

FILED FOR RECORD
SK/11/11/00, WASH
BY Dept. General Admin

Lease No. SR&L 7269
(Stevenson)MLL/aj
SR 389-88
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Date: September 26, 1996

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1. This LEASE is made and entered into between Vine Street Investors, a Washington general partnership whose address is Post Office Box 430, Arlington, Washington 98223-0430 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 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:

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

Approximately 6,332 square feet of office space, being the entire building located on Parcels No. 02-07-01-1-1-4190-00 and No. 02-07-01-1-1-4000-00 in the City of Stevenson, Washington; together with exclusive use of thirty (30) designated parking stalls, twenty-four (24) of which are covered, including handicapped parking stalls per code, all situate on property legally described as:

Lots 22, 23 and 24, Block 7, "Town of Stevenson", situated in the Northeast quarter of Section 1, Skamania County, Washington;

to be used for the following purposes:

Office space for the Department of Social and Health Services and/or other state agencies.

TERM

3. TO HAVE AND TO HOLD the premises with their appurtenances for the term beginning May 1, 1997 and ending April 30, 2012.

It is understood by the parties hereto that the lease term will begin upon Lessee's occupancy of the facility. Start date herein may be adjusted as required to reflect actual occupancy date.

RENTAL RATE

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

For the period beginning May 1, 1997 and ending April 30, 2002:

BASE RENT: Six Thousand Three Hundred Thirty-two Dollars and No Cents

\$6,332.00 per month

TENANT IMPROVEMENTS AMORTIZATION:

Seven Hundred Twenty-eight Dollars and Ninety-nine cents

\$728.99 per month

TOTAL MONTHLY PAYMENT: Seven Thousand Sixty Dollars and Ninety-nine cents

\$7,060.99 per month

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[Signature]

2-7-1-1-1-4000-4190

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For the period beginning May 1, 2002 and ending April 30, 2007:

BASE RENT: Seven Thousand Two Hundred Eighty-one Dollars and Eighty Cents: \$7,281.80 per month

For the period beginning May 1, 2007 and ending April 30, 2012:

BASE RENT: Eight Thousand Nine Dollars and Ninety-eight Cents: \$8,009.98 per month

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

Upon payment by Lessee of the Lease Payments herein provided, and upon the observance and performance of the covenants, terms and conditions on Lessee's part to be observed and performed, Lessor covenants that Lessee shall peaceably and quietly hold and enjoy the Leased Premises under this Lease for the term hereby demised without hindrance or interruption by Lessor or any person or persons lawfully or equitably claiming by, through or under the Lessor.

EXPENSES

5. During the term of this Lease, Lessor shall pay all real estate taxes, all property assessments, real property insurance, storm water, and maintenance and repair as described in paragraph 6.

5A. Lessor shall pay all real estate taxes when due on premises herein leased, then submit voucher(s) with proof of payment to the Lessee for reimbursement. The Lessee will reimburse the Lessor if:

(1) Lessor provides Lessee with copies of all assessed valuation notices and/or value change notices within 30 days of receipt by Lessor; and

(2) If Lessee elects to contest the assessed valuation, Lessor agrees to either initiate such action if required by law to do so or to join Lessee in such action.

5B. Lessee shall pay water, sewer, garbage collection, electricity, gas janitorial service and restroom supplies.

MAINTENANCE AND REPAIR

6. The Lessor shall maintain the premises in good repair and tenable 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 so maintaining 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 obligations under Paragraph 5 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; inside and outside walls (including windows); 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.).

6A. The Lessor shall, between the 60th and 61st months and 120th and 121st months of this lease, repaint the interior surfaces of the building in accordance with the original specifications and if required, clean or replace ceiling tiles. In addition, the Lessor shall, as required, clean, caulk and paint the exterior surfaces of the building. Lessor shall be responsible for removing and replacing all furniture and equipment in this regard and shall perform all work in a professional, workmanlike manner with the least amount of disruption to tenant's business. Lessee shall disconnect

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move, and re-connect all electrical or electronics related equipment together with all private property belonging to Lessee's employees. After a period of not less than ten years, the carpet will be replaced at Lessor's cost when the State's architect and the Lessor's architect mutually agree that the existing carpet is no longer suitable. New carpet shall meet or exceed State's 1994 specifications for Leased Space Requirements. Lessor shall pay the entire cost of carpet removal, disposal and replacement. Lessee shall pay the cost of moving and re-installing Lessee's furniture and equipment. In case of disagreement, the State architect's determination will prevail. Colors to be chosen by tenant.

CONSTRUCTION

7. The Lessor shall at Lessor's sole cost and expense, on or about April 20, 1997, complete in good and workmanlike manner the building project as shown and represented on state approved plans and specifications, attached hereto as Exhibit A", approved by the Division of Property Development Facilities Planning Manager on September 16, 1996, initialed by both parties hereto and incorporated into this instrument by reference. Prior to commencement of construction, Lessor will provide and submit a complete set of construction working drawings to the Division of Property Development (DPD) project architect for written approval. Colors for all interior finish work shall be chosen by tenant. Lessor agrees to provide the services of its own architect at no cost to Lessee, to accommodate completion of the required plans and drawings in a timely manner. Reasonable extensions beyond the April 20, 1997 completion date may be necessary and if necessary will be mutually agreed upon between the parties.

7A. Upon satisfactory completion of the above mentioned alterations, Lessee shall pay to Lessor the amount of \$33,916.03 (which includes Washington state sales tax) at the rate \$728.99 per month including interest at the rate of 10.5% per annum effective May 1, 1997 through April 30, 2002.

7B. The Lessor shall, at all times during the building project, comply with the prevailing rate of wage to be paid to all workers, laborers, or mechanics employed in the performance of any part of this contract in accordance 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 contract will be performed as determined by the Industrial Statistician of the Department of Labor & Industries, are by reference made a part of this lease as though fully set forth herein.

7C. The Lessor shall be in full compliance with the Minority and Women's Business Enterprises (MWBE) program as implemented in Chapter 120 Laws of 1983. All contracts entered into, on or after September 1, 1983 shall establish and maintain the following goals:

- a. 10.0% awarded to Minority Business Enterprises; and
- b. 6.0% awarded to Women's Business Enterprises.

7D. All change orders to state approved plans and specifications must be reviewed, costs obtained and approved in writing by the authorized DPD representative prior to Lessor proceeding to implement. Any change orders implemented by the Lessor without the written approval of DPD may not be approved for payment. Change order costs shall be at actual invoice cost, plus 15% overhead and profit charge, plus sales tax. All approved change orders prior to occupancy shall be amortized by Lessor at a rate of 10.5% per annum to be paid monthly for the term of the Lease in addition to rent.

7E. Alterations after occupancy (if any) requested by Lessee and done by Lessor pursuant to paragraph 8 shall, at Lessee's option, be paid in cash by Lessee or amortized by Lessor for the term of the lease at a rate to be negotiated per a formula to be approved by DPD and paid monthly by Lessee in addition to rent.

7F. Lessee reserves the right to accelerate payment of amortized tenant improvement costs resulting from approved change orders and alteration requests at any time during the term of the lease, without penalty or added cost, by paying the Lessor the then unamortized principal balance.

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7G. Not more than sixty (60) days from final completion of construction, Lessor will provide Lessee with a permanent Certificate of Occupancy; and affidavits from all HVAC, plumbing, and electrical contractors that the systems they installed meet or exceed state performance specifications attached to and made part of the construction documents. Lessor shall also provide Lessee with a complete set of "as built" drawings showing all changes to original approved drawings, if any.

7H. Lessor agrees to see that the construction site is secured and that construction noise, dust, debris, etc. is controlled in accordance with standard construction practices including applicable regulations from Department of Ecology (DOE) during the construction phase of the project. DOE has requested that recyclable materials are used and that excess materials are recycled whenever possible in the construction phase of the project.

7I. Lessee shall have ten (10) days rent free after substantial completion and delivery of the facility to inspect, approve and move into the space. Substantial completion date is determined by issuance of a Temporary Occupancy Permit from the appropriate local jurisdiction and approval of the State project architect, which shall not be unreasonably withheld.

7J. Lessor agrees to comply with all applicable federal, state, county, city laws, city, county, state and federal regulations, codes, and conditions required during construction of the project including but not limited to SEPA conditions and conditions required by (appropriate governmental agencies) to obtain permits.

PREVAILING WAGE

8. Lessor agrees to pay the prevailing rate of wage to all workers, laborers, or mechanics employed in the performance of any part of this contract 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 contract 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.

ALTERATIONS/IMPROVEMENTS

9. 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.

OPTION TO PURCHASE

10. The Lessee shall have the option to purchase the leased premises at any time after the sixtieth (60th) month during the term of this lease. It is agreed that Lessee's option to purchase is assignable to another State agency. The option to purchase the leased premises may be exercised upon the following terms and conditions:

- a. Lessee will give Lessor ninety (90) days written notice of its intent to exercise its option to purchase herein at any time after occupancy. However, closing shall not occur until after the sixtieth month of occupancy.

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- b. Option to purchase shall remain in effect throughout the lease term. In the event Lessee exercises the option, the property shall be appraised by a MAI appraiser at Lessee's cost. The Lessor and Lessee shall mutually approve and agree upon the appraiser.

In the event the parties are unable to agree mutually upon a purchase price, the parties shall then attempt to agree upon the appointment of three (3) disinterested appraisers, each of whom shall be members of the American Institute of Real Estate Appraisers (or in the event such institute is no longer in existence, members of a similar institution who hold the MAI designation). If the parties are unable to agree upon the selection of three (3) appraisers within fifteen (15) days, then a petition may be made by either party to the presiding judge of the Superior Court for the County of Thurston for such selection. Each party shall have the right to submit the names of three (3) appraisers so qualified and the judge shall select the three (3) appraisers from the names so submitted. The appraisers shall be directed to determine within ninety (90) days of their selection the Fair Market Value of the property. In making such a determination, the appraisers shall determine the highest and best use of the Property. The determination of the appraisers shall be final and binding on the parties. The fees and expenses of the appraisers shall be paid for equally by both parties.

- c. Purchase shall be closed through escrow opened by the Lessee with a title company approved by the Lessor. Lessor shall provide and pay for title insurance. All other customary closing costs, including real estate excise tax, escrow fees, recording and filing fees shall be split 50-50 between Lessor & Lessee. The Lessee shall NOT pay for attorneys' fees or real estate commissions. Real estate taxes shall be prorated to the date of closing. Any special assessments, L.I.D. assessments and R.I.D. assessments which are levied against the property at the time of closing shall be paid in full by the Lessor.
- d. At least twenty (20) days prior to the date of purchase set forth in said notice, Lessor shall furnish to the Lessee an invoice for the purchase price and payment shall be made at the time of closing.
- e. The conveyance shall be by statutory warranty deed in fee simple, free and clear of all liens, encumbrances, easements or any other title exceptions save and except public utility easements and matters which may be acceptable to the Lessee and/or its assigns. Lessee agrees to obtain a current title report and provide Lessor with escrow closing instructions showing which liens, encumbrances, easements, or other title exceptions are acceptable to the Lessee prior to closing purchase.

ASSIGNMENT/SUBLEASE

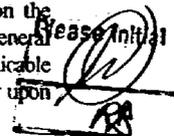
11. The Lessee shall not assign this lease nor sublet the premises except to a desirable tenant, and shall not permit the use of the premises by anyone other than the Lessee, such assignee or sublessee, and the employees, agents, and servants of the Lessee, assignee, or sublessee.

RENEWAL/CANCELLATION

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

FIXTURES

13. 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, 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 so placed in or upon

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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.

PAYMENT

14. 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.

DISCRIMINATION

15. Lessor assures and certifies that he/she will comply 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.

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, or 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.

ENERGY

17. The Lessee, in accordance with RCW 43.19.685, has conducted an assessment of energy requirements and incorporated provisions for same in space plan specifications to be built by Lessor. Any additional energy conservation requirements will be paid as extra costs by the Lessee.

REIMBURSEMENT FOR DAMAGE TO PREMISES

18. 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

19. Lessor warrants to its 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, attorney 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.

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NO GUARANTEES

20. 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.

CAPTIONS

21. 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.

NOTICES

22. 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: Vine Street Investors
Post Office Box 430
Arlington, Washington 98223-0430
Attention: J. Brent McKinley

LESSEE: Department of General Administration SR&L 7269
Division of Property Development
General Administration Bldg.
Post Office Box 41015
Olympia, Washington 98504-1015

ADDITIONAL LEASE PROVISIONS

23. It is mutually agreed by both parties hereto that this lease agreement may be modified in writing prior to occupancy to accommodate mutually agreed upon changes in terms and conditions of the lease.

24. Lessor may, from time to time, need Lessee to execute and acknowledge Attornment, Estoppel, Subordination, and Non-Disturbance Agreements in order to facilitate project financing. Lessee will execute on its own format, or upon a format mutually agreeable to Lessee and lender and approved as to form by Lessee's Assistant Attorney General in the event Lessee's format is unacceptable to a lender. Lessor agrees to pay Lessee \$150.00 per instance requiring said agreements to be executed by Lessee.

CANCELLATION/SUPERSESION

25. This lease cancels and supersedes SR&L 6945 dated January 4, 1996 and all modifications thereto effective September 24, 1996.

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IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their names.

VINE STREET INVESTORS

By: [Signature]
Title: MANAGING PARTNER
Date: 10/10/96

MLL 10/10/96
By: [Signature]
Title: Mark L. Lahaie
Facilities Planning Manager
Date: 10/16/96

(Lessor: If corporation, partnership, or other officer with legal authority other than a natural person, give title)

STATE OF WASHINGTON

Department of Social and Health Services

FEDERAL TAX I.D. NUMBER 91-1279940

Acting through the Department of General Administration

APPROVED AS TO FORM:

By: [Signature]
Assistant Attorney General
Date: 11-5-96

[Signature]
Robert A. Bippert, Assistant Director
Division of Property Development
Date: 11/7/96

STATE OF WASHINGTON)

County of Schenck

On this 10th day of OCTOBER, 19 96 before me personally appeared J. Brent McKinley and said person(s) acknowledged that he they signed this instrument, and on oath stated that he was authorized to execute the instrument and acknowledged it as the MANAGING PARTNER of VINE STREET INVESTORS 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.



[Signature]
Notary Public in and for the State of Washington, Residing at RYANWOOD
My commission expires 11-29-99
Please initial [Signature]

