

COMMERCIAL LEASE

THIS COMMERCIAL LEASE (this "Lease") is made as of June 15, 2012 by and between the **CITY OF TACOMA**, a first class municipal corporation of the State of Washington ("**Landlord**"), and **PUGET SOUND CLEAN AIR AGENCY**, a municipal corporation ("**Tenant**").

For and in consideration of the mutual promises, covenants and conditions hereinafter set forth, the parties agree as follows:

SECTION 1 – BASIC TERMS

1. Lease Data; Exhibits. The following definitions apply, except as otherwise specifically modified herein:

1.1. Leased Premises. The Leased Premises under this Lease shall consist of approximately two hundred fifty (250) rentable square feet of office space located in the Tacoma Municipal Building at 747 Market Street, Tacoma, WA 98402.

1.1.1. Location of Leased Premises. Initially, the Leased Premises will be located in an office located on the fifteenth floor (15th) of the Tacoma Municipal Building. At any time during the term of this Lease, Landlord reserves the unilateral right to relocate the Leased Premises to a different floor of the Tacoma Municipal Building or to any other suitable office space located in any other Landlord owned or leased building. Further, Landlord reserves the unilateral right to relocate the Leased Premises to an open office environment; i.e., not a confined/walled office space. Landlord will endeavor to provide tenant with ten (10) business days notice of any relocation. Should relocation result in fewer rentable square feet, the Base Rent provided herein shall be adjusted according to the new rentable square feet of the relocated office space at the same cost per square foot provided in this Lease.

1.2. Rent Commencement Date. ¹⁵ June 15, 2012, or the date on which Tenant first occupies the Leased Premises whichever is earlier. See Section 3.1.

1.3. Primary Term. A period of Two (2) Years beginning on the Rent Commencement Date and ending at midnight on the Two (2) Year anniversary of the Rent Commencement Date. See Section 3.1.

1.4. Base Rent. Tenant shall pay Base Rent each month in the amount of Four Hundred Twenty Three and 0/100 dollars (\$423.00) per month for the Leased Premises in accordance with Section 4.1. The initial Base Rent is calculated at Eighteen dollars (\$18.00) per square foot per year multiplied by Two Hundred Fifty (250) rentable square feet; plus forty-eight and /100 dollars (\$48.00) per month for a phone desk set, a digital phone line, and voicemail services. Tenant shall pay an additional one-time fee of forty and 0/100 dollars (\$40.00) for set up of the phone services at time of first rent payment. In addition to Base Rent, Tenant shall pay to Landlord leasehold excise tax, if applicable, as described in Section 6.3, beginning at Fifty Four and 39/100 dollars (\$54.39) per month. The above Rent Commencement Date notwithstanding, Tenant shall be responsible for payment of leasehold excise tax from the date Tenant first occupies the Leased Premises.

1.5. Notice Addresses.

Landlord:	City of Tacoma, Real Property Services
	Attn: Conor McCarthy
	747 Market Street, Rm. 737
	Tacoma, WA 98402

With a Copy to: City of Tacoma
Legal Department
747 Market Street, Rm. 1120
Tacoma, WA 98402
Attn: Jeff H. Capell

Tenant: Puget Sound Clean Air Agency
1904 Third Ave. - Suite 105
Seattle, WA 98101

1.6. Use. Unless the prior, written permission of Landlord is obtained, Tenant shall use the Leased Premises only as office space for carrying out official duties of and for the Puget Sound Clean Air Agency. See Section 5.1.

SECTION 2 – LEASED PREMISES

Landlord leases to Tenant and Tenant leases from Landlord, those certain premises and rentable area referred to in Section 1.1 (the "**Leased Premises**"). Landlord reserves all air rights over the Leased Premises together with the right to install, maintain, use, repair and replace walls, doors, windows, pipes, ducts, conduits, wires, and any other structural, envelope, HVAC or electrical component of the Leased Premises.

SECTION 3 - TERM

3.1. Lease Term. This Lease shall be in effect for the duration of the Primary Term identified in Section 1.3, commencing on the earlier of (a) June 1st, 2012, or (b) the date Tenant first occupies the Leased Premises (the "**Lease Commencement Date**"). Any references in this Lease to "Lease term" or "term" without specifically identifying the Primary Term, or any holdover or other similar term of occupancy shall be interpreted to be inclusive of the Primary Term and any/all such other term(s) entered into in accordance with the terms and conditions contained in this Lease.

3.2. Extension Option. No option(s) to extend the Lease term is/are included in this Lease. In the event that Tenant desires to extend the term of this Lease prior to its expiration, Tenant agrees to contact Landlord regarding its desire to extend no later than Ninety (90) days prior to expiration of the Primary Term in order to work out the details of such an extension prior to the expiration of this Lease as presently constituted. Any extension of this Lease must be mutually agreed upon and reduced to writing as an amendment hereto, and further approved by the Tacoma City Council. In the event that the term of this Lease is extended by mutual agreement and amendment hereto, the Base Rent for each annual extension period shall increase by Three Percent (3%).

SECTION 4 - RENT

4.1. Base Rent. Commencing on the Rent Commencement Date, Tenant shall pay to Landlord in care of Real Property Services at Tacoma Municipal Building, 747 Market Street, Room 737, Tacoma, Washington 98402, without notice, set-off or deduction whatsoever, monthly Base Rent in the amounts identified in Section 1.4. Monthly Base Rent shall be payable in advance on or before the first day of each month of the Lease term. Rent for partial months shall be prorated.

4.1.1. Landlord Services Provided for Base Rent. In consideration for payment of the Base Rent, Landlord shall provide the following services to Tenant ("Landlord Services"): office furniture,

including one desk and one chair; electricity for lighting and operating a computer; light bulbs for office lighting; janitorial services to only include nightly garbage and recycling pickup; use of office bathrooms and break rooms; use of elevators and stairs, and common areas of Tacoma Municipal Building; access to the Leased Premises during normal operating hours and after-hours in accordance with standard facility procedures; mail services; phone desk set, a digital phone line, and voicemail services; and access to the City's WiFi Network provided Tenant shall comply with applicable City policies governing internet usage.

4.1.2. Services Not Included in Base Rent. Other than the specific Landlord Services defined above and as otherwise provided in this Lease, Landlord shall have no obligation to provide 'Additional Services' including but not limited to the following: computer equipment; computer services; printer services; parking spaces or services; information technology and support services; office supplies, moving services etc.

4.2. Gross Rent. It is the intent of the parties that this Lease be a "gross" lease in which all costs payable by Tenant with respect to the operation, maintenance and repair of the Leased Premises are included in the Base Rent. However, should Landlord incur expenses for providing Additional Services to Tenant as defined in Section 4.1.2 herein, then Tenant shall be responsible to reimburse Landlord for such expenses when Tenant pays monthly Base Rent consistent with Section 4.1 herein.

4.3. Late Charge; Interest. If Tenant fails to pay any amount due under this Lease within ten (10) days of the due date, a late charge equal to five percent (5%) of the unpaid amount shall be assessed and be immediately due and payable. In addition, interest shall accrue on the delinquent amount at a per annum rate which is the lesser of the highest interest rate permitted by applicable law or twelve percent (12%) per annum.

SECTION 5 - CONDUCT OF BUSINESS

5.1. Use of Leased Premises. Tenant shall use the Leased Premises only for carrying out official duties of and for the Puget Sound Clean Air Agency. Tenant shall not use or permit the use of the Leased Premises for any other business or purpose, or under any other name, without the prior written consent of Landlord.

5.2. Appearance of Leased Premises. Tenant shall maintain the Leased Premises in a clean, orderly and neat appearance, permitting no offensive odors to be emitted from the Leased Premises and neither committing waste nor permitting any waste to be committed thereon. All garbage and refuse shall be kept in sealed containers, which are removed at regular intervals. Tenant shall not conduct or permit to be conducted any auction, fire, bankruptcy or "going out of business" sale on or about the Leased Premises without the prior written consent of Landlord.

5.3. Unlawful Use. Tenant shall not use or permit the Leased Premises or any part thereof to be used for any purpose in violation of any municipal, county, state or federal law, ordinance, rule or regulation ("**Applicable Laws**") or in any manner that may create a nuisance. Tenant shall promptly comply, at its sole expense, with, and obtain all licenses and permits required by Applicable Laws and with the requirements of any board of fire underwriters or similar body, relating to or affecting the condition, use or occupancy of the Leased Premises or the business conducted thereon.

5.4. Hazardous Materials

(a) "**Hazardous Material**" shall mean any matter (whether gaseous, liquid or solid) which is or may be harmful to persons or property, and which may now or hereafter be regulated under any

Applicable Laws pertaining to health, industrial hygiene or the environment, including, without limitation, any asbestos and/or asbestos containing materials. "Hazardous Material" shall not include ordinary cleaning and maintenance products which are used with due care and in strict compliance with Applicable Laws and the instructions of the manufacturer of such products in the reasonable and prudent conduct of Tenant's business on the Leased Premises.

(b) Tenant shall not store, use, sell, release, generate or dispose of any Hazardous Materials in, on or about the Leased Premises without the prior written consent of Landlord. With respect to any Hazardous Materials stored, used, generated or disposed of from the Leased Premises after obtaining the prior written consent of Landlord, Tenant shall (i) promptly, timely and completely comply with all governmental requirements for recording and recordkeeping; (ii) submit to Landlord true and correct copies of all reports, manifests and identification numbers at the same time as they are required to be and/or are submitted to the appropriate governmental authority; (iii) within five (5) days of Landlord's request, provide evidence satisfactory to Landlord that Tenant has complied with, and is in compliance with all Applicable Laws and (iv) comply with all Applicable Laws regarding the use, sale, transportation, generation, treatment and disposal of Hazardous Materials. Prior to the expiration and surrender of the Leased Premises by Tenant, Tenant shall remove any and all Hazardous Materials which Tenant, its employees, agents, contractors and/or sublessees have brought onto the Leased Premises after obtaining the prior written consent of Landlord. Tenant shall be solely responsible for and shall defend (with counsel acceptable to Landlord), indemnify and hold Landlord, its agents affiliates and employees harmless from and against all claims, costs, damages, judgments, penalties, fines, losses, liabilities and expenses, including attorneys' fees and costs, arising out of or in connection with Tenant's breach of its obligations contained in this Section 5.4 which arise during or after the Lease term as a result of such breach and any contamination that may result therefrom. Tenant shall be solely responsible for and shall defend (with counsel acceptable to Landlord), indemnify and hold Landlord, its agents, affiliates and employees harmless from and against any and all claims, costs, damages, lawsuits, penalties, liens, losses and/or liabilities, including attorneys' fees and costs, arising out of or in connection with removal, cleanup remediation and restoration work and materials necessary to return the Leased Premises and any other property of whatever nature to their condition existing prior to the appearance of Tenant's Hazardous Material on or about the Leased Premises; provided that Landlord's written approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as the actions would not potentially have any material adverse, long-term or short-term effect on the Leased Premises. Notwithstanding anything else set forth herein, Tenant's obligations under this Section 5.4 shall survive the expiration of this Lease.

(c) Landlord shall have the right in its sole discretion to conduct an environmental audit utilizing a contractor of Landlord's choice at inception or at the end of the Lease term, upon the earlier termination of this Lease, upon Tenant's default hereunder or if Landlord reasonably believes that Hazardous Materials are being stored, used, sold, generated, released or disposed of from the Leased Premises in violation of the terms of this Section 5.4. Tenant shall be responsible for the cost of the audit and any remedial, restorative or removal work if such audit discloses the existence, storage, disposal or other presence of Hazardous Materials occurring during the Lease term or attributable to Tenant, its employees, agents, contractors or sublessees. Failure of Landlord to conduct an environmental audit or to detect conditions attributable to Tenant, its employees, agents, contractors or sublessees, whether such audit is conducted or not, shall not operate to release Tenant of its liability as stated in this Lease or by operation of law. Tenant's obligations herein shall survive the expiration of this Lease.

5.5. Liens and Encumbrances. Tenant shall keep the Leased Premises free and clear of all liens and encumbrances arising from or out of its use and occupancy of the Leased Premises. If any lien is filed against the Leased Premises or adjacent or underlying property owned by Landlord as a result of the action or inaction of Tenant or its employees, agents or contractors, Tenant shall upon demand provide Landlord with a bond in the amount required by law to remove the lien of record.

5.6. Signs. Without Landlord's written consent, Tenant shall not erect or place, or permit to be erected or placed, or maintain any signs, lettering or other advertising matter of any nature or kind whatsoever on the exterior walls of the Office Component, or in the windows or in the interior of the Leased Premises (if clearly visible from the outside). Tenant agrees to abide by all sign criteria established by Landlord. All signs installed by Tenant shall be removed by it at its expense, and it shall repair all damage resulting from such installation or removal, either by the end of the Lease term or the earlier termination of the Lease.

SECTION 6 - UTILITIES AND OTHER CHARGES

6.1. Utility Charges. Tenant shall not be responsible for utility charges associated with the Landlord Services as provided in Section 4.1.1. However, Tenant shall be responsible for any utility charge(s) incurred by Landlord as a result of Tenant's use of the Leased Premises that is outside the scope of the Landlord Services authorized in Section 4.1.1 herein.

6.2. Licenses and Taxes. Tenant shall pay when due all license, excise, business and occupation and other fees and taxes covering the business conducted on the Leased Premises and all personal property taxes levied with respect to all personal property located at the Leased Premises. If any governmental authority levies a tax or license fee on rents payable under this Lease or rents accruing from use of the Leased Premises or a tax or license fee in any form against Landlord or Tenant because of or measured by or based upon income derived from the leasing or rental thereof or a transaction privilege tax, such tax or license fee shall be paid by Tenant, either directly, if required by law, or by reimbursing Landlord for the amount thereof upon demand. If any such amount is paid directly to the taxing authority by Landlord, Tenant shall reimburse Landlord no later than thirty (30) days after the receipt from Landlord of a written request for reimbursement.

6.3. Leasehold Excise Tax. Tenant shall pay Landlord as Additional Rent, (a) all leasehold excise tax (as required by RCW 82.29A in lieu of real property taxes), and (b) any taxes levied or assessed in lieu of the foregoing, in whole or in part. Leasehold excise tax is calculated by the State using a percentage multiplier of either the rent required hereunder or an imputed fair market rental value, and as a result, Tenant shall be responsible for any increases in leasehold excise tax that result from an increase in rent for the Leased Premises over the term hereof, or for increases due to an increase in the statutory rate during the term of this Lease. If Tenant provides Landlord with a proof of exemption from payment of leasehold excise tax issued by the Washington State Department of Revenue, then Tenant shall not be required to pay leasehold excise tax for the period that such exemption is effective. If the exemption is of limited duration, Tenant shall be required to obtain documented renewal of such exemption and provide such to Landlord in order to claim continued exemption under this Lease. To the extent that any rent credit provisions are a part of this Lease, Tenant's obligation to pay leasehold excise tax shall not be obviated by such credit.

SECTION 7 – CONDITION OF PREMISES; ALTERATIONS

7.1. Condition of Leased Premises. Tenant acknowledges that it has examined the Leased Premises and is in all respects familiar with the Leased Premises and the improvements therein and Tenant accepts the Leased Premises and the improvements therein "as is." Tenant further acknowledges that Landlord has made no representations and warranties to Tenant with respect to the Leased Premises, and that Landlord has no obligation to perform any work in the Leased Premises or to install any tenant improvements therein.

7.2. Alterations by Tenant. Tenant shall not make any alterations, additions or improvements in or to the Leased Premises without Landlord's prior written approval. All such alterations, additions and improvements shall be performed at Tenant's sole cost and expense by a contractor approved in advance in

writing by Landlord and in a good and workmanlike manner, in accordance with all Applicable Laws, ordinances, rules and regulations, and in a manner (a) consistent with the plans and specifications submitted to and approved in advance by Landlord in writing and any conditions imposed by Landlord, (b) which includes acceptable insurance/bond coverage for Landlord's benefit and (c) which does not affect the structural integrity, or other uses of the Office Component. All such alterations, additions and improvements (expressly including, but without limitation, all light fixtures, heating, ventilation and air conditioning units and floor coverings), except trade fixtures and appliances and equipment not affixed to the Leased Premises, shall immediately become the property of Landlord without any obligation on its part to pay therefore, and shall not be removed by Tenant unless so directed by Landlord in connection with their installation or prior to the termination or expiration of this Lease.

SECTION 8 - MAINTENANCE OF PREMISES

8.1. Maintenance and Repair by Tenant. Tenant shall at all times throughout the Lease term keep the Leased Premises (including exterior doors and entrances, all windows and moldings and trim of all doors and windows) and all partitions, door surfaces, fixtures, equipment and appurtenances thereof in good order, condition and repair. Without limiting the generality thereof, Tenant shall keep the glass of all windows, doors and showcases clean and presentable; keep the Leased Premises free from vermin; paint or refinish the interior of the Leased Premises if directed by Landlord at reasonable intervals determined by Landlord.

8.2. Failure to Maintain. If Tenant fails to keep and maintain the Leased Premises in the condition set forth in Section 8.1, Landlord may, at its option and as a non-exclusive remedy, put or cause the same to be put in the condition required thereunder, and Tenant shall pay Landlord the entire cost thereof upon demand.

8.3. Repairs by Landlord; Maintenance and Repair Charges. Except for maintenance attributable (a) to Tenant's breach of its obligations under this Lease, (b) to Tenant's acts or omissions or those of Tenant's employees, agents or contractors, or (c) to improvements made by Tenant, Landlord shall maintain and repair the roof, surface, exterior walls, foundation and building structure of the Office Component of the Leased Premises in a good state of repair. Landlord shall perform any of the aforementioned repair or maintenance work called to its attention by Tenant within a reasonable period of time after receipt of such notice from Tenant. There shall be no abatement or reduction of rent arising by reason of Landlord's making of repairs, alterations or improvements.

SECTION 9 - INSURANCE AND INDEMNITY

9.1. Indemnification. Landlord shall not be liable for any injury to any person, or for any loss of or damage to any property (including property of Tenant) occurring in or about the Leased Premises from any cause whatsoever. Tenant shall indemnify, defend and save Landlord, its officers, agents, employees and contractors, harmless from all losses, claims, damages, fines, penalties, liabilities and expenses (including Landlord's personnel and overhead costs and attorneys' fees and other costs incurred in connection with such claims, regardless of whether claims involve litigation or bankruptcy) resulting from any actual or alleged injury to any person or from any actual or alleged loss of or damage to any property or any other damage or loss alleged to be attributable to Tenant's operation or occupation of the Leased Premises or caused by or resulting from any act or omission or breach of Applicable Laws by Tenant or any licensee, assignee, or concessionaire, or of any officer, agent, employee, guest or invitee of any such person in or about the Leased Premises or Tenant's breach of its obligations hereunder. Tenant agrees that the foregoing indemnity specifically covers actions brought by its own employees. The indemnification provided for in this Section with respect to acts or omissions during the term of this Lease shall survive termination or expiration of this Lease. Landlord shall not be liable for interference with light, air or view or for any latent defect in the

Leased Premises. Tenant shall promptly notify Landlord of casualties or accidents occurring in or about the Leased Premises. Notwithstanding the foregoing, if losses, claims, liabilities, damages, liens, costs and expenses so arising are caused by the concurrent negligence of both Landlord and Tenant, their employees, agents, invitees and licensees, Tenant shall indemnify Landlord only to the extent of Tenant's own negligence or that of its officers, agents, employees, guests or invitees. The foregoing indemnity is specifically and expressly intended to constitute a waiver of Tenant's immunity under Washington's Industrial Insurance Act, RCW Title 51, to the full extent necessary to provide Landlord with a full and complete indemnity from claims made by Tenant and its employees, to the extent of their negligence. LANDLORD AND TENANT ACKNOWLEDGE THAT THE INDEMNIFICATION PROVISIONS OF THIS SECTION 10.1 WERE SPECIFICALLY NEGOTIATED AND AGREED UPON BY THEM.

9.2. Insurance. At all times throughout the Lease term Tenant shall, at its own expense, maintain comprehensive or commercial general liability insurance with broad form and stop gap (employer's liability) endorsements in minimum limits of \$1,000,000 per occurrence and annual aggregate for property damage or loss and minimum limits of \$1,000,000 per individual and per occurrence for personal injuries and death, to indemnify both Landlord and Tenant against any such claims, demands, losses, damages, liabilities and expenses. Landlord shall have the right to periodically review the appropriateness of such limits in view of inflation, changing industry conditions and court decisions and to require an increase in such limits upon ninety (90) days' prior written notice to Tenant. Landlord and any property manager identified by Landlord shall be named as additional insureds and shall be furnished with a certificate and a copy of such policy or policies of insurance prior to the Lease Commencement Date and thereafter upon Landlord's request therefor which shall bear an endorsement that the same shall not be canceled or materially reduced in coverage or limits without thirty (30) days' prior written notice to Landlord. Throughout the Lease term, Tenant shall also maintain, at its own expense, insurance covering its furniture, fixtures, equipment and inventory and all improvements which it makes to the Leased Premises in an amount equal to the full insurable value thereof, against fire and such other perils as are covered by an all risk policy (or subsequent equivalent) with plate glass endorsement, including and covering all glass on the Leased Premises. All insurance required under this Lease shall (a) be issued by insurance companies authorized to do business in the State of Washington and acceptable to Landlord; (b) be issued as a primary policy, or under the blanket policy, not contributing with and not in excess of coverage which Landlord may carry; (c) in the case of the liability policy, contain a contractual liability coverage endorsement covering Tenant's indemnification duty; and (d) have deductibles approved in writing by Landlord. If Tenant fails to maintain such insurance, Landlord may immediately obtain such for Tenant's account as a non-exclusive remedy, and Tenant shall reimburse Landlord for the full expense thereof upon demand.

SECTION 10 - ASSIGNMENT AND SUBLETTING

10.1. Assignment or Sublease. Tenant shall not sublet the whole or any part of the Leased Premises, nor shall Tenant assign, transfer or encumber this Lease or any interest hereunder whether directly or by operation of law or by any process or proceeding of any court, or otherwise, without the prior written consent of Landlord. Each assignment to which there has been consent shall be by an instrument in writing in form satisfactory to Landlord, an executed copy of which shall be delivered to Landlord. In lieu of giving its consent to an assignment or sublease, which Landlord may withhold at its discretion, Landlord may elect to terminate this Lease, effective upon thirty (30) days' prior written notice to Tenant. Any assignment or sublease without Landlord's prior written consent shall, at Landlord's option, be voidable.

If Tenant assigns its interest in this Lease or sublets the Leased Premises with Landlord's written consent, Tenant shall pay to Landlord any and all consideration received by Tenant for such assignment, which exceeds the reasonable out of pocket costs incurred by Tenant in connection with such assignment, if any. Tenant shall also pay all reasonable legal fees and other costs incurred by Landlord in connection with Landlord's consideration of Tenant's request for approval of assignments or subleases.

10.2. Corporate Ownership; Partnership. If Tenant is a corporation, then any transfer of this Lease by merger, consolidation or liquidation, or any change in the ownership of, or power to vote the majority of Tenant's outstanding stock, shall constitute an assignment for the purposes of this Section 11. If Tenant is a partnership or limited liability company, then any dissolution or termination of the partnership or limited liability company or change in a majority of the interests held by the general partners or members thereof shall constitute an assignment for purposes of this Section 11.

10.3. Assignment by Landlord. If Landlord sells or otherwise transfers the Leased Premises, or if Landlord assigns its interest in this Lease, and such purchaser, transferee or assignee assumes Landlord's obligations hereunder arising thereafter, Landlord shall thereupon be relieved of all liabilities hereunder arising thereafter, but this Lease shall otherwise remain in full force and effect.

SECTION 11 - DESTRUCTION OF PREMISES

11.1. Partial Destruction. If the Leased Premises are rendered partially untenable by fire or other insured casualty, and if the damage is repairable within sixty (60) days from the date of the occurrence (with the repair work and preparations therefor to be done during regular working hours on regular work days), Landlord shall repair the Leased Premises, to the extent of the insurance proceeds available. Monthly Base Rent shall be abated in the proportion that the untenable portion of the Leased Premises bears to the whole thereof for the period from the date of the casualty to the completion of the repairs, unless the casualty results from Tenant's negligence or its breach of the terms hereof. If thirty percent (30%) or more of the Leased Premises are damaged, Landlord may terminate this Lease as of the date of such damage or destruction by giving notice to Tenant within thirty (30) days thereafter of the election so to do.

11.2. Total Destruction. If the Leased Premises are completely destroyed by fire or other casualty, or if they are damaged by uninsured casualty, or by insured casualty to such an extent that the damage cannot be repaired within sixty (60) days of the occurrence, or if the casualty occurs during the last three months of the Lease term, Landlord shall have the option either to restore the Leased Premises or to terminate this Lease on thirty (30) days' written notice, effective as of any date not more than sixty (60) days after the occurrence. If this Section becomes applicable, Landlord shall advise Tenant within (30) days after such casualty whether Landlord elects to restore the Leased Premises or to terminate the Lease. If Landlord elects to restore the Leased Premises, it shall commence and prosecute the restoration work with commercially reasonable diligence. For the period from the date of the casualty until completion of the repairs (or the date of termination of the Lease, if Landlord elects not to restore the Leased Premises), the monthly Base Rent shall be abated in the proportion that the untenable portion of the Leased Premises bears to the whole thereof, unless the casualty results from Tenant's negligence or its breach of the terms hereof.

SECTION 12- EMINENT DOMAIN

12.1. Total Taking. If all of the Leased Premises are taken by eminent domain, this Lease shall terminate as of the date Tenant is required to vacate the Leased Premises and all Base Rent and Additional Rent shall be paid to that date. The term "**eminent domain**" shall include the taking or damaging of property by, through or under any governmental or statutory authority, and any purchase or acquisition in lieu thereof, whether the damaging or taking is by government or any other person.

12.2. Partial Taking. If a taking of any part of the Leased Premises by eminent domain renders the remainder thereof unusable, in the reasonable judgment of Landlord, the Lease may, at the option of Landlord, be terminated by written notice given to Tenant not more than thirty (30) days after Landlord gives Tenant written notice of the taking, and such termination shall be effective as of the date when Tenant is required to vacate the portion of the Leased Premises so taken. If this Lease is so terminated, all rent shall be

paid to the date of termination. Whenever any portion of the Leased Premises is taken by eminent domain and this Lease is not terminated, Landlord shall at its expense proceed with all commercially reasonable dispatch to restore, to the extent of available proceeds and to the extent it is commercially reasonable to do so, the remainder of the Leased Premises to the condition it was in immediately prior to such taking, and Tenant shall at its expense proceed with all reasonable dispatch to restore its fixtures, furniture, furnishings, floor covering and equipment to the same condition they were in immediately prior to such taking. If this Lease is not terminated, the Base Rent payable hereunder shall be reduced from the date Tenant is required to partially vacate the Leased Premises in the same proportion that the area taken bears to the total area of the Leased Premises prior to taking.

12.3. Damages. Landlord reserves all right to the entire damage award or payment for any taking by eminent domain or a transfer in lieu thereof, and Tenant waives all claims whatsoever against Landlord and/or the governmental authority exercising eminent domain for damages for termination of its leasehold interest in the Leased Premises or for interference with its business. Tenant shall, however, have the right to claim from the condemning authority all compensation that may be recoverable by Tenant on account of any moving costs or loss or damage to Tenant's merchandise, furniture, trade fixtures and equipment, provided, however, that Tenant may claim such damages only if they are awarded separately in the eminent domain proceeding and not as part, or in reduction, of Landlord's damages.

SECTION 13 - DEFAULT OF TENANT

13.1. Defaults. Time is of the essence of this Lease. If Tenant fails to comply with any covenant, term or condition of this Lease or if a trustee or receiver is appointed for Tenant's assets, or if Tenant makes an assignment for the benefit of creditors, or if Tenant vacates or abandons the Leased Premises, and if such failure continues for or is not remedied within three (3) days (or, if no default in the payment of rent is involved, within twenty (20) days) after notice in writing thereof given by Landlord to Tenant specifying the failure, then Landlord may, in its sole discretion:

(a) Declare the term hereof ended and reenter the Leased Premises and take possession thereof and remove all persons therefrom, and Tenant shall have no further claim thereon or hereunder; or

(b) Without declaring this Lease terminated, reenter the Leased Premises and occupy the whole or any part thereof for and on account of Tenant and collect any unpaid rentals and other charges, which have become payable, or which may thereafter become payable; or

(c) Even though it may have reentered the Leased Premises, thereafter elect to terminate this Lease and all of the rights of Tenant in or to the Leased Premises.

If Landlord reenters the Leased Premises under option (b) above, Landlord shall not be deemed to have terminated this Lease or the liability of Tenant to pay any rental or other charges thereafter accruing, or to have terminated Tenant's liability for damages under any of the provisions hereof, by any such reentry or by any action, in unlawful detainer or otherwise, to obtain possession of the Leased Premises, unless Landlord shall have notified Tenant in writing that it has so elected to terminate this Lease, and Tenant further covenants that the service by Landlord of any notice pursuant to the unlawful detainer statutes and the surrender of possession pursuant to such notice shall not (unless Landlord elects to the contrary at the time of or at any time subsequent to the serving of such notices and such election is evidenced by written notice to Tenant) be deemed to be a termination of this Lease. If Landlord enters or takes possession of the Leased Premises, Landlord shall have the right, but not the obligation, to remove all or any of the personal property located therein and place the same in storage at a public warehouse at the expense and risk of Tenant.

If Landlord elects to terminate this Lease pursuant to the provisions of options a. or c. above, Landlord may recover from Tenant as damages, the following:

- (i) The worth at the time of award of any unpaid rental which had been earned at the time of such termination; plus
- (ii) The worth at the time of award of the amount by which the unpaid rental which would have been earned after termination until the time of award exceeds the amount of such rental loss Tenant proves could have been reasonably avoided; plus
- (iii) The worth at the time of award of the amount by which the unpaid rental for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus
- (iv) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses incurred by Landlord in (a) retaking possession of the Leased Premises, including reasonable attorneys' fees therefor, (b) maintaining or preserving the Leased Premises after such default, (c) preparing the Leased Premises for reletting to a new tenant, including repairs or alterations to the Leased Premises for such reletting, (d) leasing commissions, and (e) any other costs necessary or appropriate to relet the Leased Premises; plus
- (v) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by the laws of the State of Washington.

As used in items (i) and (ii) above, the "**worth at the time of award**" is computed by allowing interest at the interest rate specified in Section 4.4 hereof. As used in item (iii) above, the "worth at the time of award" is computed by using a discount rate of four percent (4%).

For purposes of this Section 14.1 (and elsewhere within this Lease where applicable), the terms "rent" and "rental" shall be deemed to be the monthly Base Rent and all Additional Rent and other sums required to be paid by Tenant pursuant to the terms and conditions of this Lease. All such sums, other than the Base Rent, shall, for the purpose of calculating any amount due under the provisions of subparagraph (iii) above, be computed on the basis of the average monthly amount thereof accruing during the immediately preceding twelve (12) month period, except that if it becomes necessary to compute such rental before such a twelve (12) month period has occurred then such rental shall be computed on the basis of the average monthly amount hereof accruing during such shorter period.

In addition to the foregoing, in the event that Tenant defaults under any term or condition of this Lease two or more times during the Primary Term or any subsequent term, regardless of whether Tenant satisfactorily cures such default within the time set forth in this Section 14.1, such instances of default shall be grounds for Landlord to refuse to extend the term hereof for any subsequent additional term(s).

13.2. Legal Expenses. If either party to this Lease consults an attorney in order to enforce any of the terms of this Lease, the prevailing party shall be entitled to reimbursement by the non-prevailing party of the prevailing party's reasonable costs and attorneys' fees, whether such costs and attorneys' fees are incurred with or without litigation, in a bankruptcy court (i.e., in a motion for assumption or rejection of the Lease, etc.), or on appeal.

13.3. Remedies Cumulative; Waiver. Landlord's remedies hereunder are cumulative, and not exclusive, and Landlord's exercise of any right or remedy shall not be deemed to waive, or alter, affect or prejudice any other right or remedy which Landlord may have under this Lease or at law or in equity, including the right to cure Tenant's default on Tenant's behalf and recover from Tenant upon demand all costs and expenses incurred by Landlord in connection therewith, including interest thereon at the rate stated in Section 4.3 from the date incurred until paid. Neither the acceptance of rent nor any other acts or omissions of Landlord at any time or times after the happening of any default or breach by Tenant shall operate as a waiver of any past or future violation, breach or failure to keep or perform any covenant, agreement, term or condition hereof or to deprive Landlord of its right to cancel, terminate or forfeit this Lease, or estop Landlord from promptly exercising any other option, right or remedy that it may have under any term or provisions of this Lease, or at law or in equity.

SECTION 14 - ACCESS BY LANDLORD; DEFAULT OF LANDLORD

14.1. Right of Entry. Landlord and its agents shall have the right to enter the Leased Premises at any time to examine the same, and to show them to prospective purchasers or tenants, and to make such repairs, alterations, improvements or additions as Landlord may deem necessary or desirable. If Tenant is not personally present to permit entry and an entry is necessary or permissible, Landlord may enter the same by master key or may forcibly enter the same, without rendering Landlord liable therefor. Tenant shall not change the locks to the Leased Premises without first advising Landlord thereof and providing Landlord with a key.

14.2. Default of Landlord. Landlord shall be in default hereunder only if Tenant serves upon Landlord a written notice specifying the alleged default and Landlord does not remedy the failure within sixty (60) days following receipt thereof or, in the case of a failure which reasonably requires more than sixty (60) days to cure, if Landlord has not commenced to remedy the same within sixty (60) days following receipt of written notice thereof. Tenant shall not exercise any remedies available to it until the grace period provided for in this Section has elapsed.

SECTION 15 – TERMINATION

15.1. Landlord and Tenant shall each have the right to terminate this lease for cause or convenience upon thirty (30) days written notice.

SECTION 16 - SURRENDER OF PREMISES

16.1. Surrender of Leased Premises. At the expiration or sooner termination of this Lease, Tenant shall return the Leased Premises to Landlord in the same condition in which received (or, if altered, then the Leased Premises shall be returned in such altered condition, unless otherwise directed by Landlord under Section 8.2), reasonable wear and tear excepted. Tenant shall remove all trade fixtures and appliances and equipment which do not become a part of the Leased Premises, but not including the heating, ventilation and air conditioning systems, however installed, and shall restore the Leased Premises to the condition they were in prior to the installation of said items. Tenant's obligation to perform this covenant shall survive the expiration or termination of this Lease. Landlord may place and maintain signs in conspicuous places on the Leased Premises for one hundred twenty (120) days prior to the expiration or earlier termination of this Lease advertising the Leased Premises' availability.

16.2. Holding Over. If Tenant holds over after the expiration of the term hereof with Landlord's express prior written consent, such holding over shall be construed as a tenancy from month-to-month on the terms and conditions set forth herein, except for Base Rent which shall be increased to one and one-half (1-1/2) times that in effect during the last month of the term hereof, which tenancy may

be terminated by either party upon at least thirty (30) days' written notice to the other party, effective as of the last day of a calendar month. If Tenant holds over without Landlord's express prior written consent, such shall constitute a tenancy at will, terminable upon notice from Landlord at three (3) times the Base Rent payable during the last month of the term hereof, and Tenant shall be liable for all damages suffered by Landlord as a consequence of such holding over.

SECTION 17 - MISCELLANEOUS

17.1. Notices. Any notices required in accordance with any of the provisions herein shall be delivered personally, sent by overnight courier or mailed by registered or certified mail to the addresses set forth in Section 1.7 or to such other address as a party shall from time to time advise in writing. If Tenant is a partnership, limited liability company or joint enterprise, any notice required or permitted hereunder may be given by or to any one partner or member thereof with the same force and effect as if given by or to all thereof. If mailed, a notice shall be deemed received three (3) business days after the postmark affixed on the envelope by the United States Post Office.

17.2. Successors or Assigns. All of the terms, conditions, covenants and agreements of this Lease shall extend to and be binding upon Landlord, Tenant and their respective heirs, administrators, executors, successors and permitted assigns.

17.3. Brokers' Commission. Tenant agrees to indemnify and hold Landlord harmless from all liabilities and claims for brokerage commissions and finder's fees growing out of agreements which Tenant has made with brokers or finders.

17.4. Partial Invalidity. If any term, covenant or condition of this Lease or the application thereof to any person or circumstance is, to any extent, unlawful, invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held unlawful, invalid or unenforceable, shall not be affected thereby and each other term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

17.5. Recording. Tenant shall not record this Lease or a memorandum hereof without the prior written consent of Landlord.

17.6. Force Majeure. Landlord shall not be deemed in default hereof nor liable for damages arising from its failure to perform its duties or obligations hereunder if such is due to causes beyond its reasonable control, including, but not limited to, acts of God, acts of terrorism, acts of civil or military authorities, fire, floods, windstorm, earthquake, strikes or other labor disturbances, civil commotion or disorder or war.

17.7. Tenant Defined. When the term "Tenant" is used herein it shall mean each and every person, partnership or corporation who is mentioned as Tenant in this Lease or who executes this Lease as Tenant, other than in a representative capacity. If there shall be more than one Tenant, they shall all be bound jointly and severally by the terms, covenants and agreements herein.

17.8. Financial Statements. Within ten (10) days after Landlord's request therefor from time to time during the term of this Lease, Tenant shall provide Landlord with a copy of Tenant's most recent quarterly and annual financial statements, certified by Tenant as accurate.

17.9. Recycling. Tenant will take reasonable steps to prevent the unnecessary generation of refuse through the choice and use of products and packaging and other materials in its business that minimize solid waste or that are durable, reusable or recyclable. If so required by Landlord, Tenant will provide or

obtain recycling containers for use in its business by its employees and customers and will recycle acceptable materials in the recycling containers and will otherwise participate in any recycling program established by Landlord or required by Applicable Laws.

17.10. Tenant's Authority. Tenant warrants that its execution of this Lease has been duly authorized in accordance with its constituent documents.

17.11. Headings. The headings in this Lease are for convenience only and do not in any way limit or affect the terms and provisions hereof.

17.12. Gender. Wherever appropriate in this Lease, the singular shall be deemed to refer to the plural and the plural to the singular, and pronouns of certain genders shall be deemed to include either or both of the other genders.

17.13. Counterparts. This Lease may be executed in counterparts, each of which shall be deemed an original, but which when taken together shall constitute one and the same instrument.

17.14. Quiet Enjoyment. So long as Tenant pays the Rent and performs all of its obligations in this Lease, Tenant's possession of the Leased Premises will not be disturbed by Landlord or anyone claiming by, through or under Landlord.

17.15. Entire Agreement - Applicable Law. This Lease and the Exhibits attached hereto, and by this reference incorporated herein, set forth the entire agreement of Landlord and Tenant concerning the Leased Premises, and supersede any other agreements or understanding, oral or written, between Landlord and Tenant. Any subsequent modification or amendment of this Lease shall be binding upon Landlord and Tenant only if in writing and signed by both. This Lease shall be governed by, and construed in accordance with the laws of the state of Washington without recourse to any principle of Conflicts of Laws. Venue in any lawsuit brought under this Lease shall be in the Superior Court of Whatcom County, Washington.

17.16. Execution by Landlord and Tenant. Landlord shall not be deemed to have made an offer to Tenant by furnishing Tenant with a copy of this Lease with particulars inserted. No contractual or other rights shall exist or be created between Landlord and Tenant until all parties hereto have executed this Lease and fully executed copies have been delivered to Landlord and Tenant.

TENANT

Dated June 6, 2012



Authorized Representative
Puget Sound Clean Air Agency

LANDLORD

Dated July 3, 2012

THE CITY OF TACOMA

By 

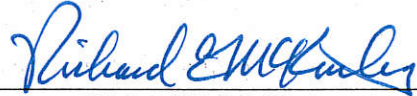
T.C. Broadnax
City Manager

ATTEST:



Acting Finance Director

DEPARTMENTAL APPROVAL:




Richard E. McKinley
Public Works Director

APPROVED AS TO FORM:



Deputy City Attorney



Notary Public in and for the
State of Washington
My Commission Expires 5-21-15