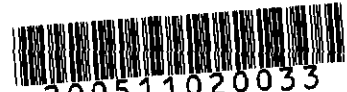


AFTER RECORDING RETURN TO:

Department of General Administration  
Buildings, Grounds and Real Estate Services  
P. O. Box 41015  
Olympia, Washington 98504-1015



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Skagit County Auditor

11/2/2005 Page 1 of 9 9:48AM

Lease No. SRL 05-0110  
SR 157-05-05

(Burlington) AAJ/ds  
Page 1 of 9  
Date: October 6, 2005

LEASE

THIS LEASE is made and entered into between Dan R. Mitzel, an individual whose address is 1111 Cleveland Avenue, Suite 203, Mount Vernon, Washington 98273 for his heirs, executors, administrators, successors, and assigns, hereinafter called the Lessor, and the STATE OF WASHINGTON, Department of Transportation, acting through the Department of General Administration, hereinafter called the Lessee.

WHEREAS, the Department of General Administration is granted authority to lease property under RCW 43.82.010;

WHEREAS, the Lessor and Lessee deem it to be in the best public interest to enter into this Lease;

NOW, THEREFORE, in consideration of the terms, conditions, covenants and performances contained herein, IT IS MUTUALLY AGREED AS FOLLOWS:

LEASED PREMISES

1. The Lessor hereby leases to the Lessee the following described premises:

Tax Parcel Number: P112796

Common Street Address: 1043 Goldenrod Road, Burlington, Washington 98233

Approximately 7,908 BOMA rentable square feet of office space together with forty (40) parking spaces located at 1043 Goldenrod Road, Burlington, Washington 98233, legally described as follows:

(DK12) Lot 4 Short Plat BURL-4-94 recorded under AF#9505240069 in Volume 11 Page 204 and 205 Short Plats, being a portion of North ½ of the South ½ of the southwest ¼ of the northeast ¼ of Section 6, Township 34 North, Range 4 East. EXCEPT that portion of Lot 4 Short Plat BURL-4-94 described as follows:

Commencing at the northeast corner of said Lot 4; thence North 88° 59'18" West, along the North line thereof, a distance of 239.06 feet to the true point of beginning; thence South 1°00'42" West, a distance of 181.20 feet to the South line of said Lot 4; thence North 88°54'58" West, along the South line thereof, a distance of 315.57 feet to the Southwest corner of said Lot 4; thence North 0°01'24" West, along the West line thereof, a distance of 63.45 feet to the southwest corner of Lot 1 of said

SKAGIT COUNTY WASHINGTON  
REAL ESTATE EXCISE TAX

NOV 02 2005

Amount Paid \$  
By Skagit Co. Treasurer  
Deputy



short plat; thence the following courses along the South lines of Lot 1 and Lot 2 of said short plat; thence South 82°24'41" East a distance of 7.40 feet; thence North 85°47'46" East, a distance of 78.55 feet; thence North 18°39'46" East, a distance of 49.90 feet; thence South 88°59'18" East, a distance of 40.28 feet; thence South 88°59'18" East, a distance of 138.11 feet to the southeast corner of said Lot 2; thence North 1°00'42" East, a distance of 63.52 feet to the southwest corner of Lot 3 of said short plat; thence South 88°59'18" East, a distance of 37.61 feet to the true point of beginning. Also EXCEPT that portion of Lot 4 Short Plat BURL-4-94 described as follows:

Beginning at the northeast corner of said Lot 4; thence North 88°59'18" West, along the North line thereof, a distance of 239.06 feet; thence South 1°00'42" West, a distance of 27 feet; thence South 88°59'18" East parallel to the North line of said Lot 4, a distance of 243.63 feet to the West right-of-way line of Goldenrod Road as shown on said Short Plat; thence North 8°36'09" West, along said West line, a distance of 27.38 feet, more or less to the point of beginning.

#### USE

2. The premises shall be used by the Department of Transportation and/or other state agencies for the following purpose(s): office space.

#### TERM

3. TO HAVE AND TO HOLD the premises with their appurtenances for the term beginning November 1, 2005 and ending October 31, 2010.

#### RENTAL RATE

4. The Lessee shall pay rent to the Lessor for the premises at the following rate:

Ten Thousand Five Hundred Forty-four Dollars and No Cents

\$10,544.00 per month

4.1. Should occupancy occur prior to November 1, 2005, the rent shall be prorated to the actual date of occupancy. The Lessor shall be paid \$334.97 per day by the Lessee.

Payment shall be made at the end of each month upon submission of properly executed vouchers.

5. Subject to expiration of Lessee's termination rights as provided in the Renewal/Cancellation paragraph herein, if any, and effective following five (5) years' of initial occupancy of the Leased Premises, Lessee reserves the following rights to adjust the term hereof:

5.1. Lessee reserves the right, at its sole option and discretion, to reduce the space leased as part of the Premises herein and/or the right to terminate this Lease in its entirety, on one hundred twenty (120) days' prior written notice to Lessor subject to the following terms and conditions:

A. In the event of a reduction in the space leased as part of the Premises (the "Reduced Space"):

- (1) Monthly rent shall be reduced in the same proportion as said reduction in space and such reduction in rent ("the "Reduced Rent") shall be effective upon the date said portion of the Premises is vacated by Lessee. The Reduced Space shall be limited to space reasonably capable of being utilized by a replacement tenant; and
- (2) Lessee shall pay Lessor the following:



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- (a) The Reduced Rent discounted to present value at an annual rate of 5%; and
- (b) The unamortized cost of additional tenant improvements attributable to the Reduced Space, if any, which exceeded Lessee's Leased Space Requirements and were financed by Lessor subject to reimbursement by Lessee as provided in the Lease.

B. In the event of a termination of the Lease in its entirety, Lessee shall pay Lessor the following:

- (1) A sum equal to the remaining rental payments due and payable to Lessor under the Lease discounted to present value at an annual rate of 5%; and
- (2) The unamortized cost of additional tenant improvements, if any, which exceeded Lessee's Leased Space Requirements and were financed by Lessor subject to reimbursement by Lessee as provided in the Lease.

5.2 Lessee reserves the right, at its sole option and discretion, to vacate all or any portion of the Leased Premises on one hundred twenty (120) days' prior written notice to Lessor subject to the following terms and conditions:

- A. Expenses excluding base rent payable by Lessee to Lessor including, without limitation, operating expense, real estate taxes and assessments, parking, etc., will be reduced in an amount equal to the amount of vacated space divided by the total area of the Leased Premises.
- B. Lessor shall, at Lessee's sole option and discretion, market said vacated Premises for lease to the general public including, without limitation, hiring a brokerage firm to market the space and recruit potential tenants.
- C. Lessee may contribute up to twenty-five (25%) of the remaining rental payments due and payable under the Lease towards Lessor's actual expense of securing a replacement tenant, at its sole option and discretion. Said payment shall be subject to Lessee's complete release by Lessor from all obligations associated with the Lease effective upon occupancy by a replacement tenant. Said expense of securing a replacement tenant shall be limited to the cost of brokerage and real estate commissions, tenant improvements, alterations/improvements and reduction of rent payments. In the event that the Lease is assigned to another state agency, Lessee shall not be required to reimburse Lessor for any brokerage or real estate commissions.
- D. Lessee may defer payment of rent to Lessor during the remaining Lease term subject to the mutual agreement of the parties. During said rent deferment period, Lessee may, at its sole option and discretion, assign the Lease to another state agency. Said rent deferment shall terminate upon assignment of the Lease, occupancy by a new tenant or the expiration of the rent deferment agreement, whichever first occurs.

#### EXPENSES

6. During the term of this Lease, Lessor shall pay all real estate taxes, all property assessments, insurance, storm water, water, sewer, exterior window washing, and maintenance and repair as described below.

6.1. Lessee shall pay for only garbage collection, natural gas, electricity, janitorial service, restroom supplies, light bulbs and tubes.



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6.2. Lessee shall reimburse Lessor for its prorata share of the following costs: water and sewer. Lessor shall submit a monthly voucher (with a copy of all bills and proof of payment for which reimbursement is requested) to be paid by Lessee for its prorata portion based on Lessee's leased space. Lessee occupies 7,788 square feet or 52 percent of the total building and shall pay 52 percent of such charges.

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#### MAINTENANCE AND REPAIR

7. The Lessor shall maintain the premises in good repair and tenantable condition during the continuance of this Lease, except in case of damage arising from the negligence of the Lessee's clients, agents or employees. For the purposes of maintaining and repairing the premises, the Lessor reserves the right at reasonable times to enter and inspect the premises and to make any necessary repairs to the building. Lessor's maintenance and repair obligations under Paragraph 6 shall include, but not be limited to, the mechanical, electrical, interior lighting (including replacement of ballasts and starters as required), plumbing, heating, ventilating and air-conditioning systems (including replacement of filters as recommended in equipment service manual); floor coverings; window coverings; inside and outside walls (including windows and entrance and exit doors); all structural portions of the building (including the roof and the watertight integrity of same); porches, stairways; sidewalks; exterior lighting; parking lot (including snow removal, cleaning and restriping as required); wheel bumpers; drainage; landscaping and continuous satisfaction of all governmental requirements generally applicable to similar office buildings in the area (example: fire, building, energy codes, indoor air quality and requirements to provide architecturally barrier-free premises for persons with disabilities, etc.).

#### ASSIGNMENT/SUBLEASE

8. The Lessee may assign this Lease or sublet the premises with the prior written consent of the Lessor, which consent shall not be unreasonably withheld. Lessee shall not permit the use of the premises by anyone other than the Lessee, such assignee or sublessee, and the employees, agents and servants of the Lessee, assignee, or sublessee.

#### RENEWAL/CANCELLATION

9. The Lease may, at the option of the Lessee, be renegotiated for an additional five (5) years.

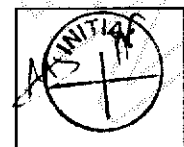
9.1 If at anytime during the term of this Lease, Lessee determines that barriers to the disabled existing in the leased premises must be eliminated, Lessee shall so notify the Lessor in writing. If Lessor and Lessee cannot arrive at a mutually satisfactory agreement for accomplishing necessary alterations within thirty (30) days of said written notice, Lessee shall have the option to terminate this Lease by giving at least sixty (60) days prior written notice, in which event rent shall be prorated to the date of termination.

#### PAYMENT

10. Any and all payments provided for herein when made to the Lessor by the Lessee shall release the Lessee from any obligation therefor to any other party or assignee.

#### COMPLIANCE WITH STATE/FEDERAL LAWS

11. Lessor is responsible for complying with all applicable provisions of the Americans With Disabilities Act of 1990 (42 U.S.C. 12101- 12213) and the Washington State Law Against Discrimination, Chapter 49.60 RCW, as well as the regulations adopted thereunder, with respect to the Leased Premises.



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**FIXTURES**

12. The Lessee, upon the written authorization of the Department of General Administration, shall have the right during the existence of this Lease with the written permission of the Lessor (such permission shall not be unreasonably withheld), to make alterations, attach fixtures, and erect additions, structures or signs, in or upon the premises hereby leased. Such alterations, fixtures, additions, structures and signs shall be authorized only by the Department of General Administration. Performance of any of the rights authorized above shall be conducted in compliance with all applicable governmental regulations, building codes, including obtaining any necessary permits. Any fixtures, additions, or structures so placed in or upon or attached to the premises shall be and remain the property of the Lessee and may be removed therefrom by the Lessee upon the termination of this Lease. Any damage caused by the removal of any of the above items shall be repaired by the Lessee.

**REMODEL**

13. The Lessor shall, at Lessor's sole cost and expense, on or before November 20, 2005, complete in a good and workmanlike manner alterations as noted on the attached plan #157-05-05 (Exhibit "A"), approved by the Design Manager on September 8, 2005, also with attached specifications approved by the Design Manager on September 8, 2005, initialed by both parties hereto and incorporated herein by reference.

Lessor shall be reimbursed \$21,042.05, which includes Washington State sales tax upon satisfactory completion of the above mentioned alterations, as verified by the Design Manager. Lessee shall make such payment in cash or state warrant, upon receipt of Authority to Pay from the Design Manager.

**ALTERATIONS/IMPROVEMENTS**

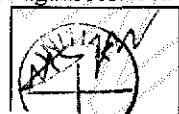
14. In the event the Lessee requires alterations/improvements during the term of this Lease, any renewals and/or modifications thereof, the Lessor shall have the right to provide such services. If required by state law, the Lessor shall pay prevailing rate of wage to all workers, laborers or mechanics employed to perform such work as well as comply with the rules and regulations of the Department of Labor & Industries. If the Lessee considers Lessor's proposed costs for alterations/ improvements excessive, Lessee shall have the right, but not the obligation, to request and receive at least two independent bids; and the Lessee shall have the right at its option to select one alternative contractor whom the Lessor shall allow to provide such services for the Lessee in compliance with the Lessor's building standards and operation procedures.

**PREVAILING WAGE**

15. Lessor agrees to pay the prevailing rate of wage to all workers, laborers, or mechanics employed in the performance of any part of this Lease when required by state law to do so, and to comply with the provisions of Chapter 39.12 RCW, as amended, and the rules and regulations of the Department of Labor and Industries. The rules and regulations of the Department of Labor and Industries and the schedule of prevailing wage rates for the locality or localities where this Lease will be performed as determined by the Industrial Statistician of the Department of Labor and Industries, are by reference made a part of this Lease as though fully set forth herein.

**DISASTER**

16. In the event the leased premises are destroyed or injured by fire, earthquake or other casualty so as to render the premises unfit for occupancy, and the Lessor(s) neglects and/or refuses to restore said premises to their former condition, then the Lessee may terminate this Lease and shall be reimbursed for any unearned rent that has been paid. In the event said premises are partially destroyed by any of the aforesaid means, the rent herein agreed to be paid shall be abated from the time of occurrence of such destruction or injury until the premises are again restored to their former condition, and any rent paid by the Lessee during the period of abatement shall be credited upon the next installment(s) of rent to be paid. It is understood that the terms "abated" and "abatement" mean a pro rata reduction of area unsuitable for occupancy due to casualty loss in relation to the total rented area.



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**NO GUARANTEES**

17. It is understood that no guarantees, express or implied, representations, promises or statements have been made by the Lessee unless endorsed herein in writing. And it is further understood that this Lease shall not be valid and binding upon the State of Washington, unless same has been approved by the Director of the Department of General Administration of the State of Washington or his or her designee and approved as to form by the Office of the Attorney General. Any amendment or modification of this Lease must be in writing and signed by both parties.

**ENERGY**

18. The Lessor, or authorized representative, in accordance with RCW 43.19.685, has conducted a walk-through survey of the leased premises with a representative of the Director of the Department of General Administration. Lessor will undertake technical assistance studies and/or subsequent acquisition and installation of energy conservation measures identified as cost effective by the survey.

**REIMBURSEMENT FOR DAMAGE TO PREMISES**

19. The Lessee hereby agrees to reimburse the Lessor for damages caused by the negligence of its employees, clients and agents, but in no event shall this paragraph be construed as diminishing the Lessor's duty to make repairs as set forth in preceding paragraphs of this Lease, or as making Lessee responsible for the repair of normal wear and tear.

**HAZARDOUS SUBSTANCES**

20. Lessor warrants to his/her knowledge that no hazardous substance, toxic waste, or other toxic substance has been produced, disposed of, or is or has been kept on the premises hereby leased which if found on the property would subject the owner or user to any damages, penalty, or liability under an applicable local, state or federal law or regulation.

Lessor shall indemnify and hold harmless the Lessee with respect to any and all damages, costs, attorneys' fees, and penalties arising from the presence of any hazardous or toxic substances on the premises, except for such substances as may be placed on the premises by the Lessee.

**CANCELLATION/SUPERSESSION**

21. This Lease cancels, supersedes, or replaces SRL 02-0024 dated May 1, 2002, and all modifications thereto effective November 1, 2005.

**WITHHOLDING OF RENT PAYMENTS**

22. If the Lessor fails to maintain, repair and/or improve the premises as set forth herein, the Lessee may, if authorized by the Department of General Administration, withhold ten percent (10%) of rent payments until such time as Lessor completes deficient maintenance, repair and/or improvements. Upon receipt of documentation of Lessor's noncompliance with maintenance, repair and/or improvement provisions and a written request to withhold rent payments from the Lessee, the Department of General Administration shall provide Lessor with a list of deficient maintenance, repair and/or improvement items and notify Lessor that Lessee has been authorized to withhold rent payment until deficient maintenance, repair and/or improvements have been completed. Lessee shall place all withheld rent payments in an interest bearing account. Withheld rent payments plus accrued interest will be remitted to Lessor after the Department of General Administration verifies that Lessor has satisfactorily completed all maintenance, repair and/or improvements and authorizes Lessee to remit the withheld rent. Nothing in this provision shall limit other remedies which may be available to Lessee under this Lease.



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**DATE COMPLIANCE**

23. All building systems controls which are time or date sensitive shall operate correctly with dates in the 20<sup>th</sup> or 21<sup>st</sup> century, so that the functions, calculations, and other computing processes of the systems controls perform in a consistent manner regardless of the date in time on which the systems controls are actually performed and regardless of the Date Data input to the systems controls, whether before, during or after the year 2000, and whether or not the Date Data is affected by leap years.

"Date Data" means any data, formula, algorithm, process, input or output which includes, calculates, or represents a date, a reference to a date, or a representation of a date; including, but not limited to the following:

- a) No value for current date will cause any interruption in operation. Current date means today's date as known to the equipment or product.
- b) Date-based functionality will behave consistently for dates prior to, during, and after year 2000.
- c) In all interfaces and data storage, the century in any date will be specified either explicitly or by unambiguous algorithms or a suitable interface rule.

**CONDEMNATION**

24. If all the premises or such portions of the Building as may be required for the reasonable use of the premises, are taken by eminent domain, this Lease shall automatically terminate as of the date Lessee is required to vacate the premises and all rentals shall be paid to that date. In case of a taking of a part of the premises, or a portion of the Building not required for the reasonable use of the premises, at Lessee's determination, then the Lease shall continue in full force and effect and the rental shall be equitably reduced based on the proportion by which the floor area of the premises is reduced, such rent reduction to be effective as of the date possession of such portion is delivered to the condemning authority. Lessor reserves all rights to damages and awards in connection therewith, except Lessee shall have the right to claim from the condemning authority the value of its leasehold interest and any relocation benefits.

**HOLDING OVER**

25. If Lessee remains in possession of the premises after the expiration or termination of the Lease term, or any extension thereof, such possession by Lessee shall be deemed to be a month-to-month tenancy, terminable as provided by law. During such month-to-month tenancy, Lessee shall pay all rent provided in this Lease or such other rent as the parties mutually agree in writing and all provisions of this Lease shall apply to the month-to-month tenancy, except those pertaining to term and option to extend.

**SUBORDINATION**

26. So long as Lessor has fully performed under the terms of this Lease, Lessee agrees to execute, within ten (10) days of written request by Lessor, the state's standard Tenant Estoppel and Subordination Agreements which have been approved as to form by the Office of the Attorney General. A \$400.00 processing fee will be assessed for processing these documents.

**CAPTIONS**

27. The captions and paragraph headings hereof are inserted for convenience purposes only and shall not be deemed to limit or expand the meaning of any paragraph.



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## NOTICES


28. Wherever in this Lease written notices are to be given or made, they will be sent by certified mail to the address listed below unless a different address shall be designated in writing and delivered to the other party.

LESSOR: Dan R. Mitzel  
1111 Cleveland Avenue, Suite 203  
Mount Vernon, Washington 98273

LESSEE: Department of General Administration  
Buildings, Grounds & Real Estate Services  
210 11<sup>th</sup> Avenue SW., Room 230  
Post Office Box 41015  
Olympia, Washington 98504-1015

SRL 05-0110

IN WITNESS WHEREOF, the parties subscribe their names.

  
\_\_\_\_\_  
Dan R. Mitzel

Date: 10/17/05

## STATE OF WASHINGTON

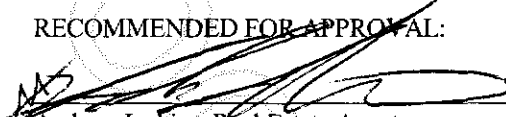
Department of Transportation

Acting through the Department  
of General Administration

  
\_\_\_\_\_  
Robert A. Bippert, Senior Deputy Assistant Director  
Buildings, Grounds & Real Estate Services

Date: 10-31-05

## RECOMMENDED FOR APPROVAL:

  
\_\_\_\_\_  
Andrew Jenkins, Real Estate Agent  
Buildings, Grounds and Real Estate Services

Date: 10/27/05

## APPROVED AS TO FORM:

By:   
\_\_\_\_\_  
Assistant Attorney General

Date: 10/28/05



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