



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

Ordinance 19054

Proposed No. 2019-0395.1

Sponsors Balducci and Kohl-Welles

1 AN ORDINANCE authorizing the execution of an
2 amendment to an existing lease to support the operations of
3 the department of executive services and the metro transit
4 department.

5 STATEMENT OF FACTS:

6 The facilities management division successfully negotiated to lease space
7 located at 416 Occidental Avenue, Seattle, within council district eight,
8 from Beebe Realty, Inc., after determining there was not an appropriate
9 county-owned option.

10 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

11 SECTION 1. The executive is authorized to execute an amendment to an existing
12 lease for the property located at 416 Occidental Avenue, Seattle, with Beebe Realty, Inc.,

13 substantially in the form of Attachment A to this ordinance, and to take all actions
14 necessary to implement the terms of the lease.
15

Ordinance 19054 was introduced on 9/25/2019 and passed by the Metropolitan King County Council on 2/25/2020, by the following vote:

Yes: 9 - Mr. von Reichbauer, Ms. Lambert, Mr. Dunn, Mr. McDermott, Mr. Dembowski, Mr. Upthegrove, Ms. Kohl-Welles, Ms. Balducci and Mr. Zahilay



KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Claudia Balducci, Chair

ATTEST:



Melani Pedroza, Clerk of the Council

APPROVED this 5TH day of MARCH, 2020.



Dwight R. Rively for

Dow Constantine, County Executive

Attachments: A. Lease Amendment

ORDINANCE 19054

ATTACHMENT A:

LEASE AMENDMENT

LEASE MODIFICATION #1

THIS LEASE MODIFICATION #1 (this "Amendment"), is made as of the 1st day of July, 2019 by and between BEEBE REALTY, INC., a Washington corporation, hereinafter called "Owner", and KING COUNTY, a political subdivision of the state of Washington, hereinafter called "Tenant".

RECITALS:

A. Owner is the current owner of certain real property commonly known as the 416 Occidental Building, also known as the Graybar Building, together with its underlying land, situated at 416 Occidental Avenue in the City of Seattle, County of King, State of Washington, and legally described as:

That certain building and appurtenances and the land situated on the South 105 feet of Lots 7 and 8, Block 12, Plat of an Addition to the Town, now City of Seattle, laid off by D. S. Maynard, and also that portion of what is known as the "Mackintosh Strip" in the David S. Maynard Donation Claim No. 43, Township 24 North, Range 4 East, W. M. described as follows:

Beginning at the southeast corner of Lot 7, Block 12, Maynard's Plat of the Town (now City) of Seattle, thence westerly along the southerly line of Lots 7 and 8 of said block a distance of 111 feet, more or less, to the easterly line of Occidental Avenue as now established; thence southerly along said Avenue line 22.267 feet, more or less, to the North line of King Street; thence easterly along said street line to the alley in said Block 12; thence North 23.417 feet to beginning, the said property being a tract of approximately 125 X 111 feet in dimensions, situated at the Northeast corner of Occidental Avenue and King Street in said City of Seattle, King County, State of Washington; otherwise known as the Graybar Building.

The real property so described, land and improvements, are hereafter referred to as the "Building" or "Buildings".

B. Under an Agreement of Lease dated April 29, 2009 (the "Lease"), the then-owner of the Building, BANK OF AMERICA NT&SA DBA SEAFIRST BANK TRUSTEE U/W ROSALIND H. CLISE, DECEASED, as lessor, leased the entirety of the Building, comprised of approximately 33,000 rentable square feet of space (the "Premises"), to Tenant as lessee.

C. Owner purchased the Building (land and improvements) on December 21, 2012 and succeeded to the lessor's interest under the Lease.

D. The original term of the Lease is scheduled to expire on June 30, 2019, and Tenant did not exercise its option to renew.

E. Tenant wishes in this Amendment to extend its Lease for the first and second floors of the Building only and to remove the basement level from the leased Premises. Owner and Tenant wish to agree in this Amendment to the amounts of monthly base rent payable by Tenant during the extended lease term of July 1, 2019 through June 30, 2029 and to make certain other modifications as set forth below.

Now, therefore, for valuable consideration, Owner and Tenant as parties hereto agree that the Lease will be modified as follows, and with **all modifications effective as of July 1, 2019**:

1.b Agreed Floor Area of the Premises:

Section 1.b. Approximate area of Premises of the Lease is hereby deleted in its entirety and replaced with the following language as Section 1.b. Agreed Floor Area of the Premises:

1.b. Agreed Floor Area of the Premises

The Premises consist of approximately 22,000 square feet of rentable space, as provided below. The Building consists of approximately 33,000 rentable square feet. Tenant's proportionate share of Operating Expenses as provided in the Lease including, but not limited to, Sections 9 and 32 in the Lease, is 66.667% ("Tenant's Proportionate Share"):

(i) Useable area	20,730 sf
(ii) Allocable share of common areas	1,270 sf
(iii) Rentable area	22,000 sf*

*Rentable Square Feet. Rentable square feet has been calculated in accordance with Building Owners and Managers Association International ("BOMA") standards, namely, the "Standard Method for Measuring Floor Area in Office Buildings ANSI – BOMA Z-65.I-1996" (the "BOMA Standard"). The load factor for the apportioned common area added to the useable area to determine the rentable area under the BOMA Standard is agreed to be 5.776%. The total common area of the Building is 1,906 square feet.

Owner and Tenant agree that reasonable attempts have been made to determine the correct square footage used in the Lease, and Owner and Tenant hereby mutually waive any and all rights, claims or liabilities against each other as it relates to the calculation of square footages to determine rents and other costs in this Lease.

1.c. Term:

Section 1.c. Term of the Lease is hereby amended by adding the following:

The term of this Lease ("Term," "Lease Term" or "term") shall be and is hereby extended for ten (10) years (the "First Extended Term") commencing July 1, 2019 and ending June 30, 2029.

1.d. Monthly Base Rent:

Section 1.d. Monthly Base Rent of the Lease is hereby amended by adding the following language:

For the First Extended Term of this Lease, the Monthly Base Rent payable by the Tenant shall be:

- \$49,500.00 per month for the period July 1, 2019 – June 30, 2020
- \$49,500.00 per month for the period July 1, 2020 – June 30, 2021
- \$51,975.00 per month for the period July 1, 2021 – June 30, 2022
- \$51,975.00 per month for the period July 1, 2022 – June 30, 2023
- \$54,578.00 per month for the period July 1, 2023 – June 30, 2024
- \$54,578.00 per month for the period July 1, 2024 – June 30, 2025
- \$57,310.00 per month for the period July 1, 2025 – June 30, 2026
- \$57,310.00 per month for the period July 1, 2026 – June 30, 2027
- \$60,170.00 per month for the period July 1, 2027 – June 30, 2028
- \$60,170.00 per month for the period July 1, 2028 – June 30, 2029

In addition to the Monthly Base Rent as provided in the above schedule, Tenant shall continue to be obligated to pay all the additional rents required by the Lease ("Additional Rent"), including, without limitation, Sections 1.e, 9, 10 and 32 of the Lease. The terms "Rent" or "rent" under this Lease shall include the Monthly Base Rent and the Additional Rent.

1.e. Late Charges:

Section 1.e. Additional Rent of the Lease is hereby deleted in its entirety and replaced with the following language as Section 1.e. Late Charges:

Should Tenant at any time be in default for Rent payments due and payable under this Lease, beyond the 10th day of the month, Owner will charge Additional Rent (the "Late Charge") in the amount equal to ten percent (10%) of the then Monthly Base Rent per month until such default has been corrected. This Late Charge shall apply individually to all payments past due under this Lease, and there shall be a daily pro rata adjustment.

1.l. Tenant's Improvements to the Premises:

Section 1.l. Tenant's Improvements to the Premises of the Lease is hereby deleted in its entirety and replaced with the following language as Section 1.l Owner's Tenant Improvements to the Premises and Tenant's Tenant Improvements to the Premises:

Tenant currently occupies the Premises and will continue to occupy the Premises in its current "AS-IS" condition during the Extended Term with the exception that Owner, at Owner's sole cost and expense, will provide the following building standard tenant improvements to the Premises in mutually acceptable colors and materials (the "Owner's Tenant Improvements" or "Owner's TI") as illustrated on the Exhibit B-1 Space Plan of Owner's Tenant Improvements to the Premises, which shall be constructed pursuant to the Exhibit C-1 Work Letter Agreement, both of which are attached hereto and made a part hereof:

1. Install proximity card key readers at the existing north ADA entry, at the new Man Trap south of the ADA entry, and at the west and east stairway doors leading to the garage.
2. Remove the existing First Floor corridor double doors.
3. Construct a Man Trap south of the ADA entry.
4. Test the fire coating on First Floor's north warehouse ceiling for asbestos and remediate if necessary.
5. Enclose the basement level electrical panels with chain link fencing.
6. Enclose the Second Floor elevator lobby and install keyed entry doors to the hallways.
7. Install a lock on the Second Floor main entry door at the top of the stair landing.

In addition to Owner's Tenant Improvements to the Premises, Owner will provide Tenant with a Tenant Improvement Allowance in the total amount of \$330,000.00 to improve the Premises (the "Tenant's Tenant Improvements" or "Tenant's TI"). The Tenant's Tenant Improvements to the Premises shall be based upon a mutually acceptable space plan to be attached to this Lease as the Exhibit B-2 Tenant's Tenant Improvements to the Premises, which shall be constructed in mutually acceptable building standard colors and materials, and which shall be constructed pursuant to the Exhibit C-1 Work Letter Agreement. Notwithstanding the foregoing, Tenant shall have the right to use up to \$100,000.00 of the Tenant Improvement Allowance as a rent credit to be applied to Tenant's rent in equal installments during the first five years of the First Extended Term. All costs in excess of the Tenant Improvement Allowance (as adjusted accordingly if Tenant utilizes a portion of the Tenant Improvement Allowance as a rent credit) to construct Tenant's Tenant Improvements to the Premises (as distinguished from Owner's Tenant Improvements to the Premises) shall be Tenant's responsibility.

1.q. Brokers:

Section 1.q. Brokers of the Lease is hereby deleted in its entirety and replaced with the following language as Section 1.q. Brokers:

Each party represents to the other that there are no individuals or entities entitled to any brokerage commissions or finder's fees in connection with this transaction other than Barbara Jacobson of the Jacobson Group Commercial Real Estate (collectively the "Broker"). Owner will pay a broker commission to equal to two and one-half percent (2.5%) of the net payable base rent for years 1 through 5 of the First Extended Term and one and one quarter percent (1.25%) of the net payable base rent for years 6 through 10 of the First Extended Term. Owner will pay The Jacobson Group the commission one half on execution of this Amendment and the remaining half on commencement of this Amendment. If any additional

claims for brokerage commissions or finder's fees or like payments arise out of or in connection with this transaction, all such claims shall be defended by and, if sustained, paid by the party whose alleged actions or commitments form the basis of such claim.

1.r. Option to Renew:

Section 1.r. Option to Renew of the Lease is hereby deleted in its entirety and replaced with the following language as Section 1.r. Option to Renew:

Tenant may extend this Lease (the "**Extension Option**") for up to two (2) additional terms of five (5) years each (the "**Second Extended Term**" and the "**Third Extended Term**", respectively, and each an "**Extended Term**"), provided Tenant fully satisfies the conditions set forth below. If so extended, this Lease shall continue as though the applicable Extended Term were part of the original term, except for the Monthly Base Rent pursuant to Section 1.d., which shall be adjusted at the beginning of each Extended Term to the then-current Market Rent, as defined below.

Tenant's right to extend this Lease as above stated is subject to the following conditions:

- (i) Tenant shall provide Owner with prior written notice ("**Tenant's Notice to Extend**") given as follows: (a) for the Second Extended Term, not sooner than twelve (12) months, and not later than nine (9) months, prior to the expiration date of the First Extended Term of this Lease; and (b) for the Third Extended Term, not sooner than twelve (12) months, and not later than nine (9) months, prior to the expiration date of the Second Extended Term.
- (ii) Tenant shall not be in default of any term or condition of this Lease beyond any applicable cure period.
- (iii) For the Third Extended Term, Tenant shall have exercised its Option to Renew for the Second Extended Term.

If Tenant exercises the Extension Option, this Lease shall continue on all of the terms and conditions herein set forth, and the "**Term**" shall be deemed to include the applicable Extended Term. The rental rate for the Extended Term shall be the then prevailing market rent rate for similar quality and style buildings in the Downtown Seattle (including Pioneer Square) office market (the "**Market**") in similar locations, taking into account the absence or presence of market concessions and allowances, the size of the space, the quality of the tenant and the presence or absence of costs such as commissions, retrofit allowance, etc (the "**Market Rental Rate**"). If Owner and Tenant are unable to agree on the Market Rental Rate within thirty (30) days following Owner's receipt of Tenant's Notice to Extend, then the Tenant's exercise of its Extension Option shall be null and void and the Lease shall terminate on the termination date that would have applied but for Tenant's exercise of the Extension Option.

1.s. Refurbishment Allowance:

Section 1.s. Refurbishment Allowance of the Lease is hereby deleted in its entirety.

4. **PARKING**

Section 4. PARKING of the Lease is hereby deleted in its entirety and replaced with the following language as Section 4. PARKING:

Provided Tenant is not in default of any terms or conditions of this Lease, Tenant shall have the right to the exclusive use of the four (4) exterior parking stalls adjacent to and north of the Building ("**Tenant's Parking Area**") for the Term of the Lease. Tenant, at Tenant's sole cost and expense, shall be responsible for monitoring and enforcing Tenant's exclusive use of these four exterior parking stalls, and Owner shall not be liable therefore. Owner agrees to consent to Tenant's reasonable monitoring and enforcing of Tenant's exclusive use of Tenant's four exterior parking stalls. Owner shall provide, maintain and repair mutually acceptable signage designating such exclusive use. Owner shall maintain and repair the four

exterior parking stalls as needed and the costs thereof shall be paid by Tenant to Owner as Additional Rent. Tenant shall pay to Owner a monthly parking fee of \$150.00 for each exterior parking stall (total \$600.00 per month) for the first year of the Extended Term increasing each year thereafter by five percent (5%) and per the below:

\$600.00 per month for the period July 1, 2019 – June 30, 2020
\$630.00 per month for the period July 1, 2020 – June 30, 2021
\$662.00 per month for the period July 1, 2021 – June 30, 2022
\$695.00 per month for the period July 1, 2022 – June 30, 2023
\$730.00 per month for the period July 1, 2023 – June 30, 2024
\$766.00 per month for the period July 1, 2024 – June 30, 2025
\$805.00 per month for the period July 1, 2025 – June 30, 2026
\$845.00 per month for the period July 1, 2026 – June 30, 2027
\$887.00 per month for the period July 1, 2027 – June 30, 2028
\$931.00 per month for the period July 1, 2028 – June 30, 2029

Tenant acknowledges and agrees that Owner shall have the right, but not the obligation, to operate the basement portion of the Building as a public parking garage. Tenant further acknowledges and agrees that Owner shall have the right to operate the basement portion of the Building for any other lawful purpose so long as such other use of the basement portion of the Building does not interfere with Tenant's use of the Premises, and such proposed other use of the basement portion of the Building shall be subject to the prior written approval of Tenant, which approval shall not be unreasonably withheld, conditioned or delayed. During any period of time in which Owner elects to operate a parking garage in the Building basement, either directly or through an independent parking management company, Tenant shall have the right, but not the obligation, from time to time during the Lease Term, to purchase monthly parking passes for one or more parking spaces in the Building basement at the then-market monthly rate as established from time to time by Owner or its independent parking operator. Tenant acknowledges that the market rate for such monthly parking passes in the Building basement may increase from time to time over the Lease Term. Such parking passes are not guaranteed or reserved to Tenant and shall be furnished on a space-available, first-come-first-served basis. The parking charges payable by Tenant for any parking space(s) for the basement, in the event Tenant does purchase any monthly parking pass or passes in the Building basement at any time during the Lease Term, shall be in addition to the Rent payable by Tenant under this Lease, as distinguished from reimbursing Owner as Additional Rent or Monthly Base Rent, or both.

5. EXHIBITS

Section 5 of the Lease, entitled "EXHIBITS", is hereby amended to delete Exhibit A Floor Plan of Premises and replace it with Exhibit A-1 Floor plan of Premises, to delete Exhibit B Space Plan of Premises and replace it with Exhibit B-1 Space Plan of Owner's Tenant Improvements to the Premises and Exhibit B-2 Space Plan of Tenant's Tenant Improvements to the Premises, and to delete Exhibit C Work Letter Agreement and replace it with Exhibit C-1 Work Letter Agreement, all of which are attached hereto and made a part hereof.

6. PREMISES

Section 6. PREMISES of the Lease is hereby deleted in its entirety and replaced with the following language as Section 6. PREMISES:

The area of the Building located on the First Floor and the Second Floor of the Building, as described in Section 1.b. Agreed Floor Area of Premises and as illustrated on the floor plans attached hereto as Exhibit A-1 Floor Plan of Premises First Floor and Second Floor, including tenant improvements, if any, as illustrated on the Space Plan of the Premises attached as Exhibit B-1 Space Plan of Owner's Tenant Improvements to the Premises and Exhibit B-2 Space Plan of Tenant's Tenant Improvements to the Premises and as described in the Work Letter attached as Exhibit C-1 Work Letter Agreement. The Building and its underlying land are legally described as:

That certain building and appurtenances and the land situated on the South 105 feet of Lots 7 and 8, Block 12, Plat of an Addition to the Town, now City of Seattle, laid off by D. S. Maynard, and also that portion of what is known as the "Mackintosh Strip" in the David S. Maynard Donation Claim No. 43, Township 24 North, Range 4 East, W. M. described as follows:

Beginning at the southeast corner of Lot 7, Block 12, Maynard's Plat of the Town (now City) of Seattle, thence westerly along the southerly line of Lots 7 and 8 of said block a distance of 111 feet, more or less, to the easterly line of Occidental Avenue as now established; thence southerly along said Avenue line 22.267 feet, more or less, to the North line of King Street; thence easterly along said street line to the alley in said Block 12; thence North 23.417 feet to beginning, the said property being a tract of approximately 125 X 111 feet in dimensions, situated at the Northeast corner of Occidental Avenue and King Street in said City of Seattle, King County, State of Washington; otherwise known as the Graybar Building.

9. **SERVICES PROVIDED BY OWNER**

Section 9. SERVICES PROVIDED BY OWNER of the Lease is hereby deleted in its entirety and replaced by the following language as Section 9 SERVICES PROVIDED BY OWNER:

Owner shall maintain and, after reasonable notice from Tenant, repair the roof, exterior walls (excluding storefronts, doors and windows), foundations and common areas of the Building, including sidewalks and landscaping, and the cost thereof shall be paid by Tenant as Additional Rent on a pro rata basis as provided in Section 32 hereof, except for damage occasioned by the act or failure to act of Tenant, which shall be paid solely by Tenant as Additional Rent. Owner will maintain a preventative maintenance contract providing for the regular inspection, maintenance and repair of the elevator, and the cost thereof shall be paid by Tenant as Additional Rent on a pro rata basis as provided in Section 32 hereof, except for damage occasioned by the act or failure to act of Tenant, which shall be paid solely by Tenant as Additional Rent. Except as set forth in Section 20 of this Lease, Tenant hereby waives any right to make repairs at Owner's expense.

Owner shall not be liable for damages, nor shall the rental herein reserved be abated (except as provided in Section 8), for failure to furnish or delay in furnishing any of the forgoing services, when such failure or delay is caused by accident or conditions beyond the control of Owner, or by labor disturbances or labor disputes of any character, or by inability to secure fuel, supplies, machinery, equipment or labor after reasonable efforts to do so, or by making of necessary repairs or Improvements to the Premises or the Building, nor shall the temporary failure to furnish any of such services be construed as an eviction of Tenant or relieve Tenant from the duty of observing and performing any of the provisions of this Lease.

Should Owner be required to make changes or additions to the Building or real property at any time during the term of this Lease as a result of any laws, rules, or codes, or regulations (such as, for example, energy code upgrades), then Tenant shall pay on demand by Owner, as Additional Rent, (i) Tenant's pro rata share of actual costs if the change or addition pertains to the entire Building or (ii) all actual costs if the change or addition pertains to Tenant's Premises only (e.g., a code upgrade requiring replacement of Tenant's exterior windows). Such Additional Rent shall commence upon substantial completion of each such change or addition and shall continue to the end of the term of this Lease.

Any required replacement of the elevator or other major components or mechanical systems of the Building, including, without limitation, the HVAC system (defined below), or any code upgrades of the Building or major components thereof, or all of them, shall be amortized over the useful life of such replacements or improvements as provided in Section 32 hereof.

10. MAINTENANCE

Section 10. MAINTENANCE of the Lease is hereby deleted in its entirety and replaced with the following language as Section 10. MAINTENANCE.

Subject only to Owner's completion of the Owner's Tenant Improvements to the Premises described in Section 1.1. in accordance with Exhibit C-1 attached hereto, Tenant agrees by taking possession that the Premises is in tenantable and good condition. Tenant shall, at Tenant's sole costs and expense, provide janitorial services for the Premises and Common Area Corridor and keep the Premises and Common Area Corridor in a neat, clean, and sanitary condition, including all toilet supplies. Tenant shall provide janitorial services at its own cost and expense paid directly by Tenant, as distinguished from reimbursing Owner as Additional Rent.

Owner shall maintain and repair the Premises and the costs thereof shall be paid directly by Tenant to Owner upon Owner's invoice to Tenant therefore. Owner shall, on behalf of Tenant and at Tenant's sole expense as Additional Rent, maintain, repair and replace the following portions of the Premises: storefronts, exterior doors and windows, Tenant division walls, electrical, sprinkler and other utility systems, together with connections to utility distribution systems, in good condition, repair and order and in accordance with applicable laws, ordinances, rules, regulations and requirements of government authorities and insurance rating bureaus. Owner shall also, on behalf of Tenant and at Tenant's sole expense as Additional Rent, protect water, drain, gas and other pipes to prevent freezing or clogging, repair all leaks and damage caused by freezing and clogging; replace all glass and panels in windows and doors of the Premises which become cracked, broken or damaged, and provide lighting replacements. Owner will also maintain a preventative maintenance contract with a licensed mechanical contractor for the heating, ventilation and air conditioning ("HVAC") system of the Building (which does not serve the basement level excluded from Tenant's Premises), and the cost thereof shall be paid solely by Tenant as Additional Rent. All such repairs and maintenance shall be provided by Owner on behalf of Tenant at Tenant's expense as Additional Rent. Except as set forth in Section 20 of this Lease, Tenant hereby waives any right to make repairs at Owner's expense. All damage or injury done to the Premises or Building by Tenant, or by any persons who may be in or upon the Premises or in the Building with the consent of Tenant, including any act of vandalism by any persons who may be in or upon the Premises or in the Building with the consent of Tenant, shall be paid for by Tenant and Tenant shall pay for any such damage to the Building as Additional Rent. Any damage or injury done to the Premises or in the Building or act of vandalism by a person(s) entering or exiting the basement parking or the Common Area Corridor, or both, and is not an employee of King County shall be paid for by Owner and Owner shall pay for all such damage to the Premises, common areas and Building.

11. UTILITIES AND FEES

Section 11. UTILITIES AND FEES of the Lease is hereby deleted in its entirety and replaced with the following language as Section 11. UTILITIES AND FEES:

Tenant agrees to contract directly for and pay promptly when due all charges for light, heat, cooling, water, sewer, garbage, fire protection and other utilities and public services to the Premises and all license fees and other governmental charges levied on Tenant's property and the operation of Tenant's business on the Premises and the Building. Owner shall not be liable for any injury or damages suffered as a result of the interruption of utilities or services by fire, or other casualty, strike, riot, vandalism, the making of necessary repairs or improvements, or other causes beyond Owner's reasonable control.

22. HOLDOVER

Section 22. HOLD OVER of the Lease hereby is deleted in its entirety and replaced by the following language as Section 22. HOLDOVER:

If Tenant, with the express consent of Owner, shall hold over after the expiration of the Term of this Lease, Tenant shall remain bound by all the covenants and agreements herein, except that (a) the tenancy shall be from month-to-month and (b) the Monthly Base Rent to be paid

by Tenant shall be, for the first three months of the approved holdover, the Monthly Base Rent then in effect immediately preceding the expiration of this Lease, thereafter the monthly rent shall be determined by multiplying the Monthly Base Rent in effect immediately preceding the expiration of the Lease times 125%. If Tenant holds possession of the Premises after the expiration of the Lease without the express written consent of Owner, Tenant shall remain bound by all the covenants and agreements herein, except that (a) the tenancy shall be from month-to-month and (b) the Monthly Base Rent to be paid by Tenant shall be the greater of 150% of the Monthly Base Rent in effect immediately preceding such expiration or the total loss to Owner as a result of Tenant's holdover, if, effective during the term of such holdover, Owner has leased all or part of the Premises to other Tenant(s). Any such holdover tenancy, whether authorized or unauthorized by Owner, may be terminated with twenty (20) days prior notice as provided by Washington state law.

In the event of any unauthorized holding over, Tenant shall also indemnify and hold Owner harmless from and against all liability, losses, claims, causes of action, damages, costs and expenses (including without limitation attorney fees) resulting from Tenant's failure to surrender the Premises, including without limitation claims made by succeeding tenants resulting from Tenant's failure to surrender the Premises.

Notwithstanding the foregoing, if Tenant fails to execute this Lease Modification #1 prior to Tenant's scheduled lease expiration date of June 30, 2019, because necessary governmental approvals are still pending at King County, then Tenant shall be deemed to be in a maximum three-month holdover with Owner's consent, and the Monthly Base Rent, during this pre-approved maximum three-month holdover, shall be the Monthly Base Rent then in effect for the month of June, 2019. Thereafter, if Tenant continues to hold over, but with the further written consent from Owner, then Tenant shall be deemed in an additional month to month authorized holdover, and the monthly rent shall be determined by multiplying the Monthly Base Rent in effect for the month of June, 2019 times 125%; provided, in the event Tenant's additional hold over is without Owner's further written consent, then, as provided in this Section 22 above, the percentage increase of Monthly Base Rent during such unauthorized additional holdover period shall be 150%. Any holdover period, following the maximum three-month holdover pre-authorized above, may be terminated with twenty (20) days prior notice as provided by Washington law. In the event that Tenant executes this Lease Modification #1 prior to any such termination of this Lease, then the amount of Base Monthly Rent paid by Tenant during the holdover period under this Section 22 for levels 1 and 2 of the Building shall be compared to the amount of Base Monthly Rent on such levels 1 and 2 payable under amended Section 1.d of this Lease Modification #1, and an adjustment shall be made between the parties, retroactively to July 1, 2019, to account for the amount of such difference. No adjustment shall be made for the amount of Monthly Base Rent attributable to the basement level during the holdover period, as Tenant will have had the exclusive use of the basement during such holdover period.

Tenant's obligations under this Section 22 shall survive the expiration or early termination of this Lease.

32. MONTHLY OPERATING EXPENSES ADJUSTMENTS

Section 32. MONTHLY OPERATING EXPENSE ADJUSTMENTS of the Lease is hereby deleted in its entirety and replaced by the following language as Section 32. MONTHLY OPERATING EXPENSE ADJUSTMENTS:

In addition to those utility and government service costs which are billed or metered directly to Tenant under Section 11 above, or those costs for Owner services which are payable solely by Tenant under the terms of Section 9 or 10 above, Tenant shall pay, as monthly Additional Rent, Tenant's share of all operating expenses incurred by Owner for operation of the Building during the term or any extension thereof (the "**Operating Expenses**") as follows:

- A. On a pro rata basis, pursuant to Tenant's Proportionate Share as defined in Section 1.b of the Lease, Tenant agrees to reimburse Owner, upon the due date, for:
 - (i) Real property taxes and assessments, including such assessments as local improvement district assessments, levied against the Building (land and

improvements). Only the assessment due during the particular year or any partial year will be passed to Tenant.

- (ii) Owner's cost of insurance for the Building.
 - (iii) Owner's cost to maintain and repair the Building's elevator and the Building's landscaping.
 - (iv) Usual and necessary costs of operation, security, maintenance, repair, and replacement as determined by standard accounting practice, including without limitation, all utilities and services not metered or charged directly to Tenant, regular pest control, snow and ice removal from sidewalks, and painting, upkeep and repair of Building exterior, roofing, and all common corridors and other common areas and facilities, including graffiti removal. Any required replacement of the elevator or other major components or mechanical systems of the Building, including without limitation the HVAC system, or any code upgrades of the Building or major components thereof, or all of them, shall be amortized over the useful life of such replacements or improvements.
- B. Tenant further agrees to pay Operation and Maintenance rent to Owner (payable solely by Tenant and not prorated) equal to four percent (4%) of Tenant's monthly rent, including Monthly Base Rent and Tenant's other Additional Rent.
- C. Within forty-five (45) days after the end of each calendar year, Owner shall estimate and provide notice to Tenant of its monthly expense based upon existing or expected costs. Such monthly estimated amount shall be paid by Tenant on or before the first day of each month. Owner, annually or as soon as practicable following termination hereof, shall compute Tenant's actual expenses. Any overpayment shall be applied as a credit to Tenant against future expense payments. Any deficiency shall be paid to Owner by Tenant within fifteen (15) days after the date of Owner's statement. Owner's records showing expenditures made for such expenses shall be available for Tenant's inspection at any reasonable time.

The determination of actual costs and estimated costs allocable to the Premises shall be made by Owner. Owner or its agent shall keep records showing all expenditures made for the items enumerated above, which records shall be available for inspection and review by Tenant. The Tenant shall have the right, at reasonable times and upon reasonable prior notice to the Owner to review the Owner's records relating to the actual costs and estimated costs allocable to the Premises for a particular Expense Year, which review must be conducted within (6) months after Tenant's receipt of the statement of actual costs allocable to the Premises for that particular Expense Year. If such review is not conducted within such six (6) month period, then the matters set forth in the statement of actual costs allocable to the Premises for that particular Expense Year shall be deemed conclusive. The Tenant shall pay the costs and expenses of such review unless such review reveals that the Owner has overstated the Operating Expenses for the Expense Year in question by an amount equal to five percent (5%) or more for that particular Expense Year in which event the Owner shall pay up to \$1,000 in payment of the actual costs incurred by Tenant in the performance of such review. "Expense Year" means each calendar year within the Lease Term. If this Lease terminates on a day other than the last day of an Expense Year, a reconciliation shall be made between (a) the sum total of monthly amounts paid by Tenant under this Section 32 in the portion of such Expense Year in which this Lease was in effect and (b) the actual amount payable by Tenant under this Section 32 in for the same partial Expense Year. Such reconciliation shall be made by Owner within thirty (30) days of the termination of this Lease. Any amount payable by Owner to Tenant or Tenant to Owner with respect to such reconciliation is payable within thirty (30) days after Owner's delivery of the reconciliation to Tenant.

D. Operating Expenses shall not include the following:

- (1) Costs of repairs, restoration, replacements or other work occasioned by (i) fire, windstorm or other casualty of an insurable nature (whether such destruction be

total or partial) and either (a) payable (whether paid or not) by insurance required to be carried by Owner under this Lease, or (b) otherwise payable (whether paid or not) by insurance then in effect obtained by Owner, (ii) the exercise by governmental authorities of the right of eminent domain, whether such taking be total or partial, (iii) the negligence or intentional tort of Owner, or any subsidiary or affiliate of Owner, or any representative, employee or agent of same (including the costs of any deductibles paid by Owner), or (iv) the act of any other tenant in the Building, or any other tenant's agents, employees, licensees or invitees to the extent Owner has the right to recover the applicable cost from such person;

(2) Leasing commissions; attorneys' fees, except as for those reasonable attorney's fees as provided elsewhere in this Lease; costs disbursements and other expenses incurred in connection with negotiations for leases with tenants, other occupants, or prospective tenants or other occupants of the Building, or similar costs incurred in connection with disputes with tenants, other occupants, or prospective tenants, or similar costs and expenses incurred in connection with negotiations or disputes with consultants, management agents, purchasers or mortgagees of the Building;

(3) Allowances, concessions and other costs and expenses incurred in completing, fixturing, furnishing, renovating or otherwise improving, decorating or redecorating space for tenants (including Tenant), prospective tenants or other occupants and prospective occupants of the Building;

(4) Payments of principal and interest or other finance charges made on any debt and rental payments made under any ground or underlying lease or leases;

(5) Costs incurred in connection with the sales, financing, refinancing, mortgaging, selling or change of ownership of the Building, including brokerage commissions, attorneys' and accountants' fees, closing costs, title insurance premiums, transfer taxes and interest charges;

(6) Costs, fines, interest, penalties, legal fees or costs of litigation incurred due to the late payments of taxes, utility bills and other costs incurred by Owner's failure to make such payments when due;

(7) Costs incurred by Owner for trustee's fees and partnership or organizational expenses;

(8) Owner's income and franchise taxes, special assessments and other business taxes except those business taxes which relate solely to the Building and the Premises and/or the operation thereof;

(9) All amounts which would otherwise be included in operating expenses which are paid to any affiliate or subsidiaries of Owner, or any representative, employee or agent of same, to the extent the costs of such services exceed the competitive rates for similar services of comparable quality rendered by persons or entities of similar skill, competence and experience;

(10) Increased insurance premiums caused by Owner or any other tenant's hazardous acts;

(11) Advertising and promotional costs associated with the leasing of the Building;

(12) Costs incurred to correct violations by Owner of any law, rule, order or regulation which was in effect as of the Lease Effective Date; provided, however, that in no event shall Owner be responsible to correct any violations stemming from (i) The Americans with Disabilities Act or any laws or regulations promulgated in relation thereto or (ii) any violations of which Owner is not actually aware unless such lack of awareness is not commercially reasonable; or

(13) Charitable or political contributions.

Owner shall at all times use its best efforts to operate the Building in an economically reasonable manner as those experienced by other comparable buildings in the Downtown Seattle area.

EXCEPT to the extent herein revised, amended or modified, all terms, conditions and provisions of said Lease are hereby affirmed and ratified in all respects.

IN WITNESS WHEREOF, Owner and Tenant have executed this Amendment as of the day and year first-above written.

OWNER

BEEBE REALTY, INC.,
a Washington corporation

By 
A. M. Clise, Chairman and CEO

TENANT

KING COUNTY,
a political subdivision of the state of
Washington

By: _____
Name: Anthony Wright
Title: Director, Facilities Management Division

Approved as to form

By: _____
Sam Lee, Deputy Prosecuting Attorney
Date: _____

STATE OF WASHINGTON)
)SS
COUNTY OF KING)

On this 19th day of July, 2019, before me personally appeared to me, A. M. Clise, known to be the Chairman and CEO of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument.

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



Kimberly L. Hornung
Printed Name: Kimberly L. Hornung
Notary Public in and for the State
of Washington, residing at Seattle
My commission expires 09/18/20

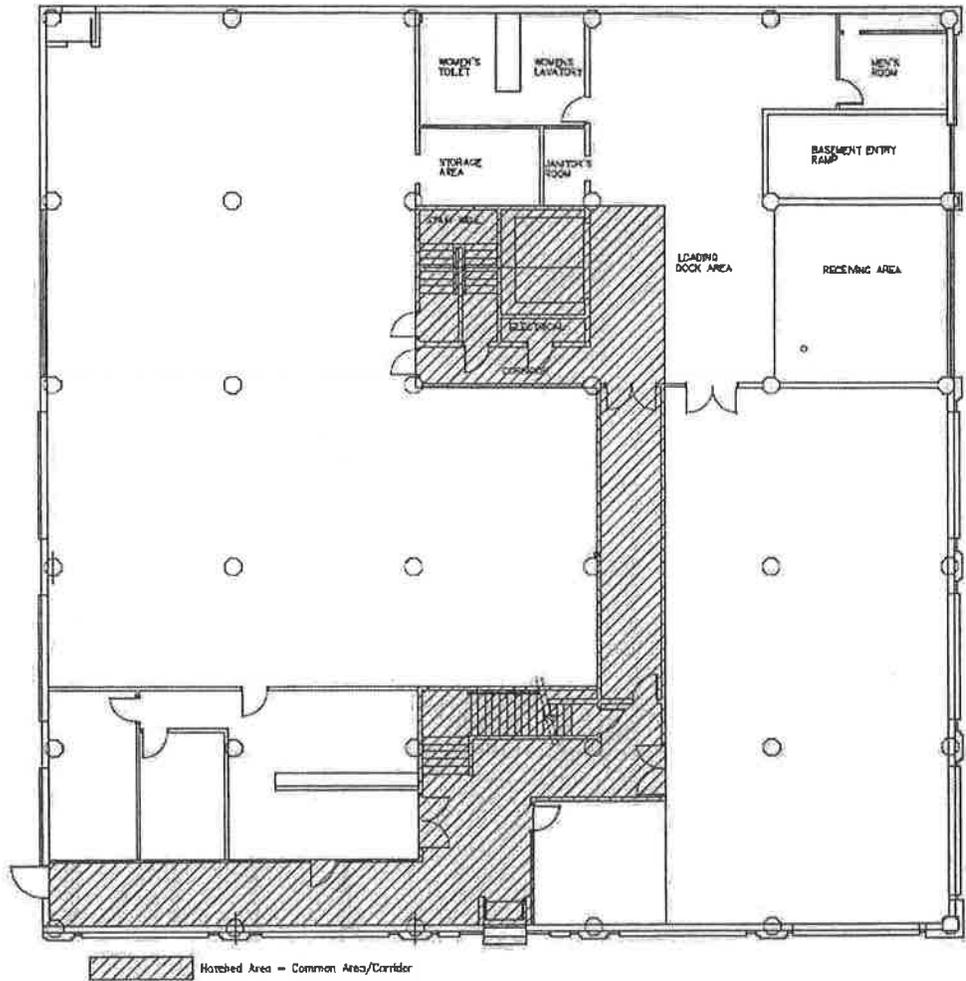
STATE OF WASHINGTON)
)SS
COUNTY OF KING)

On this _____ day of _____, 2019, before me personally appeared to me, Anthony Wright known to be Director, Facilities Management Division of KING COUNTY, the political subdivision of the State of Washington that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said State, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument.

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

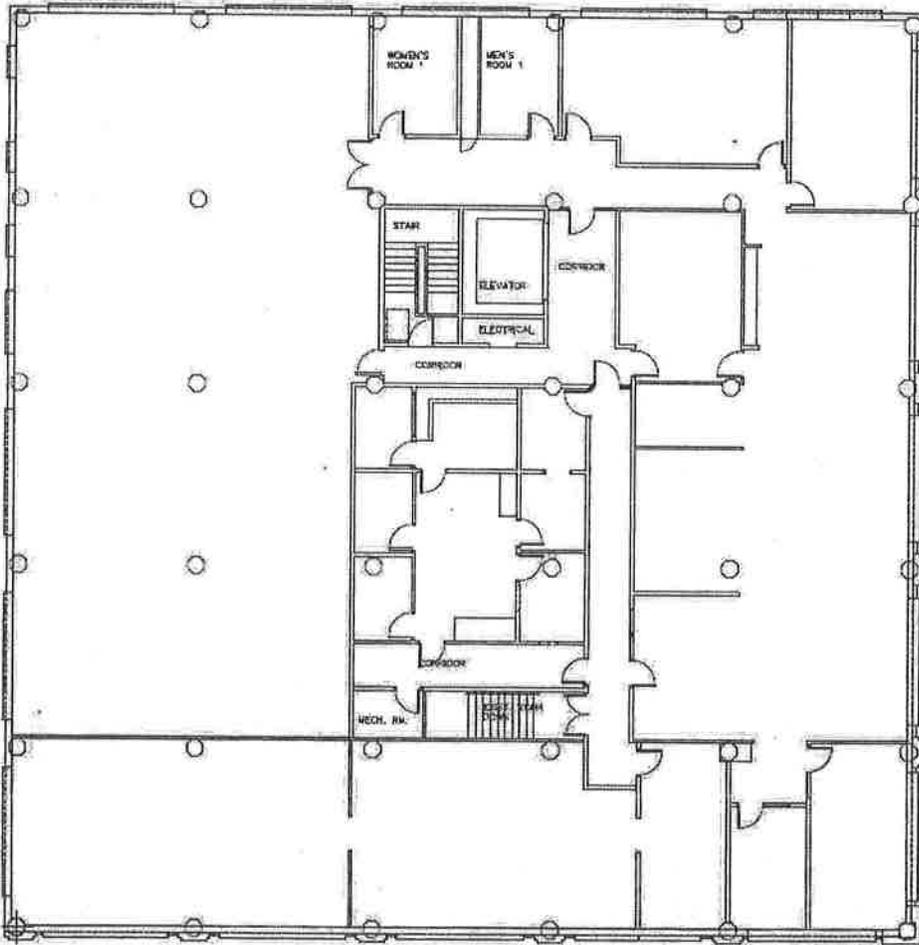
Printed Name: _____
Notary Public in and for the State
of Washington, residing at Seattle
My commission expires _____

Exhibit A-1
Floor Plan of Premises
First Floor
Page 1



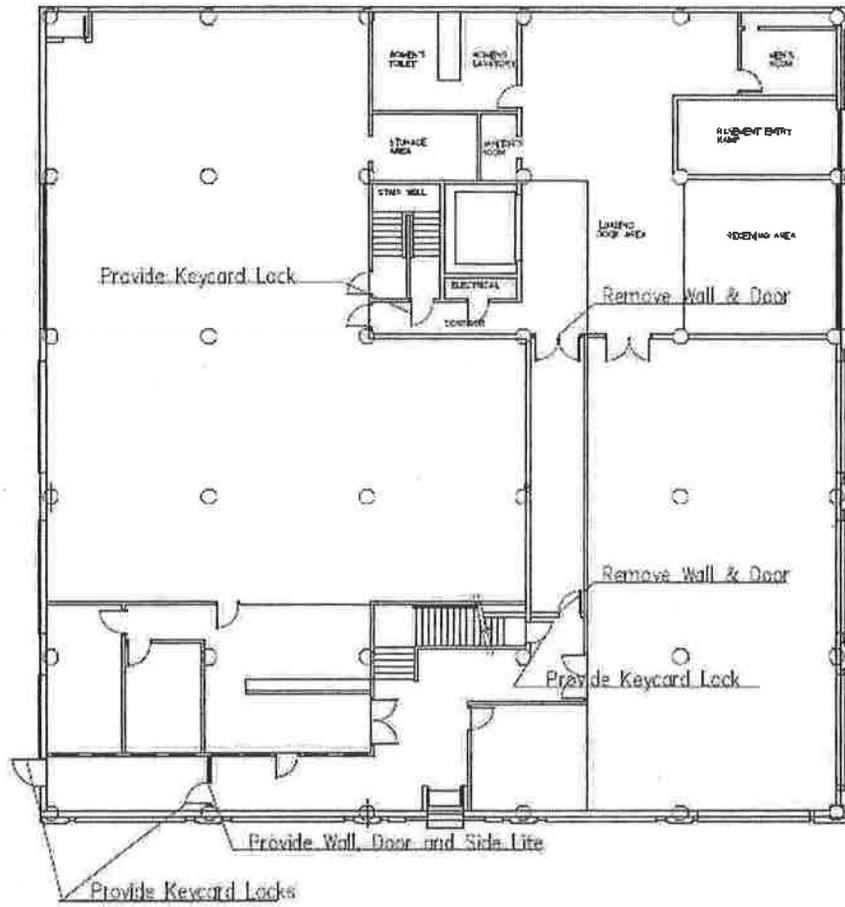
First Floor: 11,000 rsf

Exhibit A-1
Floor Plan of Premises
Second Floor
Page 2



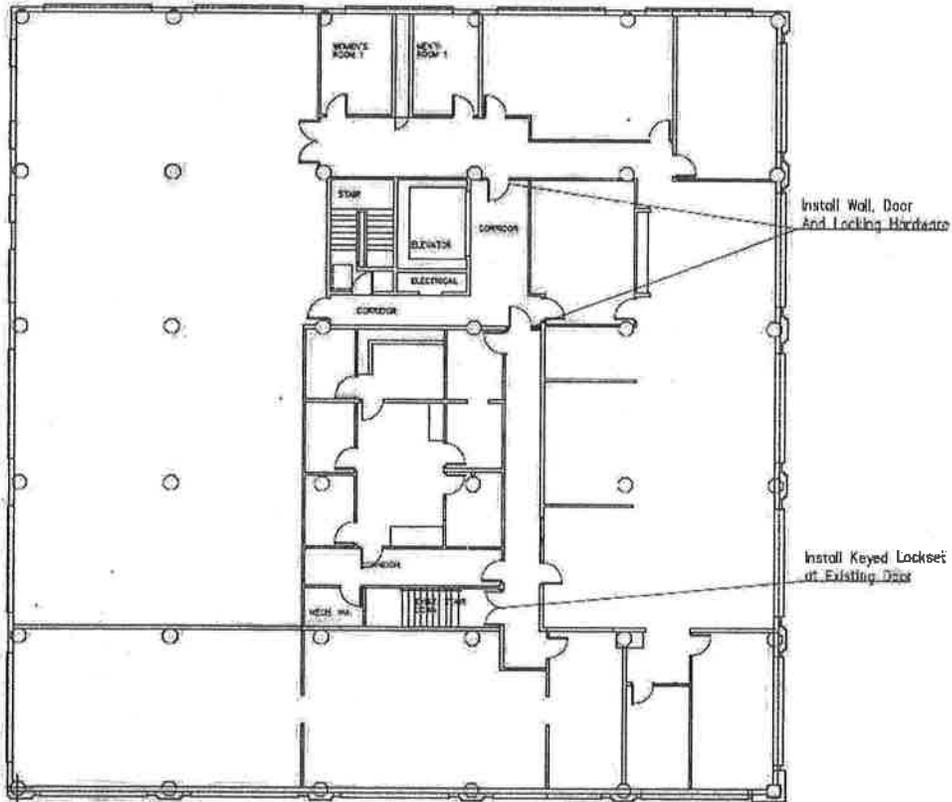
Second Floor: 11,000 rsf

Exhibit B-1
Space Plan of Owner's Tenant Improvement to the Premises
First Floor



First Floor: 11,000 rsf

Exhibit B-1
Space Plan of Owner's Tenant Improvement to the Premises
Second Floor



Second Floor: 11,000 rsf

Exhibit B-2
Space Plan of Tenant's Tenant Improvements to the Premises
(to be provided by Tenant and approved by Owner)

**EXHIBIT C-1
WORK LETTER AGREEMENT**

THIS WORK LETTER AGREEMENT (this "**Work Letter Agreement**") is entered into as of the 1st day of July, 2019 by and between BEEBE REALTY, INC., a Washington corporation, hereinafter called "**Owner**", and KING COUNTY, a political subdivision of the state of Washington, hereinafter called "**Tenant**".

Owner and Tenant are parties to a Lease Agreement, as modified by their Lease Modification #1 entered into as of the 1st day of July, 2019 (as so modified, the "**Lease**") covering certain premises (the "**Premises**"), as more particularly described and defined in the Lease. Any and all defined terms, not specifically defined herein shall have the meanings set forth in the Lease as if specifically included and set forth in this Work Letter Agreement.

1. COMPLETION SCHEDULE

Tenant is currently in occupancy of the Premises, and will remain in occupancy throughout the progress of Owner's Work. Owner agrees to perform all of Owner's Work with minimal disruption of Tenant's Tenancy, outside of Tenant's normal business hours, and all Work Schedules included herein shall reflect this timing. Owner shall be responsible for ensuring the completion of Owner's Work in accordance with all Work Schedules and shall inform Tenant within one (1) business day of Owner becoming aware of any changes to the same, which changes are subject to Tenant's review and approval. If Tenant's approval or consent is needed with respect to any element of the design or construction of Owner's Work, then Tenant agrees to provide the same within three (3) business days of request, unless another time frame is set forth in any Work Schedule.

The Work Schedule – Owner's TI and Work Schedule – Tenant's TI, described below, are hereinafter sometimes referred to collectively as the "**Work Schedule**".

a. Owner's Tenant Improvement Work Schedule:

Within five (5) business days following the full execution of the Lease Modification #1, Owner shall deliver to Tenant a schedule setting forth a timetable for the planning, design and completion of the installation of Owner's Tenant Improvements ("**Work Schedule – Owner's TI**") to be constructed in the Building or the Premises, or both, which Work Schedule – Owner's TI is subject to Tenant's review and approval. The Work Schedule – Owner's TI shall set forth each of the various items of work to be done by or approval to be given by Owner and Tenant in connection with the completion of Owner's Work – Owner's TI.

b. Tenant's Tenant Improvement Work Schedule:

Tenant will have five (5) years following the execution of the Lease Modification #1 to complete desired Tenant's Tenant Improvements and utilize its Tenant Improvement Allowance described in Section 1.1 of the Lease and Section 4 of this Work Letter Agreement. Within a mutually agreed upon time following Tenant's notice of Tenant's Tenant Improvement needs to Owner, Owner shall deliver to Tenant a schedule setting forth a timetable for the planning, design and completion of the installation of Tenant's Tenant Improvements ("**Work Schedule – Tenant's TI**") to be constructed in the Premises, which Work Schedule – Tenant's TI is subject to Tenant's review and approval. The Work Schedule – Tenant's TI shall set forth each of the various items of work to be done by or approval to be given by Owner and Tenant in connection with the completion of Owner's Work – Tenant's TI.

2. WORK PLANS

Owner, by and through its affiliate, Clise Agency, Inc., shall construct and complete improvements to the Building, or Premises, or both (the "**Owner's Work**") as follows:

a. Owner's Work – Owner's TI. Owner shall construct and complete Owner's Tenant Improvements to the Building, or Premises, or both as described in Section 1.1 of the Lease and as illustrated in the space plan (the "**Space Plan – Owner's TI**"), attached to the Lease as the

Exhibit B-1 Space Plan of Owner's Tenant Improvements to the Premises. As part of Owner's Work – Owner's TI, Owner shall cause its architect to prepare final drawings, hereafter referred to as "**Construction Drawings – Owner's TI**", for the Owner's Tenant Improvements to the Premises that are consistent with the Space Plan – Owner's TI.

b. Owner's Work – Tenant's TI. Owner shall construct and complete further improvements to the Premises that are described as the Tenant's Tenant Improvements to the Premises in Section 1.1 of the Lease and as illustrated in the space plan (the "**Space Plan – Tenant's TI**"), attached to the Lease as the Exhibit B-2 Space Plan of Tenant's Tenant Improvements to the Premises. Tenant shall cause its architect to prepare final drawings, hereafter referred to as "**Construction Drawings – Tenant's TI**", for the Tenant's Tenant Improvements to the Premises that are consistent with the Space Plan – Tenant's TI.

c. The Space Plan – Tenant's TI and Space Plan – Owner's TI shall be mutually consistent and are hereinafter sometimes referred to collectively as the "**Construction Drawings**".

As soon as the Construction Drawings are completed, Owner or Tenant, as the case may be, shall deliver the same to Tenant or Owner for their mutual approval. Tenant and Owner shall promptly review and approve, which approval shall not be unreasonably withheld, the Construction Drawings within fifteen (15) days after the date of receipt thereof and shall initial two (2) copies of the Construction Drawings as indication of its approval thereof. Either party's (Tenant's or Owner's) failure or refusal to approve or disapprove the Construction Drawings within such fifteen (15) day period shall be deemed approval by such party of the Construction Drawings. Following full approval (or deemed full approval) of the Construction Drawings, Owner shall commence the Owner's Tenant Improvements to the Premises or Tenant's Tenant Improvements to the Premises, as the case may be, in accordance with such Construction Drawings. If Tenant shall desire to make any material change in the Construction Drawings, Tenant shall promptly notify Owner in writing of such material change and Owner shall have five (5) business days to approve, which approval shall not be unreasonably withheld, or reject the requested change. If Owner rejects the requested change in the Construction Drawings, Tenant shall revise the requested change in the Construction Drawings accordingly in order to obtain Owner's approval, which shall not be unreasonably withheld or delayed. If the material change increases the total construction cost of the Owner's Tenant Improvements to the Premises, (taking into account any cost reductions that result from other material changes to the Construction Drawings) as determined by Owner, then Tenant shall promptly pay such cost increase to Owner, per Owner's invoice to Tenant therefore. Owner and Tenant shall be responsible for obtaining all required permits to complete their respective Tenant Improvements.

d. Tenant is solely responsible for the suitability of the design and function of the Owner's Tenant Improvements to the Premises and Tenant's Tenant Improvements to the Premises (collectively the "**Tenant Improvements**") for Tenant's needs and business. Tenant shall also be responsible for procuring or installing in the Premises any trade fixtures, equipment, furniture, furnishings, telephone equipment, cabling, or other personal property (collectively "**Personal Property**") to be used in the Premises by Tenant, and the cost of such Personal Property shall be paid by Tenant. Tenant shall conform to Owner's wiring standard and all applicable codes when installing any telephone and computer equipment and shall be subject to any reasonable rules of Owner that are necessary to ensure the safety of the Building and of other tenants in the Building during construction of the Tenant Improvements.

3. CONSTRUCTION OF OWNER'S WORK

a. Owner warrants to Tenant that Owner's affiliate, Clise Agency, Inc., is a qualified, licensed and bonded commercial general contractor with the experience and capacity to manage, oversee and cause the prompt and efficient construction of Owner's Work (collectively defined as Owner's Work – Owner's TI and Owner's Work – Tenant's TI). In reliance on such warranty, Tenant agrees that Owner's affiliate, Clise Agency, Inc., shall serve as the general contractor for the performance of all Owner's Work. Owner agrees to cause, and to require all subcontractors performing Owner's Work to cause, all laborers, workers and mechanics (as such terms are defined in Chapter 39.12 of the Revised Code of Washington) performing the work to be paid the prevailing rate of wages (as defined in Chapter 39.12 of the Revised Code of Washington). To the extent that Owner's affiliate, Clise Agency, Inc., is to receive any fee, profit or other payment or reimbursement for its serving as the general contractor in such capacity, all such amounts must be fully disclosed in writing and in advance to Tenant and must be approved of by Tenant. Owner agrees that the cost to Tenant to have Owner's

affiliate, Clise Agency, Inc., serve as the general contractor for Owner's Work will not exceed the cost that Tenant would incur by competitively bidding such work to other similarly qualified general contractors in Seattle, Washington. Tenant acknowledges and agrees that Clise Agency, Inc. standard charge for profit and overhead (14% of the cost of the work) will comply with the foregoing requirements.

b. After Construction Drawings – Tenant's TI have been prepared and approved, and upon Tenant's confirmation that Tenant is ready to have such plans put out for bid, Owner shall prepare the bid package for Owner's Work – Tenant's TI, which bid package must be approved of by Tenant in writing. Upon Tenant's approval of the bid package, Owner shall bid Owner's Work – Tenant's TI to a list of qualified subcontractors approved by Tenant. Owner shall provide copies of the bids from such subcontractors to Tenant (including all back-up and detail) and the selection of subcontractors to perform Owner's Work – Tenant's TI shall be subject to Tenant's written approval. Owner shall enter into contracts with the selected subcontractors for the installation of Owner's Work – Tenant's TI in accordance with Construction Drawings – Tenant's TI, which contracts must be approved of by Tenant in writing.

c. Upon the mutual approval of all subcontractors needed to perform Owner's Work – Tenant's TI and any fee, profit, payment or other reimbursement to be paid to Owner for its services as general contractor, the parties shall mutually agree in writing on the total not-to-exceed cost to design, permit and construct Owner's Work – Tenant's TI (the "GMP" or "Guaranteed Maximum Price"). No changes to the approved GMP or subcontracts may be made without Tenant's prior written approval.

d. Owner shall supervise the completion of all Owner's Work and shall secure completion of such work in accordance with all Work Schedules. Owner shall ensure that the construction of all Owner's Work is performed in compliance with all applicable laws, codes, ordinances and regulations. During the performance of Owner's Work, Owner shall arrange for weekly meetings to include Owner, Tenant and (if desired by Tenant) Tenant's architect, for the purpose of reviewing the progress of Owner's Work. Owner shall arrange for such meetings at a mutually convenient time and location. Owner acknowledges that Tenant will be in occupancy of the Premises during the performance of Owner's Work, and Owner agrees to manage the performance of Owner's Work to (i) maintain the Premises in a condition that is safe for Tenant's employees and visitors and (ii) avoid any damage to or interference with Tenant's property. Before the commencement of Owner's Work, Owner agrees to meet with Tenant to review Owner's safety and security plans for performance of Owner's Work and to discuss any Tenant concerns related to the same.

e. The cost of Owner's Work shall be paid as provided in Paragraph 4 below. Without limitation, Owner shall be solely responsible for, and shall indemnify and defend Tenant from and against, any costs, claims, losses, damages, suits or expenses related to (i) remedying any errors or defects in Owner's Work and/or for any failure of Owner's Work to comply with the Construction Drawings; (ii) the negligence or intentional misconduct of Owner and/or any subcontractors in designing, permitting or constructing Owner's Work; and/or (iii) any cost to design, permit and construct Owner's Work that is in excess of the GMP approved by Tenant. In addition, Owner shall be solely responsible for performing and paying for any additional work that must be performed to the Premises or the Building due to (i) the presence of asbestos, or other hazardous materials or mold, if any, that may be discovered during the course of designing or constructing Owner's Work; and/or (ii) the negligence or intentional misconduct of Owner, the contractor or any subcontractor in designing, permitting or constructing Owner's Work. Owner hereby warrants to Tenant that Owner is not aware of any condition or deficiency in the Premises or Building that is likely to increase the cost of Owner's Work (such as, without limitation, any code violation or the presence of asbestos or any hazardous material or mold). Notwithstanding the foregoing, because Owner's Work – Tenant's TI is unknown as of the date of this Lease Modification #1, if any Owner's Work – Tenant's TI results in any state, county or municipal authority imposing requirements for additional work to comply with existing or future regulatory requirements (code or otherwise), Tenant, at Tenant's sole cost and expense, shall bear the full responsibility for the cost of such work as may be required, except to the extent any such costs arise out of negligent acts or omissions or willful misconduct by or on behalf of Owner in designing, permitting or constructing Owner's Work. For avoidance of doubt, Owner has no obligation under this Agreement to pay the cost of bringing any component of the Building or Premises up to current code requirements, if (i) such component was constructed in the past under then-applicable code requirements, (ii) such component is not a code violation so long as no substantial changes are made to the Building or Premises, and (iii) such component will require an upgrade to current code only because of the design, permits and construction of Owner's Work – Tenant's TI.

(f) For further avoidance of doubt, the following clarifications are provided in respect to any structural alterations or upgrades required by Owner's Work – Tenant's TI:

(i) In the course of preparing the Construction Drawings - Tenant's TI, Owner shall have the right to obtain a structural engineer's review of the proposed Tenant's TI. The cost of such engineering review shall be included in the costs of Tenant's TI payable by Tenant. If and to the extent such engineering review recommends that structural alterations or upgrades are necessary to address structural concern(s) arising from proposed Tenant's TI, such as increased load on bearing floors or the roof of the Building, Owner shall include such engineer-recommended structural alterations or upgrades in the proposed Construction Drawings – Tenant TI's; and, if such Construction Drawings – Tenant's TI are approved by Tenant, the cost of making such structural alterations or upgrades shall be included in the total construction cost of Tenant's TI payable by Tenant under this Work Letter Agreement.

(ii) If Tenant declines to approve such engineer-recommended structural alterations or upgrades arising from the proposed Tenant's TI, the parties will cooperate to scale-down or otherwise redesign the Tenant TI as necessary to remove the structural engineering concerns. For example, in the event the initially designed Tenant TI proposes to add HVAC equipment that would overload the Building roof, and Tenant does not wish to incur the cost of adding new structural bracing under such equipment as recommended by the engineering review, the parties will cooperate to redesign the Tenant TI to substantially decrease the weight of or eliminate such proposed rooftop equipment.

(g) The parties acknowledge and agree that, except as described in subparagraph (f) above in respect to structural concerns arising from proposed Tenant's TI, or in the event of an unanticipated structural failure of the Building during the construction of Owner's Work, which failure would be an insured event under the property insurance carried by Owner under the Lease, the provisions of Sections 9, 10 and 32 of the Lease govern the parties' respective responsibilities in respect to maintenance and repair of components of the Building, including those which are structural in nature.

4. PAYMENT OF COST OF OWNER'S WORK

a. Owner, at Owner's sole cost and expense (which amount includes, but is not limited to, Washington state sales tax, architectural, engineering, permitting and construction costs), shall construct the Owner's Tenant Improvements to the Premises as defined herein and the Lease.

b. Owner, at Tenant's sole cost and expense (except as otherwise provided herein and the Lease), shall construct the Tenant's Tenant Improvements to the Premises as defined herein and the Lease.

c. Owner hereby grants to Tenant a "Tenant Improvement Allowance" up to and not to exceed THREE HUNDRED THIRTY THOUSAND Dollars (\$ 330,000.00). The Tenant Improvement Allowance may be used by Tenant for Tenant's Tenant Improvement, including, without limitation:

(1) Payment of the cost of preparing the Space Plan – Tenant's TI and the final working drawings and specifications, including without limitation mechanical, electrical, plumbing and structural drawings and of all other aspects of Construction Drawing – Tenant's TI.

(2) The payment of plan check, permit and license fees relating to construction of Owner's Work – Tenant's TI.

(3) Construction of Owner's Work – Tenant's TI, including, without limitation, the following:

(a) Installation within the Premises of all partitioning, doors, floor coverings, ceilings, wall coverings and painting, millwork and similar items.

(b) All electrical wiring, lighting fixtures, outlets and switches, and other electrical work to be installed within the Premises.

(c) The furnishing and installation of all duct work, terminal boxes, diffusers and accessories required for the completion of the heating, ventilation and air conditioning

systems within the Premises, including the cost of meter and key control for after-hour air conditioning.

(d) Any additional Tenant requirements including, but not limited to, odor control, special heating, ventilation and air conditioning, noise or vibration control or other special systems.

(e) All fire and life safety control systems such as fire walls, sprinklers, halon, fire alarms, including piping, wiring and accessories installed within the Premises.

(f) All plumbing, fixtures, pipes and accessories to be installed within the Premises.

(g) Engineering, testing and inspection costs.

(h) Subcontractors' fees, including but not limited to any fees based on general conditions.

(4) All other costs to be properly expended by, or owing to, Tenant or Owner in the design, permitting and construction of Owner's Work – Tenant's TI, including without limitation, those costs incurred by Tenant for design and construction of elements of Owner's Work – Tenant's TI.

c. The Tenant Improvement Allowance shall be disbursed to Tenant (or, at Tenant's election, to Tenant's architect) and/or to Owner's subcontractors only upon Tenant's written approval of such disbursement (provided that such approval shall not be evidence that Tenant has inspected or approved any particular aspect of Owner's Work – Tenant's TI, as Owner is responsible for overseeing and managing the same). Owner shall disburse all such amounts requested or approved by Tenant within three (3) business days of request.

d. The cost of designing and constructing Owner's Work – Tenant's TI shall be charged against the Tenant Improvement Allowance. If the cost of Owner's Work – Tenant's TI (according to the GMP approved by Tenant) exceeds the Tenant Improvement Allowance, Tenant shall pay any such overage within thirty (30) days of Owner's completion of Owner's Work – Tenant's TI and Tenant's receipt from Owner of written back-up for such costs acceptable to Tenant.

e. In the event that, after Construction Drawings – Tenant's TI have been prepared and a GMP has been approved by Tenant, Tenant shall require any changes or substitutions to Construction Drawings – Tenant's TI, any additional costs thereof shall be paid by Tenant to Owner within thirty (30) days of Owner's completion of Owner's Work – Tenant's TI and Tenant's receipt from Owner of written back-up for such costs acceptable to Tenant; provided, however, that Owner shall first apply towards such increase any remaining balance in the Tenant Improvement Allowance.

f. Any increase for any reason whatsoever to the cost of Owner's Work – Tenant's TI above the GMP approved by Tenant, including without limitation the requirements of any governmental agency, shall require Tenant's prior written approval. Owner shall be solely responsible for all costs of designing, permitting and constructing Owner's Work – Tenant's TI that exceed the GMP, except as provided in Section 3 (e) above for Tenant changes or substitutions, or as provided in Section 9 of the Lease for code upgrades triggered by Owner's Work – Tenant's TI (e.g., energy code upgrades such as replacement of Building windows).

g. Upon completion of Owner's Work – Tenant's TI, any unused portion of the Tenant Improvement Allowance shall be applied to Rent next owing under the Lease as further described in Section 1.1 of the Lease.

h. Tenant or its accountants shall have the right to inspect and audit Owner's books and records with respect to Owner's Work – Tenant's TI to verify actual costs thereof. Tenant shall exercise this right by giving written notice to Owner of its intent to audit, which notice shall be given by Tenant within six (6) months after the completion of Owner's Work – Tenant's TI. Upon giving such notice, Tenant or its accountants, at Tenant's sole cost (except as otherwise provided below), shall have the right for the succeeding sixty (60) days to inspect and audit Owner's books and records with respect to Owner's Work – Tenant's TI to verify the actual costs thereof. Tenant shall not pay any person or entity conducting such an audit on a contingency basis. Any overcharge or underpayment shall be due

from one party to the other within thirty (30) days after the amount of the overcharge or underpayment has been mutually agreed upon or established by a court of competent jurisdiction; provided that Tenant may elect to apply any overcharge against Tenant's future Rent under the Lease. If an overcharge against Tenant of more than five percent (5%) of Owner's Work – Tenant's TI is discovered, Owner shall also reimburse Tenant for the cost of the audit within thirty days of receipt of a statement and if Owner fails to timely reimburse Tenant, Tenant may reduce any future Rent due to Owner under the Lease until such reimbursement has been fully realized.

5. PUNCHLIST; DEFICIENCIES IN OWNER'S WORK

a. Owner and Tenant will, within three (3) business days from the date that Owner's Work is completed ("Inspection Period"), inspect the Premises and prepare a list of any outstanding work or items to be completed by Owner ("Punch List items"). Owner agrees to complete (or repair) the Punch List item(s) with commercially reasonable diligence and speed, and within thirty (30) days after the Punch List is delivered to Owner, long lead material items excepted.

b. Owner shall be solely responsible, throughout the Term of the Lease, for promptly remedying any defects or deficiencies in Owner's Work, at Owner's sole cost.

6. REPRESENTATIVES

Tenant has designated _____ as its sole representative with respect to the matters set forth in this Work Letter, who, until further written notice to Owner, shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter. Owner has designated J.B. Gibson, Assistant Construction Services Manager of Clise Agency, Inc., as its sole representative with respect to the matters set forth in this Work Letter, who, until further written notice to Tenant, shall have full authority and responsibility to act on behalf of the Owner as required in this Work Letter.

7. MISCELLANEOUS

a. This Work Letter Agreement is part of the Lease. The Tenant consents to and ratifies the terms of this Agreement by their execution of the Lease. This Work Letter Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, and all of which counterparts, taken together, shall constitute but one and the same Work Letter Agreement. A party may deliver executed signature pages to this Work Letter Agreement by PDF or facsimile transmission to any other party, which PDF or facsimile copy shall be deemed to be an original executed signature page.

b. A default or the failure to perform under this Work Letter shall be a default under the Lease, and without limiting the non-defaulting party's other rights, the non-defaulting party shall be entitled to all of its remedies under the Lease with respect to such default.

c. Where Tenant's approval is required in this Work Letter Agreement, Tenant agrees that it shall not unreasonably withhold, condition or delay its approval.

IN WITNESS WHEREOF, Owner and Tenant have duly executed this Work Letter Agreement as of the day and year first above written.

OWNER

BEEBE REALTY, INC.
a Washington corporation

By 
A. M. Clise, Chairman and CEO

TENANT

KING COUNTY,
a political subdivision of the state of
Washington

By: _____
Name: _____
Title: _____