



# **SCHOOL BOARD ACTION REPORT**

**DATE:** 02/22/2018  
**FROM:** Dr. Larry Nyland, Superintendent  
**LEAD STAFF:** Dr. Lester Herndon, Assoc. Supt Capital Facilities Enrollment  
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**For Introduction:** 03/21/2018  
**For Action:** 04/04/2018

## **1. TITLE**

Termination of Ground Lease at the Lake City School.

## **2. PURPOSE**

This Board Action Report seeks approval to seek early termination of the Lease with Lake City Professional Building, LLC for the Lake City School to provide for increased flexibility to meet capacity needs of Seattle Public Schools (SPS). SPS would take over management of current building rental agreements and start receiving that rental income.

## **3. RECOMMENDED MOTION**

I move that the School Board approve the lease termination agreement for the Lake City School property as attached to this Board Action Report with any minor modifications, additions or deletions deemed necessary by the Superintendent and authorize the Superintendent to take all actions necessary, including payment of a \$6,193,000 lease termination payment, to implement the agreement.

## **4. BACKGROUND INFORMATION**

### **a. Background**

The District has identified a critical need for additional real property to serve important District needs for enrollment capacity. This has made it necessary to regain the right to occupy the Lake City School for the District's future use. While the District does not have an immediate need for the property, this lease buyback provides greater long-term flexibility.

The Lake City Professional Center is a 2.68-acre or 116,927-square-foot site that is owned by the District. The District entered into Fifty-year Ground Lease with Two Additional Twenty-year extensions with Lake City Professional Building, LLC in 1986, a 90-year agreement to reach conclusion in 2076. This agreement allowed Lake City Professional Building, LLC to improve and construct what was necessary to turn the location into a professional center.

The improved former school structure, which contains 37,500 square feet of gross building area, was originally constructed in 1931. This has since been converted to allow for office uses and contains 34,122 square feet of net rentable area. Also, the parking lot provides 136 parking stalls. Currently the Lake City Professional Center is fully leased and rental agreements with the building tenants produce an annual rental revenue for Lake City Professional Building, LLC of \$940,000. There are currently 38 rental agreements that are written for 5-year terms that will expire in the years between 2018 and 2022; a Rent Roll is available upon request.

The District has negotiated the termination of the agreement with Lake City Professional Building, LLC for the location based on termination provisions laid out in the original Ground Lease agreement. The lease requires that the district pay the tenant fair market value of the lease and improvements plus additional other costs, to terminate the lease. This termination agreement, or lease buyback, is conditioned on Board approval.

The lease buyback would put the District in the position of managing the existing building rental operation and receiving the building rental revenue until that time when the District repurposes the building for its own use. The building is former small elementary school and may be used again to house a limited number of students (400 or fewer). The revenue from the rental operations will help recuperate the costs associated with the lease buyback.

- b. **Alternatives:** Do not acquire this property. This is not recommended due to the limitations it places on the District's future capacity planning.
- c. **Research:** SPS has continuously searched for land to use in the Seattle area and have used several different realtor resources. Revenue calculations have been reviewed and a feasibility study has been conducted to turn the site back into a school. An appraisal was completed by Valbridge of the value of the Leasehold in the amount of \$5,570,000.

## 5. FISCAL IMPACT/REVENUE SOURCE

Fiscal impact to this action will be the payment of up to \$6,193,000 for the lease buyback out of the Capital Fund. The amount Lake City Professional Building, LLC is requiring for the purchase is higher than the appraisal completed in 2016 due to the market increase and requirements for termination written into the Lease agreement.

Including annual operating costs, it is estimated the District will receive \$690,600 in net tenant revenue per year (\$940,000 less estimated annual operating costs) after the purchase. The total cost of the real property is expected to be offset by lease revenue received directly by SPS instead of Lake City Professional Building, LLC within a 9 to 10-year period. SPS is not anticipating the need for this facility within the next 7 to 10 year period.

Expenditure:  One-time

Revenue:  N/A

**6. COMMUNITY ENGAGEMENT**

Community engagement was deemed not applicable for this action.

**7. EQUITY ANALYSIS**

This action was not put through a racial equity analysis.

**8. STUDENT BENEFIT**

This will allow future use of the location for School District Students.

**9. WHY BOARD ACTION IS NECESSARY**

Amount of contract initial value or contract amendment exceeds \$250,000 (Policy No. 6220)

**10. POLICY IMPLICATION**

While this action is technically a lease buyback, it is comparable to a property acquisition. This motion follows Board Policy No. 6905, Site Acquisition. The policy states, "It may be necessary on occasion for the district to acquire additional or replacement property for district purpose."

**11. BOARD COMMITTEE RECOMMENDATION**

This motion was discussed at the Operations Committee meeting on March 8, 2018. The Committee reviewed the motion and unanimously moved it forward to the full board for consideration.

**12. TIMELINE FOR IMPLEMENTATION**

Upon approval of this motion, the purchase agreement will be signed by the Superintendent and Lake City Professional Building, LLC Real Estate Development and Management. This will secure the District's right to recapture the property.

**13. ATTACHMENTS**

- Lease Termination Agreement (for approval)
- Excerpts from Original Lake City Property Lease Regarding Buy-Out Requirements for Termination

**LEASE TERMINATION AGREEMENT**  
**Lake City Elementary School Site**

THIS LEASE TERMINATION AGREEMENT (together with all exhibits to this Agreement, the "**Agreement**"), dated and effective as of March \_\_\_\_\_, 2018 (the "**Effective Date**"), is made by and between Seattle School District Number 1, of King County, Washington, a municipal corporation ("**Lessor**") and Lake City Professional Building, LLC, a Washington limited liability company ("**Lessee**"). Lessor and Lessee are individually and collectively referred to in this Agreement as the "**Parties**".

**BACKGROUND**

A. Lessor and Lake City Center Partnership, a Washington general partnership (the "**Lake City Partnership**") entered into a Ground Lease (the "**Original Ground Lease**") dated as of July 30, 1986, with respect to certain improved real property located at 2611 NE 125<sup>th</sup> Street, Seattle, King County, Washington, commonly known as the Lake City School, legally described on Exhibit A attached to this Agreement (the "**Premises**"). A Memorandum of Ground Lease dated August 5, 1986 was recorded in the King County Recorder's Office on August 15, 1986, under Recording No. 8608150708.

B. The Original Ground Lease was amended by a First Amendment to Ground Lease entered into between Lessor and Lake City Partnership dated as of January 13, 1989 (the "**First Amendment**") as disclosed by a First Amendment to Memorandum dated January 13, 1989, recorded in the King County Recorder's Office on January 17, 1989 under Recording No. 8901171060 .

C. On August 31, 2009, Lake City Partnership conveyed its interest in the Original Ground Lease as amended by the First Amendment to Lessee pursuant to a Warranty Deed and Assumption of Ground Lease dated as of August 31, 2009 and recorded in the King County Recorder's Office on August 31, 2009 under Recording No. 20090831000898. Lessor and Lessee thereafter amended the Ground Lease by an Amendment No. 2 to the Lake City School Lease executed in January, 2011 (the "**Second Amendment**"). The Original Ground Lease as conveyed to the Lessee and amended by the First Amendment and Second Amendment is referred to hereinafter as the "**Ground Lease**". Any capitalized term used but not defined in this Agreement shall have the meaning assigned to such term in the Ground Lease.

D. Lessee constructed Improvements within the building (the "**Building**") located on the Premises to make the Premises suitable as an office and commercial complex and then subleased spaces within the Building to commercial tenants. Lessee continues to operate and sublease the Premises as a commercial complex.

E. Lessee desires to sell its leasehold interest in the Premises on the terms set forth below. Lessor has a long term need for the Premises for school district purposes and desires to acquire Lessee's interest in the Premises on the terms set forth below.

## AGREEMENT

Now, therefore, for valuable consideration, the receipt and sufficiency of which are acknowledged by the Parties, the Parties covenant and agree as follows:

1. TERMINATION OF GROUND LEASE. The Ground Lease shall terminate on the date of Closing set forth in Section 5 and the rights and obligations of the Parties under the Ground Lease shall cease except to the extent they specifically survive termination by the terms of the Ground Lease.

2. LEASE TERMINATION CONSIDERATION.

a. Termination Payment. Lessor shall pay to Lessee a lease termination fee equal to Six Million One Hundred Ninety Three Thousand and 00/100 Dollars (\$6,193,000.00) (the "Lease Termination Payment") on the Lease Termination Date (defined below). The Lease Termination Payment shall be paid in U.S. funds by wire transfer.

b. Release. In consideration of Lessee relinquishing its interest in the Premises by agreeing to terminate the Ground Lease, upon delivery of the Lease Termination Payment to Lessee, Lessee and its members, officers, directors, agents, trustees, beneficiaries, guarantors, predecessors in interest and employees, shall be deemed released and forever discharged of and from any and all claims, acts, damages, demands, rights of action and causes of action which Lessor ever had, now has, or in the future may have, arising from or in any way connected with (i) the condition of the Premises, the Building or other Improvements arising from Lessee's deferral of the maintenance items set forth on Exhibit H, or (ii) the rental payments due under Section 3 of the Ground Lease. Notwithstanding the foregoing, such release shall not apply to any claims brought to enforce the terms of this Agreement, claims resulting from a breach of the warranty in Section 3(b) below or any other obligations of Lessee under the Ground Lease (which specifically exclude the obligations in clauses (i) and (ii) above) that expressly survive termination.

3. REPRESENTATIONS AND WARRANTIES.

a. Lessor's Representations and Warranties. Lessor represents and warrants to Lessee as follows:

(i) Power and Authority. Lessor has the authority and power to enter into this Agreement and to consummate the transaction provided for in this Agreement. This Agreement and all other documents executed and delivered by Lessor have been duly authorized and the persons executing this Agreement and such other documents have the power and authority to do so.

(ii) No Violations. The execution, delivery and performance by Lessor of its obligations under this Agreement will not conflict with or result in a breach of any law, statute, regulation or contract to which Lessor is a party or by which Lessor or the Premises are bound.

(iii) Bankruptcy Matters. Lessor has not made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors, suffered the appointment of a receiver to take possession of substantially all of its assets, suffered the attachment or other judicial seizure of substantially all

of its assets, admitted its inability to pay its debts as they come due, or made an offer of settlement, extension or composition to its creditors generally.

(iv) Lessor's Knowledge. Lessor's General Counsel, Noel Treat, is the individual employed by Lessor with the most knowledge regarding the matters in this Section 3(a). Nothing in the Agreement shall be deemed to create any personal liability or responsibility for Noel Treat. As used in this Agreement, the term "Lessor's Knowledge" shall mean the actual knowledge of Noel Treat without investigation as of the Lease Termination Date.

(v) No Actions. There are no actions, suits, litigation or proceedings in any court or before any governmental authority pending, or to Lessor's Knowledge, threatened against Lessor with respect to the Premises or affecting the right, power or authority of Lessor to enter into and perform this Agreement in accordance with its terms, or which question the validity or enforceability of this Agreement.

b. Lessee's Representations and Warranties. Lessee represents and warrants to Lessor as follows:

(i) Good Standing. Lessee is duly organized, validly existing and in good standing under the laws of the state in which such Lessee is organized.

(ii) Power and Authority. Lessee has the authority and power to enter into this Agreement and to consummate the transaction provided for in this Agreement. This Agreement and all other documents executed and delivered by Lessee have been duly authorized and the persons executing this Agreement and such other documents have the power and authority to do so.

(iii) No Violations. The execution, delivery and performance by Lessee of its obligations under this Agreement will not conflict with or result in a breach of any law, statute, regulation or contract to which Lessee is a party or by which Lessee is bound or of Lessee's partnership agreement or other governing documents.

(iv) Bankruptcy Matters. Lessee has not made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors, suffered the appointment of a receiver to take possession of substantially all of its assets, suffered the attachment or other judicial seizure of substantially all of its assets, admitted its inability to pay its debts as they come due, or made an offer of settlement, extension or composition to its creditors generally.

(v) Status of Ground Lease. Lessee represents and warrants that Lessee has not sold, assigned, transferred or conveyed its leasehold estate under the Ground Lease, except for the Tenant Leases listed on Exhibit B as updated as of the Lease Termination Date.

(vi) No Actions. There are no actions, suits, litigation or proceedings in any court or before any governmental authority pending, or to Lessee's Knowledge, threatened affecting the Premises or the right, power or authority of Lessee to enter into and perform this Agreement in accordance with its terms, or which question the validity or enforceability of this Agreement.

(vii) Lessee's Environmental Matters. Lessee represents and warrants to Lessor that, to Lessee's Knowledge, the environmental reports listed on Exhibit C (the "**Environmental Reports**") are all of the environmental reports in the possession or control of Lessee or its property manager for the Premises. Lessee further represents to Lessor that (a) to Lessee's Knowledge and except as disclosed in the Environmental Reports or on Exhibit D attached hereto, Lessee is not aware of any environmental contamination at levels that (1) are in violation of any applicable environmental law or regulations or (2) require remediation under applicable law, (b) Lessee has not received any written notice from any governmental authority or neighboring property owner regarding the presence or release or threatened release of any hazardous substances in, on or from the Premises that requires remediation in its current condition under existing law, and (c) except as disclosed to Lessor, to Lessee's Knowledge, Lessee has not made any report or disclosure to any governmental authority relating to a release or threatened release of hazardous substances in, on or from the Premises.

(viii) Tenant Leases. The tenant leases listed on Exhibit B (collectively, the "**Tenant Leases**") are in full force and effect and are valid, binding and enforceable in accordance with their terms, subject to the effects of bankruptcy, insolvency and other equitable principles and, except as set forth on attached Exhibit E (i) there are no uncured defaults by the landlord or, to Lessee's Knowledge, by the tenant thereunder and no event has occurred that, with the giving of notice or passage of time or both would become a default, (ii) no tenant has made any claim against the landlord for any offset against any sums due under any Tenant Lease, (iii) there are no tenant improvements required under the Tenant Leases that remain uncompleted and, (iv) there are no outstanding obligations payable by the landlord to or on behalf of any tenant and no pre-paid rents or security deposits to be credited to any tenant upon expiration or termination of any Tenant Lease except those described on the rent roll attached hereto as Exhibit B or otherwise disclosed on Exhibit E.

(ix) Contracts. Exhibit I is a complete list of all service, leasing, management, maintenance, operating and other contracts relating to the operation of the Premises, and all renewals thereof, substitutions therefor, and additions thereto (collectively, the "**Contracts**"), and there are no such contracts other than those Contracts listed on Exhibit I. Except for the property management agreement in effect as of the Effective Date, Lessee has delivered to Lessor true, correct, and complete copies of each Contract, including all amendments thereto. Lessee has not delivered or received any written notice alleging any default in the performance or observance of any of the covenants, conditions or obligations to be kept, observed or performed under any Contract. Each Contract represents the complete agreement between Lessee and such other party as to the services to be performed thereunder and the compensation to be paid for such services, and such other parties possess no unsatisfied claim against Lessee.

(x) No Violations. Other than as set forth on Exhibit H, to Lessee's Knowledge, Lessee has not received any written notice which remains uncured in accordance with applicable law from any governmental body having jurisdiction over the Premises as to the violation of any laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions, or requirements. To Lessee's Knowledge, in the five (5) years preceding the Lease Termination Date, Lessee has received no written notice of any failure of the Premises to comply with any requirements of (i) any insurance company which issued any insurance policy insuring the Premises; (ii) any board of fire underwriters or other body exercising similar functions; (iii) any bonding company; or (iv) any mortgagee having a security interest in the Premises, which failure could adversely affect the insurability of the Premises or cause the imposition of extraordinary premiums or charges

therefor or result in the cancellation of any insurance policy insuring the Premises. Lessee represents that, to Lessee's Knowledge, as of the Effective Date there is, and on the date of Closing there will be, no set of facts or circumstances that do or would (either alone or with the giving of notice and/or the passage of time) constitute a breach under the Ground Lease on the part of the Lessee except (i) any deferred maintenance items listed on Exhibit H and (ii) any claim that the monthly minimum rental payment was not adjusted when required under the Ground Lease.

(xi) Notices. To Lessee's Knowledge, in the five (5) years preceding the Lease Termination Date, Lessee has not received written notice of any of the following: (a) any actual or threatened reduction or curtailment of any utility service serving the Premises; or (b) except as shown in any tax bills referenced in the title commitment delivered by the Title Insurer on February 21, 2018, any pending or proposed public or private special assessment that encumber or are likely to encumber the Premises.

(xii) Licenses. To Lessee's Knowledge, Lessee has obtained all licenses and permits (the "Licenses") from governmental authorities required for its ownership and operation of the Premises. Each of the Licenses is in full force and effect and in good standing, and Lessee has not received notice of any intention on the part of the issuing authority to cancel, suspend or modify any of the Licenses or institute proceedings to effect such a cancellation, suspension or modification.

(xiii) FIRPTA. Lessee is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended to date, and the transaction contemplated hereby does not constitute a disposition of a U.S. real property interest by a foreign person.

(xiv) No Liens. All bills and claims for labor performed and services and materials furnished to or for the benefit of the Premises, including all utility bills, have been or will be paid in full, and there are no mechanic's liens or materialmen's liens or unpaid utility bills on or which affect the Premises.

(xv) Lessee Knowledge. As used herein, the "Lessee's Knowledge" means the actual knowledge of Bruce Lorig and Michael Rourke, the individuals primarily responsible for oversight of the Premises, as of the Lease Termination Date without inquiry or examination of any kind. Nothing herein is intended to create personal liability for either Bruce Lorig or Michael Rourke.

(xvi) Premises Delivered in "As-Is" Condition. Notwithstanding anything represented or warranted by Lessee in this Agreement, Lessor acknowledges its responsibility to fully inspect the Premises, investigate all matters relevant thereto, and to rely solely upon the results of Lessor's own inspections or other information obtained or otherwise available to Lessor, rather than information provided by or on behalf of Lessee. To Lessee's Knowledge, Lessee is not aware of any respect in which the materials, data or other information supplied to Lessor in connection with Lessor's inspection of the Premises are incomplete or inaccurate. It is the parties' express understanding and agreement that such materials are provided only for Lessor's convenience in making its own examination and determination as to whether it wishes to acquire Lessee's interest in the Premises. Lessor acknowledges and agrees that it has been or will prior to the Lease Termination Date be given a full opportunity to inspect and investigate every aspect of the Premises, including all matters related to legal status or requirements, physical condition, title, leasing, contracts and other matters of significance. **Lessor specifically acknowledges and agrees that Lessee is transferring the Premises in**

an "AS IS" and "WITH ALL FAULTS" condition. Except as specifically stated and labeled "representation" or "warranty" in this Agreement, no representations or warranties have been made or are made and no responsibility has been or is assumed by Lessee or by any partner, officer, person, firm, agent or representative acting or purporting to act on behalf of Lessee as to any matters concerning the Premises, including, without limitation, the condition or repair of the Premises or the value, expense of operation, or income potential thereof or as to any other fact or condition which has or might affect the Premises or the condition, repairs, value, expense of operation or income potential of the Premises or any portion thereof. The parties agree that all understandings and agreements heretofore made between them or their respective agents or representatives are merged in this Agreement and the Exhibits, which alone fully and completely express their agreement, and that this Agreement has been entered into after full investigation, or with the parties satisfied with the opportunity afforded for full investigation. Lessor is not relying upon any statement or representation by Lessee unless such statement or representation is specifically embodied in this Agreement.

4. ITEMS TO BE DELIVERED AT LEASE TERMINATION DATE. Unless otherwise provided below, on or prior to the Lease Termination Date, the following items shall be delivered by the identified Party to the Seattle office of First American Title Insurance Company (the "**Title Insurer**"):

a. Funds. Lessor shall deliver to the Title Insurer, the Lease Termination Payment and its share of the closing costs required under this Agreement. Lessee shall deliver to the Title Insurer, all tenant security deposits, pre-paid rent and reimbursable fees, if any, held by Lessee under the Tenant Leases, any leasehold excise tax due under the Ground Lease for any period prior to the Lease Termination Date and Lessee's share of the closing costs required under this Agreement.

b. Assignment and Indemnification Regarding Tenant Leases. Lessor and Lessee shall execute and deliver to the Title Insurer an Assignment and Indemnification Regarding Tenant Leases in the form attached hereto as Exhibit F.

c. Assignment of Assumed Contracts. Lessor and Lessee shall execute and deliver to the Title Insurer an Assignment and Assumption of Assumed Contracts in the form attached hereto as Exhibit G for any service or operating contracts that Lessor elects, in its sole discretion, to assume on the Lease Termination Date (the "**Assumed Contracts**"). Any contracts which Lessor elects not to assume shall be terminated by Lessee as of the Lease Termination Date or as soon as such contracts allow with any termination fees paid by Lessor.

d. Memorandum of Termination of Ground Lease. A Memorandum of Termination of Ground Lease in recordable form executed by Lessor and Lessee and effective upon the Lease Termination Date.

e. Tenant Notice Letters. Lessee shall provide notices to all tenants of the Premises informing tenants (A) that Lessor is the new owner of the Premises, (B) that Lessor has received and is responsible for all of the tenants' security deposits, providing the exact dollar amount of each security deposit, and (C) that tenants are to thereafter mail any rental payments to an address supplied by Lessor.

f. Non-foreign Affidavit. A non-foreign affidavit duly executed by Lessee.

g. Other Documents. The Parties shall timely execute, acknowledge and deliver such other documents and instruments and shall timely deliver such funds as may be specified in this Agreement or as may be required to close the transactions contemplated by this Agreement consistent with the terms of this Agreement.

h. Original Property Documents. Within three (3) business days of the Lease Termination Date, Lessee shall deliver possession of all original materials in Lessee's possession or control relating to the ongoing ownership or operation of the Premises, including, without limitation, the Tenant Leases and Assumed Contracts, if any, to Lessor's property manager.

i. Title Insurance. Such documents and funds necessary for the Title Insurer to issue or unconditionally commit to issue to Lessor an owner's standard coverage policy of title insurance (provided Lessor may request an extended coverage policy but shall be solely responsible for any survey required by the Title Insurer to issue such policy) insuring that fee title to the Premises is vested in Lessor as of the Lease Termination Date, subject only to matters approved by the Lessor in its sole discretion provided, however, Lessor may not object to the following: (i) any standard exceptions or exclusions in an extended coverage owner's policy, (ii) any and all liens, encumbrances, agreements, easements, conditions, restrictions and other matters of any kind of record before July 30, 1986, (iii) the Tenant Leases, and (iv) matters caused by or relating solely to Lessor.

#### 5. TIME AND PLACE OF LEASE TERMINATION.

a. Closing. The closing of the Ground Lease termination (the "**Closing**") shall take place on April 30, 2018 (the "**Lease Termination Date**") through escrow at the Seattle office of the Title Insurer. All documents and instruments required hereunder shall be delivered to the Title Insurer at least one (1) business day prior to the Lease Termination Date. This Agreement shall constitute escrow instructions to the Title Insurer, but in the event of a request by the Title Insurer or any Party for separate instructions, both Parties shall execute escrow instructions for the Ground Lease termination consistent with the terms of this Agreement.

b. Closing Contingent on School Board Approval. Notwithstanding anything contained in this Agreement to the contrary, Lessor's obligation to close is contingent on Lessor's receipt, in Lessor's sole determination, of all required institutional approvals including, without limitation, the approval of the Seattle School Board no later than April 26, 2018.

#### 6. PRORATIONS AND LEASE TERMINATION COSTS.

a. Closing Costs. Lessee shall pay any real property excise tax due and payable in connection with Ground Lease termination, if any, the cost of any standard owner's policy of title insurance with coverage no greater than the amount of the Lease Termination Fee (and without any endorsements), one-half of the escrow fees and charges, any recording fees and any fees or expenses required to reconvey and release of record any financing documents encumbering Lessee's interest in the Premises. Lessor shall pay any additional premium or charges for owner's extended title insurance coverage and any endorsements requested by Lessor and the remaining one-half of the escrow fees and charges. Except as provided in Section 14(g) Lessee and Lessor shall each pay their own attorneys', accountants' and other professional fees in connection with the negotiation of this Agreement and the consummation of the transactions contemplated by this Agreement.

b. Lessor Cooperation with Tax Refunds. Lessee shall be responsible for applying for any refund of real and/or personal property taxes, including any leasehold excise taxes, applicable to any period after the Lease Termination Date but not payable by Lessor as a result of its status as a Washington municipal corporation. Lessor shall cooperate, without charge to Lessee, with Lessee's efforts to obtain such refund including executing such applications or other documents as may be necessary to apply for such refund.

c. Prorations.

(i) Income from the Premises other than Rents (as defined below), and ordinary operating expenses incurred by Lessee with respect to the Premises, shall be prorated between Lessee and Lessor as of the Lease Termination Date. Such expenses include, without limitation, utility charges, the cost of Contracts assigned at Closing to Lessor, and sewer, janitorial, cleaning and maintenance costs. Any income or expense which cannot be ascertained with certainty as of the Lease Termination Date shall be prorated on the basis of the parties' reasonable estimates of such amounts and shall be the subject of a final proration as soon thereafter as the precise amounts can be ascertained, but in no event later than sixty (60) days after the Lease Termination Date. Lessee and Lessor shall each cooperate with the other diligently and promptly to correct any errors in computations or estimates under this Section 6(c) and shall promptly pay to the party entitled thereto any refund, credit or other payment necessary to comply with this Section 6(c) on demand therefor. At Closing, all utility services shall be transferred to Lessor and amounts owed shall be prorated as of the Lease Termination Date. The parties shall use commercially reasonable efforts to obtain readings for all utilities as of the Lease Termination Date. If readings cannot be obtained as of the Lease Termination Date, the cost of such utilities shall be prorated between Lessee and Lessor by estimating such cost on the basis of the most recent bill for such service; provided, however, that after the Lease Termination Date, the parties shall reprorate the amount for such utilities and pay any deficiency in the original proration to the other party promptly upon receipt of the actual bill for the relevant billing period.

(ii) Rents under the Tenant Leases, including, without limitation, fixed rent, additional rent and operating expense pass-throughs (collectively, "Rents"), shall be addressed in the manner set forth in this subsection. All prepaid Rents for any period subsequent to the Lease Termination Date shall be credited to Lessor at Closing. All collected Rents for the month in which the Closing occurs shall be prorated as of the Closing Date. All Rents which are due but uncollected as of the Closing Date (the "Delinquent Rents") shall not be prorated at Closing, but shall be paid to the party entitled to receive such Delinquent Rents upon receipt of same by either Lessor or Lessee after Closing. Lessor agrees to use commercially reasonable efforts to collect Delinquent Rents from each tenant remaining in possession of its space under a Tenant Lease. Any and all amounts received by Lessor after the Lease Termination Date from any party owing Delinquent Rents shall be paid and applied as follows: first, to Lessor's reasonable collection costs (including, without limitation, reasonable attorneys' fees) incurred (after the Lease Termination Date only); second, to Lessor for Rents due for the then current month; third, to Lessor for due but unpaid Rents accruing after the Lease Termination Date, to be applied in the inverse of the order incurred (i.e., the most recently incurred Rents paid first); fourth, to Delinquent Rents for the month in which the Closing occurs (which sums shall, upon such collection, be prorated between Lessee and Lessor as though collected prior to Closing); and finally, to Lessee for Delinquent Rents for the period prior to the month of Closing. The parties agree that they shall provide a final accounting and reconciliation of all Delinquent Rents within thirty (30) days after Closing. Lessor shall have an exclusive right to collect any sums due Lessee from tenants under the Tenant Leases.

(iii) The provisions of this Section 6(c) shall survive Closing.

d. Credits. Lessor shall receive a credit at Closing for all security deposits or prepaid rents or reserves collected from tenants and held by Lessee for occupants of the Premises.

7. TENANT ESTOPPEL LETTERS. It is a condition precedent to Lessor's obligations to close that Lessee shall have delivered to Lessor, no later than five (5) days before the Closing Date (the "Estoppel Deadline"), tenant estoppel letters ("Tenant Estoppel Letters") in the form of estoppel required under each Tenant Lease, or if no such form is required, substantially in the form attached hereto as Exhibit J, from tenants under Tenant Leases covering at least eighty-five percent (85%) of the currently leased square footage of the Improvements. Each of the Tenant Estoppel Letters shall be substantially in form and substance of the Tenant Estoppel Letter delivered to the Tenant. A Tenant Estoppel Letter shall not fail to qualify as an acceptable Tenant Estoppel Letter if the applicable tenant (a) inserts "to tenant's knowledge" or "in all material respects" or other similar knowledge or materiality qualification to any of the statements contained in its Tenant Estoppel Letter; (b) delivers an estoppel letter that does not contain any more information than that which the tenant is required to give under its Tenant Lease; or (c) inserts "approximately" or other similar qualification to the amount of square feet leased by the tenant. If Lessor has not received acceptable executed Tenant Estoppel Letters from the required tenants by the Estoppel Deadline, then, in lieu of Tenant Estoppel Letters, Lessee, in its sole and absolute discretion, may elect to deliver a Lessee's certification for required tenants under Tenant Leases covering up to twenty percent (20%) of the currently leased square footage of the Improvements certifying to the matters contained in the Tenant Estoppel Letters that have not been returned (the "Lessee Certificates"). Lessee shall be released from any liability with respect to a Lessee Certificate upon and to the extent of delivery to Lessor of a Tenant Estoppel Letter executed by the tenant for which Lessee has delivered a Lessee's Certificate.

8. COVENANTS. From and after the Effective Date, up to and through the Lease Termination Date Lessee shall: (a) operate and maintain the Premises in accordance with Lessee's normal maintenance and management practices utilized in the ordinary course of Lessee's business, (b) not make any alterations or changes to the Improvements, except in the ordinary course of business, (c) not make or contract for any maintenance item or capital repair exceeding individually or in the aggregate a cost of \$25,000.00, unless the same is completed and paid for in full before or at Closing or, for any tenant improvements required under a Lessor approved lease, Lessee provides a credit to Lessor for such costs at Closing; and (d) not remove any of the personal property except if replaced by personal property of equivalent or greater value and utility. Lessor specifically authorizes Lessee to continue its normal leasing activities provided Lessee shall not enter into any tenant leases without Lessor's prior written approval. In addition, Lessee shall promptly notify Lessor in writing of any litigation or governmental proceeding to which Lessee becomes a party or which affects the Premises or any part thereof. Lessee will promptly provide Lessor with copies of all written notices received by Lessee after the Effective Date which assert any material breach of Tenant Leases, Contracts, laws, rules, regulations, covenants or permits applicable to the Premises.

9. FAILURE TO CLOSE. In the event the Parties fail to consummate the transaction described herein on or before the Lease Termination Date, and do not elect to extend such date by mutual agreement of the Parties, then this Agreement shall terminate and the Ground Lease shall remain in force and effect in accordance with its terms.

10. TENANT LEASES. Lessor acknowledges and agrees that the Premises are subject to each and every Tenant Lease identified on attached Exhibit B, as modified to be current as of the Lease Termination Date, and Lessor's assumption of all Tenant Leases prior to the termination of the Ground Lease was a material and significant factor in Lessee's decision to enter into this Lease Termination Agreement. Lessor shall indemnify, defend and hold Lessee harmless from any claim, liability, obligation, cost, or expense (including attorneys' fees and expenses) incurred by Lessee or otherwise threatened arising from or in any way related to the termination by Lessor of any Tenant Lease prior to the date specified for termination in such lease.

11. POST CLOSING CLAIM LIMITATIONS. In the event any Party proceeds with Lease Termination Date having knowledge of an inaccuracy in any warranty or breach of this Agreement by another Party, such Party shall be deemed to have waived any such inaccuracy or breach by proceeding with Lease Termination Date, and shall be deemed to waive, and shall not be entitled to assert, a post-Lease Termination Date claim for rescission, damages or indemnification, whether arising under this Agreement, by statute or by court decisions.

12. EXCULPATION FROM LIABILITY. Neither the Superintendent nor any Board member, officer, director, agent, employee, affiliate or trustee of Lessor shall have any personal liability of any kind or nature, nor shall Lessee have the right to receive any judgment or otherwise recover against the assets of the aforesaid, under or arising out of or in any way relating to this Agreement and the transactions contemplated under this Agreement. Lessee hereby waives for themselves and anyone who may claim by, through or under Lessee any and all rights to sue or recover on account of any such alleged personal liability or to receive any judgment or otherwise recover against the assets of the Superintendent of Lessor and any Board member, officer, director, agent, employee, affiliate or trustee of Lessor.

13. NOTICES. All notices, demands, consents, approvals and other communications which are required or desired to be given by any Party to the others under this Agreement shall be in writing and shall be hand delivered or sent by United States registered or certified mail, postage prepaid, return receipt requested, addressed to the appropriate Party at its address set forth below, or at such other address as such Party shall have last designated by notice to the other. Notices, demands, consents, approvals, and other communications shall be deemed given when delivered or three (3) business days after mailing; provided, however, that if any such notice or other communication shall also be sent by telecopy or fax machine, such notice shall be deemed given at the time and on the date of machine transmittal if the sending Party receives a written send verification on its machines and forwards a copy thereof to the receiving Party with a copy of the notice or communication in the manner required under the first sentence of this Section.

To Lessor: Seattle School District Number 1  
Attn: Noel Treat, General Counsel  
John Stanford Center for Educational Excellence  
2445 Third Avenue South, MS 32-151  
P.O. Box 34165  
Seattle, WA 98124-1165  
Phone: (206) 252-0651  
Fax: (206) 252-0111

With a copy to: McCullough Hill Leary, PS  
Attn: G. Richard Hill

701 Fifth Avenue, Suite 6600  
Seattle, WA 98104  
Phone: (206) 812-3388  
Fax: (206) 812-3389

To Lessee: Lake City Professional Building LLC  
c/o Allen Law Group PLLC  
Attn: Aliza Allen  
1325 4th Ave Suite 940  
Seattle, WA 98101-2509  
Phone: (206) 315-6192  
Fax: (206) 515-2084

14. MISCELLANEOUS.

a. Entire Agreement. This Agreement and the exhibits to this Agreement constitute the final and complete agreement, and supersede all prior correspondence, memoranda or agreements between the Parties relating to the matters set forth herein. In the event of any conflict or inconsistency between this Agreement and the Ground Lease, this Agreement shall be controlling and shall be deemed to amend the Ground Lease. This Agreement cannot be changed or modified other than by a written agreement executed by all Parties.

b. Successors Bound. Subject to the restrictions on assignment contained in Section 14(c), the provisions of this Agreement shall extend to, bind and inure to the benefit of the Parties to this Agreement and their respective members, their members' partners, and successors and assigns.

c. Assignment. Neither Lessor nor Lessee shall assign, pledge or otherwise transfer this Agreement without the prior written consent of the other.

d. Brokers. Lessor and Lessee each represent and warrant to the others that no real estate agent or broker was involved in negotiating the transaction contemplated in this Agreement. Each Party shall be responsible for the payment of any commission or other compensation owed to any broker arising out of the acts or omissions of such Party. Lessor shall be solely responsible for any fees, commissions or other expenses of Jim Reinhardson or Heartland Capital Advisors, if any are due in connection with this transaction.

e. Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of Washington. The venue for any action brought under this Agreement shall be in King County, Washington.

f. Facsimile Signature; Counterparts. This Agreement may be executed and delivered by facsimile transmission, and in more than one counterpart, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

g. Attorneys' Fees. In the event that any Party to this Agreement brings an action or proceeding for a declaration of the rights of the Parties under this Agreement, for injunctive relief, or for an alleged breach or default of this Agreement, or any other action arising out of this Agreement or the transactions contemplated hereby, the substantially prevailing Party in any such action shall be entitled to an award of reasonable attorneys' fees and any court

costs incurred in such action or proceeding and any appeal, in addition to any other damages or relief awarded, regardless of whether such action proceeds to final judgment.

h. Severability. If any term or provision of this Agreement shall, to any extent, be held invalid or unenforceable, the remaining terms and provisions of this Agreement shall not be affected thereby, but each remaining term and provision shall be valid and enforced to the fullest extent permitted by law.

i. Captions. The captions of this Agreement are inserted solely for convenience of reference only and do not define, describe or limit the scope or intent of this Agreement or any term hereof.

j. Exhibits. All exhibits attached to this Agreement are hereby incorporated herein by reference and made a part hereof.

k. Construction. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement (including the exhibits) or any amendments thereto, and the same shall be construed neither for nor against Lessor or Lessee, but shall be given a reasonable interpretation in accordance with the plain meaning of its terms and the intent of the Parties. Whenever a provision of this Agreement uses the words "include," "including" or words of similar meaning, the words shall not be construed so as to be limiting but shall be treated as illustrative.

l. Time. Time is of the essence under this Agreement. If the time for performance of any provision of this Agreement ends on a Saturday, Sunday or federal, state or legal holiday, then such date shall automatically be extended until 6:00 p.m. Pacific Time on the next day which is not a Saturday, Sunday or federal, state or legal holiday.

m. Survival of Terms. The terms and provisions of this Agreement shall survive the Lease Termination Date and shall remain in full force and effect thereafter.

n. No Partnership. Nothing contained in this Agreement or in any document or instrument executed in connection with this Agreement shall be construed as creating a partnership or joint venture between or among the Parties or between Lessor and any other Party, or cause Lessor to be responsible in any way for the debts or obligations of Lessee.

o. Tax Treatment. No party has made or is making any representations to the other concerning any of the tax effects of the transactions provided for in this Agreement. Lessor, its superintendent, board members, officers, directors, agents, trustees, affiliates and employees, shall be deemed released and forever discharged of and from any and all claims, acts, damages, demands, rights of action and causes of action which Lessor ever had, now has, or in the future may have, arising from or in any way connected with any tax treatment or filings by Lessee in connection with the termination of the Ground Lease. In addition, Lessee hereby agrees to indemnify, defend, and hold Lessor harmless from any claim, liability, obligation, cost, or expense (including attorneys' fees and expenses) arising from or related to Lessee's tax treatment of the termination of the Ground Lease.

p. Schedule of Exhibits.

- Exhibit A: Legal Description of Premises
- Exhibit B: Rent Roll
- Exhibit C: Environmental Reports
- Exhibit D: Environmental Disclosures (See Section 3(b)(vii))
- Exhibit E: Tenant Leases – Warranty Exceptions (See Section 3(b)(viii))
- Exhibit F: Assignment and Indemnification Regarding Tenant Leases
- Exhibit G: Assignment and Assumption of Assumed Contracts
- Exhibit H: Deferred Maintenance Items and Uncured Violations of Law
- Exhibit I: List of Contracts
- Exhibit J: Form Tenant Estoppel

*[Signature page follows]*

LESSOR:

**SEATTLE SCHOOL DISTRICT NUMBER 1,  
OF KING COUNTY, WASHINGTON**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date of execution by Lessor:  
\_\_\_\_\_, 2018

LESSEE:

**LAKE CITY PROFESSIONAL BUILDING, LLC**  
a Washington limited liability company

By: Lake City Center Partnership, a  
Washington general partnership

By: \_\_\_\_\_  
Name: Bruce C. Lorig  
Title: General Partner

Date of execution by Lessee:  
\_\_\_\_\_, 2018

**EXHIBIT A  
TO  
LEASE TERMINATION AGREEMENT**

**Legal Description of the Premises**

LOT 1 OF CITY OF SEATTLE SHORT PLAT NO. 8603362, RECORDED OCTOBER 27, 1986  
UNDER RECORDING NO. 8610271211, IN KING COUNTY, WASHINGTON

**EXHIBIT B  
TO  
LEASE TERMINATION AGREEMENT**

**Rent Roll**

# Rent Roll

Property: 05850 From Date: 01/31/2018 By Property

Property	Unit(s)	Lease	Lease Type	Area	Lease From	Lease To	Term	Monthly Rent	Monthly Rent Per Area	Annual Rent	Annual Rent Per Area	Annual Rec. Per Area	Annual Misc Per Area	Security Deposit	LOC Amount/ Bank Guarantee
<b>05850 - Lake City Professional Building, LLC, Seattle</b>															
<b>Current Leases</b>															
05850	080	Amity Kramer dba Thresholds	Office Gross	920.00	05/01/2017	04/30/2019	24	1,400.00	1.52	16,800.00	18.26	0.00	0.00	1,500.00	0.00
05850	100A	Res-Care Washington, Inc.	Office Gross	1,979.00	11/01/2014	11/30/2019	61	3,964.63	2.00	47,575.56	24.04	0.00	0.00	4,083.53	0.00
05850	100B	Integrative Medical Weight Mgmt	Office Gross	935.00	06/01/2017	05/31/2022	60	2,025.83	2.17	24,309.96	26.00	0.00	0.32	2,192.83	0.00
05850	100C	Lahey Physical Therapy	Office Gross	319.00	04/01/2014	03/31/2019	60	950.00	2.98	11,400.00	35.74	0.00	0.00	877.25	0.00
05850	102	Jeffrey Lanning	Office Gross	230.00	08/01/2015	07/31/2019	48	650.96	2.83	7,811.52	33.96	0.00	0.00	632.00	0.00
05850	103	Vlinder Communication Therapies, PLLC	Office Gross	335.00	06/17/2010	08/31/2018	99	897.87	2.68	10,774.44	32.16	0.00	0.00	800.00	0.00
05850	104	Pamela Pollock, LLC	Office Gross	278.00	08/01/2013	07/31/2019	72	819.13	2.95	9,829.56	35.36	0.00	0.00	731.33	0.00
05850	106	Mark Svore, DDS	Office Gross	475.00	11/01/2010	04/30/2022	138	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
05850	107	ERH, Inc.	Office Gross	198.00	02/06/2015	02/28/2018	37	605.00	3.06	7,260.00	36.67	0.00	0.00	587.00	0.00
05850	110	Mark Svore, DDS	Office Gross	1,590.00	02/01/2002	04/30/2022	243	4,729.44	2.97	56,753.28	35.69	0.00	0.00	0.00	0.00
05850	111	Carol Summers MS, LMFT	Office Gross	231.00	11/01/2014		0	667.15	2.89	8,005.80	34.66	0.00	0.00	667.00	0.00
05850	112	Dan Keusal, M.S., LMFT	Office Gross	182.00	03/01/2013	02/28/2019	72	584.15	3.21	7,009.80	38.52	0.00	0.00	556.00	0.00
05850	114	Nancy Drake	Office Gross	220.00	03/01/1997	07/31/2019	269	622.00	2.83	7,464.00	33.93	0.00	0.00	0.00	0.00
05850	115	Pinehurst Chiropractic	Office Gross	983.00	10/01/2010		0	2,711.01	2.76	32,532.12	33.09	0.00	0.00	1,515.46	0.00
05850	116	Theresa L. Epstein	Office Gross	202.00	12/01/2010	07/31/2019	104	616.00	3.05	7,392.00	36.59	0.00	0.00	545.00	0.00
05850	117	Amy Alpine, Ph.D CCDCI	Office Gross	271.00	07/15/2002		0	612.00	2.26	7,344.00	27.10	0.00	0.00	655.00	0.00
05850	120	Jeffrey B Moore	Office Gross	471.00	11/15/2015	05/31/2019	43	1,150.00	2.44	13,800.00	29.30	0.00	0.00	1,100.00	0.00
05850	122	Children's Home Society of WA	Office Gross	608.00	12/10/2013	11/30/2018	60	1,368.00	2.25	16,416.00	27.00	0.00	0.00	1,368.00	0.00
05850	123	Next Step Consulting, Inc.	Office Gross	305.00	10/01/2016	09/30/2018	24	855.53	2.81	10,266.36	33.66	0.00	0.98	855.53	0.00
05850	130	Rion A Berg, DPM	Office Gross	1,765.00	05/01/2009		0	5,185.00	2.94	62,220.00	35.25	0.00	0.00	2,528.00	0.00
05850	140	Therapeutic Associates, Inc.	Office Gross	2,174.00	02/01/2001	12/31/2019	227	6,131.19	2.82	73,574.28	33.84	0.00	0.33	1,143.00	0.00
05850	145, 205, 225	Children's Home Society of WA	Office Gross	6,471.00	12/01/2013	11/30/2018	60	14,032.32	2.17	168,387.84	26.02	0.00	0.00	14,201.67	0.00
05850	201	Paula Shockley, MD	Office Gross	287.00	03/04/2002		0	961.49	3.35	11,537.88	40.20	0.00	0.00	570.00	0.00
05850	202	Mary Jeanne Phipps	Office Gross	213.00	08/01/2012	11/30/2019	88	688.15	3.23	8,257.80	38.77	0.00	1.41	639.00	0.00
05850	203	Lisa Kahan, Ph.D	Office Gross	244.00	03/01/2002		0	697.07	2.86	8,364.84	34.28	0.00	1.23	590.00	0.00

# Rent Roll

Property: 05850 From Date: 01/31/2018 By Property

Property	Unit(s)	Lease	Lease Type	Area	Lease From	Lease To	Term	Monthly Rent	Monthly Rent Per Area	Annual Rent	Annual Rent Per Area	Annual Rec. Per Area	Annual Misc Per Area	Security Deposit	LOC Amount/ Bank Guarantee
05850	204	Tanya Ruckstuhl-Valenti	Office Gross	224.00	10/01/2012	09/30/2020	96	685.00	3.06	8,220.00	36.70	0.00	0.00	671.00	0.00
05850	206	Betsy Rubin	Office Gross	220.00	09/15/2000	08/31/2019	228	646.67	2.94	7,760.00	35.27	0.00	1.36	515.00	0.00
05850	228	Asclepius Corporation	Office Gross	2,046.00	01/01/2011	12/31/2020	120	4,411.30	2.16	52,935.60	25.87	0.00	0.00	3,921.50	0.00
05850	230	Jean Chen	Office Gross	1,891.00	07/01/2005	05/31/2022	203	4,186.47	2.21	50,237.64	26.57	0.00	0.00	2,505.00	0.00
05850	236	Jeanne Bertino D.M.D.	Office Gross	1,428.00	10/01/2001		0	3,398.64	2.38	40,783.68	28.56	0.00	0.50	0.00	0.00
05850	238	Hearing by Design, Inc.	Office Gross	1,103.00	12/01/2015	11/30/2018	36	2,340.35	2.12	28,084.20	25.46	0.00	0.00	2,340.00	0.00
05850	240	Mkg Full Moon, Inc.	Office Gross	1,498.00	11/01/2011	11/30/2021	121	3,273.81	2.19	39,285.72	26.23	0.00	0.00	3,684.70	0.00
05850	245	Seong-Hun Kim	Office Gross	493.00	07/01/2015	06/30/2020	60	1,208.57	2.45	14,502.84	29.42	0.00	0.00	1,269.75	0.00
05850	090	VACANT		2,566.00			0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
05850	100D	VACANT		443.00			0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
05850	207	VACANT		324.00			0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Current</b>				<b>34,122.00</b>				<b>73,074.73</b>	<b>2.14</b>	<b>876,896.72</b>	<b>25.70</b>	<b>0.00</b>	<b>0.09</b>	<b>53,244.55</b>	<b>0.00</b>

	Total Units	Total Area	Percentage	Monthly Rent	Annual Rent
Occupied	35	30,789.00	90.23	73,074.73	876,896.72
Vacant	3	3,333.00	9.76	0.00	0.00
<b>Total</b>	<b>38</b>	<b>34,122.00</b>		<b>73,074.73</b>	<b>876,896.72</b>

**EXHIBIT C  
TO  
LEASE TERMINATION AGREEMENT**

**Environmental Reports**

1. Phase I Environmental Site Assessment dated April 27, 2009 prepared by AES Due Diligence, Inc.
2. UST Soil Sampling for Possible TPH Contamination dated April 14, 2009 prepared by G-Logics
3. Phase I Environmental Site Assessment dated March 20, 2008 prepared by Environmental Associates, Inc.
4. Limited Asbestos Survey dated March 13, 2008 prepared by NVL Laboratories, Inc.

**EXHIBIT D  
TO  
LEASE TERMINATION AGREEMENT**

**Environmental Disclosures (Section 3(b)(vii))**

1. Potential for lead based paint contamination throughout the Premises present on the Premises before the commencement date of the Ground Lease.
2. Asbestos present in underground utility tunnel constructed on the Premises prior to the commencement date of the Ground Lease.

**EXHIBIT E  
TO  
LEASE TERMINATION AGREEMENT**

**Tenant Leases – Warranty Exceptions (Section 3(b)(viii))**

1. See Attached Receivable Summary
2. Tenant extension options not disclosed on attached rent roll
  - i) Suite 106/110 – Sorve – 5 year option to extend lease to 04/30/2027
  - iii) Suite 100A – Rescare – 3 year option to extend lease to 11/30/2022
  - iv) Suite 240 – MKG Full Moon – 3 year option to extend lease to 11/30/2024

**Receivable Summary**

DB Caption: LIVE Property: 05850 Status: Current, Past, Future Month From: 02/2018 To 02/2018 Summary By: Tenant

Property	Customer	Tenant	Balance Forward	Charge	Receipt	Ending Balance
<b>Lake City Professional Building, LLC (05850 )</b>						
05850		Amity Kramer dba Thresholds	-1,400.00	1,400.00	0.00	0.00
05850		Amy Alpine, Ph.D CCDCII	-1,224.00	612.00	-1,224.00	-1,836.00
05850		Asclepius Corporation	0.00	4,411.30	-4,411.30	0.00
05850		Betsy Rubin	0.00	671.67	-671.67	0.00
05850		Carol Summers MS, LMFT	0.00	667.15	-733.19	-66.04
05850		Children's Home Society of WA	-1,368.00	1,368.00	0.00	0.00
05850		Children's Home Society of WA	-13,180.89	14,032.32	-567.62	283.81
05850		Dan Keusal, M.S., LMFT	0.00	584.15	-584.15	0.00
05850		ERH, Inc.	0.00	605.00	-605.00	0.00
05850		Hearing by Design, Inc.	-2,340.35	2,340.35	0.00	0.00
05850		Integrative Medical Weight Mgmt	158.54	2,050.83	-2,209.37	0.00
05850		Jean Chen	0.00	4,186.47	-4,186.47	0.00
05850		Jeanne Bertino D.M.D.	0.00	3,458.64	-3,458.64	0.00
05850		Jeffrey B Moore	0.00	1,150.00	-1,150.00	0.00
05850		Jeffrey Lanning	1,301.92	650.96	-1,301.92	650.96
05850		Lahey Physical Therapy	0.00	950.00	-950.00	0.00
05850		Lisa Kahan, Ph.D	0.00	722.07	-722.07	0.00
05850		Mark Svore, DDS	0.00	4,729.44	-4,729.44	0.00
05850		Mary Jeanne Phipps	-662.75	713.15	0.00	50.40
05850		Mkg Full Moon, Inc.	250.00	3,273.81	-3,523.81	0.00
05850		Nancy Drake	0.00	622.00	-622.00	0.00
05850		Next Step Consulting, Inc.	0.00	880.53	-880.53	0.00
05850		Pamela Pollock, LLC	0.00	819.13	-819.13	0.00
05850		Paula Shockley, MD	0.00	961.49	-961.49	0.00
05850		Pinehurst Chiropractic	-0.38	2,711.01	-2,711.01	-0.38
05850		Res-Care Washington, Inc.	0.00	3,964.63	-3,964.63	0.00
05850		Rion A Berg, DPM	0.00	5,185.00	-5,185.00	0.00
05850		Seong-Hun Kim	0.00	1,208.57	-1,208.57	0.00
05850		Tanya Ruckstuhl-Valenti	0.00	685.00	-685.00	0.00
05850		Therapeutic Associates, Inc.	0.00	6,191.19	-6,191.19	0.00
05850		Theresa L. Epstein	0.00	616.00	-616.00	0.00
05850		Vtinder Communication Therapies, PLLC	0.00	897.67	-897.67	0.00
05850			-18,465.91	73,318.73	-55,771.07	-917.25
<b>Grand Total</b>			<b>-18,465.91</b>	<b>73,318.73</b>	<b>-55,771.07</b>	<b>-917.25</b>

Userld : lisa Date : 3/8/2018 Time : 2:54 PM

EXHIBIT F  
TO  
LEASE TERMINATION AGREEMENT

**Assignment and Indemnification Regarding Tenant Leases**

## Assignment and Indemnification Regarding Tenant Leases

THIS ASSIGNMENT AND INDEMNIFICATION REGARDING TENANT LEASES (the “Assignment”) is made and entered into as of this \_\_\_\_ day of \_\_\_\_\_, 2018, by and between Lake City Professional Building, LLC, a Washington limited liability company (“Assignor”) and Seattle School District Number 1, of King County, Washington, a municipal corporation (“Assignee”).

### **RECITALS**

A. Assignor and Assignee are parties to a Ground Lease dated July 30, 1986 (as amended, the “Ground Lease”) for certain improved real property located at 2611 NE 125th Street, Seattle, King County, Washington, commonly known as the Lake City School, legally described on Exhibit A attached to this Agreement (the “Property”). Assignor constructed improvements within the building located on the Property and then subleased spaces within the building to commercial tenants.

B. Assignor and Assignee have entered into a Lease Termination Agreement dated March \_\_\_\_, 2018 (the “Lease Termination Agreement”) pursuant to which Assignor has agreed to transfer and convey to Assignee all of its right, title and interest as lessor under those certain leases listed in the rent roll attached as Exhibit B to the Lease Termination Agreement and by this reference incorporated herein (the “Leases”) and all of its right, title and interest in certain security deposits collected and held by Assignor to secure the performance of the duties and obligations of tenants under certain of the Leases (the “Security Deposits”).

### **AGREEMENT**

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth in the Lease Termination Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignment. Assignor hereby assigns, transfers, and conveys to Assignee all of Assignor’s right, title, and interest in and to the Leases and the Security Deposits.

2. Assumption. Assignee hereby agrees to and accepts such assignment from and after the date hereof and, in addition, expressly assumes and agrees to keep, perform and fulfill all of the terms, covenants, obligations, and conditions required to be kept, performed and fulfilled by Assignor under or with respect to the Leases, including without limitation all obligations and duties owed tenants with respect to the Security Deposits.

3. Indemnity. Assignor agrees to indemnify, defend and hold Assignee harmless from and against any and all liability, loss, cost, damage and expenses (including reasonable attorneys’ fees and costs) directly or indirectly arising out of or related to any claims made by tenants under any of the Leases hereby assigned, including without limitation all obligations and duties owed tenants with respect to Security Deposits, of a breach or default by Assignor in the performance of its obligations under the Leases which arose prior to the date hereof. Assignee agrees to indemnify, defend and hold Assignor harmless from and against any and all liability, loss, cost, damage and expenses (including reasonable attorneys’ fees and costs) directly or indirectly arising out of or related to any claims made by tenants under any of the Leases hereby assigned of a breach or default in Assignee’s obligations hereunder which arises on or after the date hereof including without limitation all obligations and duties owed tenants with respect to Security Deposits or in any way related to the termination by Assignee of any Lease prior to the date specified for termination in such lease.

4. Binding. The provisions of this Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and permitted assigns.

5. Counterparts. This Assignment may be executed and delivered in more than one counterpart, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the day and year first set forth above.

ASSIGNEE:

**SEATTLE SCHOOL DISTRICT NUMBER 1,  
OF KING COUNTY, WASHINGTON**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ASSIGNOR:

**LAKE CITY PROFESSIONAL BUILDING,  
LLC, a Washington limited liability company**

By: Lake City Center Partnership, a  
Washington general partnership

By: \_\_\_\_\_

Name: Bruce C. Lorig

Title: General Partner



STATE OF WASHINGTON            )  
  ) ss.  
COUNTY OF KING                )

I certify that I know or have satisfactory evidence that Bruce Lorig is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the General Partner of the Lake City Center Partnership, a Washington general partnership, which entity is the sole member of Lake City Professional Building, LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_



(Use this space for notarial stamp/seal)

\_\_\_\_\_  
Notary Public in and for the State of Washington,  
residing at \_\_\_\_\_  
Print Name \_\_\_\_\_  
My appointment expires \_\_\_\_\_

**EXHIBIT A**

**Legal Description**

LOT 1 OF CITY OF SEATTLE SHORT PLAT NO. 8603362, RECORDED OCTOBER 27, 1986  
UNDER RECORDING NO. 8610271211, IN KING COUNTY, WASHINGTON

EXHIBIT G  
TO  
LEASE TERMINATION AGREEMENT

Assignment and Assumption of Assumed Contracts

**EXHIBIT H  
TO  
LEASE TERMINATION AGREEMENT**

**Deferred Maintenance Items and Uncured Violations of Law**

1. Drainage System Inspection Corrective Action Letter dated December 12, 2017 from the City of Seattle and the February 6, 2018 Corrective Action Extension letter.

**EXHIBIT I  
TO  
LEASE TERMINATION AGREEMENT**

**List of Contracts**

1. HVAC and Water treatment – Auburn Mechanical
2. Landscaping – Corcoran
3. Elevator – Thyssen Krupp
4. Janitorial – Sound Maintenance
5. Property Management - Coast
6. Security – Guardian (fire and security alarm monitoring)
7. Security Patrol – Nightly patrols
8. Indoor Plant Care -Plantscapes

**EXHIBIT J  
TO  
LEASE TERMINATION AGREEMENT**

**Form of Tenant Estoppel**

Re: Seattle School District Number 1, of King County ("**Ground Lessor**")  
Lake City Professional Building, LLC ("**Landlord**")

Lake City Elementary School Site - 2611 NE 125<sup>th</sup> Street  
Seattle, WA

Ladies and Gentlemen:

The undersigned ("**Tenant**") certifies that with respect to the lease (the "**Lease**") more particularly described as: \_\_\_\_\_ :

1. Tenant is the tenant under the Lease;
2. Tenant has accepted possession of the premises (the "**Premises**") under the Lease;
3. There are no rent abatements or free rent periods now or in the future other than:  
\_\_\_\_\_;
4. The Lease is in full force and effect and, has not been assigned, modified, supplemented or amended in any way except \_\_\_\_\_;
5. The Lease represents the entire agreement between Tenant and Landlord with respect to the Premises;
6. All construction and other obligations of a material nature to be performed by Landlord have been satisfied, except \_\_\_\_\_;
7. Any payments by Landlord to Tenant for tenant improvements which are required under the Lease have been made, except \_\_\_\_\_;
8. On this date, there are no existing defenses or offsets which Tenant has against the enforcement of the Lease by Landlord and Tenant has no knowledge of any event which with the giving of notice, the passage of time or both would constitute a default by Tenant, or to the best of Tenant's knowledge, a default by Landlord, under the Lease;
9. Tenant is not entitled to any offsets, abatements, deductions or otherwise against the rent payable under the Lease except \_\_\_\_\_;
10. No rental (including expense reimbursements), other than for the current month, has been paid in advance, except \_\_\_\_\_;

11. Tenant has not filed on its behalf, nor to Tenant's knowledge, has any party initiated against Tenant, proceedings for relief under bankruptcy, insolvency, or other proceedings;

12. Except as set forth in the Lease, Tenant has no purchase, extension, expansion, rights of first offer, rights of first refusal, exclusives, right to lease other premises, or rights to have Landlord perform Tenant's obligations under leases of other premises;

13. Tenant has no right to terminate the Lease except as set forth in the Lease; and

The truth and accuracy of the certifications contained herein may be relied upon by Ground Lessor and Landlord and said certifications shall be binding upon Tenant and its successors and assigns, and inure to the benefit of the Ground Lessor and Landlord.

Very truly yours,

«Operating\_As»

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Lake City Property**  
Buy-out Analysis

**Lease Requirements for Termination:**

Section 20.0 - Lessor shall pay to Lessee and Lessee shall accept a sum in the amount of the then current fair market value of the Lease for the entire balance of the remaining lease term.

Section 20.1 - Reimbursement of actual and documented expenditures made by Lessee in any relocation of Lessee or any of Lessee's subtenants caused by such termination.

Section 20.2 - Any and all damages, claims and liabilities Lessee may suffer as a result of such termination and its effect upon Lessee's obligations to its subtenants and any and all attorneys' fees applicable thereto including loss of the Lease herein.

Section 20.3 - Reimbursement for any and all insurance premiums, taxes, and other fee and charges paid by Lessee and applicable to the remaining balance of the lease term.

Section 20.4 - Any and all termination fees or charges with respect to Lessee's termination of any management contracts, service contracts, or other operating agreements with respect to the Premises, and each and every other cost, expense, damage, or loss incurred by Lessee in connection with the early termination of this Lease by Lessor pursuant to this paragraph.

Section 20.5 - The principal balance of and interest accrued on any financing of the Premises and the Improvements thereon remaining unpaid at the time of termination by Lessor hereunder including, without limitation, all prepayment penalties which may be applicable.

Section 20.6 - The then fair market value of the Improvements and the fair market value of the then remaining Lease Term less the amount paid, if any, under subparagraph