

EVERETT SCHOOL DISTRICT NO. 2

RESOLUTION NO. 895

A Resolution of the Board of Directors (the "Board") of the Everett School District No. 2 (the "District") to declare certain property rights with respect 2911 California Street, Everett, Washington 98201, as surplus real property, which is not presently required for school purposes, authorizing the Superintendent or her designee to lease a portion of the District's property to the City of Everett (the "City").

WHEREAS, the District owns that certain real property located at 2911 California Street, Everett, Washington 98201 (the "Property"), which is legally described on Exhibit A attached to this resolution;

WHEREAS, the City desires to lease a portion of the Property from the District consisting of approximately 58,812 square feet of yard space, 2,800 square feet of office space and 5,250 square feet of warehouse space as outlined on the site plan attached as Exhibit B to this resolution (the "Premises");

WHEREAS, the District desires to lease the Premises to the City for use as a City bus facility, and the District intends to continue to use other portions of the Property for school purposes;

WHEREAS, the District published a notice in a newspaper of general circulation in the school district of its intent to lease the Property on September 27, 2007, in anticipation of a Board Resolution declaring that the Premises to be leased on the Property are not needed for school purposes; and

WHEREAS, the Premises are not required for school purposes;

WHEREAS, the Board has found that the leasing of the Premises does not interfere with conduct of the District's educational program and related activities, and the Board has found that the rights with respect to the Premises are surplus to the District's needs;

WHEREAS, representatives of the City and the District have negotiated a form of lease, attached hereto as Exhibit C (the "Lease "), for consideration by the City Council and the Board setting forth proposed terms and conditions under which the District would lease the Premises to the City;

WHEREAS, the Board has the authority pursuant to RCW 28A.335.040 and RCW 28A.335.050, RCW 39.33.010 to lease the Premises, on behalf of the District, to the City;

NOW THEREFORE, BE IT RESOLVED as follows:

1. The Board finds and declares that the property rights with respect to the Premises shown and described on Exhibit B, proposed to be leased to the City pursuant to the Lease, are surplus to the needs of the District; and

2. The Board hereby authorizes and directs the District's Superintendent or her authorized designee, on behalf of the District, to enter into and execute an agreement, in the form of the Lease, leasing the Premises to the City; and

3. The Board hereby authorizes and directs the District's Superintendent or her authorized designee, on behalf of the District to do such other and further things in furtherance of this Resolution as may be necessary or appropriate to conclude the surplusing and leasing of the Premises to the City as contemplated hereby.

ADOPTED, this ~~22~~ day of Jan., 2008, and authenticated by the signatures affixed below.



Karen Madsen, President

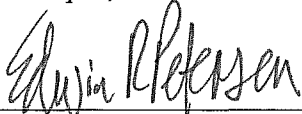


Kristie Dutton, Director



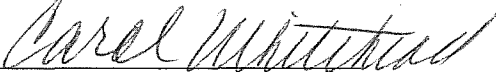
Carol Andrews, Director

Sue Cooper, Director



Ed Petersen, Director

ATTEST:

By: 

Carol Whitehead, Ed. D.
Superintendent and
Secretary of the Board

EXHIBIT A

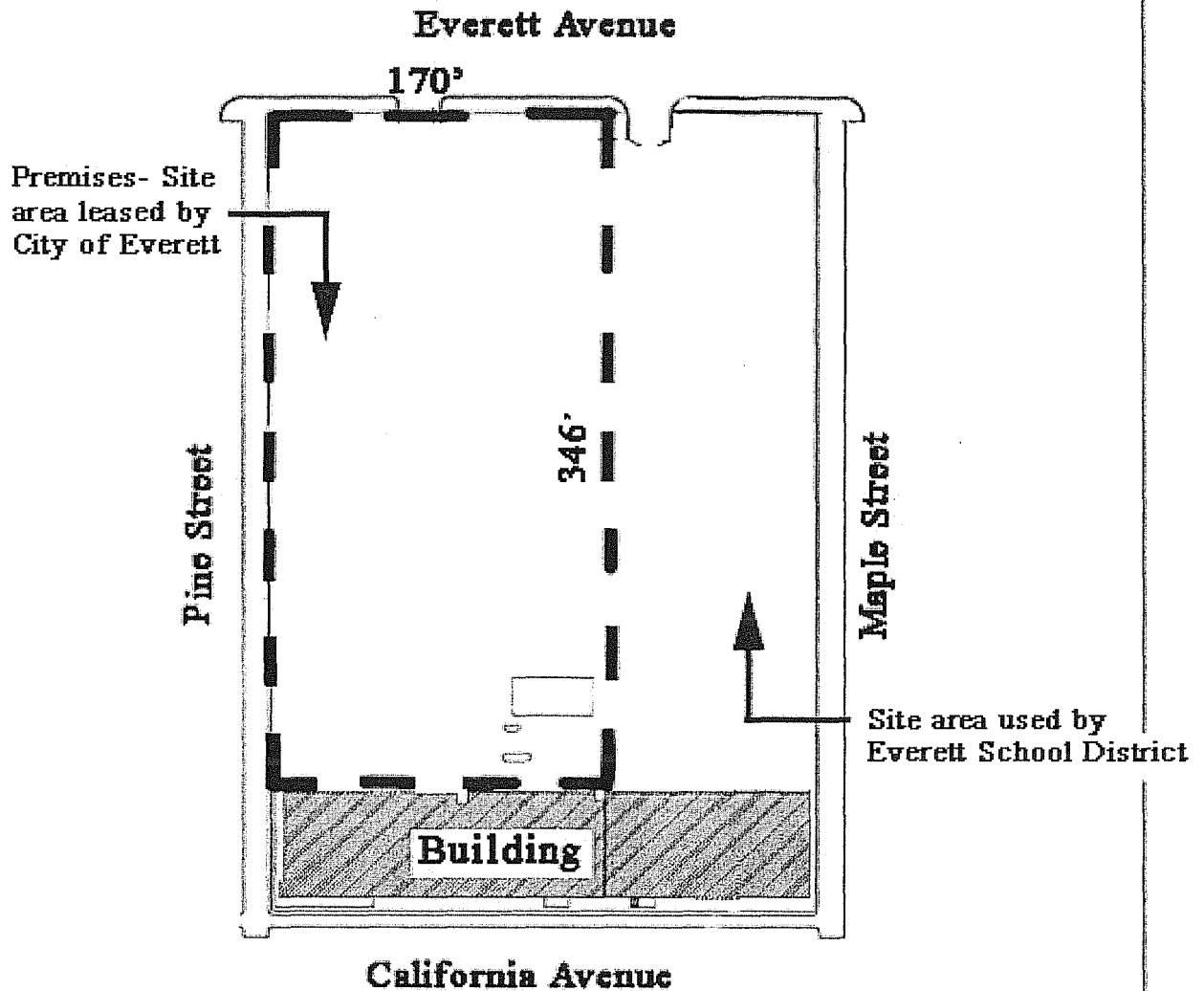
LEGAL DESCRIPTION OF THE PROPERTY

2911 CALIFORNIA AVE --- EVERETT, WA 98204

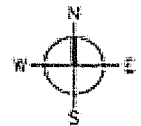
Parcel Legal Description

SWALWELLS 2ND ADD BLK 637 D-00 – BLK 637 TGW VAC ALLEYS LY THEREIN
PER CITY OF EV ORD NO 2502 PASSED 7/29/30 LESS PTN TO CITY OF EV FOR
ADD'L R/W PER SWD UND AF 9108050051 VOL 2468 PG 2230

Exhibit B - Site Plan



North Satellite Bus & Storage Facility
Everett School District NO. 2
2911 California Avenue, Everett, WA



10-5-07

EXHIBIT C
FORM OF LEASE

EVERETT SCHOOL DISTRICT NO. 2 PROPERTY LEASE

1. **PARTIES.** This lease, dated for reference purposes only as of February 1, 2008, is made by and between Everett School District No. 2, a municipal corporation, (herein called "Landlord") and the City of Everett, a municipal corporation, (herein called "Tenant").

2. **PREMISES.** Landlord does hereby lease to Tenant and Tenant hereby leases from Landlord that certain space (herein called "Premises") designated as and consisting of approximately 58,812 s.f. of yard space, 2,800 s.f. of office space and 5,250 s.f. of warehouse space as outlined on the site plan attached as Exhibit B and on the floor plan attached as Exhibit C. Said Premises are located at 2911 California Avenue, in Everett, County of Snohomish, State of Washington, and on the real property legally described in Exhibit A (herein called "Property"). Said lease is subject to the terms, covenants and conditions herein set forth and Tenant covenants as a material part of the consideration for this lease to keep and perform each and all of said terms, covenants and conditions by it to be kept and performed.

3. **USE.** Tenant shall use the Premises for a City of Everett Bus Facility that includes office space for transit operators, operations supervisors, training coordinators, training supervisors, project coordinators and maintenance personnel; training room for operators; warehouse space and yard space for City buses and paratransit vehicles, bus stop amenities such as poles, shelters, and benches, maintenance equipment and supplies, and service vehicles. Tenant shall not use or permit the Premises to be used for any other purpose without the prior written consent of Landlord, which consent may be withheld at Landlord's sole discretion. Tenant is solely responsible to determine, and Landlord makes no warranty, that any of Tenant's uses of the Premises is in compliance with comprehensive planning, zoning, and other applicable use regulations.

4. **TERM AND OPTIONS TO EXTEND.**

4.1 **Initial Term.** The Lease term commences on February 1, 2008 and, unless cancelled earlier by Landlord or otherwise earlier terminated or extended, will terminate at midnight on January 31, 2011 ("Term").

4.2 **Potential Options to Extend.** Subject to Landlord's consent (which may be withheld following notice from Tenant in Landlord's sole discretion) and execution of a letter agreement confirming such consent and any conditions thereof pursuant to that certain "Interlocal Agreement Between Everett Public Schools and the City of Everett Regarding the Cooperative Use of Facilities, Equipment, and Personnel dated September 7, 1999," Tenant shall have two (2) consecutive options to extend the lease term for one (1) year (each, an "Extension Period") upon the same terms, conditions and covenants in this Lease so far as applicable, including Additional Rent except for Minimum Rent (which shall be determined pursuant to subsection 5.2 below), provided that Tenant notifies Landlord in writing of such extension not less than ninety (90) days before the expiration date of original Term or the then-current Extension Period, as the case may be. These conditional options are personal to Tenant and may not be exercised by any successor or assign of Tenant.

4.3 **Landlord's Cancellation Option.** Except as otherwise provided in Section 23 (Remedies in Default), Section 25 (Reconstruction), and Section 26 (Eminent Domain), and regardless of whether Tenant may have elected to exercise an option to extend the lease term, Landlord may cancel the Lease at any time during the initial Term or an Extension Period by giving Tenant 180 calendar days written notice of such cancellation provided:

- a. Landlord, at its sole discretion, requires the Premises for its own use; or
- b. Landlord's Board of Directors declares the remainder of the Property to be surplus and authorizes and directs the Property to be sold per RCW 28A.335.120 or otherwise disposed of for the benefit of Landlord.

4.4 Tenant's Cancellation Option. Tenant may exercise the option to terminate this lease agreement only under one or more of the following circumstances:

- a. If all or a substantial portion of the Premises is taken or appropriated by a public or quasi-public authority under the power of eminent domain or agreement in lieu of condemnation and Tenant provides 30 days written notice consistent with Section 26 (Eminent Domain); or
- b. If there is a modification of the parking or common areas or a diminution in access to the Premises such that the modification or diminution materially interferes with the use and enjoyment of the Premises contemplated in Section 3, and Tenant provides 30 days' written notice; or
- c. If, due to no fault of the Tenant, its agents, servants, employees or invitees, the Premises are damaged by fire or other perils, the damage materially interferes with the use and enjoyment of the Premises contemplated in Section 3, and Tenant provides 30 days' written notice.

5. MINIMUM RENT. Tenant agrees to pay to Landlord as Minimum Rent, without notice or demand, the monthly sum outlined below. This payment shall be made, in advance, on or before the first day of each and every successive calendar month thereafter during the term hereof. Said rental shall be paid to Landlord, without deduction or offset, in lawful money of the United States of America, at such place as Landlord may from time to time designate in writing. Minimum Rent due for a partial month shall be prorated based on the number of days in the month. Additional Rent as outlined in Section 7 shall also be due.

Minimum Rent during the initial Term shall be:

February 1, 2008 through January 31, 2009 \$11,940 per month
February 1, 2009 through January 31, 2010 \$12,298 per month
February 1, 2010 through January 31, 2011 \$12,667 per month

Minimum Rent for each Extension Period shall be the Minimum Rent for the prior month adjusted to reflect the lesser of an increase of 5% or the percentage increase (if any) in the Consumer Price Index All Urban Consumers, U.S. City Average, base years 1982-84=100 as published by the Bureau of Labor Statistics, U.S. Department of Labor (CPI) for the most current monthly period available ("CPI") for the most current monthly period available, calculated as follows:

For the first Extension Period - CPI index for month thirty-seven (37) of this Lease, minus the CPI index for month twenty-five (25) of this Lease, the difference of which is to be divided by the CPI index for month twenty-five (25), the result multiplied by 100 to determine the percentage of change for the period of month twenty-five (25) to month thirty-seven (37). Such percentage change shall be applied to the Minimum Rent for month thirty-seven (37) to determine the increase in Minimum Rent for the first month of the first Extension Period and each month thereafter until the expiration of the first Extension Period.

For the second Extension Period - CPI index for month forty-nine (49) of this Lease, minus the CPI index for month thirty-seven (37) of this Lease, the difference of which is to be divided by the CPI index for month thirty-seven (37), the result multiplied by 100 to determine the percentage of change for the period of month thirty-seven (37) to month forty-nine (49)). Such percentage change shall be applied to the Minimum Rent for month forty-nine (49) to determine the increase in Minimum Rent for the first month of the second Extension Period and each month thereafter until the expiration of the second Extension Period.

If for any reason the CPI referenced herein shall cease to exist prior to the determination of NNN monthly rental for any Extension Period, the Minimum Rent for such Extension Period shall be calculated using whichever index the Bureau of Labor Statistics, U.S. Department of Labor (or its successor agency) identifies as the substitute index.

6. SECURITY DEPOSIT: Intentionally Omitted..

7. ADDITIONAL RENT

7A. In addition to the Minimum Rent provided in Article 5 hereinabove, and commencing at the same time as Minimum Rent commences, Tenant shall pay to Landlord Tenant's pro rata (or where indicated, proportionate) share of taxes, insurance and common area maintenance or operating expenses incurred by Landlord with respect to the Premises and Property. Tenant's pro rata share shall be based upon a percentage equal to the fraction of Tenant's rentable area in square feet over the square feet of the Property. Tenant's pro rata (or where indicated, proportionate) share of the following items shall constitute "Additional Rent":

1. All real estate taxes (or leasehold excise taxes), if any. These real estate taxes (or leasehold excise taxes) shall include all real property tax, personal property tax, government assessments such as Local Improvement District assessments and Business Improvement Area assessments that are levied upon and/or assessed against the Property.

2. The standard form property insurance premiums and deductibles insuring against the perils of fire, flood, earthquake, and extended coverage. All other liability, umbrella liability, loss of rental income, terrorism, and any other insurance that Landlord deems necessary for the property shall be at the sole cost and discretion of Landlord .

3. Common area maintenance and operating expenses, including:

a. All costs and expenses incurred with respect to the maintenance, repair, replacement, management and operation of the following as industrial/warehouse property in Everett, Washington:

(i) the land;

(ii) building, including, but not limited to the roof and exterior walls;

(iii) building systems, including, but not limited to mechanical, plumbing, electrical, utility, and other utility-related systems;

(iv) other improvements on the land, including the parking lot, sidewalks.

(v) charges for electricity, fuel, gas, water, sewer, fire alarm monitoring, telephone and broadband service, and waste removal and all other services and utilities supplied to the Premises, together with any taxes thereon. If any such services are not separately metered to Tenant, Tenant shall pay its proportionate share (as reasonably determined by Landlord based on estimated usage, if Landlord so elects, and otherwise pro rata) of all charges jointly metered with other premises;

(vi) routine maintenance of mechanical systems, the building, yard, landscaping, fence and the driveways and walkways and stairways;

b. Any parking charges, utility surcharges, or any other charges levied, assessed or imposed by, or at the direction of, or resulting from, statutes, ordinances, or regulations or interpretations thereof, promulgated by any governmental authority or administrative agency in connection with the use or occupancy of the property or Premises.

c. Additional Rent shall not include repairs, restoration or other work occasioned by fire, windstorm or other insured casualty loss; expenses for which the Landlord is reimbursed or indemnified (either by an insurer, condemnor, tenant or otherwise); income tax paid by Landlord;

expenses incurred in the leasing to or procuring of other tenants (including without limitation, leasing commissions, legal expenses, expenses for the renovation of vacant suites for occupancy by new tenants); legal expenses arising out of disputes with other tenants or the enforcement of the provisions of any lease to another tenant of any portion of the Property; interest, amortization or principal payments on any mortgage or other indebtedness of Landlord; costs of any work or service performed for or facilities furnished to another tenant at the tenant's cost; the cost of correcting defects (latent or otherwise) in the construction of the building, except those conditions (not occasioned by construction defects resulting from wear and tear shall not be deemed defects; and costs of capital improvements and depreciation and amortization except as otherwise provided in this Section.

d. Landlord and Tenant shall each from time to time upon request of the other sign a written memorandum confirming the amount of the Additional Rent as adjusted from time to time under this Lease.

e. The cost of any capital repairs or replacements shall be amortized at the then current prime interest rate published by Bank of America or its successor over the useful life of such capital item. Tenant shall pay its pro rata share of the amortized portion of any such capital repair or replacement.

7B. Landlord shall submit to Tenant, at least annually, a statement of the anticipated monthly Additional Rent. Tenant shall pay Additional Rent or estimated Additional Rent at the same time that it pays Minimum Rent. Tenant shall continue to make said monthly payments of estimated Additional Rent until notified by Landlord of a change thereof. By October 15 of each year Landlord shall endeavor to give Tenant a statement showing the total Additional Rent for the Premises for the prior calendar year and Tenant's allocable share thereof, prorated from the lease commencement date. In the event the total of the estimated monthly payments which Tenant has made for the prior calendar year is less than the Tenant's actual share of such Additional Rent, then Tenant shall pay the difference in a lump sum within thirty (30) days after receipt of such statement from Landlord and shall also pay the difference in monthly payments made in the then current year which may be adjusted based on the prior years experience. Any overpayment by Tenant shall be credited towards the monthly Additional Rent next coming due. The actual Additional Rent for the prior year and Tenant's proportionate share of any property operating budget as specified under Section 7A shall be used for purposes of calculating the estimated monthly Additional Rent for the current year. Even after the term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's share of said Additional Rent for the year in which this Lease terminates, Tenant shall within thirty (30) days pay any difference in the actual amount due less the amount of estimated Additional Rent previously paid and received by Landlord. If after the Lease term has expired and Tenant has vacated the Premises, and the final determination shows Tenant has paid more estimated Additional Rent than is actually due, Landlord shall promptly refund the difference to Tenant.

8. **USES PROHIBITED.** Tenant shall not do or permit anything to be done in or about the Premises nor bring to or keep anything therein which will in any way increase the existing rate of or affect any fire or other insurance upon the Building or any of its contents, or cause a cancellation of any insurance policy covering said Building or any part thereof or any of its contents. Tenant shall not do permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of Landlord or other tenants or occupants of the Property or injure or annoy them or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or allow to be committed any waste in or upon the Premises.

9. **COMPLIANCE WITH THE LAW.** Tenant shall not use the Premises, or permit anything to be done in or about the Premises, which will in any way conflict with the law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental

rules, regulations or requirements now in force or which may hereafter be in force and with the requirements of any board of fire underwriters or other similar bodies now or hereafter constituted relating to or affecting the condition, use or occupancy of the Premises, excluding structural changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between the Landlord and Tenant.

10. ALTERATIONS AND ADDITIONS. Tenant shall not make or allow to be made any alterations, additions or improvements to or of the Premises or any part thereof without the written consent of Landlord first had and obtained, which consent may be withheld in Landlord's sole discretion, and any alterations, additions or improvements to or of said Premises, including, but not limited to, wall covering, paneling and built-in cabinet work, but excepting movable furniture and trade fixtures, shall at once become a part of the realty and belong to the Landlord and shall be surrendered with the Premises. In the event Landlord consents to the making of any alterations, additions or improvements to the Premises by Tenant, the same shall be made by Tenant at Tenant's sole cost and expense. Upon the expiration or sooner termination of the term hereof, Tenant shall, upon written demand by Landlord, given at least thirty (30) days prior to the end of the term, at Tenant's sole cost and expense, forthwith and with all due diligence, remove any alterations, additions, or improvements made by Tenant, designated by Landlord to be removed, and Tenant shall, forthwith and with all due diligence, at its sole cost and expense, repair any damage to the Premises caused by such removal.

11. Reserved.

12. REPAIRS.

12A. By entry hereunder, Tenant shall be deemed to have accepted the Premises as being in good, sanitary order, condition and repair. Tenant shall, at Tenant's sole cost and expense, keep the Premises and every part thereof in good condition and repair (except as hereinafter provided with respect to Landlord's obligations) including without limitation, the maintenance, replacement and repair of any storefront, doors, windows glazing, heating, ventilation and air conditioning systems, plumbing, pipes, electrical wiring and conduits and all case work and finishes. Landlord at its option may contract for the maintenance of the heating and air conditioning systems (if so equipped) and include the Tenant's proportionate share of such costs related to such service in Adjustments (paragraph 7). Tenant shall upon the expiration or sooner termination of this Lease hereof, surrender the Premises to the Landlord in good condition, broom clean, ordinary wear and tear and damage from causes beyond the reasonable control of Tenant excepted. Any damage to adjacent premises caused by Tenant's use of the Premises shall be repaired at the sole cost and expense of Tenant.

12B. Notwithstanding the provisions of Article 12A hereinabove, Landlord shall repair and maintain the structural portions of the Building, including the structural portions of the exterior walls and roof, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees, invitees, or any damage caused by breaking and entering, in which case Tenant shall pay to Landlord the reasonable cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Article 25 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Building or the Premises or in or to fixtures, appurtenances and equipment therein. Landlord, at its expense, will install a heavy cyclone fence in the yard area demising the yard space to be used by Landlord and by Tenant.

13. LIENS. Tenant shall keep the Premises and the property in which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant.

14. ASSIGNMENT AND SUBLETTING. Tenant agrees that it will not sublet the demised premises, or any part thereof, nor assign this lease, or any interest therein, without first obtaining the written consent of the Landlord, which consent may be withheld in Landlord's sole absolute discretion.

15. HOLD HARMLESS. Landlord or its agents shall not be liable for any loss or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, or rain which may leak from any part of the Building or from the pipes, appliances or plumbing works therein or from the roof, streets, or subsurface or from any other place resulting from dampness or any other cause whatsoever, unless caused by or due to the negligence of the Landlord, its agents, servants or employees. Tenant shall give prompt notice to Landlord in case of casualty or accidents in the Premises. Subject to the preceding sentence, Tenant and Landlord agree that each party shall defend, indemnify and hold harmless the other party, its officials, officers, agents and employees from and against any and all claims, losses, damages, judgments, or liabilities of whatever nature, including any portion thereof, arising from or related to the indemnifying party's acts, omissions or performance under this lease agreement. Each party's obligations herein shall be limited to the extent of the proportionate share of liability attributable to said party.

16. SUBROGATION. As long as their respective insurers so permit, Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss incurred by fire, extended coverage and other property insurance policies existing for the benefit of the respective parties. Each party shall apply to their insurers to obtain said waivers. Each party shall obtain any special endorsements, if required by their insurer to evidence compliance with the aforementioned waiver.

17. LIABILITY INSURANCE.. Tenant agrees to maintain adequate insurance or self-insurance to cover any and all claims, losses, damages, judgments or liabilities of whatever nature arising from their own acts, omissions, or performance under this lease agreement or those of its officials, officers, agents and employees. Without limiting the generality of the foregoing, Tenant shall, at Tenant's expense, obtain and keep in force during the term of this lease a policy of comprehensive public liability insurance in the amount of not less than \$1,000,000 for bodily injury or property damage in any one accident or occurrence and in the amount of not less than \$2,000,000 in the aggregate. The limit of such insurance shall not, however, limit the liability of the Tenant hereunder. All Tenant coverage's shall be primary and noncontributory with any insurance carried by Landlord. Tenant shall be entitled to self-insure these risks by providing Landlord a letter of self-insurance consistent with these requirements.

18. PERSONAL PROPERTY TAXES. Tenant shall pay, or cause to be paid, before delinquency any and all taxes levied or assessed and which become payable during the term hereof upon all Tenant's leasehold improvements, equipment, furniture, fixtures and other personal property located in the Premises. In the event any or all of the Tenant's leasehold improvements, equipment, furniture and other personal property shall be assessed and taxed with the real property, Tenant shall pay to Landlord its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.

19. RULES AND REGULATIONS. Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate and/or modify. The rules and regulations shall be binding upon the Tenant upon delivery of a copy of them to Tenant. Landlord shall not be responsible to Tenant for the nonperformance of any said rules and regulations by any other tenants or occupants.

20. HOLDING OVER. If Tenant remains in possession of the Premises or any part thereof after the expiration of the term hereof with the express written consent of Landlord, such occupancy shall be a

of recovering possession of the Premises; expenses of reletting, including necessary renovation and alteration of the Premises; reasonable Attorney's fees; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent and other charges and Adjustments called for herein for the balance of the term after the time of such award exceeds the amount of such loss for the same period that Tenant proves could be reasonably avoided; and that portion of any leasing commission paid by Landlord and applicable to the unexpired term of this Lease; or

23B. Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent and any other charges and Adjustments as may become due hereunder; or

23C. Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the State in which the Premises are located.

24. **DEFAULT BY LANDLORD.** Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

25. **RECONSTRUCTION.** In the event the Premises are damaged by fire or other perils covered by extended coverage insurance, and if Landlord is required or elects (by written notice as set forth below) to forthwith repair same, then this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of all rents from the date of damage and while such repairs are being made, such proportionate reduction to be based upon the extent to which the damage and making of such repairs shall reasonably interfere with the business carried on by the Tenant in the Premises. If the damage is due to the fault or neglect of Tenant, its agents, servants, employees or invitees, there shall be no abatement of rent. In the event the Premises (a) are damaged as a result of any cause other than the perils covered by fire and extended coverage insurance, or (b) are substantially damaged and Landlord determines that repairs are economically unwarranted, then Landlord shall have the option: (1) to repair or restore such damage, this Lease continuing in full force and effect; or (2) give notice to Tenant at any time within sixty (60) days after such damage terminating this Lease as of the date specified in such notice, which date shall be no more than thirty (30) days after the giving of such notice. In the event of giving such notice, this Lease shall expire and all interest of the Tenant in the Premises shall terminate on the date so specified in such notice and the Minimum Rent shall be paid up to date of said termination; provided, however, Tenant shall be entitled to abatement of rent during any period of time that any portion of the Premises cannot be used by Tenant for the Use contemplated under this Lease in Section 3. Notwithstanding anything to the contrary contained in this Article, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Premises when the damage resulting from any casualty covered under this Article occurs during the last twenty-four (24) months of the term of this lease or any extension thereof. Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs or replacements of any leasehold improvements, fixtures, or other personal property of Tenant.

26. **EMINENT DOMAIN.** If all or a substantial portion of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain or agreement in lieu of condemnation, either party hereto shall have the right, at its option, within sixty (60) days after said taking, to terminate this Lease upon thirty (30) days written notice. If neither party exercises its termination right, the rental thereafter to be paid by Tenant shall be adjusted on a fair and equitable basis to reflect the remaining square footage of the Premises. If any part of the Everett School District No 2 Property other than the Premises may be so taken or appropriated, Landlord, shall within sixty (60) days of said taking have the right at its option to terminate this Lease upon written notice to Tenant. In the event of any taking or appropriation whatsoever, Landlord shall be entitled to any and all award and/or settlements which may

be given and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease. Tenant shall be entitled to any separate award of relocation and/or re-establishment benefits that may arise under any taking of the Premises by the use or threat of eminent domain so long as it does not reduce the amount of just compensation payable to Landlord as a result of such taking.

27. [Intentionally Omitted].

28. PARKING AND COMMON AREAS. Landlord reserves the right to change the entrances, exits, traffic lanes and the boundaries and locations of such parking area or areas, provided however that such modifications will not materially interfere with Tenant's use and enjoyment of the Premises as provided for under this lease agreement..

28A. The Landlord shall keep said automobile parking and common areas in a neat, clean and orderly condition, and shall repair any damage to the facilities thereof, and may assess a proportionate share of said expenses in connection with said automobile parking and common areas in the manner as set forth in Article 7 hereof.

28B. Tenant, in the use of said common and parking areas, agrees to comply with such reasonable rules, regulations for parking as the Landlord may adopt from time to time for the orderly and proper operation of said common and parking areas. Such rules may include but shall not be limited to the following: (1) The restricting of employee parking to a limited, designated area or areas; and (2) The regulation of the removal, storage and disposal of Tenant's refuse and other rubbish at the sole cost and expense of Tenant.

29. SIGNS. The Tenant may not install any signs without the prior written consent of Landlord. Signage costs are a Tenant expense.

30. GENERAL PROVISIONS.

30A. Plats and Riders. Clauses, plats, riders and addenda, if any, affixed to this Lease are a part thereof.

30B. Waiver. The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed a waiver of any preceding default by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding default at the time of acceptance of such rent.

30C. Joint Obligation. If there be more than one Tenant, the obligations hereunder imposed shall be joint and several.

30D. Marginal Headings. The marginal headings and article titles to the articles of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

30E. Time. Time is of the essence of this Lease and each and all of its provisions in which performance is a factor.

30F. Successors and Assigns. The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.

30G. Recordation. Tenant shall not record this Lease.

30H. Quiet Possession. Upon Tenant paying the rent reserved hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all the provisions of this Lease.

30I. Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but

are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any sum due from Tenant shall not be received within 10 days of when due, then Tenant shall pay to Landlord a late charge equal to five percent of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

30J. Prior Agreements. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understanding pertaining to any such matters shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. This Lease shall not be effective or binding on any party until fully executed by both parties hereto.

30K. Inability to Perform. This Lease and the obligations of the Tenant hereunder shall not be affected or impaired because the Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the reasonable control of the Landlord.

30L. Partial Invalidity. Any provision of this Lease which shall prove to be invalid, void, or illegal shall in no way affect, impair or invalidate any other provision hereof and such other provision shall remain in full force and effect.

30M. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity.

30N. Choice of Law. This Lease shall be governed by the laws of the state and county in which the Premises are located.

30O. Attorneys' Fees and Interest. In the event of any action or proceeding brought by either party against the other under this Lease, the prevailing party shall be entitled to recover for the fees of its attorneys in such action or proceeding, including costs of appeal, if any, in such amount as the court may adjudge reasonable as attorneys' fees. In addition, should it be necessary for Landlord or Tenant to employ legal counsel to enforce any of the provisions herein contained, the prevailing party shall be entitled to all attorneys' fees and court costs reasonably incurred. In addition, any amount of money not paid when due under this Lease shall bear interest from the date due at the rate of twelve (12%) percent per annum from the date due until the date paid.

30P. Sale of Premises by Landlord. In the event of any sale of the Premises by Landlord, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale; and the purchaser, at such sale or any subsequent sale of the Premises shall be deemed, without any further agreement between the parties or their successors in interest or between the parties and any such purchaser, to have assumed and agreed to carry out any and all of the covenants and obligations of the Landlord under this Lease.

30Q. Notices. All notices and demands which may or are to be required or permitted to be given by either party on the other hereunder shall be in writing. All notices and demands by the Landlord to the Tenant shall be sent by United States Mail, postage prepaid, addressed to the Tenant at the Premises, and to the address hereinbelow, or to such other place as Tenant may from time to time designate in a notice to the Landlord. All notices and demands by the Tenant to the Landlord shall be sent by United States Mail, postage prepaid, addressed to the Landlord at the address set forth herein, and to such other person or place as the Landlord may from time to time designate in a notice to the Tenant.

To Landlord at: Mike Gunn, Director of Facilities, Everett School District No. 2, 3715 Oakes Avenue, Everett, WA 98201 with a copy to Brett Carlton, Sr. Vice President, Coast Real Estate Services, 2829 Rucker Avenue, Suite 100, Everett, WA 98201

To Tenant at: Tom Hingson, Transportation Services Director, City of Everett, 3225 Cedar Street, Everett, WA 98201.

31. AGENCY DISCLOSURE. At the signing of this Lease, Landlord's Agent, Brett Carlton with Hoban & Associates, Inc. dba Coast Real Estate Services represented Landlord. Tenant was not represented by an agent. Landlord and Tenant confirm receipt of the pamphlet "The Law of Real Estate Agency".

32. DUTY NOT TO DISTURB NEIGHBORING TENANTS. Tenant shall not disturb neighboring tenants in the Building.

LANDLORD:

Everett School District No. 2,
a municipal corporation

BY: _____
Signature

Printed Name & Title

Date: _____

TENANT:

City of Everett,
a municipal corporation

By: _____
Ray Stephanson, Mayor

Date: _____

ATTEST:

Sharon Marks, City Clerk

Date: _____

APPROVED AS TO FORM

Ned Johnston, City Attorney

Date: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF SNOHOMISH)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the _____ of _____ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

Signature: _____

Printed Name: _____

NOTARY PUBLIC in and for the State of _____
residing at _____

My appointment expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF SNOHOMISH)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the _____ of _____ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

Signature: _____

Printed Name: _____

NOTARY PUBLIC in and for the State of _____
residing at _____

My appointment expires: _____

STATE OF WASHINGTON)
COUNTY OF SNOHOMISH) ss.

(INDIVIDUAL ACKNOWLEDGMENT)

On this day personally appeared before me _____ to me known to be the individual(s) described in and who executed the within and foregoing instrument and acknowledged that ____ signed the same as _____ free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand this _____ day of _____, 2008.

NOTARY PUBLIC in and for the State of Washington
residing at _____
My appointment expires: _____

STATE OF WASHINGTON)
COUNTY OF SNOHOMISH) ss.

(INDIVIDUAL ACKNOWLEDGMENT)

On this day personally appeared before me _____ to me known to be the individual(s) described in and who executed the within and foregoing instrument and acknowledged that ____ signed the same as _____ free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand this _____ day of _____, 2008.

NOTARY PUBLIC in and for the State of Washington
residing at _____
My appointment expires: _____

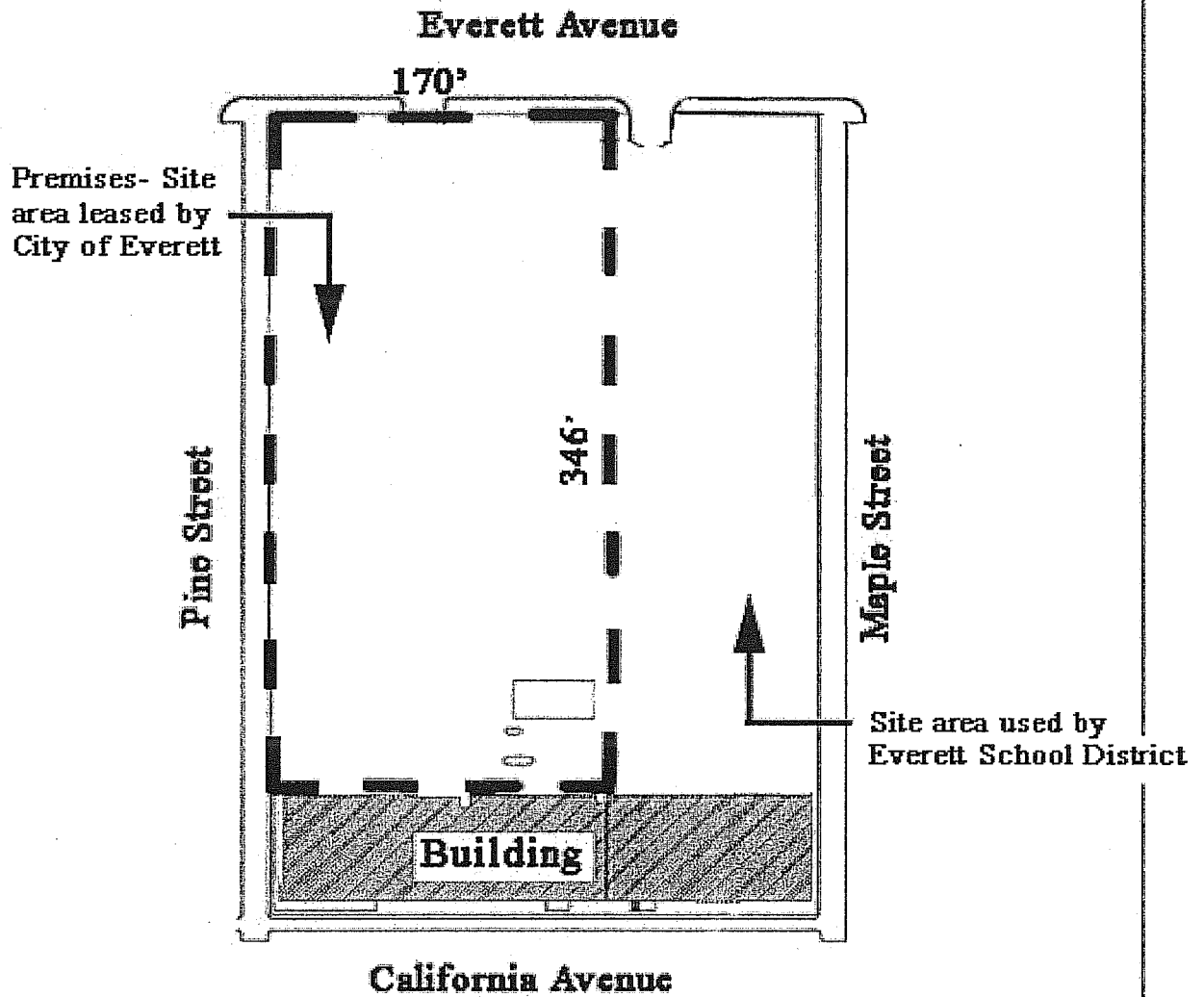
EXHIBIT A
LEGAL DESCRIPTION

2911 CALIFORNIA AVE --- EVERETT, WA 98204

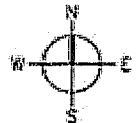
Parcel Legal Description

SWALWELLS 2ND ADD BLK 637 D-00 – BLK 637 TGW VAC ALLEYS LY
THEREIN PER CITY OF EV ORD NO 2502 PASSED 7/29/30 LESS PTN TO
CITY OF EV FOR ADD'L R/W PER SWD UND AF 9108050051 VOL 2468 PG 2230

Exhibit B - Site Plan



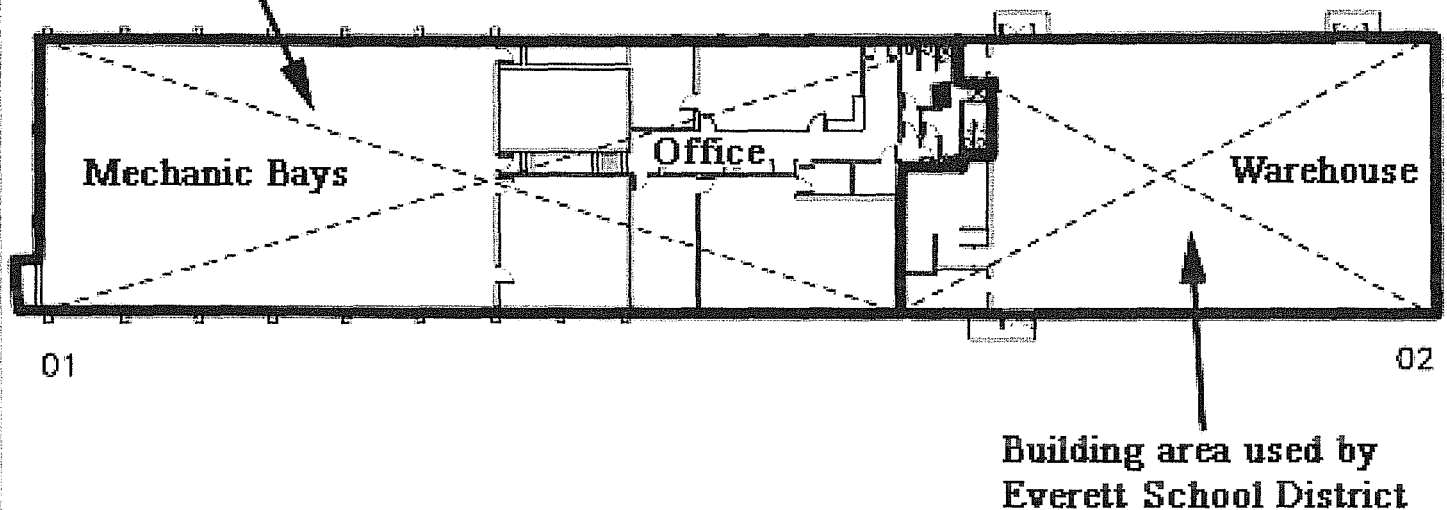
North Satellite Bus & Storage Facility
Everett School District NO. 2
2911 California Avenue, Everett, WA



10-5-07

Exhibit C- Floor Plan

Premises - Building area
leased by the City of Everett



North Satellite Bus & Storage Facility - Floor Plan

Everett School District No. 2

2911 California Avenue, Everett, WA

10-05-07