises at a lesser rental than provided herein. Landlord shall apply the proceeds of any reletting first to the payment of such reasonable expenses (including reasonable attorneys' fees) as Landlord may have incurred in recovering possession of the Premises, and removing persons and property therefrom, and in putting the same into good order or condition or preparing or altering the same for reletting, and all other expenses (including reasonable attorneys' fees) incurred by Landlord for reletting the Premises; and then to Tenant's obligation to pay rental. Any such reletting may be for the remainder of the term of this lease or for a longer or shorter period. In any such case and whether or not the Premises, or any part thereof, be relet, Tenant shall pay to Landlord the rent and all other charges required to be paid by tenant up to the time of such termination of this lease, and thereafter, Tenant agrees to pay the equivalent of the amount of all rent reserved herein and all other charges required to be paid by Tenant, less the net proceeds of reletting, if any, and the same shall be due and payable by Tenant monthly as the amount thereof is ascertained by Landlord, and Landlord may bring an action therefor as such monthly deficiencies arise. In any of the circumstances hereinabove mentioned, Landlord shall have the option, instead of holding Tenant liable for the amount of all the rent and all other charges required to be paid by Tenant less the net proceeds of reletting, if any, forthwith to recover from Tenant an aggregate sum representing, at the time of such termination of this lease, the then present worth of the excess, if any, of the aggregate of the rent and all other charges payable by Tenant hereunder that would have accrued until the end of the lease term under the aggregate rental value of the of the premises during such term. The exercise by Landlord of any of its rights pursuant to this lease shall not be deemed to constitute a waiver of any rights that Landlord may otherwise

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have under applicable law including, without limitation, any rights arising pursuant to RCW 60.72.010.

18. Trade Fixtures. Tenant may install on the Premises such equipment as is customarily used in the type of business conducted by Tenant on the Premises. Upon the expiration or sooner termination of this lease, Tenant shall, at Tenant's expense, remove from the Premises all such equipment and all other property of Tenant and repair any damage to the Premises occasioned by the removal thereof. Any property left in the premises for a period in excess of two (2) weeks after the expiration or sooner termination of this lease shall be deemed to have been abandoned by Tenant and become the property of Landlord to dispose of as Landlord deems expedient without accounting to Tenant therefor.

19. Condemnation. If all of the Premises is taken by any public authority under the power of eminent domain, this lease shall terminate as of the date possession is taken by said public authority pursuant to such condemnation.

If any part of the Premises is so taken and, in the opinion of Landlord, it is not economically feasible to continue this lease in effect, Landlord may terminate this lease. It is hereby agreed that any decision by Landlord to the effect that it is not economically feasible to continue this lease shall not be subject to challenge by Tenant, on any grounds whatsoever, if the result of the condemnation preceding such decision was to render thirty percent (30%) or more of the usable space in the Premises untenable. Such termination shall be made by notice to Tenant given not later than thirty (30) days after possession is so taken, the termination to be effective as of the later of thirty (30) days after said notice or the date possession is so taken.

If part of the Premises is so taken, and Landlord does not elect to terminate this lease, or until termination is effective, as the case may be, the rental shall be abated in the same

proportion as the portion of the usable space in the Premises so taken bears to the whole of the usable space in the Premises, and Landlord shall, at Landlord's expense, make such repairs or alterations, if any, as are required to render the remainder of the Premises tenantable.

All damages awarded for the taking or damaging of all or any part of the Premises shall belong to and be the property of Landlord, and Tenant hereby assigns to Landlord any and all claims to such award, but nothing herein contained shall be construed as precluding Tenant from asserting any claim Tenant may have

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against such public authority with respect to Tenant's business or assets or for disruption or relocation of Tenant's business on the Premises.

20. Notices. All notices, demands and requests to be given by any party to any other party shall be in writing. All notices, demands and requests to Landlord shall be delivered personally or sent by United States registered or certified mail, postage prepaid, addressed to Landlord at 10841 Acacia Drive, Sun City, AZ 85373 and with a copy to 3942 W. Barrett, Seattle, WA 98199 or at such other place as Landlord may from time to time designate. All notices, demands and requests to Tenant shall be delivered personally or sent by United States registered or certified mail, postage prepaid, addressed to Tenant at _____ or at such other place as Tenant may from time to time designate. Notices, demands and requests served by mail as provided in this Section 20 in the manner aforesaid shall be deemed sufficiently served or given for all purposes hereunder three (3) days after the time such notice, demand or request shall be so mailed in any post office in Seattle, Washington, Bellevue, Washington, Bainbridge Island, Washington or Sun City, Arizona.

21. Interest on Past Due Obligations/ Performance of Covenants. Any amount owed by Tenant to landlord which is not paid when due shall bear interest at the rate of 18% per annum or the maximum rate permitted by applicable law, whichever is less, from the due date of such amount. If Tenant shall fail to make any payment or perform any of Tenant's obligations under this lease, Landlord may, without notice to or demand upon Tenant and without waiving or releasing Tenant from any obligations of Tenant under this lease, make such payment or perform such obligation in such manner and to such extent as Landlord deems desirable. All sums so paid by Landlord and all necessary costs and expenses (including reasonable attorneys' fees) incurred in connection with the performance of any such obligation by Landlord, together with interest thereon at the rate of 18% per annum or the maximum rate permitted by applicable law, whichever is less, from the date of the making of such expenditure by Landlord, shall be deemed additional rent hereunder and shall be payable to landlord on demand.

22. Showing Premises. Landlord may enter the premises for the purpose of showing the Premises to prospective tenants, purchasers and lenders.

23. Waiver of Subrogation. Landlord and Tenant shall each procure, if obtainable without payment of an additional premium, an appropriate clause in, or an endorsement on, any policy of fire or extended coverage insurance covering the Premises, and the personal property, fixtures and equipment located in or on the Premises, pursuant to which the insurance companies waive

subrogation or consent to a waiver of right of recovery, and, conditioned upon a party having obtained such clauses or endorsements or waiver of subrogation or consent to a waiver of right of recovery, such party hereby agrees that it shall not make any claim against or seek to recover from the other for any loss or damage to its property, or the property of the other, resulting from fire or other hazards covered by such insurance, notwithstanding other provisions of this lease, provided, however, that the release, discharge, exoneration and covenant not to sue herein contained shall be limited by the terms and provisions of the subrogation clauses or endorsements consenting to a waiver of right of recovery, and shall be coextensive therewith, and further provided, however, that the release, discharge, exoneration and covenant not to sue herein contained shall not apply to any portion of losses or damages that are not compensated for from the proceeds of such policies of fire or extended coverage insurance. If either Landlord or Tenant is unable to obtain such clause or endorsement, such party shall promptly give the other party notice of such inability, If either Landlord or Tenant is able to obtain such clause or endorsement only upon payment of an additional premium, such party shall promptly give the other party notice to that effect, in which event the other party shall have the right to pay such additional premium, and upon such payment, the party whose insurer requires such payment shall promptly procure such clause or endorsement.

24. Priority of Lessee's Interest and Attornment.

(a) If the holder of any other encumbrance first in priority after nonconsensual liens requires that this lease be subordinate to said encumbrance, this lease shall be subordinate to said encumbrance, provided Landlord first obtains from said holder a written agreement substantially as follows:

So long as Tenant performs its obligations under this lease, no foreclosure of, deed in lieu of foreclosure of, or sale pursuant to the encumbrance, and no steps taken pursuant to the encumbrance, shall effect Tenant's rights under this lease.

Tenant shall attorn to any purchaser at any foreclosure sale, or to any grantee or transferee designated in any deed in lieu of foreclosure. Tenant shall execute any documents required by any such holder to accomplish the purposes of this Section 24.

(b) Tenant waives any right and election to terminate this lease or to surrender possession of the premises in the event any proceeding for foreclosure or otherwise is brought by any mortgagee or trustee and agrees that this lease shall not be adversely affected in any way whatsoever by any such proceeding. Tenant agrees, in the event any proceedings are brought for the foreclosure of any mortgage or deed of trust, to attorn to the purchaser upon any such foreclosure sale and to recognize such

purchaser as the Landlord under this lease.

(c) Tenant covenants and agrees that in the event of a sale or assignment of Landlord's interest in this lease that Tenant will attorn to the transferee of Landlord's interest in this lease and will recognize such transferee as Tenant's Landlord under this lease. In the event such transferee shall transfer its interest as Landlord under this lease, Tenant covenants and agrees it will attorn to such subsequent transferees and will recognize such subsequent transferees as Tenant's Landlord under this lease. Tenant agrees within ten (10) days of demand to execute and deliver, from time to time, upon the request of Landlord or any mortgagee or transferee of Landlord's interest to whom Tenant has previously attorned, any instrument which may be necessary or appropriate to evidence any such attornment and Tenant hereby irrevocably appoints Landlord or any transferee as aforesaid, the attorney-in-fact of Tenant to execute, acknowledge, and deliver for and on behalf of Tenant any such instrument.

25. Security. Tenant shall take during the term of this lease, at its own expense, all steps that are necessary and reasonable to secure the Premises.

26. Surrender of Premises. Tenant, at the expiration or sooner termination of this lease, shall quit and surrender the Premises. The Premises, when surrendered, shall be in a condition that is at least equivalent to the condition of the Premises at the commencement of the term hereof, except only for wear and tear incident to the ordinary use of the Premises for the purposes permitted in this lease, provided, however, that such exception shall not be deemed to permit wear and tear to a greater extent than is permitted pursuant to Section 8. C. hereof. Furthermore, when so surrendered, the Premises shall be in good, neat, clean and sanitary condition.

27. Holdover. If Tenant lawfully holds over after the expiration of the term of this lease, such tenancy shall be a month to month tenancy. During such tenancy Tenant agrees to pay Landlord 150% of the prior monthly base rate of rental, as provided herein, for the six month period following lease expiration, and shall thereafter pay 200% of the base rental unless an alternative market rate and extension can be agreed to by mutual agreement. Tenant and Landlord shall be bound by all other terms, covenants and conditions herein.

28. Memorandum of Lease. Unless all parties consent thereto in writing, this lease shall not be placed of record. If Tenant so requests, the parties agree to execute and place of record an instrument, in recordable form, evidencing the commencement date and expiration date of this lease. At the expiration or sooner termination of this lease, Tenant shall, upon request of Landlord, execute in recordable form and deliver to Landlord a

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quit claim deed covering the Premises.

29. Force Majeure. Landlord's failure to perform any of its obligations under this lease shall be excused if due to causes beyond the control and without the fault or negligence of Landlord, including but not restricted to acts of God, acts of the public enemy, acts of any government, fires, floods, epidemics and strikes.

30. Miscellaneous.

(a) Non-Waiver. No failure of Landlord to insist upon the strict performance of any provision of this lease shall be construed as depriving Landlord of the right to insist on strict performance of such provision or any other provision in the future. No waiver by Landlord of any provision of this lease shall be deemed to have been made unless expressed in writing and signed by Landlord. No acceptance of rent or of any other payment by Landlord from Tenant after any default by Tenant shall constitute a waiver of any such default or any other default. Consent by Landlord in any one instance shall not dispense with necessity of consent by Landlord in any other instance.

(b) Attorneys' Fees. In the event it is necessary for either party hereto to employ an attorney to enforce or defend any claims relating to this lease, the losing party shall be liable for all reasonable attorneys' fees and costs in connection therewith. In the event it is necessary for either party to commence arbitration or file an action to enforce any terms, conditions or rights under the lease or to defend any action or arbitration, then the prevailing party in such action or arbitration shall be entitled to recover from the other all reasonable attorneys' fees, costs and expenses as may be fixed by the arbitrators or the court, and such attorneys' fees, costs and expenses may be made a part of any award or judgement entered.

(c) Captions and Construction. The captions in this lease are for the convenience of the reader and are not to be considered in the interpretation of its terms.

(d) Partial Invalidity. If any term or provision of this lease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this lease shall be valid and be enforced as written to the fullest extent permitted by law.

(e) Governing Law. This lease shall be governed by the laws of the State of Washington.

(f) Estoppel Certificates. The parties agree from time to time promptly to execute, acknowledge and deliver to the other parties a statement in writing certifying that this lease is unmodified and in full force and effect (or if there have been modifications that the same is in full force and effect as modified and stating the modifications), whether any party is in default or breach of this lease, and the dates to which the basic rental, additional rental and other charges have been paid in advance, if any.

(g) Entire Agreement. This document contains the entire and integrated agreement of the parties and may not be modified except in writing signed and acknowledged by both parties. This lease supersedes and replaces any and all prior leases or rental agreements relating in whole or in part to the Premises between Landlord and Tenant or between Landlord and any predecessor in interest to, or affiliate of, Tenant.

(h) Landlord's Consent. Except in the case of assignment or subletting, Landlord shall not unreasonably withhold its consent where such consent is expressly provided for in this lease.

(i) Remedies Cumulative. The specified remedies to which Landlord may resort under the terms of this lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Landlord may lawfully be entitled in case of any breach or threatened breach by Tenant of any provision of this lease. In addition to the other remedies in this lease provided, Landlord shall be entitled to the restraint by injunction of the violation, or attempted or threatened violation, of any of the covenants, conditions, or provisions of this lease.

(j) Number, Gender, Permissive Versus Mandatory Usage. Where the context permits, references to the singular shall include the plural and vice versa, and to the neuter gender shall include the feminine and masculine. Use of the word "may" shall denote an option or privilege and shall impose no obligation upon the party which may exercise such option or privilege; use of the word "shall" shall denote a duty or an obligation.

(k) Lease Years. As used herein, the term "lease years" shall mean each year of the Initial Term and, if applicable, each year of the Renewal Term.

(l) Time. Time is of the essence of this lease.

(m) Conflict of Provisions. In case of conflict, the more specific provision of this lease shall control.

(n) Binding Effect. Subject to the provisions of Section 13 hereof, this agreement shall be binding upon the parties hereto, and upon their respective executors, administrators, legal representatives, successors and assigns.

(o) Amendment. This lease may only be amended or modified by the mutual written consent of all parties hereto.

31. Signs. All signs or symbols placed in the windows or doors of the Premises, or upon any exterior part of the building by the Lessee shall be subject to the prior written approval of the Lessor and the International Merchants' Association. Any signs placed on the premises shall be so placed upon the understanding and agreement that the Tenant will remove said signs at the termination of this lease and repair any damage or injury to Premises caused thereby and if not so removed, Lessor shall remove same at Lessee's expense. No product ID signs are permitted.

32. Waste. Tenant covenants and agrees to permit no waste to the Premises or the building and Tenant will not use or permit any acts in the Premises that will increase the rate of insurance thereon or the rate of insurance on the building. Tenant further agrees not to maintain in the Premises any activity or instrumentality unreasonably dangerous to life or limb or to permit any objectionable noise or odor to escape or be emitted from the premises or to permit anything to be done upon the Premises which would tend to create a nuisance or to disturb any other Tenants of the building. Tenant will not permit the Premises to be used in violation of any laws.

33. Parking. Off street parking is delineated on Exhibit "A" attached hereto.

34. Termination/Advance Payments. Upon termination of this lease under article Fourteen (Damage or Destruction), Article Nineteen (Condemnation) or any other termination not resulting from Tenant's default, and after Tenant has vacated the Property in the manner required by this lease, Landlord shall refund or credit to Tenant (or Tenant's successor) the unused portion of the Security Deposit, any advance rent or other advance payments made by Tenant to Landlord, and any amounts paid for real property taxes and other reserves which apply to any time periods after termination of the lease.

35. Hazardous Materials. See Lease Addendum dated _____ and attached hereto.

36. Rental Signs. The Landlord shall have the right to place and maintain "For Rent" or "For Lease" signs in conspicuous places on said Premises for a ninety (90) day period prior to the expiration of this Lease under the original term or the option period.

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Tenant:
King County

By: 

Landlord:

MacDougall-Thomas LLC

By: _____

Clemance Thomas
Member-Manager

By: _____

Bernice M. Harlan
Member-Manager

By: Katherine M. Brown Trust
Member-Manager

By: _____

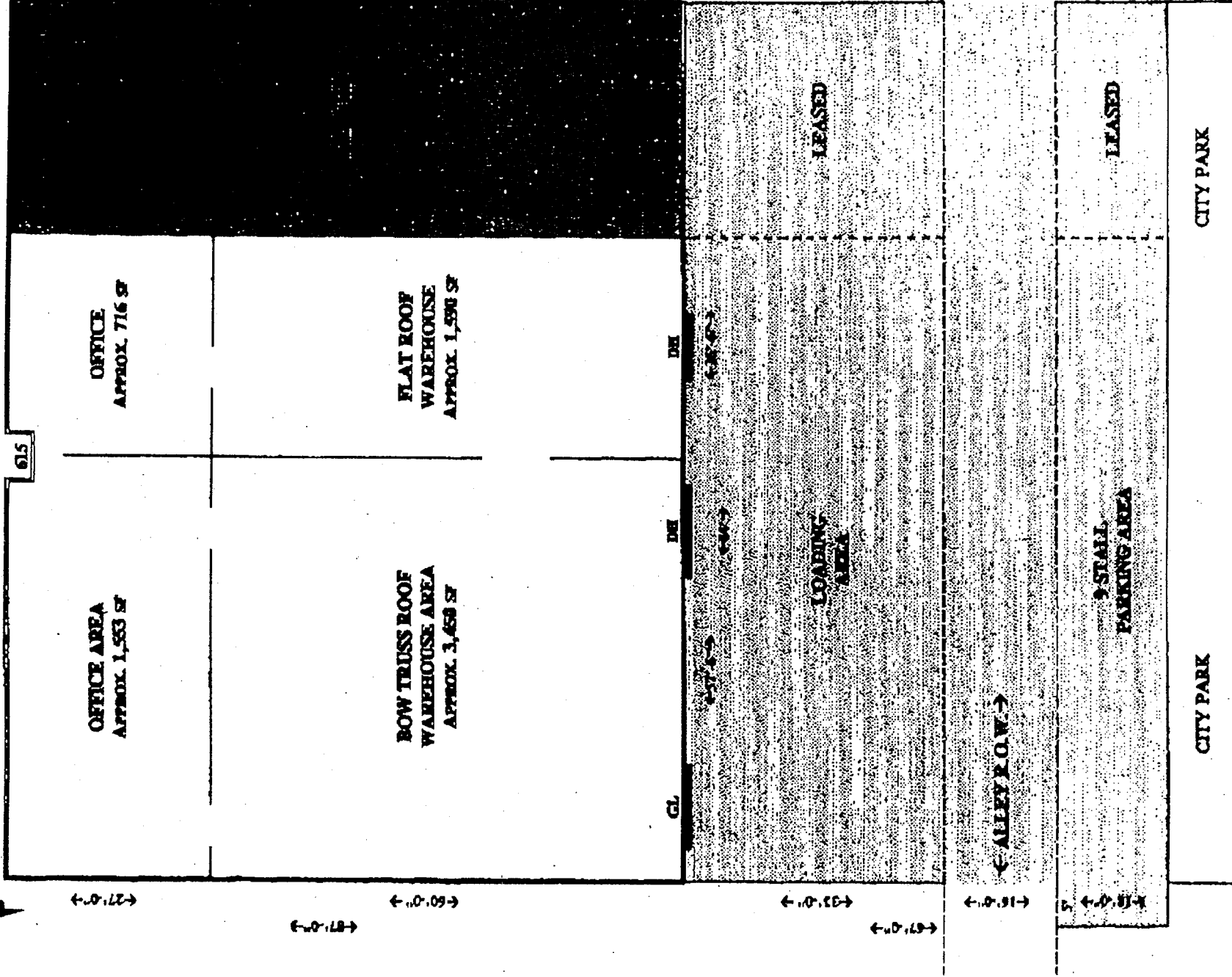
Perry L. Brown
Co-Trustee

By: _____

American Marine Bank,
Co-Trustee

Exhibit "A"
8TH AVENUE SOUTH

12224



SOUTH LANE STREET

The information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied, as to its accuracy. Preparation Report or Plans should contain an acknowledgment and verification of all matters claimed to be correct, including, but not limited to, existence of easements and encumbrances. CONSULT YOUR ATTORNEY, ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR.

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Exhibit "B"

Rent Adjustment Formula

The Consumer Price Index for All Urban Consumers, U.S. City Average, all items (1967 = 100), issued by the United States Department of Labor, Bureau of Labor Statistics, hereinafter referred to as the "CPI", which is presently issued monthly, bi-monthly or quarterly, with an average, shall be the basis for adjustment of the base rent as provided in Paragraph 4 of the lease to which this is Exhibit "B". Such computation shall be as follows:

(a) The "initial adjustment term" of this lease commences on the commencement date of this lease and ends on the last day of the first lease year. If the CPI number published for the month of _____ immediately preceding the last day of the initial adjustment term of this lease (for the purpose of this subparagraph (a) this CPI number shall be the Ending CPI for the formula set forth below) has increased over and above the CPI number published for the month of _____ immediately preceding the commencement date of this lease (herein called the "Beginning CPI", the percentage of the increase shall be computed in accordance with the formula set forth below, designated "Method of Computing Percentage of Increase". The base rent paid during the initial adjustment term of this lease shall be multiplied by the percentage of increase, to obtain the base rent increase to be paid by Tenant to Landlord during the one (1) year period following the initial adjustment term of this lease.

(b) A similar adjustment of the base rent for the next succeeding one (1) year period shall be computed based upon the CPI numbers in the same manner set forth in subparagraph (a) above, and the base rent shall be adjusted for each succeeding one (1) year period in the same manner. The CPI numbers to be used in the computations for the next and all succeeding one (1) year periods after the initial adjustment term of this lease shall be the beginning CPI and the CPI number published for the month of _____ immediately preceding the last day of the one (1) year period for which the computation is being made (herein called the "Ending CPI"). The base rent paid during the initial adjustment term of this lease shall be multiplied by the percentage of increase to obtain the base rent increase to be paid for the succeeding one (1) year period.

(c) The CPI numbers shall be utilized notwithstanding changes made in the referenced base years by the use of the conversion tables supplied by the Bureau of Labor Statistics. The base rent increase shall not contain fractional figures and shall be rounded off to the nearest dollar.

Exhibit "B"

Page 1 of 2

(d) In the event the Bureau of Labor Statistics discontinues the use of or does not publish monthly numbers, then CPI numbers to

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be used herein for the computation of adjustments in base rent shall be the latest published CPI number preceding the commencement of the rent payment period of the lease and preceding the end of each one (1) year period of the term of the lease, whether quarterly, semi-annually or bi-monthly.

(e) In the event that the CPI number required to be used in computing an adjustment in base rent has not been published as of the first day of the succeeding one (1) year period, then when said CPI number is published, the computation shall be made as though the CPI number has been timely issued and received, and the base rent shall be adjusted retroactively accordingly.

(f) In the event the issuance of a CPI is discontinued by the United States Department of Labor, Bureau of Labor Statistics, or any successor thereof, then the increase in the base rent herein provided for shall be renegotiated by the parties in respect to any increase for a succeeding one (1) year period within ninety (90) days before the commencement of said one (1) year period. In the event that the parties are unable to agree upon any amount of increase, then the matter of the amount of such increase shall be determined by arbitration, each party to appoint an appraiser, qualified as an M.A.I. to appraise rental income properties of the same type as the leased premises; and if the two so designated are unable to agree, then they shall select a third M.A.I. likewise so experienced, and the decision of the majority of them shall be binding upon the parties in the absence of fraud or manifest error. The appointment of such appraisers shall be made at least sixty (60) days prior to the expiration of any such one (1) year period, and the decision of such appraisers shall be arrived at and made in writing not less than thirty (30) days prior to the commencement of any such period.

METHOD OF COMPUTING PERCENTAGE OF INCREASE

The "Percentage of Increase" in the base rent shall be computed as follows:

$$\frac{(\text{Ending CPI} - \text{Beginning CPI}) \times 100}{(\text{Beginning CPI})} = \text{Percentage of Increase}$$

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STATE OF ARIZONA)
) SS.
COUNTY OF MARICOPA)

On this _____ day of _____, 19__, personally appeared before me **CLEMANCE A. THOMAS**, to me known to be a Member-Manager of **MacDOUGALL-THOMAS LLC**, the Limited Liability Company that executed the within and foregoing instrument, on oath stated that she was authorized to execute this instrument on behalf of said Limited Liability Company pursuant to the provisions of the Limited Liability Company agreement of said Limited Liability Company and acknowledged said instrument to be the free and voluntary act of said Limited Liability Company for the uses and purposes mentioned in said instrument.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

NOTARY PUBLIC in and for the state of
Arizona, residing at _____
My Commission expires _____.

STATE OF WASHINGTON)
) SS.
COUNTY OF KING)

On this _____ day of _____, 19__, personally appeared before me **BERNICE M. HARLAN**, to me known to be a Member-Manager of the **MacDOUGALL-THOMAS LLC**, the Limited Liability Company that executed the within and foregoing instrument, on oath stated that she was authorized to execute this instrument on behalf of said Limited Liability Company pursuant to the provisions of the Limited Liability Company agreement of said Limited Liability Company and acknowledged said instrument to be the free and voluntary act of said Limited Liability Company for the uses and purposes mentioned in said instrument.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

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

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STATE OF CALIFORNIA)
) SS.
COUNTY OF)

On this _____ day of _____, 19__, personally appeared before me PERRY L. BROWN, to me known to be a Co-Trustee of the Katherine M. Brown trust to me known to be a Member-Manager of MacDOUGALL-THOMAS LLC, the Limited Liability Company that executed the within and foregoing instrument, on oath stated that he was authorized to execute this instrument on behalf of said Limited Liability Company pursuant to the provisions of the Limited Liability Company agreement of said Limited Liability Company and acknowledged said instrument to be the free and voluntary act of said Limited Liability Company for the uses and purposes mentioned in said instrument.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

NOTARY PUBLIC in and for the State of
California, residing at _____.
My Commission expires _____.

STATE OF WASHINGTON)
) SS.
COUNTY OF KITSAP)

On this _____ day of _____, 19__, personally appeared before me _____, to me known to be the Trust Officer of American Marine Bank, a Co-Trustee of the Katherine M. Brown trust to me known to be a Member-Manager of MacDOUGALL-THOMAS LLC, the Limited Liability Company that executed the within and foregoing instrument, on oath stated that he/she was authorized to execute this instrument on behalf of said Limited Liability Company pursuant to the provisions of the Limited Liability Company agreement of said Limited Liability Company and acknowledged said instrument to be the free and voluntary act of said Limited Liability Company for the uses and purposes mentioned in said instrument.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

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

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STATE OF WASHINGTON)
) SS.
COUNTY OF KING)

On this _____ day of _____, 19____, personally appeared before me _____ to me known to be _____ of _____ that executed the within and foregoing instrument, on oath stated that he was authorized to execute this instrument on behalf of said _____ and acknowledged said instrument to be the free and voluntary act of said _____ for the uses and purposes mentioned in said instrument.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

NOTARY PUBLIC in and for the State of _____, residing at _____
My Commission expires _____.

COMMERCIAL LEASE ADDENDUM

Addendum dated the 1st day of May, 1997 between **MCDUGALL-THOMAS LIMITED LIABILITY COMPANY, LESSOR, and KING COUNTY, Lessee** to become a part of the Commercial Lease dated May 1, 1997 between **MCDUGALL-THOMAS LIMITED LIABILITY COMPANY, LESSOR, AND KING COUNTY, LESSEE.**

1. For the purposes of this addendum, the following terms are defined as follows:

(a) "Hazardous Material" means any hazardous substance, pollutant, or contaminant, listed or regulated under the Comprehensive Environmental Response, Compensation and Liability Act, as amended and as may be amended from time to time, 42 U.S.C. subsections 9601 et seq. (CERCLA) or the resource Conservation and Recovery Act, as amended and as may be amended from time to time, 42 U.S.C. subsections 6901 et seq. (RCRA), oil and petroleum products and natural gas, natural gas liquids, liquified natural gas, and synthetic gas usable for fuel; pesticides regulated under the Federal Insecticide, Fungicide and Rodenticide Act, as amended and as may be amended from time to time, 7 U.S.C. subsections 136 et seq. (FIFRA); asbestos, PCBs, and other substances regulated under to Toxic Substances Control Act, as amended and as may be amended from time to time, 15 U.S.C. subsections 2601 et seq. (TSCA); source materials, special nuclear materials, by-products materials, and any other radioactive materials or radioactive wastes however produced regulated under the Atomic Energy Act, as amended and as may be amended from time to time, 42 U.S.C. subsections 2011 et seq. or the Nuclear Waste Policy Act of 1982, as amended and as may be amended from time to time, 42 U.S.C. subsections 10101 et seq.; and industrial process and pollution control wastes whether or not hazardous within the meaning of the Resource Conservation and Recovery Act, as amended and as may be amended from time to time, 42 U.S.C. subsections 6901 et seq.;

(b) "Release" means any actual or threatened spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing of Hazardous Materials into the environment, as "environment" is defined in CERCLA, or on or adjacent to the premises:

(c) "Environmental Law" means the following, including regulations promulgated and orders issued thereunder, all as may be amended from time to time: The Clean Air Act, 42 U.S.C. subsections 7401 et seq.; the Clean Water Act, 33 U.S.C. subsections 1251 et seq.; and the Water Quality Act of 1987; the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA), 7 U.S.C. subsections 136 et seq.; the Marine Protection, Research, and Sanctuaries Act, 33

U.S.C. subsections 1401 et seq.; the National Environmental Policy Act, 42 U.S.C. subsections 4321 et seq.; the Noise Control Act, 42 U.S.C. subsections 4901 et seq.; the Occupational Safety and Health Act, 29 U.S.C. subsections 651 et seq.; the Resource Conservation and Recovery Act (RCRA), 42 U.S.C. subsections 6901 et seq., as amended by the Hazardous and Solid Waste Amendments of 1984; the Safe Drinking Water Act, 42 U.S.C. subsections 300f et seq.; the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. subsections 9601 et seq.; the Toxic Substances Control Act (TSCA), 15 U.S.C. subsections 2601 et seq.; the Atomic Energy Act, 42 U.S.C. subsections 2011 et seq.; and the Nuclear Waste Policy Act of 1982, 42 U.S.C. subsections 2011 et seq. Environmental Law shall also mean all state, regional, county, municipal, and other local laws, regulations, and ordinances insofar as they are equivalent or similar to the federal laws recited above, purport to regulate Hazardous Materials, or impose requirements relating to environmental protection.

2. Concurrent with the execution of this lease, and annually thereafter, Tenant shall provide Landlord with a list of all casualty and liability insurance policies which have been in effect during the period Lessee has been in possession of the Premises, and a business plan stating the operation which Tenant is conducting, or plan in the future to conduct, on the Premises. Such plan shall include a list of all Hazardous Materials which Tenant is handling or using, or plans in the future to handle or use, on the Premises. If Tenant is required by any Environmental Law to submit to any governmental agency a business plan or any list of chemicals or other substances used or present on the Premises, Tenant shall provide Landlord copies of such plans and/or lists at the same time they are submitted to such government agency.

3. Tenant shall keep the Premises free of any lien imposed pursuant to any Environmental Law relating to the presence, Release, or remediation of Hazardous Materials on the Premises or the presence, Release, or remediation of Hazardous Materials generated, transported, or disposed of by Tenant at any site.

4. Tenant shall, at its own cost and expense, comply with all Environmental Laws.

5. Tenant shall promptly provide Landlord with copies of all orders, notices of violations, information requests, correspondence, communications, permits, or agreements with any governmental authority or agency (foreign, federal, state, or

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local) or any private entity relating in any way to any Environmental Law or the presence, Release, threat of Release, placement on or in the Premises, or the generation, transportation, storage, treatment, or disposal at the Premises, of any Hazardous Material.

6. Landlord and Landlord's agent's and employees shall have the right to enter the Premises without prior notice, conduct appropriate tests and take samples for the purpose of ascertaining that Tenant is in compliance with its obligations under this article. Tenant shall cooperate with Landlord in such inspection and shall make its employees and records available to Landlord and Landlord's agents and employees in connection with such inspection.

7. Upon written request by Landlord, Tenant shall perform appropriate tests of air, water and soil to demonstrate that Tenant complies with all Environmental Laws relating in any way to the presence of Hazardous Materials on the Premises and shall provide the results of such tests to Landlord.

8. If the presence, Release, or placement on or in the Premises during the Term of this Lease, or the generation, transportation, storage, treatment or disposal at the Premises during the Term of this Lease, of any Hazardous Material (a) gives rise to a claim (including, but not limited to, a claim for response action, remedial action, or removal action) under any Environmental Law or any common law theory based on nuisance or strict liability, or (b) causes or threatens to adversely affect public health or the environment, Tenant shall promptly take any and all remedial response or removal action necessary to clean up the Premises and any contaminated soil, surface water, or groundwater and to mitigate exposure to liability arising from the Hazardous Material, whether or not required by law.

9. Tenant hereby releases and discharges Landlord, its directors, officers, employees, agents, attorneys and assigns (hereinafter "Indemnitees") from any and all suits, claims, demands, causes of action, damages, consequential damages, losses, costs, and expenses of any kind, whether known or unknown, which Tenant had, has, or at any time may have based on: (a) any Environmental Law, including, but not limited to, any cost recovery claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. subsections 9601 et seq., as amended and as may be amended from time to time, or comparable state law; (b) any Release of any Hazardous Material or any chemical, product, by-product, waste, hazardous waste, hazardous substance, or any material whatsoever,

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on, at, to, or from the Premises (including all facilities, improvements, structures, and equipment thereon, surface water thereon or adjacent thereto, and soil or groundwater thereunder); and (c) any environmental or occupational health and safety conditions whatsoever on, under, or in the vicinity of the Premises.

10. Tenant shall indemnify, hold harmless, and defend indemnitees from and against, and promptly reimburse Indemnitees for, any and all suits, claims, demands, causes of action, damages, consequential damages, losses, costs, and expenses of any kind (including, without limitation, fines and penalties), whether known or unknown, based on: (a) any Environmental Law including, but not limited to, any cost recovery claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. subsections 9601 et seq., as amended and as may be amended from time to time, or comparable state law; (b) any Release of any Hazardous Material or any chemical, product, by-product, waste, hazardous waste, hazardous substance, or any material whatsoever, on, at, to, or from the Premises (including all facilities, improvements, structures, and equipment thereon, surface water thereon or adjacent thereto, and soil or groundwater thereunder); and (c) any environmental or occupational health and safety conditions whatsoever on, under, or in the vicinity of the Premises.

11. Tenant shall indemnify, hold harmless, and defend the Indemnitees from and against, and promptly reimburse Indemnitees for, any and all damages, costs, losses, expenses (including but not limited to, actual attorneys' fees and engineering fees) arising from or attributable to any breach by Tenant of any of its warranties, representations, or covenants in this article.

12. Tenant shall not dispose of any material whatsoever on the premises.

13. Tenant shall use the Premises for no purpose other than child care and related office functions

14. Tenant shall maintain in force at all times during the term of the Lease comprehensive general liability coverage in the minimum amount of \$ N/A per occurrence, \$ N/A annual aggregate, providing coverage for bodily injury or property damage resulting from sudden and accidental Releases of Hazardous Materials.

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15. Tenant shall demonstrate financial responsibility to comply with its obligations under this lease in the minimum amount of \$ N/A. Financial responsibility shall be demonstrated by one or more of the financial mechanisms set forth in Addendum N/A to this lease. Nothing in this paragraph shall be construed to limit in any way Tenant's liability hereunder.

16. For farm tenants, nothing herein shall be construed to prohibit Tenant from applying pesticides which have been registered by USEPA and the state in which the Premises are situated in accordance with label instructions. Nothing in this paragraph shall be construed to diminish or in any way affect Tenant's responsibility to comply with Environmental Laws or to indemnify the Indemnitees for environmental harm caused by Tenant.

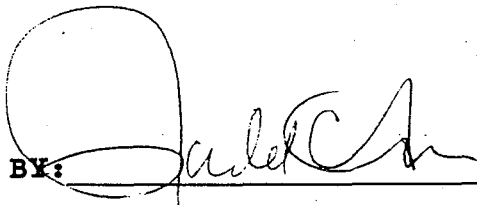
17. Tenant shall provide an environmental security deposit in the amount of \$ N/A. Upon termination of this lease, or upon Tenant's breach of any provision of this Article, Landlord may use such funds to remediate any contamination on the Premises or resulting from operations on the Premises. Nothing in this paragraph shall be construed to diminish or in any way affect Tenant's responsibility to comply with Environmental Laws or to indemnify the Indemnitees for environmental harm caused by Tenant.

18. In the event the Tenant breaches any of its obligations under this Article, Landlord may: (a) terminate this lease; (b) require Tenant to provide environmental remediation pursuant to paragraph 8 of this Article; (c) declare a forfeiture, or take steps to collect on, any financial responsibility instrument provided pursuant to paragraph 15 of this Article and use the funds available from such instrument to perform environmental remediation of the Premises; and (d) declare a forfeiture of Tenant's environmental security deposit and use such funds to perform environmental remediation of the Premises. Tenant's obligations pursuant to paragraphs 8, 9, 10, and 11 of this Article shall survive termination of this Lease. Landlord's remedies provided by this paragraph shall be cumulative and Landlord shall have any other remedies provided by this Lease or applicable law. Landlord agrees not to unreasonably terminate this lease based on a minor technicality contained in this Addendum where there is no apparent risk of material financial loss, or apparent risk of property damage present at or on said Premises in relation to Tenant's occupancy.

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19. If the provisions of this Article conflict with any other provision of this Lease, the provisions of this Article shall govern.

**TENANT:
KING COUNTY**

BY:  _____

**LANDLORD:
MCDUGALL-THOMAS LIMITED LIABILITY
COMPANY**

BY: _____
Clemance A. Thomas
Member-Manager

BY: _____
Bernice M. Harlan
Member-Manager

BY: _____
Perry L. Brown, Co-Trustee
Katherine M. Brown Trust
Member Manager

BY: _____
American Marine Bank, Co-Trustee
Katherine M. Brown Trust
Member-Manager

ADDENDUM B

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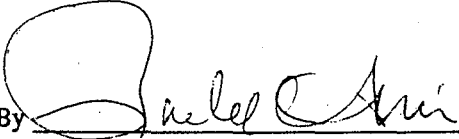
This is a second Addendum to that certain Lease Agreement Dated May 1, 1997 (The "Agreement"), by and between MacDougall-Thomas, LLC ("Landlord"), and King County, a Public Corporation of the State of Washington ("Tenant"), for that certain real property commonly referred to as 615 - 8th Avenue South, Seattle, Washington. In the event of any inconsistency between the Lease Agreement and this Addendum B, this Addendum B shall control the transaction.

- 1. **Term.** Paragraph 3 "Term" of the Agreement shall be modified as follows: This lease shall be for a term beginning June 1, 1997 and ending May 31, 2002 (The "initial term").
- 2. **Insurance.** Paragraph 11 "Liability Insurance" of the Agreement shall be modified and replaced as follows: Landlord acknowledges, accepts, and agrees that the Tenant is self insured, and Tenant shall provide proof of such self-insurance to Landlord upon execution of the Agreement.
- 3. **Security Deposit.** Paragraph 4.B "Security Deposit" shall be stricken in its entirety. There shall be no security deposit required by Landlord under the Agreement.
- 4. **Option Payment.** Landlord and Tenant agree that Tenant's \$4,500.00 Option to Lease payment shall serve as Tenant's rental payment for the month of June, 1997.

There are no other modifications to the Agreement.

Tenant:

KING COUNTY

By 

Its King County Executive

Date 6/24/97

Landlord:

MACDOUGALL-THOMAS, LLC

By _____
Clemance Thomas
Member-Manager

Date _____

By _____
Bernice Harlan
Member-Manager

Date _____

By Katherine M. Brown Trust
Member Manager

By _____
Perry L. Brown
Co-Trustee

Date _____

By _____
American Marine Bank
Co-Trustee

Date _____