

AFTER RECORDING RETURN TO:

Department of Enterprise Services
Real Estate Services
P. O. Box 41468
Olympia, Washington 98504-1468



Skagit County Auditor
3/24/2017 Page

1 of 10 10:55AM
\$82.00

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

MAR 24 2017

Lease No. SRL 16-0116
SR 1000803

(Mount Vernon)AAJ/cns
Page 1 of 10
Date: September 21, 2016

Amount Paid \$
Skagit Co. Treasurer
By *Mmm* Deputy
LEASE

THIS LEASE is made and entered into between MV, LLC, a Washington limited liability company whose address is Post Office Box 53308, Bellevue, Washington 98015, for its heirs, executors, administrators, successors, and assigns, hereinafter called the Lessor, and the STATE OF WASHINGTON, Department of Social and Health Services, acting through the Department of Enterprise Services, hereinafter called the Lessee.

WHEREAS, the Department of Enterprise Services 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: 340417-3-001-0208

Common Street Address: 900 E. College Way, Mount Vernon, Washington

Approximately 53,633 square feet of BOMA Gross office space, being the entire two (2) story building, located at 900 E. College Way, Mount Vernon, Washington, together with one hundred ninety (190) on-site code parking spaces, situate on a parcel of land legally described as:

Tract "A" of Short Plat MV-8-77, approved April 28, 1977, recorded April 28, 1977, recorded April 28, 1977 under Auditor's File No. 855522 in Volume 2 of Short Plats, page 53, being a portion of the Southwest 1/4 of Section 17, Township 34 North, Range 4 East, W.M., EXCEPTING therefrom:

All that portion of the above described Parcel A lying Northeasterly of a line beginning at a point opposite Highway Engineer's Station (hereinafter referred to as HES) 30+70.54 on the SR 538 survey line of SR 538, Jct. SR5 to LaVenture Road, and 40 feet Southerly therefrom; thence along the arc of a curve to the right having a radius of 35 feet to a point opposite HES 31+05.53 on said survey line and 74.65 feet Southerly therefrom; thence Southerly to a point opposite HES 31+06.28 on said survey line and 150 feet Southerly therefrom; thence Easterly parallel with said survey line 100 feet to a point and the end of this line description, Mount Vernon, Skagit County, Washington.



USE

2. The premises shall be used by the Department of Social and Health Services and/or other state agencies for the following purpose(s): office space. Office use includes associated office activities, such as trainings, conferences, retreats, open public meetings, health and wellness activities, and office related parties and social events.

TERM

3. TO HAVE AND TO HOLD the premises with their appurtenances for the term beginning March 1, 2018 and ending February 28, 2023.

RENTAL RATE

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

March 1, 2018 to April 15, 2018:

Zero Dollars and No Cents \$ 0.00 per month

April 16, 2018 to April 30, 2018

Forty-four Thousand Eighty-one Dollars and Twenty-five Cents \$44,081.25 per month

May 1, 2018 to February 28, 2023:

Eighty-nine Thousand Three Hundred Eighty-eight Dollars and Thirty-three Cents \$89,388.33 per month

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

4.1. The Lessee shall not be required to pay the rental rate referenced in Paragraph 4 above until all of the work requested by Lessee in Additional Lease Provisions paragraph 19 has been completed by Lessor. Until all such work is completed and approved by Lessee, the rate of \$87,153.63 per month, as required under SRL 08-0021 shall continue in effect.

EXPENSES

5. During the term of this Lease, Lessor shall pay all real estate taxes, all property assessments, insurance, storm water, janitorial service and maintenance and repair as described below.

5.1. Lessee shall pay for only water, sewer, garbage collection, electricity, natural gas, fluorescent tubes and restroom supplies.

5.2 Lessee shall reimburse Lessor for the cost of janitorial service each month upon receiving a properly executed voucher and a copy of the janitorial vendor's invoice. Lessor shall contract for janitorial service with a company mutually agreeable to Lessee and Lessor. If the Lessee considers the janitorial cost excessive or the level and quality of service inadequate, Lessee shall have the right, but not the obligation, to request and receive at least two (2) independent janitorial proposals from companies mutually acceptable to Lessee and Lessor. The Lessee shall have the right to select one of the alternate contractors, and Lessor shall employ their services upon receiving written notification from Lessee of their desired alternate choice.



MAINTENANCE AND REPAIR

6. 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 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; elevators (including communications systems); 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

7. 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. Lessor shall respond to approve or disapprove a request for consent within thirty (30) days of receipt of the request. If such response is not received within thirty days, it will be considered approved and Lessee will proceed with sublease. 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

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

PAYMENT

9. 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

10. Lessor is responsible for complying with all applicable provisions of the Americans With Disabilities Act of 1990, and all amendments and regulations thereto and the Washington State Law Against Discrimination, Chapter 49.60 RCW, as well as the regulations adopted thereunder, with respect to the Leased Premises.

FIXTURES

11. The Lessee, upon the written authorization of the Department of Enterprise Services, 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 Enterprise Services. 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.



ALTERATIONS/IMPROVEMENTS

12. 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

13. 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 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

14. 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.

NO GUARANTEES

15. 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 Enterprise Services 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 CONSERVATION

16. Lessor has conducted an energy walk-through survey of the leased premises using the DES walk-through survey form. The survey is for the purpose of identifying improvements to maintenance and operating conditions and procedures that would conserve energy. The Lessor shall provide DES with a copy of the completed walk-through form and as soon as practicable thereafter, implement identified improvements to energy conservation maintenance and operating procedures.



REIMBURSEMENT FOR DAMAGE TO PREMISES

17. 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

18. 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 any 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.

ADDITIONAL LEASE PROVISIONS

19. It is agreed that the Lessor shall, at Lessor's sole cost and expense, on or before March 1, 2018, complete in a good and workmanlike manner, in accordance with state Leased Space Requirements, July 2005 edition, attached hereto and incorporated herein by reference as Exhibit "A" the following items:

EXTERIOR:

a. Overflow Drain: Drain on north side of the addition continuously drips. Investigate cause of overflow and repair as necessary.

INTERIOR:

b. Ceiling Tiles: Replace stained and/or damaged ceiling tiles in main entry vestibule so as to achieve a uniform like-new finished appearance. Prior to replacing the damaged tiles, verify that the condition that caused this problem has been satisfactorily resolved so as to prevent further damage or reoccurrence. (Section 09500 – Acoustical Ceiling)

c. Chair Rail: Install building standard chair rail in Mount Baker conference room. Match height to existing chair backs.

INCENTIVES

20. Lessor shall retrofit all 2'x4' florescent light fixtures to LED light fixtures throughout the interior of the leased premises at its sole cost and expense.

21. Lessor will provide Lessee \$80,450 to be applied at Lessee's sole discretion towards tenant improvements over and above state specifications.

CANCELLATION/SUPERSESSION

22. This Lease cancels, supersedes, or replaces SRL 08-0021 dated February 20, 2008, and all modifications thereto effective March 1, 2018.



DUTY TO CURE

23. Upon receiving notice of a condition requiring a cure, the party obligated to effect the cure shall initiate and complete cure or repair of such condition within a reasonable time. A condition requiring cure includes, without limitation: (1) a condition for which the Lease requires either party to undertake repair/ replacement and/or other maintenance of the Premises, (2) a condition where either has failed to maintain a service or utility account in good standing as required by the Lease, and (3) any other condition resulting from a party's failure to carry out any obligation under the Lease, including without limitation obligations for rent, charges, improvements, alterations, and/or deferred maintenance, and remediation of damages for which a party is responsible under the Lease. Premises include all fixtures and equipment provided within the Premises by the Lessor.

The term "reasonable time" as used within this paragraph of the Lease shall mean as soon as reasonably possible but no longer than thirty (30) days, unless either (1) an emergency condition exists requiring an immediate cure to promptly begin without delay, usually within hours and to be complete within 24 hours to the extent reasonably possible in light of the nature of the condition and circumstances, or (2) a non-emergency condition exists that is not reasonably possible to cure within 30 days with due diligence and the breaching party provides the level of cure or preparation for cure that is reasonably possible to do with due diligence within 30 days.

If an emergency or non-emergency condition exists that is not reasonably possible to completely cure within 24 hours or 30 days, respectively, the party obligated to cure shall so notify the other party within 24 hours or 30 days, respectively. Such notice shall explain why the cure is not reasonably possible with due diligence to complete within 24 hours (if an emergency) or 30 days (if a non-emergency) and provide the earliest date that the work can be completed as soon as reasonably possible. It is not a justifiable ground for delay that the party obligated to effect the cure does not have available funding to accomplish to cure or that a preferred contractor has limited availability if other contractors can satisfactorily perform the work sooner at reasonable cost.

The term "emergency condition" shall mean a condition requiring a cure that (i) prevents or substantially disrupts the Lessee from using all or a substantial part of the premises, or (ii) causes or substantially threatens to cause injury to persons or damage to property or raises a substantial danger to the health or safety of any persons on or using the premises. Notice under this paragraph may be by the means allowed in the Notice paragraph, but in addition includes actual notice/awareness that Lessor or Lessee has of a condition independent of any such notice.

SELF HELP

24. If the party obligated to effect the cure does not cure within the time required by this Lease, the other party may cure all or part of the default after providing notice to the party obligated to effect the cure of its intent to perform such cure, and, if applicable, recover the costs incurred in curing the default. If the nonbreaching party is the Lessee, the Lessee may deduct all reasonable costs incurred from rent or other charges owed to Lessor. If the nonbreaching party is the Lessor, Lessor will submit properly executed vouchers and proof of payment to Lessee and Lessee shall remit payment to Lessor within thirty (30) days or as soon as is practicable. A party's costs incurred to cure include, but are not limited to, all reasonable out-of-pocket expenses, payment of unpaid utility or services charges for which the other party is responsible, and all administrative costs the non-breaching party reasonably incurs and documents in performing or arranging for performance of the cure.

The nonbreaching party is under no obligation to cure some or all of the default of the breaching party. To the extent that the nonbreaching party does not cure the default, the nonbreaching party may pursue its legal and contractual remedies against the breaching party. The nonbreaching party's failure to cure the breaching party's default does not waive the nonbreaching party's rights to relief. Nothing herein removes or lessens either party's obligation to mitigate damages.

If the Lessee elects to cure using self-help in part or whole, the Lessor shall defend, save, and hold harmless the Lessee, its authorized agents and employees, from all claims, actions, costs, damages or expenses of any nature whatsoever arising out of or in connection with such cure, except where RCW 4.24.115 is applicable and injuries and/or damages are caused by the sole negligence of the



Lessee, its agents, or employees. If RCW 4.24.115 is applicable and liability for damages arises out of bodily injury to persons or damages to property and is caused by or results from the concurrent negligence of the Lessee, its agents, or employees, Lessor's liability, including the duty and cost to defend, hereunder shall apply only to the extent of the negligence of Lessor, its agents, or employees.

DEFAULT LEADING TO TERMINATION

25. If either party fails to initiate and complete cure of a condition requiring cure within a reasonable time after receiving notice of such condition, the nonbreaching party may initiate a default leading to termination of the Lease by providing written notice to the breaching party of the continuing breach. If the breaching party does not complete the cure of the breach within 60 days after receiving such written notice initiating default leading termination, the nonbreaching party may at such time, or at a later date if the cure has still not been completed, declare a termination by default by so notifying the breaching party. Cure of a condition after a valid notice of termination by default is provided shall void a valid notice of termination of the Lease.

If a termination by default is declared or a court so orders, the date of termination shall be determined based on the earliest reasonable date that the Lessee may move and relocate from premises or as agreed by the parties. The determination shall be made in light of available funding for the move, the date at which suitable replacement premises can be fully available, and the time reasonably needed to plan and complete the move.

WITHHOLDING OF RENT PAYMENTS

26. 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 Enterprise Services, 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 Enterprise Services 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 Enterprise Services 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.

CONDEMNATION

27. If any of the premises or 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.

MONTH TO MONTH TENANCY

28. 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

29. 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

30. 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.

INTEGRATED DOCUMENT

31. This Lease and the exhibits hereto constitute the entire agreement between the parties with respect to the lease of Premises and supersedes all prior and contemporaneous agreements and understandings between the parties hereto relating to the subject matter hereof.

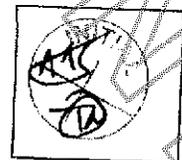
NOTICES

32. 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: MV, LLC
Post Office Box 53308
Bellevue, Washington 98015

LESSEE: Department of Enterprise Services **SRL 16-0116**
Real Estate Services
1500 Jefferson Street S.E., 2nd Floor
Post Office Box 41468
Olympia, Washington 98504-1468

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IN WITNESS WHEREOF, the parties subscribe their names.

MV, LLC

By: [Signature]
 Printed Name: Tim Nelson
 Title: Managing Member
 Date: 1/27/17

STATE OF WASHINGTON

Department of Social and Health Services

Acting through the Department of Enterprise Services

[Signature]
 Seth Wallace, Assistant Director
 Real Estate Services

Date: 2/10/17

[Signature]
 Bob Covington, Deputy Director

Date: 2-10-17.

RECOMMENDED FOR APPROVAL:

[Signature]
 Andrew Jenkins, DSHS Embedded Team Manager
 Real Estate Services

Date: 1/31/2017

APPROVED AS TO FORM:

By: [Signature]
 Assistant Attorney General

Date: 2/7/17

STATE OF Washington) ss.
 County of King)

On this 27 day of January, 2017 before me personally appeared Tim Nelson and said person(s) acknowledged that he signed this instrument, and on oath stated that he was authorized to execute the instrument and acknowledged it as the Managing Member of MV, LLC 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.

ERICA RIEGEL
 Notary Public
 State of Washington
 My Commission Expires
 April 26, 2020

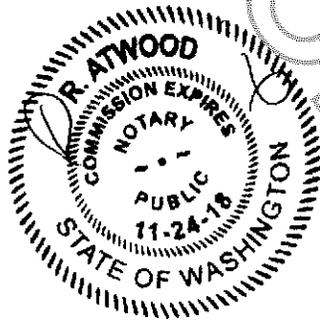
[Signature]
 Notary Public in and for the State of
 Washington,
 Residing at Duvall, WA
 My commission expires APRIL 26, 2020



STATE OF WASHINGTON)
) ss.
County of Thurston)

I, the undersigned, a Notary Public, do hereby certify that on this 10th day of February, 20 17, personally appeared before me SETH WALLACE, Assistant Director, Real Estate Services, Department of Enterprise Services, 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.



R. Atwood
Notary Public in and for the State of Washington,
Residing at Thurston County
My commission expires 11/24/18

STATE OF WASHINGTON)
) ss.
County of Thurston)

I, the undersigned, a Notary Public, do hereby certify that on this 10th day of February, 20 17, personally appeared before me BOB COVINGTON, Deputy Director, Department of Enterprise Services, 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.



R. Atwood
Notary Public in and for the State of Washington,
Residing at Thurston County
My commission expires 11/24/18

