

AFTER RECORDING RETURN TO:

Department of General Administration
Buildings, Grounds & Real Estate Services
Post Office Box 41015
Olympia, WA 98504-1015



200604050004

Skagit County Auditor

4/5/2006 Page

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9 8:51AM

Sublease No. SSL 05-0111
SR 011-01-05

Amount Paid \$
By Skagit Co. Treasurer
Deputy

APR 05 2006

(Mount Vernon)AAJ/ij

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December 19, 2005

SUBLEASE
SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

1. This SUBLEASE, made and entered into by and between Northwest Services Council, dba Northwest Workforce Development Council, Inc., a not-for-profit entity having a 501(c)(3) status, whose interest in subject property is that of Lessee, whose address is Post Office Box 2009, Bellingham, Washington 98227 for its successors, and assigns, hereinafter called the Sublessor, and the State of Washington, Employment Security Department, acting through the Department of General Administration, in accordance with RCW 43.82.010., hereinafter called the Sublessee. Sublessor, entered into a lease with Richard S. Duffy, dba Highland Investment whose address is Post Office Box 398, Mount Vernon, Washington 98273, as Lessor, dated January 11, 2005.

SUBLEASED PREMISES

2. The Sublessor hereby subleases to the Sublessee the following described premises:

Tax Parcel Number: 340417-0-083-0106 (P 25681)

Common Street Address: 2005 East College Way, Mount Vernon, Washington

Approximately 10,857 square feet of BOMA rentable office space located at 2005 East College Way, Mount Vernon, Washington legally described as follows: Lot 1, of Short Plat No. MV-11-80, approved November 21, 1980, recorded November 21, 1980, in Volume 5 of Short Plats, Page 6, under Auditor's File No. 8011210021, being a portion of the Southeast ¼ of the Northeast ¼ of Section 17, Township 34 North, Range 4 East, W.M., Skagit County, Washington.

MASTER LEASE

3. Lessor acknowledges approval of this Sublease and this Sublease provision. Nothing contained in this provision is intended to alter or amend any of the terms or covenants of the Master Lease. However, all of the terms, covenants and conditions and agreements between the Sublessor and Sublessee are fully and completely set forth in this agreement. In the event of any conflict between the provisions of the Sublease and the provisions of the Master Lease, Lessor acknowledges that, as between the Sublessor and Sublessee, the provisions of the Sublease shall control.

LESSOR'S NAME

Richard S. Duffy



USE

4. The premises shall be used by the Employment Security Department and/or other state agencies for the following purpose(s): office space and service delivery to the general public.

TERM ADJUSTMENT

5. Subject to expiration of Sublessee'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, Sublessee reserves the following rights to adjust the term hereof:

5.1. Sublessee 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 Sublessor 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 Sublessee. The Reduced Space shall be limited to space reasonably capable of being utilized by a replacement tenant; and
- (2) Sublessee shall pay Sublessor the following:
 - (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 Sublessee's Leased Space Requirements and were financed by Sublessor subject to reimbursement by Sublessee as provided in the Lease.

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

- (1) A sum equal to the remaining rental payments due and payable to Sublessor 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 Sublessee's Leased Space Requirements and were financed by Sublessor subject to reimbursement by Sublessee as provided in the Lease.

5.2 Sublessee 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 Sublessor subject to the following terms and conditions:

- A. Expenses excluding base rent payable by Sublessee to Sublessor 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. Sublessor shall, at Sublessee'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.



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- C. Sublessee may contribute up to twenty-five (25%) of the remaining rental payments due and payable under the Lease towards Sublessor's actual expense of securing a replacement tenant, at its sole option and discretion. Said payment shall be subject to Sublessee's complete release by Sublessor 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, Sublessee shall not be required to reimburse Sublessor for any brokerage or real estate commissions.
- D. Sublessee may defer payment of rent to Sublessor during the remaining Lease term subject to the mutual agreement of the parties. During said rent deferment period, Sublessee 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.

TERM

6. TO HAVE AND TO HOLD the premises with their appurtenances for the term beginning January 1, 2006 and ending December 31, 2010.

RENTAL RATE

7. The Sublessee shall pay the Sublessor for the premises rent at the following rate:

Twelve Thousand Seven Hundred Fifty-six Dollars and Ninety-eight Cents

\$12,756.98 per month

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

EXPENSES

8. During the term of this Sublease, Sublessor shall pay all real estate taxes, all property assessments, insurance, storm water, water, sewer, garbage collection, and maintenance and repair as described below, together with natural gas, electricity, elevator service, landscape and irrigation water, and janitor service. Janitor service includes exterior and interior window washing, restroom supplies and light bulb replacement, as set forth in Exhibit "J" which is attached hereto and incorporated by reference.

8A. Sublessee shall reimburse Sublessor for its prorata share of the following costs: utilities including natural gas and electricity, water, sewer, and garbage collection, janitorial service and supplies, and monitoring costs of the installed security system. This amount is capped at an annual cost of no more than \$3.77 per square foot for the first year of this sublease. In subsequent years, operating expense cost will reflect actual cost. Sublessor shall submit a monthly voucher (with a copy of all bills and proof of payment for which reimbursement is requested) to be paid by Sublessee for its prorata share based on Sublessee's leased space. For purposes of this provision, Sublessee occupies 10,857 square feet or 41.8 percent of the total building and shall pay 41.8 % of such charges as its prorata share.

MAINTENANCE AND REPAIR

9. The Sublessor shall maintain the premises in good repair and tenantable condition during the continuance of this Sublease, except in case of damage arising from the negligence of the Sublessee's clients, agents or employees. For the purposes of so maintaining and repairing the premises, the Sublessor reserves the right at reasonable times to enter and inspect the premises and to make any necessary repairs to the building. Sublessor's maintenance and repair



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obligations under paragraph 8 shall include, but not be limited to, the mechanical, electrical, interior lighting (including replacement of ballasts, starters and fluorescent tubes as required), plumbing, heating, ventilating and air-conditioning systems (including replacement of filters as recommended in equipment service manual); floor coverings; window coverings; elevators; inside and outside walls (including windows and 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

10. The Sublessee may assign this Sublease or sublet the premises, with the prior written consent of the Sublessor, which consent shall not be unreasonable withheld. Sublessor shall not permit the use of the premises by anyone other than the Sublessee, such assignee or sub-sublessee, and the employees, agents, and servants of the Sublessee, assigns or sub-sublessee.

RENEWAL/CANCELLATION

11. The Sublease may, at the option of the Sublessee, be renegotiated for an additional five (5) years.

It is provided, however, that in the event the State enters into a consolidation of state offices, there is expressly reserved to the Sublessee the right and option to terminate this Sublease and to relinquish and give up said premises by giving written notice to the Sublessor at least sixty (60) days prior to the effective date of such termination, in which event rent shall be prorated to the date of termination.

PAYMENT

12. Any and all payments provided for herein when made to the Sublessor by the Sublessee shall release the Sublessee from any obligation therefore to any other party or assignee.

ENTIRE AGREEMENT

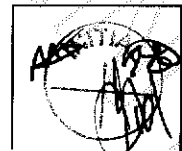
13. All prior understandings and agreements between the parties are merged within this Sublease, which alone fully and completely sets forth the understanding of the parties; and this Sublease may not be changed or terminated orally or in any manner other than by written agreement.

COMPLIANCE WITH STATE/FEDERAL LAWS

14. Sublessor 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 subleased premises.

FIXTURES

15. The Sublessee, upon the written authorization of the Department of General Administration, shall have the right during the existence of this Sublease with the written permission of the Sublessor (such permission shall not be unreasonably withheld), to make alterations, attach fixtures, and erect additions, structures or signs, in or upon the premises hereby subleased. 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 Sublessee and



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may be removed therefrom by the Sublessee upon the termination of this sublease. Any damage caused by the removal of any of the above items shall be repaired by the Sublessee.

ALTERATIONS/IMPROVEMENTS

16. In the event the Sublessee requires alterations/improvements during the term of this Sublease, any renewals and/or modifications thereof, the Sublessor shall have the right to provide such services. If required by state law, the Sublessor 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 Sublessee considers Sublessor's proposed costs for alterations/ improvements excessive, Sublessee shall have the right, but not the obligation, to request and receive at least two independent bids; and the Sublessee shall have the right at its option to select one alternative contractor whom the Sublessor shall allow to provide such services for the Sublessee in compliance with the Sublessor's building standards and operation procedures.

PREVAILING WAGE

17. Sublessor agrees to pay the prevailing rate of wage to all workers, laborers, or mechanics employed in the performance of any part of this Sublease 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 Sublease will be performed as determined by the Industrial Statistician of the Department of Labor and Industries, are by reference made a part of this Sublease as though fully set forth herein.

DISASTER

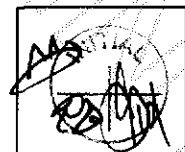
18. In the event the subleased premises are destroyed or injured by fire, earthquake or other casualty so as to render the premises unfit for occupancy, and the Sublessor(s) neglects and/or refuses to restore said premises to their former condition, then the Sublessee may terminate this sublease and 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 Sublessee 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.

NO GUARANTEES

19. It is understood that no guarantees, express or implied, representations, promises or statements have been made by the Sublessee unless endorsed herein in writing. And it is further understood that this Sublease 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 Sublease must be in writing and signed by both parties.

ENERGY

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



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REIMBURSEMENT FOR DAMAGE TO PREMISES

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

HAZARDOUS SUBSTANCES

22. Sublessor 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 subleased 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.

Sublessor shall indemnify and hold harmless the Sublessee 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 Sublessee.

WITHHOLDING OF RENT PAYMENTS

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

DATE COMPLIANCE

24. All building systems controls which are time or date sensitive shall operate correctly with dates in the 20th or 21st 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.



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CONDEMNATION

25. 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 Sublease shall automatically terminate as of the date Sublessee 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 Sublessee's determination, then the Sublease 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. Sublessor reserves all rights to damages and awards in connection therewith, except Sublessee shall have the right to claim from the condemning authority the value of its leasehold interest and any relocation benefits.

HOLDING OVER

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

SUBORDINATION

27. So long as Sublessor has fully performed under the terms of this Sublease, Sublessee agrees to execute, within ten (10) days of written request by Sublessor, 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

28. 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.

INSURANCE

29. It is recognized that the State of Washington, including all its agencies and departments (which includes the Sublessee), is self-insured for all exposure to general liability and vehicle liability as provided in the Risk Management Act, Revised Code of Washington (RCW) 43.19.19362. The Self-Insurance Liability Program provides first dollar coverage up to \$5 million per occurrence. The Self-Insurance Liability Program is continuous unless abolished by the Washington State Legislature.

It is further recognized that the Tort Claims Act, RCW 4.92 et seq., provides the fundamental remedy for all liability claims against the state, its agencies and departments and/or the actions of its officers, employees and volunteers while engaged in the performance of their official duties. Such claims must be filed with the Office of Financial Management, Office of Risk Management for processing according to statute.

LEGAL RELATIONS

30. A state agency does not have authority to enter into a contract that agrees to hold another party harmless and to indemnify the other party for its loss. No party shall be liable for damage or claims which arise from or relate to the performance or non-performance of this agreement by any other party. Each party shall be responsible only for the negligent acts and omissions of its own officers, employees, and agents, and no party shall be considered the agent of the other.



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NOTICES

31. Wherever in this Sublease 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.

SUBLESSOR: Northwest Services Council
dba Northwest Workforce Development Council, Inc.
Post Office Box 2009
Bellingham, Washington 98227

SUBLESSEE: Department of General Administration
Buildings, Grounds & Real Estate Services
General Administration Bldg.
Post Office Box 41015
Olympia, Washington 98504-1015

SSL 05-0111

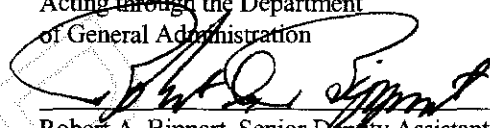
IN WITNESS WHEREOF, the parties subscribe their names.

Northwest Services Council
dba Northwest Workforce Development Council, Inc.

By: Title: EXECUTIVE DIRECTORDate: 3-13-06


STATE OF WASHINGTON

Employment Security DepartmentActing through the Department
of General Administration


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

Date: 4/3/06

RECOMMENDED FOR APPROVAL:


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

Date: 3/29/06

APPROVED AS TO FORM:

By: 

Assistant Attorney General

Date: 3/30/06

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STATE OF WA)
) ss.
County of SKAGIT)

On this 13TH day of MARCH, 2006 before me personally appeared GAY DUBILK and said person(s) acknowledged that SHE signed this instrument, and on oath stated that SHE was authorized to execute the instrument and acknowledged it as the EXECUTIVE DIRECTOR of THE WORKFORCE DEVELOPMENT COUNCIL to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year first above written.

Annmarie I. Hansen
Notary Public in and for the State of Washington,
Residing at 953 NORTHVIEW, BURLINGTON
My commission expires 11-19-07

STATE OF WASHINGTON)
) ss.
County of Thurston)

I, the undersigned, a Notary Public, do hereby certify that on this 3rd day of April, 2006, personally appeared before me ROBERT A. BIPPERT, Senior Deputy Assistant Director, Buildings, Grounds & Real Estate Services, Department of General Administration, State of Washington, to me known to be the individual described in and who executed the within instrument, and acknowledged that he signed and sealed the same as the free and voluntary act and deed of the Department, for the purposes and uses therein mentioned, and on oath stated that he was duly authorized to execute said document.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year first above written.



Robert A. Bippert
Notary Public in and for the State of Washington,
Residing at Olympia
My commission expires 3-21-09



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