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07 OCT 23 PM 3:45

KING COUNTY
SUPERIOR COURT CLERK
SEATTLE, WA.

SUPERIOR COURT OF WASHINGTON IN AND FOR KING COUNTY

JEFFERSON SQUARE APARTMENTS NW)
LLC ,)

Plaintiff,)

v.)

SEATTLE SCHOOL DISTRICT,)

Defendant.)

No. **07-2-34017-3 SEA**
SUMMONS

NICOLE K. MACINNES

TO: SEATTLE SCHOOL DISTRICT

A lawsuit has been started against you in the above-entitled court by plaintiff Jefferson Square Apartments NW LLC. Plaintiff's claims are stated in the written complaint, a copy of which is served upon you with this summons.

In order to defend against this lawsuit, you must respond to the complaint by stating your defense in writing and by serving a copy upon the person signing this summons within twenty (20) days after the service of this summons, excluding the date of service, or a default judgment may be entered against you without notice. A default judgment is one where plaintiffs are entitled to what they ask for because you have not responded. If you serve a notice of appearance on the undersigned person you are entitled to notice before a default judgment may be entered.

You may demand that the plaintiff file this lawsuit with the court. If you do so, the demand must be in writing and must be served upon the person signing this summons.

ORIGINAL

1 Within 14 days after you serve the demand, the plaintiff must file this lawsuit with the court,
2 or the service on you of this summons and complaint will be void.

3 If you wish to seek the advice of an attorney in this matter, you should do so promptly
4 so that your written response, if any, may be served on time.

5 This summons is issued pursuant to Rule 4 of the Superior Court Civil Rules of the
6 State of Washington.

7 DATED this 23rd day of October, 2007.

8 BYRNES & KELLER LLP

9
10 By 

11 Paul R. Taylor, WSBA #14851
12 Jofrey M. McWilliam, WSBA #28441
13 Attorneys for Plaintiff
14 Jefferson Square Apartments NW LLC

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SUPERIOR COURT OF WASHINGTON IN AND FOR KING COUNTY

JEFFERSON SQUARE APARTMENTS NW)
LLC,)

Plaintiff,)

v.)

SEATTLE SCHOOL DISTRICT,)

Defendant.)

No. **07-2-34017-3** ~~387A~~

COMPLAINT

NICOLE K. MACINNES

I. PARTIES, JURISDICTION AND VENUE

1. Jefferson Square Apartments NW LLC is a Washington limited liability corporation.

2. Seattle School District is a Washington municipal corporation doing business in King County.

3. Jurisdiction is proper under this Court's general jurisdiction. Venue is proper because the property which is the subject matter of this action is located in King County and the defendant is located in King County.

II. BACKGROUND

4. Jefferson has an air space lease with the District.¹ The space encompasses the second, third and fourth floors of a building. While Jefferson leases the air space, it owns the portion of the building within the air space in fee simple. The first floor of the building contains commercial space and is occupied by a different tenant.

¹ A copy of the lease is attached as Exhibit 1.

ORIGINAL

1 5. Prior to construction of the current building, the property was under a single
2 lease. For financing reasons, the tenant at that time asked that the lease be split into two
3 leases – one for the commercial space and one for the residential space. At that time, the
4 residential space had not been built. Thus, the residential lease was an “air space” lease.
5 Under the new leases, an amount equal to the rent previously paid under the unified lease was
6 paid under the commercial lease. The rent for the residential air space lease was \$1 per year.

7 6. Both the ground lease and the residential lease were for 99-year periods. The
8 residential lease included a purchase option as follows:

9 At any time, upon request of Lessee, Lessor will at Lessee’s expense
10 prepare for public record a “short plat” which separates the [ground
11 lease property from the residential property]. . . . Upon the effecting of
12 such short plat, Lessee shall have the option, continuing during the term
13 hereof, to purchase the Premises from Lessor for the sum of One dollar
14 (\$1), conveyances of such Premises to be by warranty deed
15 accompanied by ALTA title insurance evidencing good and marketable
16 title to the Premises, the expense of such title insurance to be borne by
17 Lessee and policy to be of such amount as determined by Lessee.

18 Exhibit 1, ¶ 6.2

19 7. In 2005, Jefferson obtained an assignment of the residential lease and fee
20 ownership of the structure. In connection with that transaction, the District signed an estoppel
21 certificate stating that the lease was in full force and effect. In 2006, Jefferson attempted to
22 exercise its rights under the option clause to purchase the air space. The School District
23 refused to honor the option.

24 8. The School District’s reasons for refusing to honor the option are troubling at
25 best. The District first claims that the school superintendent who signed the lease was not
26 authorized to do so. The superintendent, however, has sworn under oath that he was so
authorized:

 On this 3rd of October, 1985, before me, the undersigned a Notary
Public in and for the State of Washington, duly commissioned and
sworn, personally appeared Robert L. Nelson, to me known to be the
person who signed as Superintendent, of SEATTLE SCHOOL
DISTRICT, the corporation that executed the within and foregoing

1 instrument, and acknowledged said instrument to be the free and
2 voluntary act and deed of said corporation for the uses and purposes
3 therein mentioned, and on oath stated that he was duly elected,
4 qualified and acting as said officer of the corporation, that he was
authorized to execute said instrument and that the seal affixed, if any, is
the corporate seal of said corporation.

5 Exhibit 1 at 21 (emphasis added).

6 Second, the School District claims that the option was invalid because the District did
7 not comply with RCW 28A.335.120(2) at the time the lease was executed. That statute
8 requires notice and a hearing in connection with the sale of District property if the fair market
9 value of the property exceeds \$70,000. The District has taken the position that the granting of
10 the option was a "sale" subject to the statute. An option to sell property, however, is not a
11 "sale" but simply an offer to sell that may or may not be accepted. Thus, the lease (and the
12 option it contains) was valid in the first instance. Moreover, for property that is worth less
13 than \$70,000, the statute does not require a hearing. The property can simply be sold 45 days
14 after the District publishes notice of the sale. RCW 28A.335.120(3). Here, the fair market
15 value of the property which is the subject of the residential lease is not worth anything
16 approaching \$70,000. If the property were sold on the open market, the seller would take it
17 subject to the remaining life of the 99-year lease. Thus, the value consists of the present value
18 of a \$1 per year income stream, plus whatever residual value attaches to the right to obtain
19 possession in October 2084. That residual value is zero. No appraiser would attach any value
20 to real property interest which does not mature for seven decades.

21 **III. CAUSES OF ACTION**

22 **SPECIFIC PERFORMANCE**

23 9. Jefferson, as the holder of an option to purchase an interest in real property (the
24 air space), is entitled to specific performance of the District's obligation under the option.
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BREACH OF CONTRACT

10. The Seattle School District has breached the lease by refusing to honor its obligation under the purchase option. Jefferson has been damaged in an amount to be proven at trial.

PRAYER FOR RELIEF

Jefferson prays for relief as follows:

1. For an injunction requiring the School District to prepare for public record a short plat which separates the leased premises from the balance of the property, and further requiring the City to honor Jefferson's exercise of the option and convey the property to Jefferson pursuant to the terms of that option;
2. For damages in an amount to be proven at trial; and
3. For its costs and attorney's fees.

DATED this 23rd day of October, 2007.

BYRNES & KELLER LLP

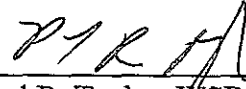
By 
Paul R. Taylor, WSBA #14851
Jofrey M. McWilliam, WSBA #28441
Attorneys for Plaintiff
Jefferson Square Apartments NW LLC

EXHIBIT 1

GROUND LEASE
(Residential Lease)

BEST AVAILABLE IMAGE POSSIBLE

Seattle School District, Lessor
RICHARD C. HEDREEN, Lessee

This Lease made as of Oct. 3, 1985, is by and between the SEATTLE SCHOOL DISTRICT, a Washington municipal corporation, as Lessor ("Lessor"), and RICHARD C. HEDREEN, of King County, Washington, as Lessee ("Lessee"). This Lease replaces a previous Lease of the Premises described in Paragraph 1 below, originally entered into between Lessor and R.C. Hedreen Co. or Assigns as Lessee and continues the terms of said Lease with Richard C. Hedreen as Lessee and modified as set forth below.

W I T N E S S E T H:

In consideration of their mutual promises Lessor and Lessee do hereby mutually agree as follows:

1. LEASED PREMISES

Lessor hereby leases to Lessee, and Lessee hereby hires and leases from Lessor Sections B and C of the following described property, situated in King County, State of Washington, hereinafter referred to in this Lease as the "Premises"):

- A. Block 2, Scenic Park, according to plat thereof recorded in Volume 15 of Plats, Page 34, records of King County, Washington, including vacated alleys therein, vacated by City of Seattle under Vacation Ordinance 81725, excluding those portions designated as sections "B" and "C" lying above a portion of the Premises described in Section "A".
- B. That portion of the Premises described in Section "A" above which lies at and above the elevation 332 feet (332') above main sea level of Seattle datum, above the following described tract: commencing at the northeast corner of said described Premises and proceeding southerly along the east line of said Premises a distance of 100 feet (100'), which point is the point of beginning, thence continuing southerly along east line a distance of 341 feet (341') thence westerly, parallel to the north line of said Premises a distance of 78 feet (78'), thence northerly parallel to the east line of said Premises a distance of 341 feet (341'), thence easterly along said north line to the point of beginning.

- C. That portion of the Premises described in Section "A" above, which lies at and above the elevation of 336.5 feet (336.5') above main sea level of Seattle datum, above the following described tract: Commencing at the northeast corner of said described Premises and proceeding southerly along the east line of said Premises a Distance of 411 (411'), which point is the point of beginning, thence continuing southerly along said east line of distance of 159 feet (159') to the south line of said Premises, thence westerly along said south line of said Premises a distance of 246 feet (246'), thence northerly parallel to the east boundary of said Premises a distance of 159 feet (159') more or less to a point which is 411 feet south of the north line of said Premises, thence easterly parallel to the north line of said Premises to the point of beginning.

2. TERM

The initial term of this Lease shall be for 99 years, (including the period held by R.C. Hedreen Co. as Lessee under the lease to which this lease succeeds) commencing on January 1, 1985, and ending on the day immediately preceding the 99th anniversary thereof, unless sooner terminated as provided in this Lease.

3. RENT

Lessee covenants to pay to Lessor annual rental of One Dollar (\$1) per year on a fully net basis to Lessor such as Lessor, during the term hereof, suffers no cost of ownership of any nature or amount, Lessee covenanting to indemnify and hold harmless Lessor as to all costs of taxes, insurance or maintenance and excepting only Lessor's obligation of provision of quiet enjoyment.

4. TAXES

4.1 LESSEE'S PAYMENT OF TAXES

Lessee covenants to pay (or cause the payment of) all taxes, impost levies or assessments of any nature upon or pertaining to the Premises, of this Lease, and Lessee's leasehold estate hereunder.

4.2 IMPOSITIONS

To the extent not covered by Section 4.1 hereof, Lessee shall be liable for and pay when due the following ("Impositions"):

- (a) Taxes due with respect to the Premises or the leasehold estate created by this Lease, including any business and occupation taxes on the rents payable or paid by Lessee to Lessor;
- (b) All taxes imposed on or with respect to personal property and intangibles located in or used in connection with the Premises;

- (c) All assessments for improvements or benefits which are assessed during the term of this Lease; and
- (d) All other rents, rates and charges, excises, levies, license fees, permit fees, inspection fees and other authorization fees and other charges which at any time may be assessed against or imposed in respect of the Premises, or any interest therein, or any occupancy, use or possession of, or activity conducted on the Premises, as assessed or imposed by any governmental entity other than Lessor and having jurisdiction therefor.

Lessee shall also pay, or reimburse Lessor for, all taxes on the leasehold interest created by this Lease or measured by the rent payments hereunder. With respect to any such taxes payable by Lessor which are measured by the rent payments hereunder, Lessee shall pay to Lessor with each rent payment an amount equal to the tax on, or measured by, that particular payment. All other tax amounts for which Lessor is or will be entitled to reimbursement from Lessee shall be payable by Lessee to Lessor at least fifteen (15) days prior to the due dates of the respective tax amounts involved.

4.3 CONTEST OF TAXES

Lessee's obligation to pay taxes, assessments and governmental charges hereunder may be deferred during any period of Lessee's good faith contest thereof, provided that the Premises and Improvements shall not be made subject to foreclosure or distraint by reason thereof.

4.4 LOCAL IMPROVEMENT OR BENEFIT DISTRICTS

As owner of the Premises, during the term hereof Lessor will not vote in favor of the creation of or setting of assessment rolls for any local improvement district or benefit district except on approval of Lessee.

5. UTILITIES

Lessee shall be liable for, and shall pay or cause to be paid before delinquency thereof, throughout the term of this Lease, all charges for all utility services furnished to the Premises, including, but not limited to, light, heat, electricity, gas, water, telephone service, sewage service, garbage disposal, and other public or private utilities of every kind furnished to the Premises. Lessor shall have no liability whatsoever for the failure of any such service for any reason.

6. ACCEPTANCE AND POSSESSION OF PREMISES

6.1 LESSEE'S ACCEPTANCE OF PREMISES

Lessee has examined the Premises, and, accepts them at the commencement of the term of this Lease in their present condition, and shall make any changes in the Premises necessary to conform

to federal, state and local law applicable to Lessee's use of the Premises.

6.2 PURCHASE OF PREMISES

At any time, upon request of Lessee, Lessor will at Lessee's expense prepare for public record a "short plat" which separates the Premises hereunder (i.e. Sections B and C of Section 1 above) from the balance of the property described in Section A of Section 1. Upon the effecting of such short plat, Lessee shall have the option, continuing during the term hereof, to purchase the Premises from Lessor for the sum of One dollar (\$1), conveyances of such Premises to be by warranty deed accompanied by ALTA title insurance evidencing good and marketable title to the Premises, the expense of such title insurance to be borne by Lessee and policy to be of such amount as determined by Lessee.

7. USE OF PREMISES; COMPLIANCE WITH LAWS AND REGULATIONS; FINANCIAL STATEMENTS

7.1 USE

The Premises are leased to Lessee for the purpose of constructing, maintaining and operating improvements (the "Improvements") as described in Section 8.2, all in accordance with the "Plans and Specifications" identified in Section 8.2, and for no other purpose without the prior written consent of Lessor.

7.2 COMPLIANCE WITH LAWS

In Lessee's use of the Premises, Lessee shall comply with and abide by all federal, state, county, municipal and other governmental statutes, ordinances, laws and regulations affecting the Premises, the Improvements thereon or any activity or condition on or in such Premises.

7.3 FINANCIAL STATEMENTS

Lessee will, upon Lessor's written request, promptly provide Lessor with copies of Lessee's financial statements, prepared in accordance with generally accepted accounting principles, for the year prior to the date of such request. This requirement is in addition to the annual income statement of the Improvement Project as provided in Section 3.2.

8. CONSTRUCTION OF IMPROVEMENTS

8.1 COMMENCEMENT OF CONSTRUCTION

On or before 120 days from completion of improvements to the Premises designated in Section A of Section 1 hereof such that the same will support the improvement by Lessee of the Premises hereunder, Lessee shall, at the Lessee's sole cost and expense, take such steps as are necessary to commence construction of the

Improvements in accordance with the terms of this Lease. Following commencement of construction, Lessee shall diligently proceed with construction of the Improvements in accordance with and subject to the terms of this Lease.

8.2 PLANS

8.2.1 APPROVAL OF PLANS

Lessor has approved a design concept for the Improvements as established by the drawings and outline of specifications received by Lessor in Lessee's proposal of April 15, 1982.

8.2.2 PLANS AND SPECIFICATIONS

Lessee shall prepare Plans and Specifications for the Improvements which shall not vary significantly from the design concept. Lessee shall provide Lessor with a copy of such Plans and Specifications and Lessor shall have thirty (30) days from receipt thereof to disapprove such Plans and Specifications and by such disapproval to prohibit construction on the Premises in accordance with such Plans and Specifications. Absence of written disapproval of such Plans and Specifications by Lessor within such thirty (30) days shall be deemed approval thereof. Lessor's disapproval shall operate to abate rental obligations of Lessee hereunder. Lessor's approval shall not be unreasonably withheld.

8.2.3. ADDITIONS AND FURTHER IMPROVEMENTS

Lessee shall have the right from time to time after the completion of the improvements to be constructed under this Section 8 and thereafter during the term of this Lease, to construct additions and improvements on the Premises and to make alterations to the existing structures or other improvements on the Premises, provided, however, that if any such project involves a total or partial removal of improvements on the Premises or substantial structural modification thereof, the right to effect the same shall be conditioned upon the resulting improvements being of not lesser economic value than those so replaced or altered, to the end that the reversionary rights of Lessor be not prejudiced thereby. Lessee undertakes to maintain a commercial-income use of the Premises consistent with first-class commercial use; and in any alteration, removal or restoration of any improvements to the Premises, Lessee will pursue a highest and best use of the Premises. If Lessee proposes any major alteration or removal of improvements or restoration or replacement thereof, the effect of which will be to change commercial purposes or use of the Premises, Lessee shall, by written notice to Lessor, set forth in detail the nature and extent of the

proposed change of use or purposes, including in such notice detailed information as follows:

- (a) The nature and extent of the proposed change;
- (b) Lessee's analysis of commercial justification for such change;
- (c) The estimated dates on which construction, if any, will start and finish;
- (d) The estimated cost of construction, if any, together with the basis of the estimates;
- (e) Lessee's proposed sources of financing of any proposed change in operations, including equity capital, construction financing, long term financing and working capital financing, if necessary, and as to each thereof the amount thereof and terms upon which the same are to be committed to the changed operation, including interest rate, period of repayment, mortgage or other security to the extent then known;
- (f) The identity of the persons, firms or other entities that are to be involved in the proposed change in operations, including owners, operators, mortgagees, and subtenants and concessionaires, if any;
- (g) An architect's preliminary outline of the changes in existing improvements or any new improvements to be constructed with a description thereof sufficient to permit Lessor to evaluate the same;
- (h) The estimated date the proposed change in operations will be fully effective.

The purpose of such information is to permit Lessor's analysis of whether the proposed change will materially impair the economic value of Lessor's reversionary interest. If for one hundred twenty (120) days the parties have failed to agree that such change will not so materially impair Lessor's interest, the matter shall be determined by arbitration. Before commencing additions, improvements or alterations substantially modifying the then existing improvements, Lessee shall provide to Lessor the plans and specifications therefor. The completion of such work shall be in accordance with the general Plans and Specifications (and change orders) submitted to Lessor and Lessee agrees to hold Lessor harmless as to all loss, cost, charge, claim, lien or expense arising therefrom or in connection therewith.

8.3 HOLD HARMLESS; BOOKS AND RECORDS

Lessee shall indemnify, protect and hold harmless Lessor and the Premises from and against all claims and liabilities arising by

virtue of or relating to construction of the Improvements and any other improvements or repairs made at any time to the Premises (including repairs, restoration and rebuilding). Lessee shall regularly and timely pay any and all amounts properly payable to third parties with respect to such work and will maintain its books and records in King County, Washington, with respect to all aspects of such work, and will make them available for inspection by Lessor or its representatives as requested.

8.4 PERMITS; COMPLIANCE WITH CODES

All building permits and other permits, licenses, permissions, consents and approvals required to be obtained from governmental agencies or third parties in connection with construction of the Improvements, repairs, replacements or renewals to the Premises shall be acquired as required by applicable laws, ordinances or regulations by and at the sole cost and expense of Lessee. Lessee shall cause all work on the Premises during the Lease term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction.

8.5 OWNERSHIP OF IMPROVEMENTS

During the term of this Lease, the Improvements constructed by Lessee, including without limitation all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein, shall be the property of Lessee. At the expiration or earlier termination of this Lease, the Improvements and all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall become the property of Lessor.

8.6 CONTROL AND INDEMNIFICATION

Notwithstanding anything to the contrary in this Lease, during the term of this Lease, Lessor shall have no liabilities, obligations or responsibilities whatsoever with respect to the Premises or with respect to any Plans and Specifications referred to in Section 8.2. Lessor's approval of any such Plans and Specifications shall not render Lessor liable therefor, and Lessee covenants and indemnifies, defends and holds harmless Lessor from and against any and all claims arising out of or from the use of such Plans and Specifications.

8.7 SURRENDER UPON TERMINATION

Upon expiration or earlier termination of this Lease, Lessee shall remove Lessee's personal property and equipment not affixed to the Premises and shall surrender the Premises, and the Improvements to Lessor. Lessee's personal property and equipment not removed by Lessee at expiration or earlier termination of this Lease or within a reasonable time thereafter

shall be considered abandoned and Lessor may dispose of such property in accordance with the law governing abandoned property in effect at the time of abandonment.

8.8 AS-BUILT DRAWINGS

Upon completion of the Improvements, Lessee shall deliver to Lessor three copies of as-built drawings of the Improvements and three copies of an as-built survey showing the location of the Improvements and all underground installations. Lessee shall cause such drawings or survey to be revised if there are any changes thereto and shall deliver three copies of such revised drawings or survey to Lessor.

9. MAINTENANCE AND REPAIR

Lessee shall, at its own expense, at all times keep the Premises, the Improvements and the access stairwells and elevators in a clean, safe and sanitary condition. Lessee shall also maintain and keep the Premises and the Improvements in a good state of repair, and shall commit no waste of any kind. Lessor shall not be obligated to make any repairs to or replacements or renewals of any kind, nature or description whatsoever of the Premises or the Improvements thereon.

10. DAMAGE TO AND DESTRUCTION OF IMPROVEMENTS

10.1 OBLIGATION TO RESTORE

The damage, destruction, or partial destruction of the Improvements shall not release Lessee from any obligation hereunder, except as hereinafter expressly provided. In case of damage to or destruction of the Improvements, Lessee shall, except as provided in Section 10.2, at its own expense promptly and diligently repair and restore the same to a condition as good or better than that which existed prior to such damage or destruction. Without limiting such obligations of Lessee, it is agreed that the proceeds of any insurance covering such damage or destruction shall be applied in payment for the repair or restoration of the Improvements or to reimburse if such repair or restoration has already been paid for by Lessee. Upon evidence or certification of satisfactory repair or restoration the balance of the proceeds of insurance covering such damage or destruction, if any remains after payment for repairs and restoration, shall be paid to Lessee; provided, however, that if Lessee is in default under this Lease and such default is continuing at the time of any payment of insurance proceeds pursuant to this Section 10.1, such payment or payments shall be retained by Lessor, or, if made directly to Lessee, be paid over by Lessee to Lessor, for application in accordance with the provisions of this Section 10.1. All such amounts paid to Lessor shall be either (i) held by Lessor as security for the obligations of Lessee under this Lease or (ii) at Lessor's election, applied by Lessor on behalf of Lessee for repairs or restoration in accordance with the terms of this Section 10.1. At such time as there shall not be continuing any such default, Lessor will

pay to Lessee any such amount then held by Lessor. Retention by Lessor of any amount pursuant to this Section 10.1 shall not relieve Lessee of its obligations promptly to repair and restore the Improvements as required by this Section 10.1 and to pay for the same with Lessee's funds.

10.2 DAMAGE OR DESTRUCTION OCCURRING TOWARD END OF TERM

Anything to the contrary in Section 10.1 notwithstanding, in case of destruction of the Improvements or damage thereto from any cause so as to make the Improvements unleaseable occurring during the last five (5) years of the term hereof, Lessee, if not then in default hereunder, may elect to terminate this Lease by written notice served on Lessor within forty-five (45) days after the occurrence of such damage or destruction. In the event of such termination, there shall be no obligation on the part of Lessee to repair or restore the Improvements nor any right on the part of Lessee to receive any proceeds collected under any insurance policies covering the Improvements or any part thereof. On such termination, rent, taxes, assessments, and any other sums payable by Lessee to Lessor hereunder, shall be prorated as of the termination date, and in the event any rent, taxes or assessments shall have been paid in advance, Lessor shall rebate the same for the unexpired period for which payment was made.

10.3 ELECTION NOT TO TERMINATE

If, in the event of such destruction or damage during the last five (5) years of the term hereof, Lessee does not elect to terminate this Lease, the proceeds of all insurance covering such damage or destruction shall be made available to Lessee for repair or replacement of such building or improvements and Lessee shall be obligated to repair or rebuild as above provided.

11. INSPECTION; "FOR LEASE" SIGNS

The Lessor reserves the right to inspect the Premises at any and all reasonable times throughout the term of this Lease; provided, that Lessor shall not interfere unduly with Lessee's operations. The right of inspection granted Lessor hereunder shall impose no obligation on Lessor to make inspections to ascertain the condition of the Premises, and shall impose no liability upon Lessor for failure to make such inspections. During the last thirty-six (36) months of the term of this Lease, Lessee shall permit inspection of the Premises at reasonable times and for reasonable periods by or on behalf of prospective tenants and prospective purchasers. Lessor shall have the right to place and maintain "For Lease" signs in conspicuous places on the Premises for twelve (12) months prior to the expiration or sooner termination of this Lease.

12. EFFECT OF EMINENT DOMAIN

12.1 EFFECT OF TOTAL CONDEMNATION

In the event the entire Premises are appropriated or taken under the power of eminent domain by any public or quasi-public authority, this Lease shall terminate and expire as of the date of such taking, and Lessee shall thereupon be released from any liability thereafter accruing hereunder.

12.1.1 PRORATION

On such termination, rent, taxes, assessments and any other sums payable by Lessee to Lessor hereunder, shall be prorated as of the termination date, and in the event any rent, taxes, assessments or any other sums due hereunder shall have been paid in advance, Lessor shall rebate the same for the unexpired period for which payment was made.

12.1.2 LESSOR'S AND LESSEE'S SHARES

Lessor and Lessee shall each receive the value of their respective interests in the Premises and Improvements, together with interest thereon from the date of taking to the date of payment at the rate paid on the award and attorneys' fees to the extent awarded. Lessor shall also receive from Lessee's share any amounts owing Lessor arising from Lessee's obligations or default under this Lease arising on or before the date of appropriation or taking.

12.1.3 DETERMINATION OF LESSEE AND LESSOR SHARES

If the values of the respective interests of Lessor and Lessee shall be determined in the proceeding pursuant to which the Premises shall have been taken or condemned, the values so determined shall be conclusive upon Lessor and Lessee. If such values shall not have been thus separately determined, such values shall be fixed by agreement between Lessor and Lessee or if they are unable to agree within thirty (30) days following the date of the award, then the controversy shall be resolved by arbitration by three arbitrators, each of whom shall be a qualified MAI appraiser in King County, Washington and experienced in the evaluation of the type of Premises subject to this Lease. Each party shall select one such arbitrator within five (5) business days of the final entry of such award and the two arbitrators so selected will, within five (5) business days after their selection select a third arbitrator. Each party shall bear the expenses of its nominated arbitrator and the expenses of the third arbitrator shall be borne equally by the parties. The three arbitrators so selected shall make the determination as described above within thirty (30) days of the selection of the third arbitrator.

12.2 EFFECT OF PARTIAL CONDEMNATION

12.2.1 OPTION TO TERMINATE

In the event a portion of the Premises or the Improvements are so appropriated or taken that the remainder of the property is not suitable for the use then being made of the Premises by Lessee, or if the remainder of the property is not one undivided parcel of property, Lessee shall have the right to terminate this Lease as of the date of such taking upon giving to Lessor written notice of such termination within sixty (60) days after Lessor has notified Lessee in writing that the Premises or Improvements have been so appropriated or taken.

12.2.2 NONTERMINATION

If, in the event of such partial taking, Lessee does not so terminate this Lease, then this Lease shall continue in full force and effect as to the part not taken, and the minimum rent to be paid by Lessee during the remainder of the Lease term shall be reduced in the proportion that the portion taken bears to the entire Premises. Additional Rental under Section 3.2 shall continue to apply to the net profits from the remaining portion of the Premises.

12.3 CONDEMNATION AWARD AFTER PARTIAL TAKING

12.3.1 LEASE TERMINATED

In the event of the termination of this Lease by reason of the partial taking of the Premises by eminent domain, then in any such condemnation proceedings Lessor and Lessee shall be free to make claim against the condemning or taking authority for the amount of any damage done to them, respectively, as a result thereof. Lessor shall first receive a sum equal to the fair market value of the portion of the Premises taken, considered as vacant, unencumbered and unrestricted land, as of the date of taking, plus the resulting or consequential damage, if any, to the remaining part of the Premises, with any interest thereon from the date of the taking at the rate paid on the award and, to the extent awarded, attorney's fees. Lessee shall be entitled to the value of its improvements taken in the proceeding and of its leasehold interest for the balance of the lease term as pertains to such portion of the Premises. If such value and such resulting or consequential damage be officially determined and stated in the condemnation proceedings, then the amount thereof shall control for the purposes of this provision unless agreed upon by the parties to this Lease, shall be determined by arbitration in the manner provided in Section 12.1.3 hereof, and if the aggregate of values so determined exceed the amount of the award, the award shall be divided proportionally thereto.

12.3.2 LEASE NOT TERMINATED

If the lease is not terminated as hereinabove provided, and if such taking occurs prior to the last five (5) years of the Lease term, then, as to the Premises and Improvements not taken in such condemnation proceeding, Lessee shall proceed to the extent the portion of the condemnation award paid to Lessee is sufficient for such purpose, to make an adequate restoration, repair, or reconstruction of the part of the Improvement not taken or to rebuild a new improvement upon the part of the Premises not taken. Division of the award shall be determined as provided in Section 12.1.3.

13. INDEMNIFICATION AND LIABILITY INSURANCE

Lessor, its employees and agents shall not be liable for any injury (including death) to any persons or for damage to any property regardless of how such injury or damage be caused, sustained or alleged to have been sustained by Lessee or by others as a result of any condition (including existing or future defects in the Premises) or occurrence (including failure or interruption of utility service) whatsoever related in any way to the Premises and the areas adjacent thereto or related in any way to Lessee's use or occupancy of the Premises and of the areas adjacent thereto. Lessee agrees to defend and to hold and save Lessor harmless from all liability or expense (including expense of litigation) in connection with any such items of actual or alleged injury or damage.

13.1 ACQUISITION OF INSURANCE POLICIES

Lessee shall, at its sole cost and expense, procure and maintain during the Lease term the insurance described herein, issued by an insurance company or companies licensed to do business in the State of Washington satisfactory to Lessor, covering and protecting Lessee.

13.2 REQUIRED INSURANCE

Lessee shall procure and maintain the following:

13.2.1 COMPREHENSIVE GENERAL LIABILITY INSURANCE

Comprehensive general liability insurance covering all claims with respect to injuries or damages to persons or property sustained in, on, or about the Premises and the appurtenances thereto, with limits of liability (which limits shall be adjusted as the parties may from time to time agree upon) no less than the following:

Bodily Injury Liability

Five Hundred Thousand Dollars ea. occurrence	(\$500,000)
Five Hundred Thousand Dollars aggregate	(\$500,000)

Property Damage Liability

Five Hundred Thousand Dollars ea. occurrence (\$500,000)
Five Hundred Thousand Dollars aggregate (\$500,000)

13.2.2 PHYSICAL PROPERTY DAMAGE INSURANCE

Physical damage insurance covering all real and personal property located on or in, or constituting a part of, the Premises, in an amount equal to at least ninety percent (90%) of replacement value of all such property (or such lesser amount as Lessor may approve in writing). Such insurance shall afford coverage for damages resulting from (a) fire, (b) perils covered by extended coverage insurance for comparable property, and (c) explosion of boilers and similar apparatus located in the Premises.

13.2.3 BUILDER'S RISK INSURANCE

During construction of the Building and during any subsequent restorations, alterations or changes in the Premises that may be made by Lessee at a cost in excess of Three Hundred Thousand Dollars (\$300,000.00) per job, contingent liability and all builder's risk insurance in an amount reasonably satisfactory to Lessor.

13.2.4 WORKER'S COMPENSATION INSURANCE

Worker's compensation and employer's liability insurance in respect of any work by employees of Lessee on or about the Premises.

13.3 TERMS OF INSURANCE

The policies required under Section 13.2 shall name Lessor as additional insured. Lessee shall provide Lessor certificates of insurance and copies of policies obtained by Lessee in accordance herewith. All policies of insurance described in Section 13.2 shall:

- (a) Be written as primary policies not contributing with coverage that Lessor may carry;
- (b) Contain an endorsement providing that such insurance may not be materially changed, amended or cancelled with respect to Lessor except after thirty (30) days' prior written notice from the insurer to Lessor; and
- (c) Contain an endorsement expressly waiving any right of subrogation by the insurance company against Lessor and Lessor's officers, agents and employees.

13.4 INCREASE IN COST OF INSURANCE

Lessee shall not use the Premises in such a manner as to increase the existing rate of insurance applicable to the Premises. If it nevertheless does so, then, at the option of Lessor, the full amount of any resulting increase in premiums paid by Lessor with respect to the Premises for insurance not duplicating insurance provided by Lessee hereunder, and to the extent allocable to the term of this Lease, may be added to the amount of rent hereinabove specified and shall be paid by Lessee to Lessor upon the monthly rental day next thereafter occurring.

14. EASEMENTS FOR RESIDENTIAL DEVELOPMENT

Lessor covenants, on completion of or in connection with the development and improvement of that portion of the Premises described in Section A of Section 1 above which lies beneath the Premises hereunder, to grant to Lessee, as covenants running with the land and in favor of the Premises hereunder, easement(s) providing the right of said Premises to enjoy, or for the Grantee or Lessee of said Premises to create, physical support of improvements which may be created on the Premises and with stair and elevator access and access of utility service lines which may be necessary for or useful to such Premises, all as designated on chart annexed hereto as Exhibit A and incorporated herein by this reference, and such easement(s) to be the subject of recorded grant thereof on final "as built" determination of their locations and courses.

15. ASSIGNMENT OR SUBLEASE

Until completion of the Improvements by Lessee, Lessee shall not assign or transfer this Lease or any interest herein nor shall this Lease or any interest hereunder be assignable or transferable by Lessee by operation of law or by any process or proceeding of any court, or otherwise, without the prior written consent of Lessor. If Lessor shall give its consent to any assignment or sublease, this Section shall nevertheless continue in full force and effect and no further assignment or sublease shall be made without Lessor's prior written consent. The provisions of this Section 15 do not restrict the provisions of Section 16 hereof, and shall not apply following completion of the Improvements in accordance with approved plans.

16. ENCUMBRANCES OF LESSEE'S LEASEHOLD INTEREST

16.1 LESSEE'S RIGHT TO ENCUMBER LEASEHOLD INTEREST

Lessee may encumber by mortgage or deed of trust, or other property instrument, its leasehold interest and estate in the Premises, together with the Improvements placed by Lessee thereon, as security for indebtedness of Lessee in connection with construction of such Improvements. The execution of any such mortgage, or deed of trust, or other instrument, or the foreclosure thereof, or any sale thereunder, either by judicial proceedings or by virtue of any power reserved in such mortgage or deed of trust, or conveyance by Lessee to the holder of such indebtedness, or the exercising of any right, power, or privilege reserved in any mortgage or deed of trust, shall not be

held as a violation of any of the terms or conditions hereof, or as an assumption by the holder of such indebtedness personally of the obligation hereof; provided, however, that no such encumbrance, foreclosure, conveyance, or exercise of right shall relieve Lessee of its liabilities hereunder, and any such mortgage or deed of trust shall be subject and subordinate to the rights and interests of Lessor hereunder and in the Premises; and provided, further, that Lessor shall have the right of first refusal in accordance with Section 16.2 hereof, in any foreclosure or sale under any such mortgage, deed of trust or similar instrument.

16.2 PURCHASE BY LESSOR

At any time after default by Lessee hereunder when Lessee's periods to cure have expired, without Lessee having undertaken the curing thereof to Lessor's satisfaction, Lessor shall have the right and option (but not the obligation) by notice in writing to the holder of the indebtedness of Lessee as described in Section 16.1 hereof, to purchase the mortgage, deed of trust, the note or notes secured thereby, and any other instruments securing or guaranteeing such note or otherwise evidencing any obligation secured by the mortgage or deed of trust. The purchase price therefor shall be the full amount due and owing to the mortgagee or beneficiary thereunder. Such right shall terminate upon the earliest to occur of (i) the sale or other disposition of the mortgagee's or beneficiary's interest in and to Lessee's interest under this Lease to another party on terms and conditions previously offered in writing to Lessor and rejected in writing by Lessor or (ii) thirty (30) days following receipt by Lessor of a request in writing from the mortgagee or beneficiary that Lessor exercise such right.

16.3 NOTICE TO HOLDER OF LESSEE'S INDEBTEDNESS

If Lessee encumbers its leasehold interest and estate in the Premises and if Lessee or the holder of the indebtedness secured by such encumbrance gives notice to Lessor of the existence thereof and of the address of such holder, then Lessor will mail or deliver to such holder, at such address, a duplicate copy of all notices in writing which Lessor may from time to time give to or serve on Lessee under or pursuant to the terms and provisions hereof. Such copies shall be mailed or delivered to such holder, at, or as near as possible to, the time such notices are given to or served on Lessee. Such holder may, at its option, at any time before the rights of Lessee shall be terminated as provided herein, pay any of the rents due hereunder, or pay any taxes and assessments, or do any other act or thing that may be necessary and proper to be done in the observance of the covenants and conditions hereof, or to prevent the termination hereof. All payments so made, and all things so done and performed by such holder shall be as effective to prevent a foreclosure of the rights of Lessee hereunder as the same would have been if done and performed by Lessee.

17. DEFAULTS

17.1 DEFAULT RATE

Lessee shall pay interest monthly at the annual rate of eighteen percent (18%), or the maximum rate permitted from time to time by applicable law, whichever is less, on all sums owing to Lessor under this Lease, commencing five (5) days after the date each sum is due and payable. Payment by Lessee to Lessor of interest on rents or on any other charges due and owing under this Lease shall not cure or excuse Lessee's default in connection with such rents or other charges.

17.2 LESSOR'S REMEDIES

In the event of the failure of Lessee to pay the rents, interest, and any and all other charges provided for in this Lease at the time and in the manner herein specified, or to keep any of the covenants or agreements herein set forth to be kept and performed, Lessor may elect to terminate this Lease and reenter and take possession of the Premises with or without process of law; provided, however, that Lessee shall be given fifteen (15) days' notice in writing stating the nature of the default in order to permit such default to be remedied by Lessee within said fifteen (15) day period. If upon such reentry there remains any personal property of Lessee or of any other person upon the Premises, Lessor may, but without the obligation to do so, remove said personal property and hold it for the owners thereof or may place the same in a public garage or warehouse, all at the expense and risk of the owners thereof, and Lessee shall reimburse Lessor for any expense incurred by Lessor in connection with such removal and storage. The Lessor shall have the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, the proceeds of such sale to be applied first to the cost of such sale, second to the payment of the charges for storage, and third to the payment of any other amounts which may then be due from Lessee to Lessor, and the balance, if any, shall be paid to Lessee.

17.3 LESSEE'S LIABILITY FOR RENT

Notwithstanding any such reentry, the liability of Lessee for the full rents and interest provided for herein shall not be extinguished for the balance of the term of this Lease. Lessor shall exercise its good faith efforts to relet the Premises on commercially reasonable terms and Lessee shall make good to Lessor any deficiency arising from a reletting of the Premises at a lesser rental than that hereinbefore agreed upon. Lessee shall pay such deficiency each month as the amount thereof is ascertained by Lessor.

17.4 REMEDIES CUMULATIVE

Interest, possession and all other remedies of Lessor hereunder are cumulative and not alternative.

18. NONWAIVER

The acceptance of rent by Lessor for any period or periods after a default by Lessee hereunder shall not be deemed a waiver of such default unless Lessor shall so intend and shall so advise Lessee in writing or unless so conditionally tendered by Lessee and accepted by Lessor. No waiver by Lessor of any default hereunder by Lessee shall be construed to be or act as a waiver of any subsequent default by Lessee.

19. INSOLVENCY

If Lessee shall file a position in bankruptcy, or if Lessee shall be adjudged bankrupt or insolvent by any court, or if a receiver of the property of Lessee shall be appointed in any proceeding brought by or against Lessee, or if Lessee shall make an assignment for the benefit of creditors, or if any proceedings shall be commenced to foreclose any mortgage or any other lien on Lessee's interest in the Premises or on any personal property kept or maintained on the Premises by Lessee, and if such proceedings or assignment be not discharged or released within sixty (60) days from the entry thereof, Lessor may, at its option, terminate this Lease.

20. TERMINATION

In the event that Lessor, after the first five (5) years of the Lease term, at its sole discretion, shall require the use of the Premises for educational purposes, then this Lease may be terminated by Lessor by written notice delivered or mailed by Lessor to Lessee not less than thirty-six (36) months before the termination date specified in the notice. Upon such termination, Lessor shall pay Lessee a sum in the amount of the then current fair market value of the Lease and the Improvements for the entire balance of the lease term, plus reimbursement of actual and documented expenditures made by Lessee and Lessee's tenants in any relocation caused by such termination, and reimbursement for lost profits, if any, of Lessee and any of Lessee's tenants caused by such relocation. In the event that a fair market value cannot be mutually agreed upon, then the question of a fair market value shall be submitted to arbitration.

In no event shall the amount paid to Lessee be less than the aggregate total of the then existing mortgage(s) against the Improvements and the leasehold estate. Reimbursable expenditures shall include, but not be limited to, all costs incurred relative to the relocation of any of Lessee's tenants (sublessees) in conjunction with the termination of any subleases, including payment of any penalties stipulated in such subleases for premature termination of the sublease for reasons other than default by the tenant (sublessee).

21. SURRENDER OF PREMISES

At the expiration or sooner termination of this Lease, Lessee shall promptly and peaceably surrender possession of the Premises and the Improvements to Lessor in good order, condition, and free of liens and encumbrances other than as assumed by Lessor.

22. HOLDING OVER

If Lessee shall, with the consent of Lessor, hold over after the expiration or sooner termination of the term of this Lease, the resulting tenancy shall, unless otherwise mutually agreed, be for an indefinite period of time on a month-to-month basis. During such month-to-month tenancy, Lessee shall pay to Lessor the same calculation of rent as provided in Section 3 hereof, unless a different rate shall be agreed upon, and shall be bound by all of the additional provisions of this Lease insofar as they may be pertinent.

23. EXPENSES

In the event that either party shall be required to bring any action to enforce any of the provisions of this Lease, or shall be required to defend any action brought by the other party with respect to this Lease, and in the further event that one party shall entirely prevail in such action, the losing party shall, in addition to all other payments required therein, pay all of the prevailing party's actual costs in connection with such action, including such sums as the court or courts may adjudge reasonable as attorneys' fees in the trial court and in any appellate courts.

24. ADVANCES BY LESSOR FOR LESSEE

If Lessee shall fail to do anything required to be done by it under the terms of this Lease, except to pay rent, Lessor may, at its sole option, do such act or thing on behalf of Lessee, and upon notification to Lessee of the cost thereof to Lessor, Lessee shall promptly pay Lessor the amount of that cost together with interest thereon at the rate specified in Section 17.1, accruing from the date of expenditure by Lessor to the date of repayment thereof by Lessee.

25. LIENS AND ENCUMBRANCES

Lessee shall keep the Premises free and clear of any liens and encumbrances arising or growing out of the use and occupancy of the Premises by Lessee, other than the encumbrances permitted by Section 16 hereof. At Lessor's request, Lessee shall furnish Lessor with written proof of payment of any item which, if not paid, would or might constitute the basis for such a lien on the Premises.

26. WARRANTIES

26.1 LESSOR'S WARRANTIES

Lessor covenants that Lessor is seized of the Premises in fee simple and has full right to make this Lease and that Lessee shall have quiet and peaceable possession of the Premises during the term hereof.

26.2 LESSEE'S WARRANTIES

Lessee represents and warrants that Lessee has the power and authority to enter into this Lease and that its execution and delivery by Lessee have been duly authorized.

27. MISCELLANEOUS

27.1 NOTICES

All notices and payments hereunder may be delivered or mailed. If mailed, they shall be sent to the following respective addresses:

To Lessor: Seattle Public Schools
815 Fourth Avenue North
Seattle, WA 98109
ATTN: PROPERTY MANAGEMENT

To Lessee: Richard C. Hedreen
P.O. Box C 9006
Seattle, WA 98109

or to such other respective addresses as either party hereto may hereafter from time to time designate in writing. Notices and payments sent by certified or registered mail and subsequently received by Lessor shall be deemed to have been given when and if properly mailed, and the postmark affixed by the United States Post Office shall be conclusive evidence of the date of mailing.

27.2 NO PARTNERSHIP

Nothing contained herein or in any instrument relating hereto shall be construed as creating a partnership or joint venture between Lessor and Lessee or between Lessor and any other party, or cause Lessor to be responsible in any way for debts or obligations of Lessee or any other party.

27.3 CAPTIONS

The captions in this Lease are for convenience only and do not in any way limit or amplify the provisions of this Lease.

27.4 MEANING OF TERMS

Words of any gender in this Lease shall be held to include any other gender, and words in the singular shall be held to include the plural when the sense requires.

27.5 SEVERABILITY OF PARTICULAR PROVISIONS

If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect.

27.6 NONDISCRIMINATION

27.6.1 NONDISCRIMINATION IN SERVICES

Lessee will not discriminate by segregation or otherwise against any person or persons because of race, sex, age, creed, color or national origin in furnishing, or by refusing to furnish, to such person or persons the use of the facility herein provided, including any and all services, privileges, accommodations, and activities provided thereby. Lessee's noncompliance with the provisions of this Section shall constitute a material breach of this Lease. In the event of such non-compliance, Lessor may take appropriate action to enforce compliance, may terminate this Lease, or may pursue such other remedies as may be provided by law.

27.6.2 NONDISCRIMINATION IN EMPLOYMENT

In all matters pertaining to the performance of this Lease, Lessee shall at all times conduct its business in a manner which assures fair, equal and nondiscriminatory treatment of all persons without respect to race, sex, age, color, creed or national origin and, in particular Lessee will comply strictly with all requirements of applicable federal, state and local laws or regulations issued pursuant thereto relating to the establishment of nondiscriminatory requirements in hiring and employment practices and assuring the service of all patrons or customers without discrimination as to any person's race, sex, age, creed, color or national origin.

27.7 LESSOR'S RIGHT TO ASSIGN

Lessor may assign all or any portion of its right, title and interest hereunder with respect to the Premises. Any assignee of Lessor hereunder shall have all relevant rights and obligations of Lessor and Lessee shall attorn to such assignee as Lessor. Lessor shall give Lessee timely written notice of any such assignment.

27.8 SURVIVAL

Each provision of this Lease which may require the payment of money by or on behalf of Lessee or third parties after the expiration of the Lease or its earlier termination shall survive such expiration or earlier termination.

27.9 ENTIRE AGREEMENT; AMENDMENTS

This Lease together with all Appendices hereto constitutes the whole agreement between the parties. There are no terms, obligations, representations, warranties, covenants or conditions other than those contained herein. No modification or amendment of this Lease shall be valid or effective unless evidenced by an agreement in writing signed by both parties.

27.10 MEMORANDUM OF LEASE

The parties agree to execute and acknowledge an appropriate memorandum of this Lease for public recordation purposes, so that public notice of the term of the Lease hereof are given. Lessee shall be responsible for filing the memorandum of Lease.

27.11 GOVERNING LAW

This Lease shall be construed in accordance with and governed by the law of the State of Washington.

IN WITNESS WHEREOF the parties hereto have signed this Lease as of the day and year first above written.

Lessor:

SEATTLE SCHOOL DISTRICT

By Robert L. Nelson

Its _____

Lessee:

RICHARD C. HEDREEN

By Richard C. Hedreen

Its _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 3rd of October, 1985, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Robert L. Nelson, to me known to be the person who signed as Superintendent, of SEATTLE SCHOOL DISTRICT, the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he was duly elected, qualified and acting as said officer of the corporation, that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

Maria Kue
NOTARY PUBLIC in and for the State of
Washington, residing at Seattle

STATE OF WASHINGTON

COUNTY OF KING

} ss.
}

On this 7TH of October, 1985, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Richard C. Hedreen, to me known to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he signed and sealed the said instrument as his free and voluntary act and deed for the uses and purposes therein mentioned.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

Joni R. ...

NOTARY PUBLIC in and for the State of Washington, residing at Redmond

ENDORSEMENT

R.C. Hedreen Co. has been Lessee from the above Lessor of the real property which includes the above described parcel, under lease dated January 1, 1985 and by this endorsement the undersigned consents to the foregoing lease and, as of the effective date thereof, terminates all rights and claims of the undersigned as Lessee under such prior lease.

R.C. HEDREEN CO.

By: *Richard C. Hedreen*

Its: *President*