

DRAFT LEASE

1. **Parties.** This Lease, dated, _____ is made by and between **RYANNA LLC**, with offices at 315 Sea Pines Rd. Bellingham WA 98229 (herein called "Landlord") and **WHATCOM COUNTY**, with offices at 311 Grand Avenue Bellingham, WA 98225, (herein called "Tenant").

2. **Premises and Parking.**

2.1. **Premises.** Landlord hereby leases to Tenant and Tenant leases from Landlord for the term, at the rental, and upon all of the conditions set forth herein, real property situated in the County of Whatcom, State of Washington, commonly known as **4600 RYZEX WAY** Bellingham, and described as having approximately **29,970** square feet herein referred to as the "Premises" and described in **Exhibit A** (consisting of the entire building (the "Building") and all the parking area) and legally described as **PARCEL A CORDATA SPECIFIC BINDING SITE PLAN NO 19 AS REC BOOK 2 BINDING SITE PLANS PG 88; AF3802013751410000**, as outlined on **Exhibit A** attached hereto, herein referred to as the "Property". The Premises, including the Building, and the land upon which the same are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Business Center".

2.2. **Vehicle Parking.** Tenant may use all vehicle parking spaces on the Property for standard, emergency, and oversized vehicles necessary for its operations, including but not limited to mobile command recreation vehicles (RVs), multi-axel trucks and wheeled armored personnel carriers. Parking spaces shall be used in a manner that does not intentionally or negligently damage the parking areas, but Tenant's routine use of authorized emergency or oversized vehicles shall not be considered a violation of this provision.

Without the prior written consent of Tenant, Landlord shall not reduce, reconfigure, or designate parking areas in any manner that materially interferes with Tenant's access, use, or the safe and convenient operation of Tenant's activities and business.

2.3 **Landlord Maintenance Work:** Landlord shall perform certain maintenance and repair work as described in Exhibit C attached hereto (the "Maintenance Work"), using building-standard materials and methods. The Maintenance Work shall be conducted at Landlord's expense as part of Landlord's obligation to maintain the Premises and Building in good condition and repair. Landlord shall: (a) commence the Maintenance Work following execution of this Lease, subject to coordination with Tenant, (b) diligently pursue such work to completion, and (c) obtain all required permits, inspections, and approvals. Tenant hereby consents to the Maintenance Work being performed as necessary, including after the Commencement Date, provided that such work is conducted in a manner that reasonably minimizes interference with Tenant's operations.

3. **Term.**

3.1. **Term.** The term of this Lease shall be for **Ninety-Eight (98)** months commencing on or about **November 1, 2025** (the "Commencement Date") and ending **December 31, 2033**, unless sooner terminated pursuant to any provision hereof. The actual lease commencement date shall be the date the Council approves the lease. Any partial months' rent shall be prorated.

3.1.1. **Rent Commencement Date:** The Rent Payment Commencement Date shall be **January 1, 2026**.

3.1.2. **Option to renew:** The Tenant shall have the option to extend the Term of this Lease for two further terms of two (2) years ("Extension Term") on the terms and conditions herein.

The first Lease extension would be for the period January 1, 2034, to December 31, 2035.

The second Lease extension would be for the period January 1, 2036, to December 31, 2037.

Each Extension Term shall be administratively approved with the same terms and conditions as contained in this Lease, except that:

- a) there shall be no further right to extend after the expiry of the second Extension Term;
- b) there shall be no tenant's allowance or rent-free period for the Extension Terms and the Premises shall be accepted by the Tenant in "as is" condition at the commencement of the Extension Term without the Landlord being required to perform any work.
- c) the Base Rent shall increase for each year of each Extension Term as provided in Section 4.1.1.

Each such right to extend shall be exercisable by notice to the Landlord by not later than nine (9) months prior to the expiry of the original Term or then current Extension Term hereof, failing which such right shall be null and void and forever extinguished.

3.2. **Possession.** During the period of time commencing upon execution of this Lease and ending upon the Commencement Date, all provisions of this Lease shall be in effect except those requiring the payment of Base Rent and Additional Rent. If Landlord does not deliver possession of the Premises by the Rent Commencement Date, then Tenant shall have the right to terminate the Lease. Landlord shall not be liable to Tenant for any damages caused by any delay in delivering, or a complete failure to deliver, possession of the Premises, the aforesaid right of termination being Tenant's sole remedy.

3.3. **Right of First Offer.** If Landlord, in its sole discretion, elects to sell the Property, provided that Tenant is not then in default under the terms of the Lease, then Landlord agrees to grant to Tenant a one-time right of first offer to purchase the Property on the terms set forth in this Section ("**ROFO**"). If each of the foregoing conditions is satisfied, Landlord shall notify Tenant in writing (the "**Notice**"), and Tenant shall have forty five (45) days following receipt of Landlord's notice within which to make a written offer to purchase the Property (the "**Offer**"). If Landlord accepts the Offer, then Tenant and Landlord will promptly enter into a purchase and sale agreement for the Property reflecting the agreed terms of the Offer. If Tenant fails to deliver to Landlord an Offer within such forty-five (45) day period, Tenant shall be deemed to have waived its right of first offer, in which event the ROFO shall be null and void and Landlord shall be free to sell the Property to any third party. If Tenant timely delivers to Landlord an Offer, but the Offer is not accepted by Landlord, then Landlord shall be free to sell the Property to any third party on terms acceptable to Landlord in its sole discretion. Notwithstanding anything to the contrary contained herein, the ROFO shall not apply to: (i) any sale, transfer or conveyance by Landlord of the Property to any person or entity controlled by or under common control with Landlord or its beneficial owners; (ii) any transfers of the Property or any beneficial interest in the Property to the spouse, parents, children, grandchildren, siblings, nieces, nephews or other descendants, ancestors, or relatives of the beneficial owner(s) of Landlord by blood or marriage, or to a trust or other entity established for the benefit of one or more of such persons; (iii), any sale, transfer or conveyance to a public or quasi-public entity having the power of eminent domain, or (iv) any enforcement by any mortgagee of its remedies under a mortgage or deed of trust secured by any portion of the Property, including any foreclosure sale or any transfer or conveyance made in lieu of foreclosure. This Section shall be automatically subordinate to any mortgage or deed of trust now of record or hereafter recorded affecting the Property or any portion thereof.

4. **Rent.**

4.1. **Base Rent.** Tenant shall pay to Landlord, as Base Rent for the Premises, without any offset or deduction, except as may be otherwise expressly provided in this Lease, prior to the First day of each month of the term hereof, monthly payments as set forth below. Tenant shall pay Landlord upon execution of this Lease **\$42,261** as Base Rent for **JANUARY 2026**, and the rent shall increase on the first day of January of each anniversary as detailed in paragraph 4.1.1 below. Rent for any period during the term hereof which is for less than one month shall be a pro rata portion of the Base Rent. Rent shall be payable in lawful money of the United States to Landlord at the address stated herein or to such other persons or at such other places as Landlord may designate in writing. Monthly Base Rent payable shall be as follows:

YEAR	MONTHLY RENT
2025	\$41,030 (covered by free rent period)
2026	\$42,261
2027 and subsequent years	Prior year Base Rent plus Rent Increase per paragraph 4.1.1

Payments may initially be made by check until such time as Tenant has established the ability to process Electronic Payments, after which all payments shall be remitted by Electronic Payment to Lessor's Bank Account.

See EXHIBIT C for banking information.

4.1.1 Rent Increases. The Tenant is offered the choice of two options for the calculation of annual Rent Increases and must select one of the following options at the time of signing the Lease. The Tenants selection shall bind the Landlord and Tenant to the method to be used for calculating all subsequent annual Rent Increases during the term of the Lease and any Extensions:

☐ **Option 1:** the Base Rent payable under paragraph 4.1 of the Lease shall be adjusted by the annual increase, if any, during the prior 12 month period (from October 1st to September 30) in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for: *All Urban Consumers, Seattle-Tacoma-Bellevue, Washington, "All Items", (1982-1984=100), Not Seasonally Adjusted*; herein referred to as "C.P.I."

The new monthly rent payable shall be calculated as follows: the rent payable for the first month of the term of the Lease, as set forth in Section 4.1 (Base Rent) of the Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. for September of the year immediately preceding the effective date of the subject rent escalation, and the denominator of which shall be the C.P.I. for September 2025.

In the event that the compilation and/or publication for the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that the Landlord and Tenant cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

☐ **Option 2:** the Base Rent payable under paragraph 4.1 of the Lease shall increase annually by Three point Seven Five Percent (3.75%).

The sum so calculated shall constitute the new monthly Base Rent hereunder, but in no event, shall such new monthly Base Rent be less than the Base Rent payable for any prior period.

4.2. Operating Expenses. Tenant shall pay to Landlord during the term hereof, in addition to the Base Rent, Tenant's Share, as hereinafter defined, of all Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

- (a) "Tenant's Share" is defined, for purposes of this Lease, as **One Hundred Percent (100%)**.
- (b) "**Operating Expenses**" is defined, for purposes of this Lease, as all costs incurred

by Landlord, if any, for:

(i) Performing Landlord's maintenance and repair obligations under Section 7.1 or providing or performing any other service or obligation that is stated to be an "Operating Expense" elsewhere in this Lease;

(ii) Any deductible portion of an insured loss concerning any of the Items or matters described in this paragraph 4.2;

(iii) The cost of the premiums for the liability and property insurance policies to be maintained by Landlord under paragraph 8 hereof;

(iv) The amount of the real property tax to be paid by Landlord under paragraph 10.1 hereof, should the Tenant not pay this directly;

(v) The cost of water, gas, electricity, internet, and stormwater charges to service the Premises and Cordata Business Park Association dues, should the Tenant not pay these directly.

(vi) A reasonable capital cost allowance (CCA) to cover infrequent expenses including, by not limited to future elevator modernization, reroofing, HVAC modernization, exterior painting and parking lot resurfacing/restriping. Any and all replacements shall be amortized over the useful life of the asset replaced in accordance with GAAP.

(aa) Payment of the CCA makes the periodic costs of elevator modernization, reroofing, HVAC modernization, exterior painting and parking lot resurfacing/restriping the responsibility of the Landlord.

(bb) The CCA amount during the 2026 calendar year is \$2,216 per month.

(cc) The monthly CCA amount shall increase each subsequent year using the Rent Increase formula option the Tenant has elected to use in paragraph 4.1.1.

(vii) Costs of capital improvements to the extent they are (a) required by a change in applicable law or regulation occurring, implemented, promulgated or becoming effective after the Commencement Date, or (b) which demonstrably reduce operating costs, in which case the greater of (1) the annual amortized portion of such costs (including financing costs), calculated over the useful life of the improvement, or (2) annual Operating Cost savings to the Tenant, in accordance with generally accepted accounting principles (GAAP), may be included in Operating Expenses until the costs of such capital improvements (including financing costs) have been recovered. In this paragraph the term financing costs shall mean an eight (8%) annual financing charge on the declining balance of cost of the capital improvements.

(viii) Energy and Building Standards Compliance Costs. The costs and expenses incurred by Landlord to comply with any statutes, regulations, ordinances, or other laws relating to energy-related building standards or greenhouse gas emissions, including without limitation RCW 19.27A, the Clean Buildings Act (Senate Bill 5722), and the Washington State Energy Code, whether now existing or subsequently enacted or made applicable to the Property after the effective date of this Lease, shall be treated as follows:

(a) Compliance capital Improvement costs. To the extent such costs and expenses are for capital improvements, only the greater of (1) the annual amortized portion of such costs (including financing costs), calculated over the useful life of the improvement, or (2) annual Operating Cost savings to the Tenant, in accordance with generally accepted accounting principles (GAAP), may be included in Operating Expenses until the costs of such capital improvements (including financing costs) have been recovered. In this paragraph the term financing costs shall mean an six (6%) annual financing charge on the declining balance of the cost of the capital improvements.

(b) Savings Limitation.

In no event shall the annual amount included in Operating Expenses on account of such improvements exceed the annual operating cost savings reasonably expected to result therefrom, as determined in accordance with GAAP.

(c) Documentation.

Upon Tenant's request, Landlord shall provide documentation reasonably necessary to verify compliance with this section, including supporting detail regarding cost allocation, amortization schedules, and financing terms.

(c) Operating Expenses shall not include, and expressly exclude, the following:

(i) Depreciation, amortization, interest, or principal on any debt, mortgage, deed of trust, or other financing instrument of Landlord;

(ii) Costs of capital improvements other than those specified and included in Section 4.2(b)(vii) or Section 4.2(b)(viii);

(iii) Landlord's general administrative, overhead, or corporate expenses not directly related to the management or operation of the Property;

(iv) Costs or expenses incurred for the sole benefit of any other tenants or unleased portions of the Business Center;

(v) Leasing commissions, legal fees, advertising, marketing, or tenant improvement costs incurred in connection with the leasing or sale of any portion of the Property;

(vi) Reserves for future expenses other than the specifically defined Capital Cost Allowance (CCA) under Section 4.2(b)(vi);

(vii) Penalties, fines, or interest arising from Landlord's late payments, negligence, or violations of law; and

(d) Tenant's share of Operating Expenses shall be payable by Tenant within thirty (30) days after a reasonably detailed statement of actual expenses is presented to Tenant by Landlord. At Landlord's option, however, an amount may be estimated by Landlord from time to time of Tenant's Share of annual Operating Expenses and the same shall be payable monthly or quarterly, as Landlord shall designate, during each twelve-month period of the Lease term, on the same day as the Base Rent is due hereunder. In the event that Tenant pays Landlord's estimate of Tenant's Share of Operating Expenses as

aforesaid, Landlord shall deliver to Tenant within sixty (60) days after the expiration of each year a reasonably detailed statement showing Tenant's Share of the actual Operating Expenses incurred during the preceding year. If Tenant's payments under this paragraph 4.2(d) during said preceding year exceed Tenant's Share as indicated on said statement, Tenant shall be entitled to credit the amount of such overpayment against Tenant's Share of Operating Expenses next falling due. If Tenant's payments under this paragraph during said preceding year were less than Tenant's Share as Indicated on said statement, Tenant shall pay to Landlord the amount of the deficiency within ten (10) days after delivery by Landlord to Tenant of said statement. Tenant shall have the right to Audit all portions of the Landlord's books related to the Building and Premises, by providing written notice within ninety (90) days of receipt of Landlord's Annual Reconciliation Statement. Landlord will submit said accounting ledgers within thirty (30) days of receipt of tenant's notice and tenant shall have ninety (90) days to review.

(e) All Operating Expenses shall be net of any discounts, reimbursements, warranties, or insurance proceeds received by Landlord and shall be supported by third-party invoices or receipts available for Tenant's inspection pursuant to the audit rights provided in Section 4.2(d).

5. **Security Deposit.** Not applicable.

6. **Use.**

6.1. **Use.** The Premises shall be used and occupied only for **WHATCOM COUNTY GOVERNMENT** offices or and for any other lawful business use that is reasonably comparable or incidental thereto and permitted by the City of Bellingham and Cordata Business Park Association. Non-Racked storage shall not be stored higher than 18 feet above the finished floor. Racked storage will not exceed 12 feet above the finished floor unless approved by the Fire department or if necessary, additional fire suppression systems are installed by the Landlord and approved by the Fire department. If an approved fire suppression system has been installed, then the Racked storage shall not exceed 18 feet above the finished floor. No product classified more than a Fire Code Class 4 can be stored in, on or about the Premises or building regardless of its height.

6.2. **Compliance with Law.**

(a) Landlord warrants to Tenant that, as of the Commencement Date, to the best of the Landlord's knowledge the Premises, in their then-existing condition (as used for the purposes of Property's current and previous tenants), but without regard to the use for which Tenant will occupy the Premises, do not violate any covenants or restrictions of record, or any applicable building code, regulation or ordinance in effect on the Commencement Date. If Tenant provides written notice to Landlord identifying a violation of this warranty within six (6) months after the Commencement Date, then Landlord shall rectify any such violation at its sole cost. In the event Tenant does not give to Landlord written notice of the violation of this warranty within six (6) months after the Commencement Date, the correction of same shall be the obligation of the Tenant at Tenant's sole cost.

(b) Except as provided in paragraph 6.2(a) Tenant shall, at Tenant's expense, promptly comply with all applicable statutes, ordinances, rules, regulations, orders, covenants and restrictions of record, and requirements of any fire insurance underwriters or rating bureaus, now in effect or which may hereafter come into effect, whether or not they reflect a change in policy from that now existing, during the term or any part of the term hereof, relating in any manner to the Premises and the occupation and use by Tenant of the Premises. Tenant shall not use nor permit the use of the Premises in any manner that will tend to create waste or a nuisance.

6.3. Condition of Premises.

- a) Landlord shall deliver the Premises to Tenant clean and free of debris on the Commencement Date (unless Tenant is already in possession) and Landlord warrants to Tenant that, as of the Commencement Date, the plumbing, lighting, air conditioning, heating, loading doors, and other essential building systems serving the Premises shall be in good operating condition. If Tenant provides written notice to Landlord, setting forth with specificity the nature of the violation, within thirty (30) days after the Commencement Date, then Landlord shall rectify any such violation at its sole cost. Tenant's failure to give such written notice to Landlord within thirty (30) days after the Commencement Date shall be deemed as Tenant's acknowledgment that Landlord has complied with all of Landlord's obligations hereunder.
- b) Except as otherwise provided in this Lease, including the warranties in Section 6.3(a) Tenant hereby accepts the Premises in their condition existing as of the Commencement Date or the date that Tenant takes possession of the Premises, whichever is earlier, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto.
- c) Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty as to the present or future suitability of the Premises for Tenant's intended use.

7. Maintenance, Repairs, and Alterations.

7.1. **Landlords Obligations.** Subject to the provisions of paragraphs 4.2 (Operating Expenses), 6 (Use), 7.2 (Tenant's Obligations) and 9 (Damage or Destruction), and except for damage caused by any negligent or intentional act or omission of Tenant, Tenant's employees, suppliers, shippers, customers, or invitees, in which event Tenant shall repair the damage, Landlord, at Landlord's expense, subject to reimbursement pursuant to paragraph 4.2, shall keep in good condition and repair the foundations, exterior walls, structural condition of interior bearing walls, and all parts thereof, and roof of the premises, all plumbing, back-up power generator, Uninterruptible Power Supply, air compressor, heating, ventilating and air conditioning systems (Landlord may procure maintenance contracts for the preceding) and shall upon request provide Tenant with copy of such contracts), electrical and lighting facilities, the parking lots, walkways, driveways, landscaping, fences, signs and utility installations, and painting the exterior of the Building when reasonably necessary to maintain the integrity and appearance of the Premises. Landlord shall have no obligation to make repairs under this paragraph 7.1 until a reasonable time after receipt of written notice from Tenant of the need for such repairs. Landlord shall not be liable for damages or loss of any kind or nature by reason of Landlord's failure to perform any obligations when such failure is caused by accident, breakage, repairs, strikes, lockout, or other labor disturbances or disputes of any character, or by any other cause beyond the reasonable control of Landlord.

7.2. Tenant's Obligations.

(a) Subject to the provisions of paragraphs 6 (Use), 7.1 (Landlord's Obligations), and 9 (Damage or Destruction), Tenant, at Tenant's expense, shall keep in good order, condition and repair the Premises and every part thereof (whether or not the damaged portion of the Premises or the means of repairing the same are reasonably or readily accessible to Tenant) including, without limiting the generality of the foregoing:

- (i) all equipment and appliances within the Premises;
- (ii) plumbing (excluding plumbing under the building slab), electrical wiring and all fixtures;
- (iii) interior walls and interior surfaces of exterior wall;
- (iv) floor coverings;
- (v) ceilings;
- (vi) windows, doors, plate glass, skylights;
- (vii) Tenant's fixtures and furnishings located within the Premises;

(viii) the parking, loading and unloading areas, (excluding Landlord's resurfacing and restriping obligations otherwise provided for herein);
(ix) trash areas;
(x) roadways, sidewalks, walkways, parkways, and driveways;
(xi) landscaped areas;
(xii) bumpers;
(xxiii) irrigation systems;
(xxiv) elevators;
(xxv) lighting facilities;
(xxvi) HVAC systems;
(xxvii) back-up power generator;
(xxviii) Uninterruptible Power Supply (UPS);
(xxix) air compressor;
(xxx) fences and gates;
(xxxi) Trash disposal services;
(xxxii) Tenant's signage;
(xxxiii) Fire detection systems including sprinkler system maintenance and repair;
(xxxiii) security services, security cameras and access control, if any;
(xxxiv) removal as needed of snow, litter, plant debris and graffiti.

(b) If Tenant fails to perform Tenant's obligations under this paragraph 7.2 or under any other paragraph of this Lease, Landlord may enter upon the Premises after thirty (30) days of providing prior written notice to Tenant (except in the case of emergency, in which no written notice shall be required), perform such obligations on Tenant's behalf and put the Premises in good order, condition and repair, and the reasonable cost thereof together with interest of 12% per annum or the maximum rate then permitted by law, which shall be due and payable as additional rent to Landlord together with Tenant's next Base Rent installment.

(c) On the last day of the term hereof, or on any sooner termination, Tenant shall surrender the Premises to Landlord in substantially the same condition as received on the Commencement Date, ordinary wear and tear excepted, clean and free of debris. Any damage or deterioration of the Premises shall not be deemed ordinary wear and tear if the same could have been prevented by reasonable and ordinary maintenance practices. Tenant shall repair any damage to the Premises occasioned by the installation or removal of Tenant's trade fixtures, alterations, furnishings and equipment. Notwithstanding anything to the contrary otherwise stated in this Lease, Tenant shall leave the compressed air lines, power panels, electrical distribution systems, lighting fixtures, space heaters, backup generator, Uninterruptible Power Supply (UPS), solar panels, air conditioning, plumbing and fencing on the Premises in good operating condition.

7.3. Alterations and Additions.

(a) Tenant shall not, without Landlord's prior written consent, which shall not be unreasonably withheld, make any alterations, improvements, additions, or Utility Installations in, on or about the Premises, or the Business Center, except for nonstructural alterations to the Premises not exceeding \$50,000.00 in cumulative annual costs, during the term of this Lease. In any event, whether or not in excess of \$50,000.00 in cumulative annual cost, Tenant shall make no change or alteration to the exterior of the Premises nor the exterior of the Building nor the Business Center without Landlord's prior written consent. As used in this paragraph 7.3 the term "Utility Installation" shall mean carpeting, window coverings, air lines, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing, Uninterruptible Power Supply, solar panels, backup generator, and fencing. Landlord may, as a condition of providing its consent for any particular alterations, improvements, additions or Utility Installations in the Premises, require that the Tenant remove such alterations, improvements, additions or Utility Installations at the expiration of the term, and restore the Premises and the Business Center to their prior condition. Landlord may require Tenant to provide Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such improvements, to insure Landlord against any liability for mechanic's and materialmen's liens and to insure completion of the work.

Should Tenant make any alterations, improvements, additions or Utility Installations without the prior approval of Landlord, Landlord may, at any time during the term of this Lease, require that Tenant remove any or all of the same.

(b) Any alterations, improvements, additions or Utility Installations in or about the Premises or the Business Center that Tenant shall desire to make and which requires the consent of the Landlord shall be presented to Landlord in written form, with proposed detailed plans. If Landlord shall give its consent, the consent shall be deemed conditioned upon Tenant acquiring a permit to do so from appropriate governmental agencies, the furnishing of a copy thereof to Landlord prior to the commencement of the work and the compliance by Tenant of all conditions of said permit in a prompt and expeditious manner. Any contractor or vendor hired by Tenant to perform any work shall be approved by Landlord, which approval shall not be unreasonably withheld, and prior to any work being performed shall provide Landlord with insurance information based on Landlord's then reasonable requirements.

(c) Tenant shall pay, when due, all claims for labor or materials furnished at Tenant's request for use within the Premises. Tenant shall provide Landlord with at least ten (10) days' prior written notice before commencing any construction work requiring a building permit so that Landlord may post notices of non-responsibility if desired. Tenant's interest in the Premises, and the Landlord's fee interest, shall not be subject to any mechanic's or materialmen's lien arising from Tenant's work, and Tenant shall take all steps required by law to prevent such liens from being asserted or recorded. If any lien or claim of lien is filed against the Premises or Business Center in connection with Tenant's work, Tenant shall promptly cause the lien to be released or otherwise discharged of record in accordance with applicable law within thirty (30) days after written notice from Landlord. Nothing in this section shall be construed to waive Tenant's status as a public entity or to subject the Premises or Landlord's property to any lien or encumbrance prohibited by Washington law.

(d) Unless otherwise agreed in writing by Landlord and Tenant at the time of installation, all alterations, improvements, additions and Utility installations which may be made on the Premises, shall be the property of Landlord and shall remain upon and be surrendered with the Premises at the expiration of the Lease term, unless Landlord requires their removal pursuant to paragraph 7.3(a). Notwithstanding the provisions of this paragraph 7.3(d), Tenant's machinery and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises, and other than Utility Installations, shall remain the property of Tenant and may be removed by Tenant subject to the provisions of paragraph 7.2. Notwithstanding the foregoing, Tenant shall, at Tenant's expense, remove from the Premises any trade fixtures and other personal property of Tenant, and repair any damaged to the Premises occasioned by the removal thereof. Any property left in the Premises after the expiration or sooner termination of this Lease shall be deemed to have been abandoned by Tenant and become the property of Landlord to dispose of as Landlord deems expedient without accounting to Tenant therefor.

(e) Notwithstanding the foregoing, Tenant may, without further consent from Landlord, make alterations, improvements, or additions to the Premises that are specifically identified as pre-approved in Exhibit D or as otherwise verbally agreed upon by the Landlord, provided that any such pre-approved alterations, improvements, or additions remain within the terms and conditions outlined in Exhibit D or as verbally agreed.

7.4. Utility Additions. Landlord reserves the right to install new or additional utility facilities throughout the Building for the benefit of Landlord or Tenant, or the Business Center, including, but not by way of limitation, such utilities as plumbing, electrical systems, security systems, communication systems, and fire protection and detection systems, so long as such installations do not unreasonably interfere with Tenant's use of the Premises.

8. Insurance.

8.1 Insurance.

At its expense, Tenant shall obtain and carry at all times (i) commercial general liability insurance (including bodily injury, property damage and personal injury) covering the Premises, on an occurrence basis, with

limits of at least Two (2) million dollars per occurrence, Five (5) million dollars general aggregate; (ii) "special form" property insurance (commonly called "all-risk") covering Tenant's inventory, equipment, moveable, unattached trade fixtures, furnishings and other personal property for their full replacement cost; (iii) business interruption insurance; (iv) liquor liability coverage under the general liability policy in an amount not less than One (1) million dollars, and (v) other coverages mutually agreed by Landlord and Tenant. If Tenant manufactures consumer goods on the Premises using any materials supplied by Landlord (including but not limited to water), Tenant's insurance shall include products liability insurance in the amount specified for commercial general liability insurance. The policies shall be written by insurers with an A.M. Best rating of A-:VII or better, and shall contain waivers of subrogation with regard to Landlord and the other additional insureds. The general liability policy shall be on an occurrence form and shall specifically include the Landlord, and its mortgagees and property manager ("Landlord Parties") as additional insureds on an unmodified ISO endorsement CG 20 11 01 96, or equivalent form. No language excluding coverage for the acts or omissions of the additional insured(s) shall be contained in the endorsement. The personal injury contractual liability exclusion shall be amended in an extension of coverage endorsement. Tenant will endeavor to require that all insurers shall agree not to cancel such policies without at least 30 days prior written notice to Landlord. Tenant shall furnish Landlord with certificates of insurance evidencing the above coverage's at all times during the Term and shall include the additional insured language.

As part of Operating Costs, Landlord shall maintain (a) property insurance (including earthquake) on the Business Center; (b) commercial general liability insurance insuring Landlord; (c) rental loss insurance; and (d) such other insurance as Landlord elects to carry. All liability insurance coverage hereunder required to be provided by Tenant shall be primary to and shall seek no contribution for any insurance available to the Landlord or any agent of Landlord, with Landlord's (or Landlord agents) insurance being excess, secondary and non-contributing. Tenant's commercial general liability coverage shall be endorsed to provide such primary and non-contributory liability. Landlord's insurance shall include coverage for the permanent improvements to the Premises but shall not include Tenant's furniture, fixtures or equipment or Tenant's other personal property. Operating Costs shall include the deductibles on Landlord's coverage. Tenant shall not do or permit anything to be done which invalidates Landlord's insurance policies and if Landlord's premiums are increased due to Tenant, any increase shall be paid by Tenant. Each party shall obtain a waiver of subrogation from its respective insurer either via endorsement or by virtue of a provision in the applicable insurance policy.

Anything in this Lease to the contrary notwithstanding, but only to the extent covered by insurance (or to the extent such claims would have been covered by insurance if the claiming party had complied with this Lease's insurance coverage requirements) each of Landlord and Tenant hereby waives any and all rights of recovery, claims, actions or causes of action (collectively "Claims") against the other party, or such other party's employees, agents or contractors, for any loss or damage to the Premises, to the Building or Business Center of which the Premises are a part, to any personal property of the other party, or to the loss of business by the other party, arising from any cause that (i) would be insured against under the terms of any insurance required to be carried under the Lease or (ii) is insured against under the terms of any insurance actually carried, regardless of whether such insurance is required to be carried under the Lease. Each of Landlord and Tenant agrees that in the event of any such loss or damage, it shall look solely to its insurance for recovery. Provided, however, that the foregoing waiver of Claims is limited to the amount of such insurance actually carried or required to be carried (although the insured party is liable for any and all deductibles in its insurance policies and it shall not be entitled to any payment or reimbursement thereof, except to the extent those deductibles are included in Operating Costs), and either party's failure to carry insurance required under the Lease shall not invalidate such waiver. The foregoing waiver shall apply regardless of the cause or origin of any such claim, including, without limitation, the fault or negligence of either party or such party's employees, agents or contractors. Each party shall obtain a waiver of subrogation from its respective insurer either via endorsement or by virtue of a provision in the applicable insurance policy. Each of Landlord and Tenant shall bear the costs associated with obtaining such waiver of subrogation from its insurance company. This provision shall survive the expiration or earlier termination of the Lease.

Tenant's obligations under this Section 8.1 shall be satisfied by coverage provided through its membership in the Washington Counties Risk Pool, provided such coverage meets the minimum requirements of the

Lease, and Lessor's insurance carrier, including waiver of subrogation and primary/non-contributory status.

8.2 **Not Invalidate Insurance.** Tenant shall not do or permit to be done any act or thing upon the Premises which will invalidate or be in conflict with the certificate of occupancy for the Business Center or the terms of any insurance policies covering the Business Center or increase the premium for insurance upon the Business Center or equipment located therein. If Landlord's insurance premiums are increased because of Tenant's failure to comply with its obligations under this Lease or any other actions or omissions of Tenant, then Tenant shall pay the cost of any such increase in a proportionate amount attributable to Tenant, as Additional Rent, immediately upon demand.

8.3. **Indemnity.** Tenant shall indemnify and hold harmless Landlord from and against any and all claims to the extent caused by Tenant's use of the Property, or from the conduct of Tenant's business or from any activity, work or things done, permitted or suffered by Tenant in or about the Property or elsewhere and shall further indemnify and hold harmless Landlord from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any act or omission of Tenant, or any of Tenant's agents, contractors, or employees, and from and against all costs, attorney's fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon. Landlord shall indemnify and hold harmless Tenant from and against any and all claims to the extent caused by Landlord's breach or default in the performance of any of Landlord's obligations under the terms of this Lease or to the extent caused by any act or omission of Landlord, or any of Landlord's agents, contractors, or employees and from and against all costs, attorneys' fees, expenses and liabilities incurred in the defense of any such claim or any action nor proceeding brought thereon. In case any action or proceeding be brought against a party by reason of any such claim, the indemnifying party upon notice from the indemnified party shall defend the same at the indemnifying party's expense and the indemnified party shall reasonably cooperate with the indemnifying party in such defense.

8.4. **Exemption of Landlord from Liability.** Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income therefrom or for damage to the goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers, or any other person in or about the Premises or the Business Center, nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents or contractors, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the Business Center, or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant, except to the extent such damages are caused by Landlord's gross negligence, willful misconduct, or material breach of its obligations under the terms of this Lease. Landlord shall not be liable for any actual or consequential damages that: (a) is related to the loss of business data, record or other business information that could have been mitigated by Tenant's implementation of a data back-up plan standard for Tenant's business in Tenant's industry, or (b) arising from any act or neglect of any other tenant, occupant or user of the Business Center. In no event shall either party be liable to the other for punitive damages.

Nothing in this Lease shall be construed as a waiver of Tenant's rights, defenses, immunities, or limitations of liability under Washington law, including RCW 4.96 or any successor statute.

9. **Damage or Destruction.**

9.1. **Definitions.**

(a) "Premises Partial Damage" shall mean if the Premises are damaged or destroyed to the extent that the cost of repair is less than fifty percent of the then replacement cost of the Premises.

(b) "Premises Total Destruction" shall mean if the Premises are damaged or destroyed to the extent that the cost of repair is fifty percent or more of the then replacement cost of the Premises.

(c) "Premises Building Partial Damage" shall mean if the Building of which the Premises are a part is damaged or destroyed to the extent that the cost to repair is less than fifty percent of the then replacement cost of the Building.

(d) "Premises Building Total Destruction" shall mean if the Building of which the Premises are a part is damaged or destroyed to the extent that the cost to repair is fifty percent or more of the then replacement cost of the Building.

(e) "Business Center Buildings" shall mean all of the buildings on the Property.

(f) "Business Center Buildings Total Destruction" shall mean if the Business Center Buildings are damaged or destroyed to the extent that the cost of repair is fifty percent or more of the then replacement cost of the Business Center Buildings.

(g) "Insured Loss" shall mean damage or "destruction" which was covered by an event required to be covered by the insurance described in paragraph 8. The fact that an Insured Loss has a deductible amount shall not make the loss an uninsured loss.

(h) "Replacement Cost" shall mean the amount of money necessary to be spent in order to repair or rebuild the damaged area to the condition that existed immediately prior to the damage occurring excluding all improvements made by Tenants.

9.2. Premises Partial Damage; Premises Building Partial Damage.

(a) **Insured Loss:** Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the term of this Lease there is damage which is an Insured Loss and which falls into the classification of either Premises Partial Damage or Premises Building Partial Damage, then Landlord shall, at Landlord's expense, repair such damage to the Premises, but not Tenant's fixtures, equipment or tenant improvements, as soon as reasonably possible and this Lease shall continue in full force and effect.

(b) **Uninsured Loss:** Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the term of this Lease there is damage which is not an Insured Loss and which falls within the classification of Premises Partial Damage or Premises Building Partial Damage, unless caused by a negligent or willful act of Tenant (in which event Tenant shall make the repairs at Tenant's expense), which damage prevents Tenant from using the Premises, Landlord may at Landlord's option either (i) repair such damage as soon as reasonably possible at Landlord's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Tenant within thirty (30) days after the date of the occurrence of such damage of Landlord's intention to cancel and terminate this Lease as of the date of the occurrence of such damage. In the event Landlord elects to give such notice of Landlord's intention to cancel and terminate this Lease, Tenant shall have the right within ten (10) days after the receipt of such notice to give written notice to Landlord of Tenant's intention to repair such damage at Tenant's expense, without reimbursement from Landlord, in which event this Lease shall continue in full force and effect, and Tenant shall proceed to make such repairs as soon as reasonably possible. If Tenant does not give such notice within such 10-day period this Lease shall be canceled and terminated as of the date of the occurrence of such damage.

9.3. Premises Total Destruction; Premises/Business Center Buildings Total Destruction.

(a) Subject to the provisions of paragraphs 9.4 and 9.5 if at any time during the term of this Lease there is damage, whether or not it is an Insured Loss, and which falls into the classifications of either (i) Premises Total Destruction, or (ii) Premises Building Total Destruction or (iii) Business Center Buildings Total Destruction, then Landlord may at Landlord's option either (i) repair such damage or destruction, but not Tenant's fixtures, equipment within six (6) months of said casualty at Landlord's expense, and this Lease shall continue in full force and effect, or (ii) give written notice to Tenant Within ten (10) days after the date of occurrence of such damage of Landlord's intention to cancel and terminate this Lease, In which

case this Lease shall be canceled and terminated as of the date of the occurrence of such damage. However, if a mutually agreed qualified third party determines that said premises cannot be rebuilt within six (6) months of said casualty/destruction, Tenant shall the right to terminate this lease.

9.4. Damage near End of Term.

(a) Subject to paragraph 9.4(b), if at any time during the last six months of the term of this Lease there is substantial damage, whether or not an Insured Loss, which falls within the classification of Premises Partial Damage, Landlord may at Landlord's option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Tenant of Landlord's election to do so within 30 days after the date of occurrence of such damage.

(b) Notwithstanding paragraph 9.4(a), in the event that Tenant has an option to extend or renew this Lease, and the time within which said option may be exercised has not yet expired, Tenant shall exercise such option, if it is to be exercised at all, no later than twenty (20) days after the occurrence of an Insured Loss falling within the classification of Premises Partial Damage during the last six months of the term of this Lease. If Tenant duly exercises such option during said twenty (20) day period, Landlord shall, at Landlord's expense, repair such damage, but not Tenant's fixtures, equipment or tenant improvements, as soon as reasonably possible and this Lease shall continue in full force and effect. If Tenant fails to exercise such option during said twenty (20) day period, then Landlord may at Landlord's option terminate and cancel this Lease as of the expiration of said twenty (20) day period by giving written notice to Tenant of Landlord's election to do so within ten (10) days after the expiration of said twenty (20) day period, notwithstanding any term or provision in the grant of option to the contrary.

9.5. Abatement of Rent; Tenant's Remedies.

(a) In the event Landlord repairs or restores the Premises pursuant to the provisions of this paragraph 9, the rent payable hereunder for the period during which such damage, repair or restoration continues shall be abated in proportion to the degree to which Tenant's use of the Premises is impaired. Except for abatement of rent, if any, Tenant shall have no claim against Landlord for any damage suffered by reason of any such damage, destruction, repair or restoration.

(b) If Landlord shall be obligated to repair or restore the Premises under the provisions of this paragraph 9 and shall not commence such repair or restoration within ninety (90) days after such obligation shall accrue, Tenant may at Tenant's option cancel and terminate this Lease by giving Landlord written notice of Tenant's election to do so at any time prior to the commencement of such repair or restoration. In such event this Lease shall terminate as of the date of such notice.

9.6. Termination - Advance Payments. Upon termination of this Lease pursuant to this paragraph 9, an equitable adjustment shall be made concerning advance rent and any advance payments made by Tenant to Landlord. Landlord shall, in addition, return to Tenant so much of Tenant's security deposit as has not theretofore been applied by Landlord.

10. Real Property Taxes.

10.1. Payment of Taxes. Landlord shall pay the real property tax, as defined in paragraph 10.3, applicable to the Business Center subject to reimbursement by Tenant of Tenant's Share of such taxes in accordance with the provisions of paragraph 4.2, except as otherwise provided in paragraph 10.2.

10.2. Additional Improvements. Tenant shall not be responsible for paying Tenant's Share of any increase in real property tax specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Business Center by other Tenants or by Landlord for the exclusive enjoyment of such other Tenants. Tenant shall, however, pay to Landlord at the time that Operating Expenses are payable under paragraph 4.2(c) the entirety of any increase in real property tax if assessed solely by reason of additional improvements placed upon the Premises by Tenant or at Tenant's request.

10.3. Definition of "Real Property Tax." As used herein, the term "real property tax" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed on the Business Center or any portion thereof by any authority having the direct or indirect power to tax, including any city, county, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Landlord in the Business Center or in any portion thereof, as against Landlord's right to rent or other income therefrom, and as against Landlord's business of leasing the Business Center. The term "real property tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge herein above included within the definition of "real property tax," or (ii) the nature of which was herein before included within the definition of "real property tax," or (iii) which is imposed as a result of a transfer, either partial or total, of Landlord's interest in the Business Center or which is added to a tax or charge herein before included within the definition of real property tax by reason of such transfer, or (iv) which is imposed by reason of this transaction, any modifications or changes hereto, or any transfers hereof.

10.4. Joint Assessment. If the Business Center or Premises is not separately assessed, Tenant's Share of the real property tax liability shall be an equitable proportion of the real property taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Landlord from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Landlord's reasonable determination thereof, in good faith, shall be conclusive.

10.5. Personal Property Taxes.

(a) Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Tenant contained in the Premises or elsewhere. When possible, Tenant shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord.

(b) If any of Tenant's said personal property shall be assessed with Landlord's real property, Tenant shall pay to Landlord the taxes attributable to Tenant within thirty (30) days after receipt of a written statement setting forth the taxes applicable to Tenant's property.

11. Utilities. Tenant shall pay directly to the utility provider for all water, gas, heat, light, power, telephone, internet, fire alarm monitoring, key access control monitoring if any, and other utilities and services used by Tenant at the Premises, together with any taxes thereon, as and when due. If any such services are paid by Landlord, Tenant shall reimburse Landlord for the same as Additional Rent within thirty (30) days of Landlord's notice. If Landlord installs (at Landlord's sole expense) alternative electrical generating capacity to the Business Center, which the Landlord elects to provide to the Business Center rather than selling it back to the local electricity utility, then Tenant shall pay the Landlord for any such power consumed (measured individually or by apportionment) at a rate not greater than that charged by the local electricity utility that supplies power to the Business Center.

12. Assignment and Subletting.

12.1. Landlord's Consent Required. Tenant shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Tenant's interest in the Lease or in the Premises, without Landlord's prior written consent, which Landlord shall not unreasonably withhold. Landlord shall respond to Tenant's request for consent hereunder in a timely manner but in no event longer than ten (10) business days from date of request and any attempted assignment, transfer, mortgage, encumbrance or subletting without such consent shall be void, and shall constitute a breach of this Lease without the need for notice to Tenant under paragraph 13.1.

12.2. **Tenant Affiliate.** Notwithstanding the provisions of paragraph 12.1 hereof, Tenant may assign or sublet the Premises, or any portion thereof, without Landlord's consent, to any corporation which controls, is controlled by or is under common control with Tenant, or to any corporation resulting from the merger or consolidation with Tenant, or to any person or entity which acquires all the assets of Tenant as a going concern of the business that is being conducted on the Premises, all of which are referred to as "Tenant Affiliate," provided that before such assignment shall be effective said assignee shall assume, in full, the obligations of Tenant under this Lease. Any such assignment shall not, in any way, affect or limit the liability of Tenant under the terms of this Lease even if after such assignment or subletting the terms of this Lease are materially changed or altered without the consent of Tenant, the consent of whom shall not be necessary.

12.3. **Terms and Conditions of Assignment.** Regardless of Landlord's consent, no assignment shall release Tenant of Tenant's obligations hereunder or alter the primary liability of Tenant to pay the Base Rent and Tenant's Share of Operating Expenses, and to perform all other obligations to be performed by Tenant hereunder. Landlord may accept rent from any person other than Tenant pending approval or disapproval of such assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of rent shall constitute a waiver or estoppel of Landlord's right to exercise its remedies for the breach of any of the terms or conditions of this paragraph 12 or this Lease. Consent to one assignment shall not be deemed consent to any subsequent assignment. In the event of default by any assignee of Tenant or any successor of Tenant, in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against said assignee. Landlord may consent to subsequent assignments of this Lease or amendments or modifications to this Lease with assignees of Tenant, without notifying Tenant, or any successor of Tenant, and without obtaining its or their consent thereto and such action shall not relieve Tenant of liability under this Lease.

12.4. **Terms and Conditions Applicable to Subletting.** Regardless of Landlord's consent, the following terms and conditions shall apply to any subletting by Tenant of all or any part of the Premises and shall be included in subleases:

(a) Tenant hereby assigns and transfers to Landlord all of Tenant's interest in all rentals and income arising from any sublease heretofore or hereafter made by Tenant, and Landlord may collect such rent and income and apply same toward Tenant's obligations under this Lease; provided, however, that until a default shall occur in the performance of Tenant's obligations under this Lease, Tenant may receive, collect and enjoy the rents accruing under such sublease. Landlord shall not, by reason of this or any other assignment of such sublease to Landlord nor by reason of the collection of the rents from a subtenant, be deemed liable to the subtenant for any failure of Tenant to perform and comply with any of Tenant's obligations to such subtenant under such sublease. Tenant hereby irrevocably authorizes and directs any such subtenant, upon receipt of a written notice from Landlord stating that a default exists in the performance of Tenant's obligations under this Lease, to pay to Landlord the rents due and to become due under the sublease. Tenant agrees that such subtenant shall have the right to rely upon any such statement and request from Landlord, and that such subtenant shall pay such rents to Landlord without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Tenant to the contrary. Tenant shall have no right or claim against such subtenant or Landlord for any such rents so paid by said subtenant to Landlord. Notwithstanding anything to the contrary, any rentals and income due Tenant under a sublease that are in excess of the rentals and income due Landlord under this Lease shall be shared equally between Tenant and Landlord.

(b) No sublease entered into by Tenant shall be effective unless and until it has been approved in writing by Landlord. In entering into any sublease, Tenant shall use only such form of sublease as is satisfactory to Landlord, and once approved by Landlord, such sublease shall not be changed or modified without Landlord's prior written consent. Any subtenant shall, by reason of entering into a sublease under this Lease, be deemed, for the benefit of Landlord, to have assumed and agreed to conform and comply with each and every obligation herein to be performed by Tenant other than such obligations as are contrary to or inconsistent with provisions contained in a sublease to which Landlord has expressly consented in writing.

(c) If Tenant's obligations under this Lease have been guaranteed by third parties, then a sublease, and Landlord's consent thereto, shall not be effective unless said guarantors give their written consent to such sublease and the terms thereof.

(d) The consent by Landlord to any subletting shall not release Tenant from its obligations or alter the primary liability of Tenant to pay the rent and perform and comply with all of the obligations of Tenant to be performed under this Lease.

(e) The consent by Landlord to any subletting shall not constitute a consent to any subsequent subletting by Tenant or to any assignment or subletting by the subtenant. However, Landlord may consent to subsequent sub-lettings and assignments of the sublease or any amendments or modifications thereto without notifying Tenant or anyone else liable on the Lease or sublease and without obtaining their consent and such action shall not relieve such persons from liability.

(f) In the event of any default under this Lease, Landlord may proceed directly against Tenant, any guarantors or anyone else responsible for the performance of this Lease, including the subtenant, without first exhausting Landlord's remedies against any other person or entity responsible therefor to Landlord, or any security held by Landlord or Tenant.

(g) In the event Tenant shall default in the performance of its obligations under this Lease, Landlord, at its option and without any obligation to do so, may require any subtenant to attorn to Landlord, in which event Landlord shall undertake the obligations of Tenant under such sublease from the time of the exercise of said option to the termination of such sublease; provided, however, Landlord shall not be liable for any prepaid rents or security deposit paid by such subtenant to Tenant or for any other prior defaults of Tenant under such sublease.

(h) Each and every consent required of Tenant under a sublease shall also require the consent of Landlord.

(i) No subtenant shall further assign or sublet all or any part of the Premises without Landlord's prior written consent.

(j) Landlord's written consent to any subletting of the Premises by Tenant shall not constitute an acknowledgment that no default then exists under this Lease of the obligations to be performed by Tenant nor shall such consent be deemed a waiver of any then existing default, except as may be otherwise stated by Landlord at the time.

(k) With respect to any subletting to which Landlord has consented, Landlord agrees to deliver a copy of any notice of default by Tenant to the subtenant. Such subtenant shall have the right to cure a default of Tenant within ten (10) days after service of said notice of default upon such subtenant, and the subtenant shall have a right of reimbursement and offset from and against Tenant for any such defaults cured by the subtenant.

12.5. Attorney's Fees. In the event Tenant shall assign or sublet the Premises or request the consent of Landlord to any assignment or subletting or if Tenant shall request the consent of Landlord for any act Tenant proposes to do then Tenant shall pay Landlord's reasonable attorney's fees incurred in connection therewith, such attorney's fees not to exceed \$350.00 per hour for each such request.

13. Default; Remedies.

13.1. Default. The occurrence of any one or more of the following events shall constitute a material default of this Lease by Tenant:

(a) The vacating or abandonment of the Premises by Tenant provided Tenant also is in breach of Subsection 13.1(b).

(b) The failure by Tenant to make any payment of rent or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof from Landlord to Tenant. In the event that Landlord serves Tenant with a Notice to Pay Rent or Quit pursuant to applicable Unlawful Detainer statutes such Notice to Pay Rent or Quit shall also constitute the notice required by this subparagraph.

(c) Except as otherwise provided in this Lease, the failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, other than described in paragraph (b) above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's noncompliance is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commenced such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion. To the extent permitted by law, such thirty (30) day notice shall constitute the sole and exclusive notice required to be given to Tenant under applicable Unlawful Detainer statutes. In addition, Landlord may require Tenant to pay to Landlord a fee of \$300 for each non-monetary default that is not cured within the applicable cure period. The fee shall be due and payable within 10 days after Landlord's invoice and if not paid within that time period shall represent a monetary default.

(d) (i) The making by Tenant of any general arrangement or general assignment for the benefit of creditors; (ii) Tenant becomes a "debtor" as defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days. In the event that any provision of this paragraph 13.1(d) is contrary to any applicable law, such provision shall be of no force or effect.

(e) The discovery by Landlord that any financial statement given to Landlord by Tenant, any assignee of Tenant, any subtenant of Tenant, any successor in interest of Tenant or any guarantor of Tenant's obligation hereunder, was materially false.

13.2. Remedies. In the event of any such material default by Tenant, Landlord may at any time thereafter, with notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such default:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, but not limited to, the cost of recovering possession of the Premises; expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorney's fees, and any real estate commission actually paid; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same period that Tenant proves could be reasonably avoided; that portion of the leasing commission paid by Landlord pursuant to paragraph 15 applicable to the unexpired term of this Lease.

(b) Maintain Tenant's right to possession in which case this Lease shall continue in effect whether or not Tenant shall have vacated or abandoned the Premises. In such event Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state wherein the Premises are located. Unpaid installments of rent and other

unpaid monetary obligations of Tenant under the terms of this Lease shall bear interest from the date due at the maximum rate then allowable by law.

13.3. Default by Landlord. Landlord shall not be in default under this Lease unless Landlord fails to perform any obligation required of Landlord within thirty (30) days after receipt of written notice from Tenant specifying the nature of such failure; provided, however, that if the nature of Landlord's obligation is such that it cannot reasonably be performed within thirty (30) days, Landlord shall not be in default so long as Landlord commences performance within such thirty (30)-day period and diligently and continuously pursues completion within a reasonable time not to exceed ninety (90) days, except in the case of emergencies or conditions affecting health, safety, or the continuity of Tenant's essential operations, in which event Landlord shall commence corrective action within forty-eight (48) hours of notice.

If Landlord commits a default that materially affects Tenant's use of the Premises, and Tenant has provided simultaneous written notice thereof to Landlord's mortgagee (if any and if Tenant has notice thereof) and Landlord (and/or Landlord's mortgagee if any) has failed to commence to cure such default within thirty (30) days (or such shorter time as is commercially reasonable in the case of an emergency threatening imminent harm to persons or property), Tenant may thereafter cure the default for the account of the Landlord, which cure shall be preceded by an additional written notice given at least ten (10) days prior to such cure to Landlord and Landlord's mortgagee that Tenant plans to undertake the cure, and the reasonable cost of such cure shall be deemed paid or incurred for the account of Landlord, and Landlord shall reimburse Tenant for Tenant's out-of-pocket expenditures paid to third parties to effectuate such cure, such reimbursement to be within thirty (30) days after completion of the cure and invoice to Landlord showing the costs of cure. If Landlord disputes either the necessity of the cure or the cost thereof, the matter shall be settled by arbitration administered by the American Arbitration Association in accordance with its Rules for the Real Estate Industry conducted in accordance with the rules and procedures set forth in RCW 7.04 before a single neutral arbitrator in Bellingham, Washington. The arbitrator shall be a person having at least ten (10) years' experience and knowledge about commercial leasing and property management. The arbitration shall be held within sixty (60) days of Landlord notifying Tenant it disputes Tenant's cure. The costs of the arbitrator shall be shared equally by the parties. The prevailing party shall be entitled to an award of reasonable attorney's fees. The arbitrator's award shall be final and binding on the parties. If Landlord fails to reimburse Tenant within the thirty (30) day period above (or, if disputed then within ten (10) days after final determination in the arbitration), then thereafter Tenant may offset such reimbursement against the monthly Base Rent (but not the Additional Rent) up to a maximum of a twenty-five percent (25%) offset in any month, until Tenant has recovered the entire expenditure.

13.4. Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord Base Rent, Tenant's Share of Operating Expenses or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing, accounting charges, and late charges which may be imposed on Landlord by the terms of any mortgage or trust deed covering the Property. Accordingly, if any installment of Base Rent, Operating Expenses, or any other sum due from Tenant, shall not be received by Landlord or Landlord's designee within fifteen (15) days after such amount shall be due, then, without any requirement for notice to Tenant, Tenant shall pay to Landlord a late charge equal to 3% of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. Notwithstanding the preceding, Landlord will waive any late charges between the commencement of the Lease and February 28, 2026.

14. Condemnation. If the Premises or any portion thereof or the Business Center are taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Premises, or more than twenty five percent (25%) of that portion of the Property designated as parking for the Business Center is taken by condemnation, Tenant may at Tenant's option, to be exercised in writing

only within ten (10) days after Landlord shall have given Tenant written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Tenant does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the rent shall be reduced in the proportion that the floor area of the Premises taken bears to the total floor area of the Premises. No reduction of rent shall occur if the only area taken is that which does not have the Premises located thereon. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Landlord, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Tenant shall be entitled to any award for loss of or damage to Tenant's trade fixtures and removable personal property. In the event that this Lease is not terminated by reason of such condemnation, Landlord shall to the extent of severance damages received by Landlord in connection with such condemnation, repair any damage to the Premises caused by such condemnation except to the extent that Tenant has been reimbursed therefor by the condemning authority. Tenant shall pay any amount in excess of such severance damages required to complete such repair.

15. **Broker's Fee.** Not applicable.

16. **Estoppel Certificate.**

(a) Each party (as "responding party") shall at any time upon not less than ten (10) days' prior written notice from the other party ("requesting party") execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to the responding party's knowledge, any uncured defaults on the part of the requesting party, or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises or of the business of the requesting party.

(b) At the requesting party's option, the failure to deliver such statement within such time shall be a material default of this Lease by the party who is to respond, without any further notice to such party, or it shall be conclusive upon such party that (i) this Lease is in full force and effect, without modification except as may be represented by the requesting party, (ii) there are no uncured defaults in the requesting party's performance, and (iii) if Landlord is the requesting party, not more than one month's rent has been paid in advance.

(c) If Landlord desires to finance, refinance or sell the property, or any part thereof, Tenant hereby agrees to deliver to any lender or purchaser designated by Landlord such financial statements of Tenant as may be reasonably required by such lender or purchaser. Such statements shall include the past three (3) years' financial statements of Tenant. All such financial statements shall be received by Landlord and such lender or purchaser in confidence and shall be used only for the purposes herein set forth. At Tenant's election, Landlord shall sign a confidentiality agreement to review said financials on a form document acceptable to Tenant. Tenant does not consent to the delivery of such financial statements by Landlord to lenders or prospective lenders or purchasers or prospective purchasers of the Building, unless the same form confidentiality agreement is signed by these mentioned parties.

17. **Landlord's Liability.** The term "Landlord" as used herein shall mean only the owner or owners, at the time in question, of the fee title or a tenant's interest in a ground lease of the Business Center, and except as expressly provided in paragraph 15, in the event of any transfer of such title or interest, Landlord herein named (and in case of any subsequent transfers then the grantor) shall be relieved from and after the date of such transfer of all liability as respects Landlord's obligations thereafter to be performed, provided that any funds in the hands of Landlord or the then grantor at the time of such transfer, in which Tenant has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Landlord shall, subject as aforesaid, be binding on Landlord's successors and assigns, only

during their respective periods of ownership.

18. **Severability.** The invalidity of any provision of this Lease as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Interest on Past-due Obligations.** Except as expressly herein provided, any amount due to Landlord not paid when due shall bear interest at the maximum rate then allowable by law from the date due. Payment of such interest shall not excuse or cure any default by Tenant under this Lease.

20. **Time of Essence.** Time is of the essence with respect to the obligations to be performed under this Lease.

21. **Additional Rent.** All monetary obligations of Tenant to Landlord under the terms of this Lease in addition to Base Rent, including but not limited to Tenant's Share of Operating Expenses and insurance and tax expenses payable shall be deemed to be Additional Rent.

22. **Incorporation of Prior Agreements; Amendments.** This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior or contemporaneous agreement or understanding pertaining to any such matter shall be effective. This lease may be modified in writing only, signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Tenant hereby acknowledges that neither the real estate broker listed in paragraph 15 hereof nor any cooperating broker on this transaction nor the Landlord or any employee or agents of any of said persons has made any oral or written warranties or representations to Tenant relative to the condition or use by Tenant of the Premises or the Property and Tenant acknowledges that Tenant assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance thereof with all applicable laws and regulations in effect during the term of this Lease except as otherwise specifically stated in this Lease.

23. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and may be given by personal delivery or by certified mail, and if given personally or by mail, shall be deemed sufficiently given if addressed to Tenant or to Landlord at the address noted below the signature of the respective parties, as the case may be. Either party may by notice to the other specify a different address for notice purposes except that upon Tenant's taking possession of the Premises, the Premises shall constitute Tenant's address for notice purposes; provided, however, that Landlord shall also give notice to: _____

_____. A copy of all notices required or permitted to be given to Landlord hereunder shall be concurrently transmitted to such party or parties at such addresses as Landlord may from time to time hereafter designate by Notice to Tenant.

24. **Waivers.** No waiver by Landlord or any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Tenant of the same or any other provision. Landlord's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act by Tenant. The acceptance of rent hereunder by Landlord shall not be a waiver of any preceding breach by Tenant of any provision hereof, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent.

25. **Recording.** Either Landlord or Tenant shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes.

26. **Holding Over.** If Tenant, with Landlord's consent, remains in possession of the Premises or any part thereof after the expiration of the term hereof, such occupancy shall be a tenancy from month to month

upon all the provisions of this Lease pertaining to the obligations of Tenant, except Base Rent shall be increased to be 125% of the then amount owing and all Options, if any, granted under the terms of this Lease shall be deemed terminated and be of no further effect during said month to month tenancy.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions.** Each provision of this Lease performable by Tenant shall be deemed both a covenant and a condition.

29. **Binding Effect; Choice of Law.** Subject to any provisions hereof restricting assignment or subletting by Tenant and subject to the provisions of paragraph 17, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State where the Business Center is located and any litigation concerning this Lease between the parties hereto shall be initiated in the county in which the Business Center is located.

30. **Subordination.**

(a) This Lease, and any Option granted hereby, at Landlord's option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the Business Center and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding such subordination, Tenant's right to quiet possession of the Premises shall not be disturbed if Tenant is not in default and so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee or ground Landlord shall elect to have this Lease and any Options granted hereby prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Tenant, this Lease and such Options shall be deemed prior to such mortgage, deed of trust or ground lease, whether this Lease or such Options are dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

(b) Tenant agrees to execute any documents required to effectuate an attornment, a subordination or to make this Lease or any Option granted herein prior to the lien of any mortgage, deed of trust or ground lease, as the case may be. Tenant's failure to execute such documents within ten (10) days after written demand shall constitute a material default by Tenant hereunder without further notice to Tenant or, at Landlord's option, Landlord shall execute such documents on behalf of Tenant as Tenant's attorney-in-fact. Tenant does hereby make, constitute and irrevocably appoint Landlord as Tenant's attorney-in-fact and in Tenant's name, place and stead, to execute such documents in accordance with this paragraph 30(b).

31. **Attorney's Fees.** If either party named herein bring an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to its reasonable attorney's fees to be paid by the losing party as fixed by the court.

32. **Landlord's Access.** Landlord and Landlord's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises or to the building of which they are part as Landlord may deem necessary or desirable. Landlord may at any time place on or about the Premises or the Building any ordinary "For Sale" signs and Landlord may at any time during the last 120 days of the term hereof place on or about the Premises any ordinary "For Lease" signs. All activities of Landlord pursuant to this paragraph shall be without abatement of rent, nor shall Landlord have any liability to Tenant for the same.

33. **Auctions.** Tenant shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises or the Property.

34. **Signs.** Tenant shall not place any sign upon the Premises or the Business Center without Landlord's prior written consent. Under no circumstances shall Tenant place a sign on any roof of the

Business Center.

35. **Merger.** The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, or a termination by Landlord, shall not work as a merger, and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

36. **Consents.** Wherever in this Lease the consent of one party is required to an act of the other party such consent shall not be unreasonably withheld or delayed.

37. **Guarantor.** In the event that there is a guarantor of this Lease, said guarantor shall have the same obligations as Tenant under this Lease.

38. **Quiet Possession.** Upon Tenant paying the rent for the Premises and materially observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease. The individuals executing this Lease on behalf of Landlord represent and warrant to Tenant that they are fully authorized and legally capable of executing this Lease on behalf of Landlord and that such execution is binding upon all parties holding an ownership interest in the Property.

40. **Security Measures.** Tenant hereby acknowledges that Landlord shall have no obligation whatsoever to provide guard service or other security measures for the benefit of the Premises or the Business Center. Tenant assumes all responsibility for the protection of Tenant, its agents, and invitees and the property of Tenant and of Tenant's agents and invitees from acts of third parties. Should Tenant later (by mutual written agreement with Landlord) lease less than 100% of the Property, then nothing herein contained shall prevent Landlord, at Landlord's sole option, from providing security protection for the Business Center or any part thereof, in which event the cost thereof shall be included within the definition of Operating Expenses, as set forth in paragraph 4.2(b).

41. **Easements.** Landlord reserves to itself the right, from time to time, to grant such easements, rights and dedications that Landlord deems necessary or desirable, and to cause the recordation of Parcel Maps and restrictions, so long as such easements, rights, dedications, Maps and restrictions do not unreasonably interfere with the use of the Premises by Tenant. Tenant shall sign any of the aforementioned documents upon request of Landlord and failure to do so shall constitute a material default of this Lease by Tenant without the need for further notice to Tenant.

42. **Performance under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one party to the other under the provisions hereof, the party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment, and there shall survive the right on the part of said party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said party to pay such sum or any part thereof, said party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

43. **Authority.** If Tenant is a government entity, corporation, trust, limited liability company, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of said entity. If Tenant is a government entity, corporation, trust, limited liability company, or partnership, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord evidence of such authority satisfactory to Landlord, if requested by Landlord.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions, if any, shall be controlled by the typewritten or handwritten provisions.

45. **Hazardous Materials.**

(a) **Definition of Hazardous Materials.** The term "Hazardous Material" as used herein,

means any hazardous or toxic substance, material or waste, or any pollutant or contaminate, or words of similar import, which is or becomes regulated by any local governmental authority, the state in which the Premises located, or the United States Government. The term "Hazardous Material" includes, but is not limited to, any material or substance which is (i) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317), (ii) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq. (42 U.S.C. Section 6903), (iii) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. Section 9601, et seq.), (iv) asbestos, (v) petroleum (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, synthetic natural gas usable for fuel, or any mixture thereof), (vi) petroleum products, (vii) polychlorinated biphenyls, (viii) urea formaldehyde, (ix) radon gas, (x) radioactive matter, (xi) medical waste, and (xii) chemicals which may cause cancer or reproductive toxicity.

(b) Definition of Environmental Requirements. As used herein, the term "Environmental Requirements" means all laws, ordinances, rules, regulations, orders and other requirements of any government or public authority now in force or which may hereinafter be in force relating to protection of human health or the environment from Hazardous Material, including all requirements pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, storage, disposal or releases of Hazardous Material and all requirements pertaining to the protection of the health and safety of employees or the public with respect to Hazardous Material.

(c) Prohibited Activities. Tenant shall not directly or indirectly permit or conduct the handling, use, deposit, generation, treatment, storage or disposal in, on or about the Premises or Property of any Hazardous Material in excess of permitted levels or reportable quantities under applicable Environmental Requirements without prior written notice to Landlord. Any such handling, use, deposit, generation, treatment, storage or disposal of any Hazardous Material permitted by Landlord hereunder shall be in compliance with all Environmental Requirements.

(d) Notice of Violations. Tenant shall, within five (5) days after Tenant's receipt thereof, give written notice to Landlord of any notice or other communication regarding any (a) actual or alleged violation of Environmental Requirements by Tenant or with respect to the Premises, (b) actual or threatened migration of Hazardous Material from the Premises, or (c) the existence of Hazardous Material in or on the Premises or regarding any actual or threatened investigation, inquiry, lawsuit, claim, citation, directive, summons, proceedings, complaint, notice, order, writ or injunction relating to any of the foregoing.

(e) Tenant Indemnification. Tenant shall indemnify and defend Landlord against and hold Landlord harmless from all claims, demands, liabilities, damages, fines, encumbrances, liens, losses, costs and expenses, including reasonable attorneys' fees and disbursements, and costs and expenses of investigation, arising from or related to the existence after the Commencement Date of Hazardous Material, brought in or on the Property by Tenant or the actual or threatened migration on or after the Commencement Date of Hazardous Material from the Property as a result of contamination caused by Tenant or the existence on or after the Commencement Date of a violation of Environmental Requirements by Tenant with respect to the Property. To the extent Tenant has an indemnification obligation under this Section 45, Tenant shall, to the reasonable satisfaction of Landlord (which satisfaction shall not be unreasonably withheld or delayed), perform all remedial actions necessary to remove any Hazardous Material in or on the Property on or after the Commencement Date or to remedy the actual or threatened migration from the Property of any Hazardous Material or to remedy any actual or threatened violation of Environmental Requirements, provided such remedial action is required under Environmental Requirements. This Section 45 shall survive termination of this Lease. However, any existing environmental conditions prior to the Commencement Date shall remain Landlord's responsibility. Notwithstanding anything to the contrary herein, Tenant shall have no liability or indemnification obligations for any Hazardous Material or violation of Environmental Requirements which existed on the Property prior to the Commencement Date.

(f) Permitted Activities. Notwithstanding the foregoing, Landlord acknowledges and agrees that Tenant shall be permitted to store and use on the Premises from time to time certain Hazardous Material whose nature and quantities are customary in connection with the permitted uses of the Premises

(and in connection with any permitted Alterations performed by Tenant), and that Tenant shall not be required to provide Landlord with specific notice of any storage or use; provided that Tenant shall at all times comply with all Environmental Requirements pertaining to any such Hazardous Material.

46. **Offer.** Preparation of this Lease by Landlord or Landlord's agent and submission of same to Tenant shall not be deemed an offer to lease. This Lease shall become binding upon Landlord and Tenant only when fully executed by Landlord and Tenant.

47. **Agency Disclosure.** The parties hereby acknowledge that the Landlord represented the Landlord in this transaction and the Tenant represented the Tenant.

48. **Addendum.** Attached hereto is an addendum or addenda containing paragraphs through which constitute a part of this Lease.

ATTACHED AND MADE A PART OF THIS LEASE:

Notary
Exhibit A: Site Plan
Exhibit B: Banking Information
Exhibit C: TI Work

LANDLORD AND TENANT HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LANDLORD AND TENANT WITH RESPECT TO THE PREMISES.

LANDLORD

RYANNA LLC,
a Washington limited liability company

By _____
Its _____

Executed on _____

TENANT

WHATCOM COUNTY

By _____
Its _____

Executed on _____

ADDRESS FOR NOTICES AND RENT PAYMENTS

ADDRESS

RYANNA LLC

315 Sea Pines Road
Bellingham, WA 98229

Attention: Rud Browne

Phone: 360-612-0000

E-Mail: Rud@Ryanna.com

ADDRESS

WHATCOM COUNTY.

Attention: _____

Phone: _____

E-Mail: _____

STATE OF WASHINGTON)
)SS.
COUNTY OF WHATCOM)

On this day personally appeared before me _____ to
me known to be the individual who executed the within and foregoing instrument as duly appointed
Chief Financial Officer for Blue Seas Systems, Inc., and acknowledges that he/she signed the same
as his/her free and voluntary act and deed and on oath stating that his/her powers authorizing the
execution of this instrument have not been revoked.

GIVEN under my hand and official seal this _____ day of _____ 20__.

SIGNATURE

PRINTED NAME

Notary Public in and for the State of _____,
residing at _____.

My commission expires _____.

STATE OF WASHINGTON)
)SS.
COUNTY OF WHATCOM)

On this day personally appeared before me _____ to
me known to be the individual who executed the within and foregoing instrument as duly appointed
_____ for _____, and
acknowledges that he/she signed the same as his/her free and voluntary act and deed and on oath
stating that his/her powers authorizing the execution of this instrument have not been revoked.

GIVEN under my hand and official seal this _____ day of _____ 20__.

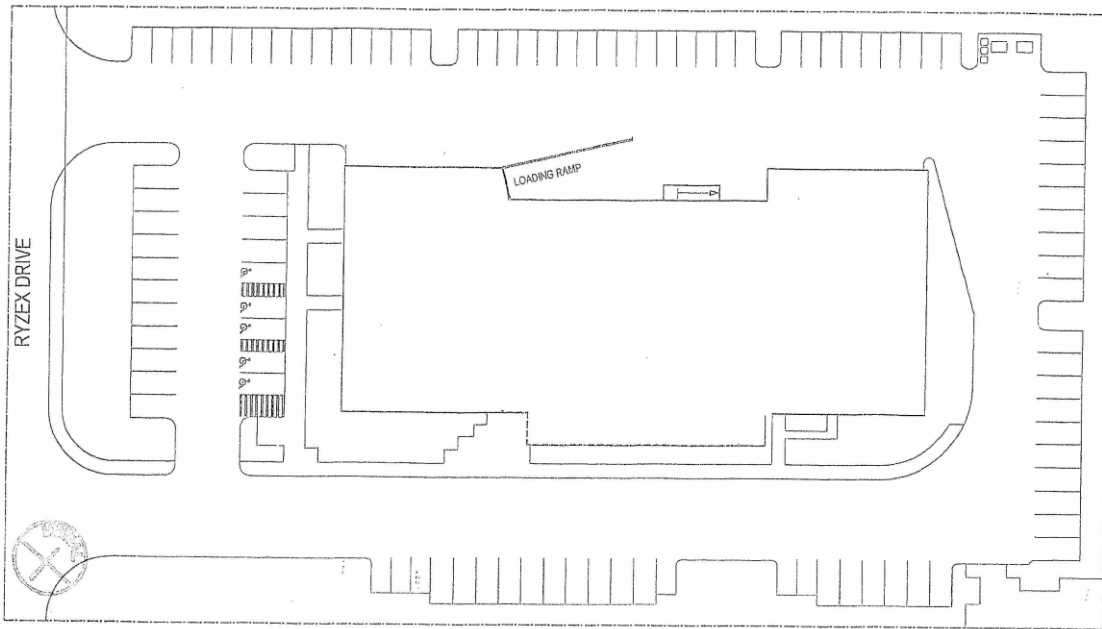
SIGNATURE

PRINTED NAME

Notary Public in and for the State of Washington,
residing at _____.

My commission expires _____.

EXHIBIT A



Whatcom County Parcel Number: 380201375141

Escrow # 134669-BF
Title # 134669

LEGAL DESCRIPTION
EXHIBIT A

PARCEL A:

TRACT A OF "SPECIFIC BINDING SITE PLAN NO. 19, CORDATA",
ACCORDING TO THE PLAT RECORDED IN VOLUME 2 OF BINDING SITE PLANS,
PAGE 88, RECORDS OF WHATCOM COUNTY, WASHINGTON.

PARCEL B:

A 60 FOOT ACCESS AND UTILITY EASEMENT AS SHOWN ON SPECIFIC
BINDING SITE PLAN NO. 4, ALONG THE NORTHEASTERLY LINE THEREOF.

SITUATE IN WHATCOM COUNTY, WASHINGTON.



EXHIBIT B

Ryanna LLC

Direct Deposit information

INBOUND ACH

(Use for domestic inbound ACH transfers)

Bank:

ACH No.:

Account No.:

Account Name:

Address:

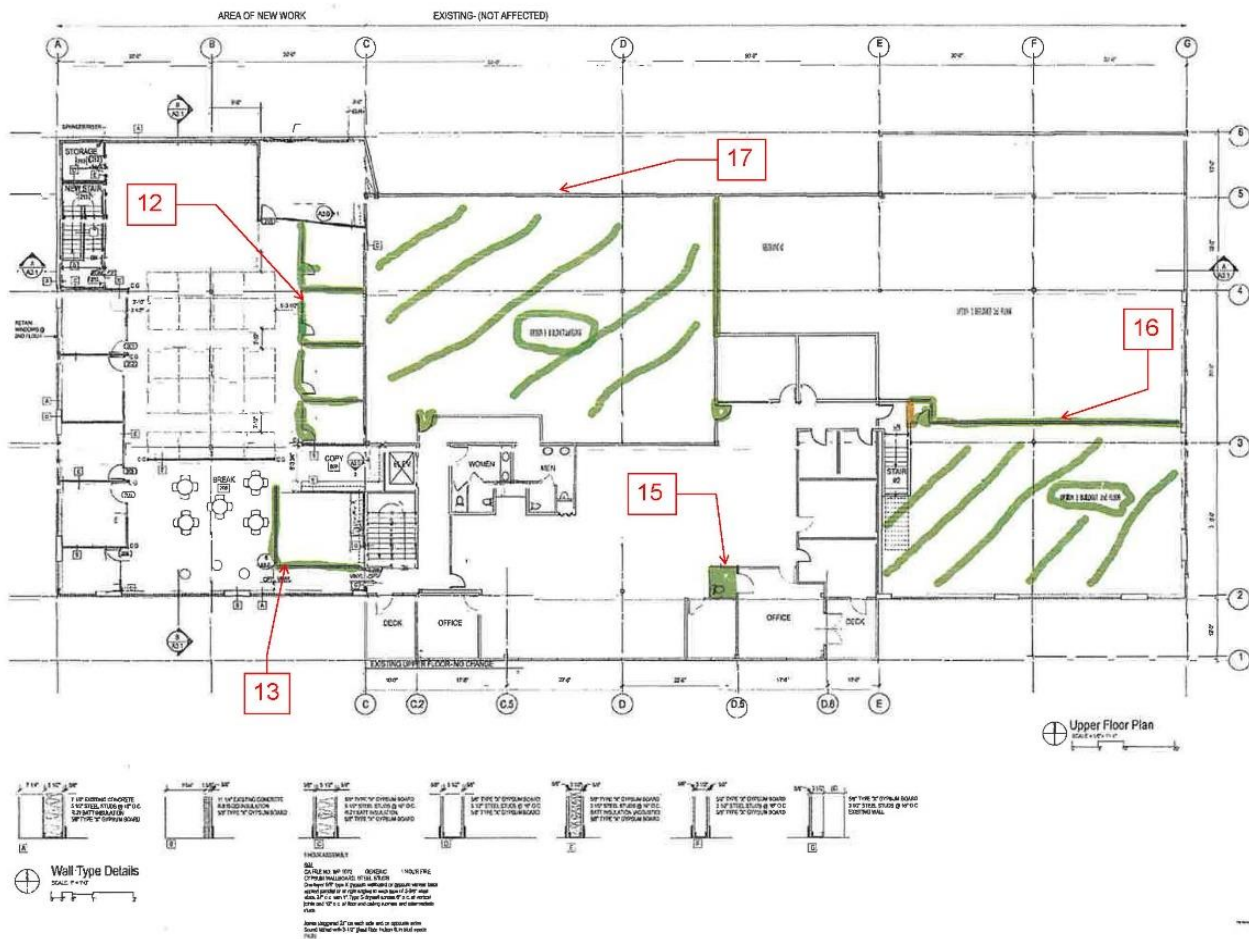
INFORMATION TO BE PROVIDED VERBALLY

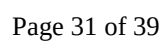
EXHIBIT C

(Required landlord maintenance pursuant to Section 2.3)

- Modernize the Elevator
- Replace all the HVAC chillers
- Reseal the asphalt and restripe the parking lot

Exhibit D

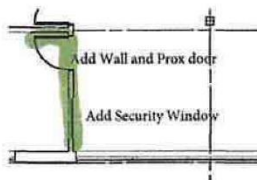




Green = Additions
Orange = Deletions

1. New wall, door and window

- a. Wall to have 1/2 ply behind drywall facing reception area
- b. Door to be solid wood – used door available
- c. Include Prox lock
- d. Install security window with document pass through (similar to what is found in a bank teller or Social Security Office)



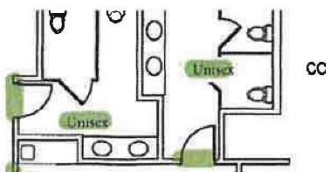
2. New Door

- a. Door to be solid wood – used door available
- b. Include Prox lock
- c. Door to have small window with one-way mirror film that allows you to see out but not in.



3. Make bathrooms Unisex

- a. Change door handles to allow them to be locked from inside to make single user.



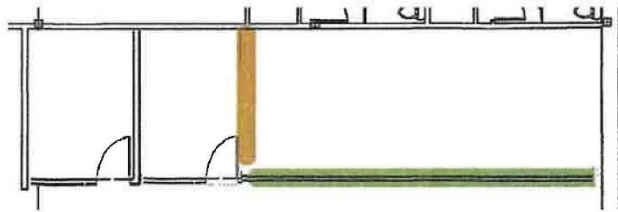
4. Remove door at end of lobby hall

- a. Remove door
- b. Cover wall with 1/2 plywood to ceiling tiles
- c. Cover with drywall
- d. Reuse door elsewhere



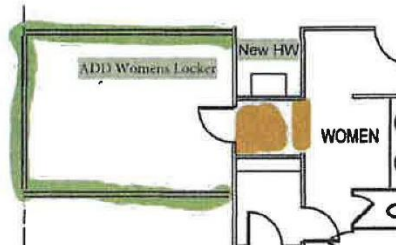
5. Change walls

- a. Remove East wall of small east Office
- b. Extend south wall, to far east wall
- c. No new electrical



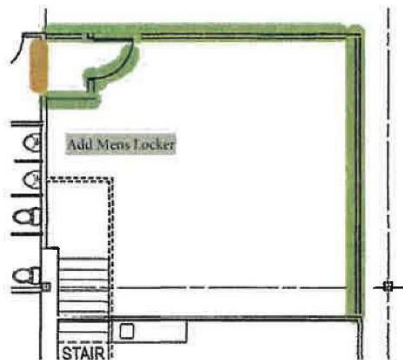
6. Create women's locker room

- a. Remove HW tank and replace with small on demand system in Janitor sink area
- b. Open up an entrance in west wall of womens restroom
- c. Retain existing HW tank room door as new locker room door
- d. Build women's locker room
- e. Build walls to new floor above
- f. New 15 amp outlet every 10 ft on new walls
- g. Add false ceiling



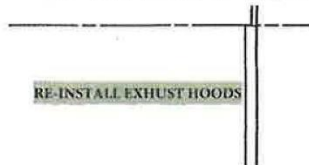
7. Create men's locker room

- a. Open up an entrance in east wall of mens restroom
- b. Build men's locker room
- c. Door required Hollow core OK
- d. New 15 amp outlet every 10 ft on new walls
- e. Build walls to same height as lunch room
- f. Add false ceiling



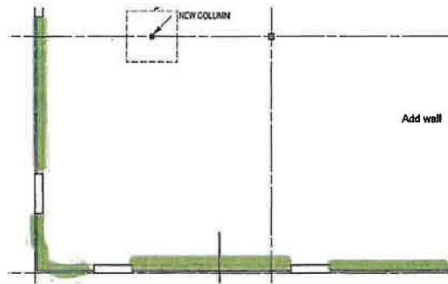
8. Reinstall Exhaust hoods

- a. Hoods are sitting below, some additional duct work may be required.



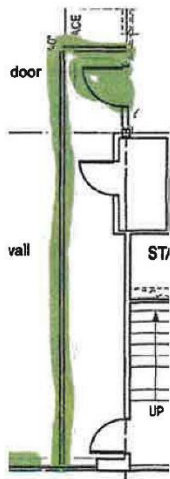
9. Secure windows

- a. Add security and privacy film to full length of windows
- b. Add security grills on inside for full length of windows



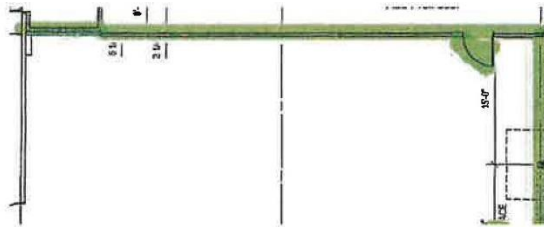
10. Change access to elevator room and central storage

- a. Reuse door removed from hallway
- b. Include Prox lock on new door
- c. Door to have small window with one-way mirror film that allows you to see out but not in.
- d. No new electrical on east side of wall
- e. Build new secure wall to ceiling above
- f. Cover on west side of wall with 1/2 plywood to ceiling
- g. Cover plywood with drywall



11. Build new wall, harden existing walls

- a. Build new secure north wall to ceiling above
- b. Cover wall with 1/2 plywood to ceiling
- c. Cover plywood with drywall
- d. Replace south wall of the stairwell with 1/2 plywood and recover with drywall
- e. Replace existing portion of east wall with 1/2 plywood and recover with drywall
- f. No new electrical
- g. Add metal door – used door available
- h. Include Prox lock
- i. Door to have small window with one-way mirror film that allows you to see out but not in.



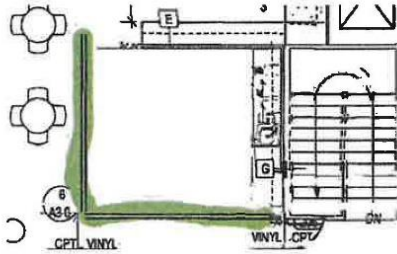
12. Four new semi-offices

- a. Build 4 new offices
- b. 7ft walls high, but open above
- c. Reuse 3 glass spare panel doors – 1 door to be purchased
- d. No new electrical likely
- e. Hope to minimize the need to alter existing ceiling or sprinklers



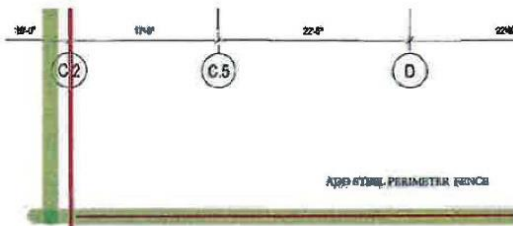
13. Four new semi-offices

- a. Two new walls around Suite 200 break room
- b. Wall height 8ft, open above
- c. New 15 amp outlet every 10 ft on kitchen side of new walls



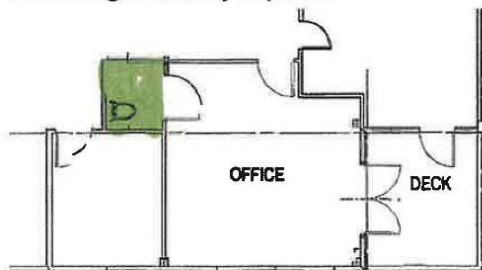
14. Add an exterior steel fence around entire perimeter as shown

- a. Use 7ft fencing similar to what is used at 380 Sequoia (example below)



15. Finish bathroom

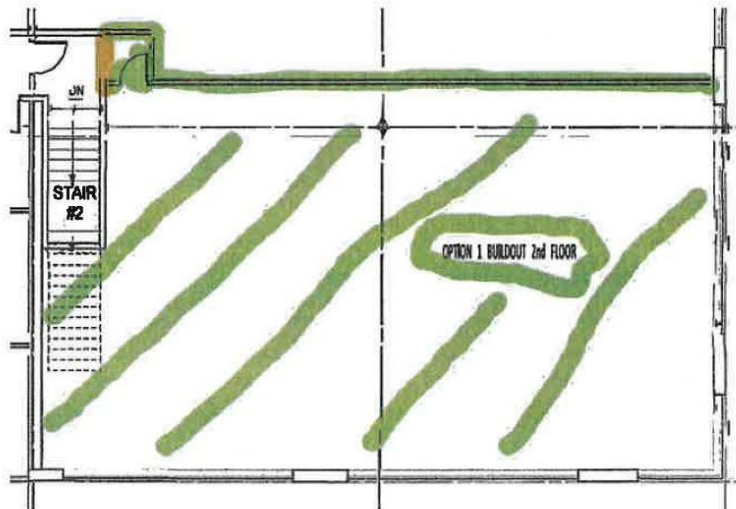
- a. Finish bathroom (toilet & hand basin) in corner office closet
- b. Plumbing is already in place



Second Floor build out

16. Build out SE second floor

- a. Open up wall at top of stairs
- b. Build one large open office ~2,100 SF
- c. Add solid wood door – used door available
- d. Include Prox lock on door
- e. North wall to ceiling
- f. North wall insulated
- g. Existing south and East concrete walls to be insulated and finished with drywall
- h. Carpet tiles on floor
- i. New 15 amp outlet and data jack every 10 ft on new walls
- j. New 15 amp outlet and data jack every 12 ft on floors
- k. Additional HVAC required
- l. Remove gas heater above office in SE corner and look at relocating to supply heat to service Lower floor west side
- m. Assume no ceiling (maybe partial false ceiling)
- n. Spray paint ceiling black



17. Build out North Middle second floor

- a. New Wall On NE side to ceiling
- b. Build one large open office ~3,200 SF
- c. North wall to ceiling
- d. Existing north concrete walls finished with drywall
- e. New walls insulated
- f. Carpet tiles on floor
- g. New 15 amp outlet and data jack every 10 ft on new walls
- h. New 15 amp outlet and data jack every 12 ft on floors
- i. Additional HVAC required
- j. Lower service lines for gas heater in middle area ~2 ft to get under new floor. Run line from (conveniently located) T junction to supply heat into women's lockers
- k. Assume no ceiling (maybe partial false ceiling)
- l. Spray paint ceiling black
- m. Two new doors to be purchased – Panic Hardware
- n. SW door normal
- o. When SE door opened without Prox card alarmed sounds
- p. When SE opened with Prox card alarm does NOT sound



18. Network and Security

- a. Network and data upgrades as required.
- b. Security and camera upgrades as required.