

**LEASE**

**BY AND BETWEEN**

**THE CITY OF SEATTLE,  
A WASHINGTON MUNICIPAL CORPORATION,  
AS LANDLORD**

**AND**

**SAAM BUILDING LANDLORD, LLC,  
A WASHINGTON LIMITED LIABILITY COMPANY,  
AS TENANT**

**DATED: \_\_\_\_\_, 2017**

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## LEASE

This LEASE (“Lease”), dated as of \_\_\_\_\_, 2017, is by and between the SAAM BUILDING LANDLORD, LLC, a Washington limited liability company (“Tenant”), and the CITY OF SEATTLE, a Washington municipal corporation (“City”).

## RECITALS

A. City is the owner of that certain improved parcel of real property located in the City of Seattle, King County, Washington legally described on, and also depicted on, Exhibit A hereto, together with all appurtenances, rights and privileges now belonging or appertaining thereto (the “Property”).

B. The Volunteer Park Museum was constructed during the Depression (early 1930s) by the Art Institute of Seattle, predecessor-in-interest to the Seattle Art Museum (“SAM”), a Washington nonprofit corporation, and upon completion, was conveyed to the City.

C. The Volunteer Park Museum served as the only location of SAM for half a century.

D. With the relocation of SAM’s principal venue downtown, the Volunteer Park Museum Building became the home for SAM’s internationally recognized Asian art collection and was rechristened SAM’s Asian Art Museum Building (the “SAAM Building”). The SAAM Building is located on, and part of, the Premises (defined below).

E. City and SAM were parties to that certain Agreement dated January 20, 1932 authorized by Ordinance 61998 of the City of Seattle to provide for operation and maintenance by SAM of the SAAM Building (“Original Operating Agreement”). The Original Operating Agreement has been amended pursuant to that certain Amending Agreement dated July 3, 1975 authorized by Ordinance 104662 (“1975 Amendment”), that certain Supplemental Agreement dated March 25, 1981 authorized by Ordinance 109767 (“1981 Amendment”), and Amending Agreement last executed November 1, 1994 authorized by Ordinance 117277 (“1994 Amendment”). The Original Operating Agreement, as amended by the 1975 Amendment, the 1981 Amendment and the 1994 Amendment is referred to herein as the “Operating Agreement”). The Operating Agreement expired by its terms, however, pursuant to that certain letter agreement dated January 22, 2008 from Charles Ng to Nancy Zwieback (“Letter Agreement”), the terms and conditions of the Operating Agreement remained in effect until the parties entered into a new agreement.

F. City and SAM both recognize that the SAAM Building requires substantial renovation, including systems replacement, seismic stabilization and other major improvements. In connection therewith, City and SAM entered into that certain Project Development Agreement dated \_\_\_\_\_, 2017 (as now or hereafter amended, the “Development Agreement”). Tenant became a party to the Development Agreement pursuant to that certain Joinder Agreement dated \_\_\_\_\_, 2017. Pursuant to the Development Agreement, City has agreed to enter into a new lease of the SAAM Building to Tenant. Tenant intends to master lease (“Master Lease”) the SAAM Building to a Tax Credit Entity (“Master Tenant”), and Master Tenant intends to

sublease the SAAM Building initially to SAM to operate an Asian Art Museum, as more particularly described in Exhibit B (the “Museum”) and, upon expiration of the sublease to SAM, to a subtenant that agrees to operate the SAAM Building as a museum (in each case, a “Sublease”).

G. The City’s 2017 Adopted Capital Budget includes a total of \$19,000,000 in City funding allocated to the Project (defined below). The additional funds required to complete the Project are a combination of proceeds secured pursuant to the Federal Historic Tax Credits allowable under Section 47 of the Internal Revenue Code (the “Code”) in connection with the “certified rehabilitation” of a “certified historic structure” (“HRTCs”), private donations and other public funds.

H. SAM and the City have determined that accessing HRTCs available for the rehabilitation elements of the Project would be highly beneficial and have agreed that the City will lease the SAAM building to SAAM Building Landlord, LLC in order to position the Project to claim such tax credits provided that the Master Tenant initially subleases the SAAM Building to SAM to operate an Asian Art Museum, as more particularly described in Exhibit B. HRTCs are currently estimated to yield some Six Million Dollars (\$6,000,000) toward total Project costs. Nevertheless, the tax credit structure envisioned under the Development Agreement and this Lease ensures that the SAAM continues to provide the public benefits required under this Lease and the envisioned tax credit structure contemplates continued SAM management of the Project and operation of the SAAM. As a result, the City concurs that adequate consideration has been provided for enabling participation in the tax credit transaction (the “HRTC Transaction”). In connection with the HRTC Transaction, SAM has or will form one or more Washington limited liability entities that would be eligible to claim or convey to others the right to claim federal historic rehabilitation tax credits for the renovation of the SAAM Building (each a “Tax Credit Entity” and collectively, “Tax Credit Entities”).

I. SAM will be the sole member of a Blocker LLC and Blocker LLC is the managing member of Tenant.

J. Tenant is executing this Lease to facilitate the rehabilitation of the historic SAAM Building (the “Project”, as further defined in the Development Agreement), and to evidence its agreement to provide, directly or indirectly, certain public benefits, and more specifically described on Exhibit B hereto, and to agree to perform such public benefit obligations in addition to its other obligations hereunder.

K. This Lease clarifies the parties’ rights and obligations with respect to the operation of the SAAM Building. Therefore, concurrently herewith, City and SAM entered into a Termination Agreement, pursuant to which the Operating Agreement is terminated in its entirety and is of no further force or effect.

L. City believes it serves an important public function to have a vibrant and successful Museum at the SAAM Building and to see that the SAAM Building is maintained over time.



M. The parties have agreed that this Lease is in the best interests of all parties to facilitate the rehabilitation and operation of the Museum in the SAAM Building. Thus, the parties are entering into this Lease for the Premises on the terms and conditions set forth herein.

## AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, City and Tenant agree as follows:

### ARTICLE 1 DESCRIPTION OF THE PREMISES

1.1 Recitals. The above Recitals are hereby incorporated by this reference.

1.2 Lease of Premises. This Lease becomes effective (the “Effective Date”) on the date first written above. As of the Effective Date, City as landlord hereby leases to Tenant as tenant, and Tenant hereby leases from City, subject to the obligations, terms, and conditions contained herein, the SAAM Building located on a portion of the Property (including, without limitation, the terrace on the west side of the building shown on Exhibit A-1 hereto (the “Terrace”) (collectively, the “Premises”). The purpose of this Lease is to provide for the on-going rights and obligations of the parties with respect to the Premises for the Term.

1.3 Tax Credit Structure. Following completion of the Project and placement of the SAAM Building into service, Tenant will lease the Premises to Master Tenant, who will in turn sublease the Premises to SAM. SAM will thereafter operate or cause to be operated the Museum in the SAAM Building. The forms of such lease and sublease shall be consistent with and subject to this Lease. Such structure is designed to comply with requirements for historic rehabilitation tax credits and must remain in effect during the period required under the Code and the Master Lease is in effect (for such credits to be available for tax credit investors (the “Tax Credit Compliance Period”).

1.4 Alternative Lease. In the event renovation of the SAAM Building proceeds without the benefit of HRTCs, this Lease shall be amended and restated to be by and between the City as Landlord and SAM as Tenant.

1.5 Access. To operate the SAAM Building for the purposes permitted under this Lease, City hereby grants to Tenant, its successors and assigns, for the Term, on the terms and conditions of this Lease, a right of entry in and through Volunteer Park, 24 hours per day (the “Access Right”). The memorandum of this Lease that is recorded on the Effective Date shall provide notice of this Access Right.

1.5.1 Sidewalk and Driveway Access. The Access Right includes the right of Tenant, its invitees, licensees, employees, contractors, service providers and permitted subtenants and assignees (“Permitted Users”) to use all sidewalks depicted on Exhibit A-1 hereto (“Sidewalks”) for pedestrian ingress and egress and to use all open park roads, and the driveway

area depicted on Exhibit A-1 hereto (“Driveway”) for vehicular ingress, egress, loading and unloading. If the Driveway is gated or otherwise secured so as to restrict access to the Driveway area, Permitted Users of the Driveway shall be provided with a means of access through such gate or security system free of charge.

#### 1.5.2 Reserved.

1.5.3 Adjacent Park Property Use. Tenant may use the portions of Volunteer Park adjacent to the SAAM Building and depicted on Exhibit A-1 attached hereto (the “Adjacent Park Area”) for pedestrian ingress and egress to the Premises by Permitted Users. In addition, Tenant shall secure Event Permits from the Department of Parks and Recreation that will allow Tenant to use the Adjacent Park Area for Museum events, including without limitation, private events held at the Museum (“Private Events”), such permits to be coordinated through and subject to any reasonable date restrictions imposed by the Department of Parks and Recreation, and such permits specifying that Tenant’s events shall not detract from or unreasonably conflict with public use of Volunteer Park. Tenant shall have the right to temporarily close the Adjacent Park Area for the duration of such Private Events and for any additional period reasonably required to set up or to clean up the area used for such Private Events. Tenant shall not obstruct members of the public from entering upon and using and enjoying the Adjacent Park Area for park purposes except for occasional closures for Private Events, and such other future temporary construction activities and fencing near the SAAM Building reasonably approved in advance by the Department. City, at its sole cost and expense, shall be responsible for the maintenance, repair, and replacement, of the Adjacent Park Area except for maintenance, repair and replacement occasioned by Tenant’s use of the Adjacent Park Area for Private Events or construction. City shall maintain and operate the Adjacent Park Area to the same standards that it maintains and operates other portions of Volunteer Park. City will not block or obstruct, or permit the blocking or obstruction of the Adjacent Park Area (including without limitation the points of ingress and egress from the SAAM Building) or modify the Adjacent Park Property Area except for occasional, temporary obstructions for park events. Such obstructions shall not materially interfere with public access to the Museum or Tenant’s ability to use the Premises and the SAAM Building for their intended purposes. City will consult with Tenant to minimize any impacts from any temporary blockage or obstruction.

1.6 Utilities. City has previously installed water lines, electric services, sewer lines and pipes, conduits for communications, meters, fire department connections and hydrants and other utility facilities to serve the Premises. City, at City’s sole cost and expense, shall keep all portions of these utilities and related facilities located outside of the Premises and that do not exclusively serve the Premises in good condition and repair and Tenant shall keep all portions of these utilities and related facilities located within the Premises or located outside of the Premises but that exclusively serve the Premises, in good condition and repair at all times, the cost for which shall be an Operating Expense, payable as provided in this Lease. Except as otherwise set forth in the Development Agreement, Tenant shall be responsible for utility charges for its usage.

Tenant may install additional utilities and upgrade or repair utilities in the Premises at its sole cost and with the prior written approval of the Superintendent of Parks and Recreation (“Superintendent”), which approval shall not be unreasonably withheld or delayed. In doing such work, Tenant shall not disturb the vegetation and topography and improvements on the Property.

Upon completion of such reconstruction, maintenance, repair or other permitted activity, Tenant shall immediately restore all disturbed topography and vegetation to their condition immediately prior to the initiation of such maintenance or repair to the Superintendent's reasonable satisfaction and, as to the installation of any new utilities by Tenant, Tenant shall thereafter be responsible for their maintenance and repair.

1.7 Public Parking. Visitors to the Museum and the SAAM Building shall be permitted to use the parking areas within Volunteer Park for parking on a basis no less favorable than City makes those areas available to other visitors to Volunteer Park. The parties acknowledge and agree that as of the execution of this Lease, parking within Volunteer Park is open to the public, including without limitation, Tenant's employees, contractors, agents, volunteers, visitors and invitees, on a first-come first-served basis and free of charge. City shall provide Tenant with written notice at least sixty (60) days prior to requiring paid parking within Volunteer Park and, if the Sidewalk or Driveways described above are gated or otherwise secured so as to restrict area, Visitors shall be provided with a means of access through such gate or security system to the Sidewalk or Driveways free of charge.

1.8 As-Is Condition. Except as specifically required in the Development Agreement or in this Lease, City has no obligation to contribute to the cost of the Project, nor shall City be obligated to perform any construction or make any improvements in connection with the Project. The acceptance of possession of the Premises by Tenant on the Effective Date shall be conclusive evidence that Tenant accepts the Premises in their then "as-is" condition, subject to City's obligations under the Development Agreement and this Lease, which include, without limitation, (i) contributing to certain costs, as set forth in the Development Agreement; and (ii) providing the City Operating Support Payments (as defined below). Tenant hereby acknowledges that City has made and makes no representations or warranties, express or implied, regarding the condition of the Premises or its suitability for the intended use. Tenant confirms that it has had ample opportunity to inspect the Premises and is familiar with its condition.

1.9 Signage. Tenant shall have the right to place informational and directional signage in Volunteer Park (but outside of the Premises) to inform the public about the location of and access to the Museum, with the Superintendent's prior written consent, not to be unreasonably withheld, conditioned or delayed. Tenant shall develop for the Superintendent's approval a signage plan for the installation of appropriate signage for the Museum within Volunteer Park (but outside of the Premises). In determining whether to approve such signage plan the Superintendent may consider, among other factors, Tenant's needs for public awareness of the location of and access to the Museum; the signage needs of other Volunteer Park uses; the design, scale, placement and materials proposed for such signage; and compatibility of the proposed signage with other Volunteer Park installations. Tenant may request modifications of the signage plan from time to time and such changes are also subject to the approval of the Superintendent as to size, location and content. Notwithstanding anything herein to the contrary, the parties acknowledge and agree that, if applicable, such signage shall be subject to the review and approval of the City's Landmarks Preservation Board.

The parties recognize that the Project will entail installation of a signage system for the SAAM Building, which system will be approved by the Superintendent pursuant to the

Development Agreement. During the Term, Tenant shall maintain all exterior signage installed on the SAAM Building and Premises pursuant to the Development Agreement. Tenant shall also have the right to (i) install and maintain free-standing signage on the exterior of the Premises with the Superintendent's prior written consent (not to be unreasonably withheld, conditioned or delayed); and (ii) install and maintain permanent free-standing signage within or near the Adjacent Park Area identifying the Museum, directing Visitors to the main entrance and identifying the Gardner Center for Asian Art and Ideas ("Gardner Center"), the design of such signage shall be subject to the Superintendent's prior written consent (not to be unreasonably withheld, conditioned or delayed). The signage system will support a continuing display of banners and signs advertising events and exhibits at the Premises and the presence of the Museum. Such banners and signs shall not be subject to approval by the Superintendent and need not conform to sign regulations for Volunteer Park, so long as they relate to the Museum and events and exhibits at the Museum. In addition, Tenant may install temporary signage at reasonable locations to identify the entrance to Volunteer Park, to advertise special events on the Premises, subject to the approval of the Superintendent of the Department.

1.10 Covenant and Warranty of Quiet Possession. City covenants and warrants that Tenant's peaceable and quiet occupation, use and enjoyment of the Premises shall not be disturbed by City or anyone claiming by or through City. City shall defend at its expense any third party claims asserted that would interfere with Tenant's (and its permitted successors and assigns) right to such occupancy, use, and enjoyment of the Premises or City's title to the Premises.

## ARTICLE 2 TERM

2.1 Term. All obligations of City and Tenant hereunder shall commence and be binding on the parties as of the Effective Date. Tenant shall be entitled to and shall take possession of the Premises upon the Effective Date. This Lease shall be and continue in full force and effect for a term (the "Term") that commences on the Effective Date and continues for approximately fifty-five (55) years, ending on \_\_\_\_\_, 2072, unless sooner terminated pursuant to the provisions hereof.

## ARTICLE 3 CONSIDERATION, PUBLIC BENEFITS AND EXPENSE ALLOCATION

3.1 Consideration. During the Term, as consideration for this Lease, Tenant shall at its expense (except as otherwise set forth herein or in the Development Agreement) (i) undertake the Project, including rehabilitation of the SAAM Building for Museum purposes and the construction and installation of museum exhibits; (ii) subject to Article 6 below, maintain and operate the SAAM Building as a museum open to the public and in a condition suitable for museum and other museum-related purposes; and (iii) subject to Section 6.3 below, maintain the Historic Features, all as further provided below. In addition, to support Tenant's lease of the Premises, Tenant shall provide the Public Benefits and perform the Property Operation Activities, all as further provided below. "Rent" as used herein means the duties and obligations to be undertaken by Tenant set forth in this Section 3.1 and as further detailed in Sections 3.2 through 3.7 below. The parties agree that there is no monetary consideration or monetary rent that is owed by Tenant to City

hereunder. Rather, the consideration for this Lease consists of the Public Benefits to be provided and the rehabilitation, maintenance and operation of the SAAM Building by Tenant as provided herein.

3.2 Redevelopment. Tenant shall rehabilitate and redevelop the SAAM Building to be suitable for Museum uses as provided in the Development Agreement. From and after the date the SAAM Building is placed in service and the Museum re-opens in the SAAM Building to the public ("Opening Date"), Tenant shall ensure that the SAAM Building is maintained in good operating condition and state of repair and in a condition suitable for the Public Benefits to be provided, subject to the terms and conditions of this Lease, including without limitation, as described in Article 6 below.

3.3 Public Benefits. A central element of this Lease is the identification of and Tenant's commitment to the ongoing provision of certain public benefits as described herein. In fulfillment of Tenant's commitment, from and after the Opening Date, Tenant shall perform or ensure the provision of certain "Public Benefits" identified in Exhibit B during the Term of this Lease, all at no cost to City, except as otherwise set forth herein. At the Superintendent's request from time to time throughout the Term, but no more frequently than annually, Tenant will produce a report documenting the Public Benefits that Tenant has provided during the designated time period (the "Public Benefits Report"). The Public Benefits Report shall include such information as the Superintendent may reasonably request but at a minimum shall contain a description of the benefits provided; the number of persons served, by date and age group, if known; and the value of any fee discounts or scholarships provided. In addition, on or before the Opening Date, Tenant shall provide the Superintendent with a report documenting the public benefits provided during the last full year of its operations to use as a benchmark against future reporting.

3.4 Equity and Inclusion Value Statement. In addition to the Public Benefits set forth in Exhibit B, the parties share the core value of ensuring resources such as the Museum are operated with deliberate attention to promoting equity, access and inclusion. Therefore, Tenant will particularly develop programs, and will conduct outreach, to serve historically underserved populations and creating more equitable access, including geographic equity, to the Museum's resources. To achieve such results, Tenant shall implement a variety of strategies, such as the following:

- (a) Adopt and implement staffing policies aimed at developing and sustaining a diverse staff and Board of Directors that reflect the diversity of the community;
- (b) Lowering economic and physical barriers, as well as barriers to understanding, so that art is accessible to everyone;
- (c) Exhibiting art from the world's diverse cultures;
- (d) Providing free and low cost access to the Museum and performances and programs sponsored by the Museum, as described in Exhibit B;

(e) Supporting partnerships and collaborative relationships with diverse regional and community based cultural organizations, including conducting at least three (3) meetings per year between these organizations and SAM's Education and Community Advisory Committee or a future similar group;

(f) Providing experiential learning opportunities, such as internships and apprenticeships, along with outreach to diverse and underserved populations and communities; and

(g) Providing trainings to the Museum's employees and Board of Directors on best practices related to race, equity and inclusion.

3.5 Hours of Operation and Public Access. Notwithstanding the Public Benefits, the SAAM Building will be open to the public only during regular hours of operation as determined by Tenant but consistent with the requirements of Exhibit B. Tenant may restrict access to the SAAM Building as necessary for security purposes. Tenant shall continuously operate or cause to be operated the Museum on the Premises throughout the Term; provided that Tenant may close portions of the SAAM Building to the public for offices, ancillary services, installation or repairs, as Tenant deems necessary or desirable from time to time and may temporarily close the entire SAAM Building for emergencies, alterations or significant repairs. Tenant may use any portion of the SAAM Building for its purposes when the SAAM Building is not open to the general public. Nothing herein shall limit Tenant's ability to regulate use of the catering kitchen, restrooms or other facilities consistent with Museum security needs or to address unruly or inappropriate behavior.

3.6 Property Operating Expenses. Subject to Article 6 below, Tenant shall bear all costs and expenses during the Term that are associated with the improvement, restoration, repair, remodeling, replacement, maintenance, operation, lease and management of the SAAM Building and the Museum (the "Property Operation Activities"). "Property Operating Expenses" shall include, without any limitation, costs and expenses associated with the following:

3.6.1 Insurance premiums and deductibles as required under this Lease or as Tenant may elect;

3.6.2 All charges for public and private utility services, including but not limited to electricity, gas, heating, air conditioning, telephone and telecommunications service, garbage, janitorial services, sewer and water services;

3.6.3 Permits, licenses and certificates necessary for the Property Operation Activities;

3.6.4 Expenses incurred to comply with any Laws with respect to the operation of the Museum in the SAAM Building (excluding expenses that are the responsibility of City under this Lease); and

3.6.5 Management, operation, repair, maintenance and restoration of the SAAM Building to the extent required of Tenant hereunder, including, without limitation, any of the building systems and their equipment and components.

As of the Effective Date, Tenant shall be responsible for direct payment of all Property Operating Expenses accruing from and after the Effective Date as and when any such expenses are due. The parties shall cooperate to arrange for direct billing of all Property Operating Expenses from the service provider to Tenant.

3.7 Real Estate Taxes. Tenant shall bear all cost and expense of any taxes and assessments related to the Premises accruing during the Term, including without any limitation the following (collectively, "Real Estate Taxes"):

3.7.1 General real estate taxes levied against the SAAM Building or taxes in lieu thereof;

3.7.2 Special assessments or taxes in the nature of improvement or betterment assessments;

3.7.3 Any taxes relating to operation of the Premises by Tenant; and

3.7.4 All taxes on personal property and intangibles of Tenant on or used in connection with the Premises.

As of the Effective Date, Tenant shall be responsible for direct payment of all Real Estate Taxes, if any, accruing during the Term before any such taxes are delinquent, subject to the protest rights described below. The parties may agree to implement direct billing of all Real Estate Taxes to Tenant, with appropriate notice to City. All Real Estate Taxes that are payable by Tenant pursuant hereto for the tax year in which the Term commences, as well as during the year in which the Term expires, shall be prorated between City and Tenant on an actual per diem basis. If any of the Real Estate Taxes that Tenant is obligated to pay in whole or in part is permitted by law to be paid in installments, Tenant may pay the taxes in installments. Any exemption for property tax, in lieu tax or leasehold excise tax will accrue to the benefit of Tenant (i.e., it will have no obligation to pay such taxes under this Section 3.7 to the extent of such exemption).

Tenant may contest the validity or amount, including the assessed valuation upon the Premises, of any Real Estate Taxes that Tenant in good faith believes is excessive, improper or invalid. In such event, if permitted by the taxing authority, the payment thereof may be deferred during the pendency of such contest, if diligently prosecuted. If City, in its reasonable discretion, determines the challenge has merit, City agrees to join at Tenant's request in any such contest to the extent such joinder is a prerequisite to such prosecution under statute, regulation or administrative practice. In connection with a judicial or administrative challenge to any assessment, Tenant may take advantage of any stay in collection available under statute, regulation, or court or administrative order or rules. Nothing herein contained, however, shall be so construed as to allow such items to remain unpaid for such length of time as shall permit the Premises, or any part thereof, to be sold by any governmental authority for the nonpayment of the

taxes. Within thirty (30) days after the amount of such contested item is finally determined to be due, Tenant shall pay the amounts so determined, together with any penalties, interest and expenses associated with such contest.

#### ARTICLE 4 USE OF PREMISES

4.1 Use of Premises. Tenant shall use the Premises, including the SAAM Building, for museum purposes (including the public display of art, cultural and special events and activities sponsored by the Gardner Center), ancillary purposes (including catering services and a gift shop), functions and events hosted or sponsored by Tenant (including short term event rentals of five (5) consecutive days or less, to be coordinated through and subject to any reasonable date restrictions imposed by the Parks and Recreation Department), and related office, educational, research, administrative, storage and back-of-house uses only or (ii) any other lawful museum-related purpose. The use of the Premises shall comply with this Lease, any easements, covenants, restrictions, as well as all laws, statutes, ordinances, regulations, rules and other governmental requirements of any kind applicable to the Premises (hereinafter "Laws"). Although the Premises are located in a City park area managed by City's Department of Parks and Recreation ("Department"), prohibitions on the serving and consumption of alcoholic beverages on the Premises shall not apply and Tenant may permit alcoholic beverages to be served on the Premises (e.g., in the SAAM Building and on the Terrace) and at Private Events within the Adjacent Park Area, but not elsewhere within Volunteer Park, provided that Tenant is responsible for seeing that all required liquor permits/licenses are obtained and for any Private Event during which alcoholic beverages will be served, Tenant shall fence off any portion of the Adjacent Park Area in which alcoholic beverages may be consumed.

4.2 Prohibited Activities. Nothing shall be done by Tenant or its officers, directors or employees upon or about the Premises that violates any Law. Tenant will not do or keep anything in or upon the Premises that may prevent the obtaining of any insurance required under this Lease or carried with respect to the Premises or that may void any such insurance. Tenant agrees to adopt and implement a policy prohibiting any person, except for law enforcement officers and on-duty security personnel, from possessing firearms on the Premises or in the SAAM Building.

4.3 Compliance with Laws. Subject to Article 6 below, Tenant shall be solely responsible, at its sole cost (as between Tenant and City), for compliance with Laws affecting the design, construction and operation of the SAAM Building and those affecting their use of the Premises throughout the Term. City agrees that Tenant shall have the right to reasonably contest, at Tenant's sole cost, any asserted or alleged violation of any Laws in the name of either of the City or Tenant, as Tenant deem appropriate.

#### ARTICLE 5 ALTERATIONS

5.1 Alterations. "Alterations" are any alterations, additions or improvements made by Tenant to the SAAM Building. Tenant may, from time to time, at its own cost and expense and with the written consent of City, which shall not be unreasonably withheld, make alterations to the



SAAM Building, except as provided below. Notwithstanding the foregoing, Tenant shall have the right to make temporary alterations, additions or improvements for art display and exhibitry without the City's prior consent, provided that, Tenant shall not make any alterations to the SAAM Building or the Premises that affect the SAAM Building public entry and amenities (i.e., restrooms) without City's prior written consent, which will not be unreasonably withheld. Changes to any exhibitry, whether fixed or temporary exhibits, are not subject to City review or approval. In no event shall City be obligated to maintain, repair or replace any Alterations or equipment installed by Tenant that City would otherwise be obligated to maintain, repair or replace pursuant to the terms of this Lease, where Tenant did not obtain the prior written consent of City. Alterations to the Historic Features must be in compliance with Section 6.3. Notwithstanding anything herein to the contrary, the parties acknowledge and agree that the SAAM Building is a designated City of Seattle landmark and subject to certain Controls and Incentives. Accordingly, any Alterations performed by Tenant hereunder shall be consistent with such Controls and Incentives. In addition, at City's request, Tenant shall deliver to City a complete set of all as-built or other building plans.

5.2 Surrender of Alterations. Subject to the terms of Section 9.1 relating to damage and destruction, upon expiration or earlier termination of the Term of this Lease (including any renewals thereof), whether by lapse of time or otherwise (including any holdover period), Tenant, at its expense, shall: (a) remove all of Tenant's moveable, unaffixed personal property, goods and effects and those of all persons claiming under Tenant from the SAAM Building and the Premises; (b) to the extent required by City, remove all of its exhibitry and exhibitry-related casework; and (c) promptly and peacefully surrender the Premises (including surrender of all Tenant's improvements, alterations and additions installed in the SAAM Building or on the Premises) in at least as good a condition as at the conclusion of the Project, reasonable wear and tear, Landlord's maintenance obligations hereunder and casualty excepted. Any property left on the Premises more than thirty (30) days after the expiration or termination of the Term shall be deemed to have been abandoned and to have become the property of City to dispose of as City deems expedient and Tenant shall be liable for all reasonable costs associated with the disposal of such property. Tenant hereby waives all claims for damages that may be caused by City re-entering and taking possession of the Premises or removing and storing Tenant's property as herein provided. No such reentry shall be considered or construed to be a forcible entry.

Notwithstanding the foregoing, nothing herein shall give City any right whatsoever to the Museum Property, as further provided in Section 8 below.

5.3 Alteration Construction. In conducting any construction work on the Premises, Tenant shall cause all work to be done according to industry standard practices and shall comply with or cause compliance with all Laws. Tenant shall obtain or cause to be obtained and maintain in effect, as necessary, all building permits, licenses and other governmental approvals that may be required in connection with such work and such insurance as Tenant, in consultation with City, determine reasonable for the scope and scale of the work to be undertaken.

5.4 Mechanic's Liens. Tenant shall have no authority, express or implied, to create or place any lien or encumbrance of any kind or nature upon, or in any manner to bind, the interest of City in the Premises for any claim in favor of any person dealing with Tenant, including those

who may furnish materials or perform labor for any construction or repairs to the Premises. Each such claim shall affect and each such lien shall attach to, if at all, only the leasehold interest granted to Tenant by this Lease. Tenant will pay or cause to be paid all sums payable by them on account of any labor performed or materials furnished in connection with any work performed on the Premises. Tenant will discharge, by bond or otherwise, any mechanic's or materialman's lien filed against the Premises for work claimed to have been done for, or materials claimed to have been furnished to Tenant, within sixty (60) days after filing. Tenant shall indemnify, defend and hold City harmless from any and all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of City in the Premises or under the terms of this Lease.

## ARTICLE 6 OPERATION, MAINTENANCE AND SUPPORT

6.1 Operation. Tenant shall procure and maintain at its expense all permits and approvals that may be required for any use made of the Premises. Tenant shall comply with the requirements of any Laws (i) regarding the condition of the Premises (except for conditions that City is obligated to maintain under this Lease); or (ii) relating to the lawful use of the Premises. Tenant shall conduct the Museum operations on the Premises in compliance with all terms and conditions of this Lease.

### 6.2 Maintenance and Repair.

6.2.1 Operating Expenses. Except for City's obligations under Section 6.2.2 below, Tenant, at its sole cost and expense (as between Tenant and City), without cost or charge to or contribution by City except as otherwise expressly set forth herein, shall be responsible for and shall perform all routine and regular repairs and maintenance to the Premises (Property Operating Expenses, defined above) throughout the Term. Following completion of the Project, but subject to the terms of this Lease, Tenant shall at all times maintain the SAAM Building in good operational order, condition and repair. If Tenant fails to perform its obligations under this section following sixty (60) days' prior written notice (or such shorter period as may be necessitated by an emergency or dangerous condition, or such longer time as may be needed provided that Tenant is diligently pursuing the necessary work) from City to Tenant, City may perform such work and Tenant shall be responsible for reimbursing City for the reasonable cost thereof.

6.2.2 Major Maintenance Expenses. City, at its sole cost and expense (as between Tenant and City), without cost or charge to or contribution by Tenant, shall be responsible for and shall perform all improvements, repairs, replacements, restoration and maintenance to (i) the structural portions of the SAAM Building, including without limitation, the roof, foundations, glazing, façade and exterior walls; (ii) the SAAM Building systems, including without limitation, the electrical, plumbing, mechanical, and fire and life safety systems (collectively "SAAM Building Systems"), but specifically excluding the heating, ventilation and air conditioning systems and other equipment or systems that the parties reasonably agree are unique to Tenant's operations collectively, ("SAAM Museum Systems"); (iii) all capital repairs and replacements of the portion of the SAAM Building not covered under clauses (i) and (ii) above; and (iv) the areas

of Volunteer Park outside of the exterior walls of the SAAM Building, including without limitation, the Adjacent Park Property (including, without limitation, the steps leading to the principal entrance to the SAAM Building at its western façade), parking areas, sidewalks, gardens, lawns, irrigation systems, curbs, gutters, open spaces and existing exterior lighting not connected to the SAAM Building, throughout the Term in a manner that provides adequate support for the Premises and its use as contemplated by this Lease and in good, clean and safe condition compatible with Museum use.

To ensure adequate planning and budgeting in connection with City's obligations under this Section 6.2.2, upon completion of the Project, Tenant will provide City with a thirty (30) year plan for capital repairs and replacements to be performed on the SAAM Building, which may include, without limitation, (i) the structure of the SAAM Building, the loading docks, the structural elements of the roof, the roof membrane, slab, foundation, and exterior walls of the SAAM Building; and (ii) the SAAM Building Systems. Every five (5) years thereafter, Tenant will provide City with an updated capital repair and replacement plan. The parties agree to cooperate in seeking and obtaining additional funding through public or private grants for such capital expenditures.

6.3 Maintenance of Historic Features. The SAAM Building contains certain historic elements and features (the "Historic Features"). The Historic Features are described in the SAAM Building's landmark listings with the City of Seattle Landmarks Preservation Board and the National Register of Historic Places. City shall be responsible for and shall perform, at its sole cost and expense, all improvements, repairs, restoration, preservation and maintenance (including cleaning) of the Historic Features on the exterior of the SAAM Building throughout the Term required by and in compliance with the Historic Requirements (defined below), which shall include, without limitation, the Wilkinson sandstone on the Terrace and west façade of the SAAM Building. With respect to the Historic Features on the interior of the SAAM Building, throughout the Term, Tenant shall be responsible for and shall perform, at its sole cost and expense, all preservation and maintenance (including cleaning) and all improvements, repairs, and restoration, required by and in compliance with the Historic Requirements. The "Historic Requirements" are those imposed by the National Register of Historic Places and the City of Seattle Landmarks Preservation Board, all with regard to the Historic Features.

6.4 Reserved.

6.5 Operating Support.

6.5.1 City Operating Support Payments. On an annual, calendar year basis during the Term, but only to the extent that SAM is operating a museum in the SAAM Building (providing that the foregoing condition shall not apply to temporary closures of the SAAM Building for repairs, maintenance, the construction of alterations or improvements or force majeure events), City will budget certain amounts to be paid to SAM annually ("City Operating Support Payment") to be used to help defray SAM's costs of operating and maintaining the SAAM Building, as required under this Lease. For the calendar year in which the occupancy permit for the renovated SAAM is issued ("Support Payment Year One"; and each subsequent calendar year shall be referred to herein individually as a "Support Payment Year" and collectively as "Support Payments

Years”), the City Operating Support Payment shall be made within thirty (30) days of the date the occupancy permit is issued, pro-rated to reflect any partial calendar year of occupancy. Thereafter, throughout the Term, the City Operating Support Payment shall be made on or before April 1 of each year. City anticipates that a portion of the City Operating Support Payment may consist of real estate excise tax (“REET”) receipts and any such funds received by SAM shall therefore be used for expenditures for which REET funds may be applied as described in Ch. 82.45 RCW. Tenant shall keep (or cause SAM to keep) complete and accurate records and books with respect to operating and maintenance expenses and shall provide City with copies of relevant records reasonably promptly upon City’s request. Tenant shall cause SAM to separately account for operating and maintenance expenses. The City’s annual City Operating Support Payment shall be made in the amounts described below and may partially consist of REET funds as follows:

6.5.1.1 Beginning with Support Payment Year One and for each of the four ensuing Support Payment Years, the City Operating Support Payment shall be Two Hundred Fifty Thousand Dollars (\$250,000). Beginning with Support Payment Year Six and for each of the four ensuing Support Payment Years, the City Operating Support Payment shall be Two Hundred Seventy-Five Thousand Dollars (\$275,000). Beginning with Support Payment Year 11 and for each of the four ensuing Support Payment Years, the City Operating Support Payment shall be Three Hundred Thousand Dollars (\$300,000). Thereafter, the City Operating Support Payment shall increase by Fifty Thousand Dollars (\$50,000) every five Support Payment Years.

6.5.1.2 Beginning in City Operating Support Payment Year 11, the City may provide up to Fifty Thousand Dollars (\$50,000) of each annual City Operating Support Payment made during that five year cycle from REET funds. Beginning in City Operating Support Payment Year 16 and for every Support Payment Year thereafter, the City may provide up to twenty-five percent (25%) of each annual City Operating Support Payment due in any particular Support Payment Year from REET funds. Under no circumstances, may the total City Support Payment, including any discretionary REET funding and other City funds, be less than the amount scheduled to be provided under this Lease. Exhibit C provides the schedule for all such City Operating Support Payments through the end of the Term and indicates the maximum portion of REET funds that may be provided in any given Support Payment Year.

6.5.2 Tenant’s Failure to Maintain. If City reasonably determines that Tenant has failed to maintain the SAAM Building in good condition and repair as measured by its performance under Section 6.2 above, then City may withhold the all or part of the City Operating Support Payments until such time as Tenant completes the necessary maintenance and repairs.

6.6 Placement of Art in the Park. From time to time, Tenant may request that certain artworks be placed in Volunteer Park surrounding the SAAM Building. Such a request shall be in writing and accompanied by details of the nature and proposed location of the artwork and the plans for installation. Tenant shall apply for and obtain a Revocable Use Permit from the Parks and Recreation Department to perform the work of installing and removing any artwork on Park property outside of the Premises. If approved by City in its reasonable discretion, Tenant (as between Tenant and City) shall be responsible for the cost of installation and maintenance of the artwork. The placement of such artwork in Volunteer Park shall be at the risk of Tenant and City shall not be responsible for any damage to or loss of such artwork. Following installation, Tenant

may remove the artwork at its discretion, upon receiving a Revocable Use Permit to perform the removal work (if removal work was not included in the original Revocable Use Permit). In no event shall City perform any maintenance or repair of artwork placed in Volunteer Park pursuant to this Section 6.6.

## ARTICLE 7 ENVIRONMENTAL

### 7.1 Hazardous Substances.

7.1.1 For the purposes of this Lease, (a) the term “Environmental Law” means any federal, state or local law, statute, ordinance, regulation or order pertaining to hazardous substances or materials, including without limitation those defined in this Section 7.1 as “Hazardous Substances”; and (b) the term “Hazardous Substance” means any hazardous or toxic substance, material or waste, pollutants or contaminants, as defined, listed or regulated now or in the future by any federal, state or local law, ordinance, code, regulation, rule, order or decree regulating, relating to or imposing liability or standards of conduct concerning, any Hazardous Substances, including without limitation, (i) chlorinated solvents, (ii) petroleum products or by-products, (iii) asbestos, (iv) polychlorinated biphenyls, (v) lead-based paint, and (vi) mold, fungus and other microbial matter.

#### 7.1.2 Tenant agrees that:

(a) Neither Tenant nor its employees, agents, contractors, assignees, subtenants, licensees or invitees will use, generate, manufacture, produce, store, release, discharge or dispose of on, under or about the Premises, or transport to or from the Premises, any Hazardous Substances except in such quantities as are typically used in connection with the construction, rehabilitation, operation and use of property of the similar sort for the uses permitted under this Lease and the Development Agreement, and then only in compliance with all Environmental Laws.

#### (b) Tenant shall give prompt written notice to City of:

(i) Any proceeding or inquiry by any governmental authority known to Tenant with respect to the presence or release of any Hazardous Substance on, in, about or from the Premises or the SAAM Building, or relating to any loss or injury resulting from any Hazardous Substance, all caused or alleged to be caused by Tenant or its employees, agents, contractors, assignees, subtenants or invitees;

(ii) All claims made or threatened by any third party in writing against Tenant with respect to the Premises or the SAAM Building relating to any loss or injury resulting from any Hazardous Substance caused or alleged to be caused by Tenant;

(iii) Discovery after the Effective Date by Tenant of any occurrence or condition on the Premises or the SAAM Building that could cause them to be subject to any restrictions on occupancy or use under any Environmental Law; and

(iv) Any release of a Hazardous Substance on or from the Premises or the SAAM Building by Tenant.

(c) Excluded from all obligations of Tenant under this Section 7.1 are any obligations, claims or liabilities arising out of the use or condition of or events occurring with respect to (i) Volunteer Park or surrounding City property or property in the vicinity, or out of the use thereof or the use of the Premises by members of the public, or (ii) Hazardous Substances existing on, under, in or about the Premises, Volunteer Park or surrounding City property or property in the vicinity prior to the Effective Date unless arising in whole or in part from Tenant's conduct.

(d) Except as provided in Sections 7.2 and 13.1.2, Tenant shall protect, indemnify, pay the defense costs of and hold harmless City Parties (as defined in Section 13.1.2) from any loss, damage, cost, expense, claim, suit, action, penalty or liability (collectively, "Claims"), including, without limitation, reasonable attorneys' fees and costs and the costs of any required or necessary repairs or cleanup of the Premises or the SAAM Building and the implementation of any remediation or other plans required by any Environmental Law directly or indirectly arising out of or attributable to the presence, use, generation, manufacture, production, storage, release, discharge or disposal of a Hazardous Substance on, under or emanating from the Premises or the SAAM Building (i) on or after the Effective Date and (ii) caused by Tenant, its employees, agents, assignees, subtenants or licensees.

7.1.3 The indemnity provisions of this Section 7.1 shall survive expiration or termination of this Lease.

## 7.2 City Environmental Obligations.

7.2.1 City shall give prompt written notice to Tenant of:

(a) Any proceeding or inquiry by any governmental authority known to City with respect to the presence or release of any Hazardous Substance on, in, about or from the Premises or the SAAM Building;

(b) All claims made or threatened by any third party in writing against City with respect to the Premises or the SAAM Building relating to any loss or injury resulting from any Hazardous Substance; and

(c) City's discovery of any occurrence or condition on the Premises or the SAAM Building that could cause them to be subject to any restrictions on use under any Environmental Law.

Excluded from City's obligations under this Section 7.2 are any obligations, claims or liabilities arising out of the use or condition of the SAAM Building on or after the Effective Date caused by Tenant or its employees, agents, assignees, subtenants or licensees that are the responsibility of Tenant under Section 7.1.2.

7.2.2 Except as provided in Sections 7.1 and 13.2, City shall protect, indemnify, pay the defense costs of and hold harmless Tenant and its board members, officers, employees, volunteers, and agents from any Claims, including, without limitation, reasonable attorneys' fees, expenses and costs and the costs of any required or necessary repairs or cleanup of the Premises and the implementation of any remediation or other plans required by any Environmental Law directly or indirectly arising out of or attributable to the presence, use, generation, manufacture, production, storage, release, discharge or disposal of a Hazardous Substance on, under or emanating from the Premises, or, to the extent caused by City, its employees, agents, subcontractors, assignees or licensees.

7.2.3 The indemnity provisions of this Section 7.2 shall survive expiration or termination of this Lease.

## ARTICLE 8 MUSEUM PROPERTY

8.1 Museum Property. Notwithstanding anything in this Lease to the contrary, City shall have no interest in, lien on or right of any kind to any trade fixtures, display cases, exhibits, art, artifacts, personal property or the Museum collection located in or used in connection with the SAAM Building, or in Volunteer Park ("Museum Property"), however installed or located in the SAAM Building, on the Premises or in Volunteer Park. All Museum Property shall be and remain at all times the property of Tenant or the other owners thereof as the case may be. Notwithstanding the foregoing, if Tenant fails to properly maintain (in accordance with the approval of the Superintendent granted under Section 6.6 above) any Museum Property installed or located outside of the SAAM Building but in Volunteer Park following thirty (30) days' prior written notice (or such shorter period as may be necessitated by an emergency or dangerous condition) from City to Tenant and such failure is creating an unsafe condition, City may perform such maintenance on Tenant's behalf or may dispose of the same without recourse to Tenant to the extent necessary to remedy such unsafe condition, and Tenant shall be responsible for reimbursing City for the reasonable cost thereof.

## ARTICLE 9 DAMAGE AND DESTRUCTION

9.1 Repair and Rebuilding. If all or part of the SAAM Building is damaged or destroyed, then Tenant shall at its sole cost (as between City and Tenant) complete the repair and rebuilding thereof (the "Rebuilding"), provided that: (a) Tenant determines that such Rebuilding is economically, legally and operationally feasible; (b) sufficient insurance proceeds are available and/or Tenant raises the costs of such repairs from private donations or other sources; and (c) the Rebuilding will be complete at least five (5) years before the end of the Term. Notwithstanding the foregoing, Tenant shall in any event be required to repair or restore any damage and destruction to the extent necessary to bring the SAAM Building and Premises into a safe and sanitary condition and to remove debris (although not to the condition required for occupancy); provided that, so long as the Master Lease is in effect, Tenant's repair and restoration obligations shall be limited to the extent that Tenant has sufficient insurance proceeds to perform the same. All Rebuilding shall be

done in consultation with City and the plans therefor shall be subject to City's reasonable approval. Nothing herein shall require Tenant to repair and restore damage to Museum Property.

If Tenant will be restoring the SAAM Building, then Tenant shall apply for any permits or approvals required in connection with such Rebuilding diligently after the applicable insurance claims have been adjusted and proceeds thereof made available to Tenant and other funding, if necessary, has been arranged, and after Tenant has approved of the plans for Rebuilding. Tenant shall commence Rebuilding promptly after issuance of such permits and approvals and thereafter diligently pursue completion of such Rebuilding.

If the SAAM Building is not repaired or restored as provided herein, then this Lease shall terminate on a date mutually agreed by the parties. Tenant and City shall cooperate in settling the loss with the insurance company and Tenant agrees to contribute to City all rights Tenant has to all insurance proceeds (net of recovery costs agreed by the parties to be reasonable third party costs for such recovery and deductibles) for the loss of the SAAM Building (excluding that received for Museum Property) as a result of such damage and destruction.

9.2 No City Liability. In no event shall City be liable to Tenant for destruction or damage by casualty to any of Museum Property, except for Claims for which City indemnifies Tenant pursuant to Section 13.2 hereof.

## ARTICLE 10 CONDEMNATION

10.1 Taking. "Taking" means a taking by condemnation or by the exercise of the power of eminent domain by a public or quasi-public authority or entity, whether or not there is a taking of title, or a conveyance in lieu thereof. If there is a taking of the entire Premises or the SAAM Building, then this Lease shall terminate as of the earlier of the date title to the Premises is transferred or the date Tenant is dispossessed by the Taking authority, in which case Tenant shall be released from all further obligations hereunder.

City further agrees that in any Taking by City pursuant to its power of eminent domain that results in the termination of this Lease, the measure of the damages to Tenant for the value of the SAAM Building shall be the cost to replace such facility, meaning funds sufficient to pay for a substitute facility of at least equal size, function, and capacity.

10.2 Termination for Material Interference. If there is a Taking of part of the Premises or SAAM Building that in Tenant's reasonable judgment materially interferes with Tenant's ability to use the Premises for the purposes set forth herein, which interference cannot be feasibly, economically, operationally or legally remediated, then Tenant shall have the right to terminate this Lease by giving City notice of its election within sixty (60) days after the Taking. If this Lease is so terminated, then it shall terminate on the earlier of the date when title is transferred, the date Tenant is dispossessed by the Taking authority or thirty (30) days following Tenant's notice; provided that such termination shall in no event extinguish or diminish Tenant's right under Section 10.3 to receive a portion of the award payable on account of the Taking.



If the Taking does not materially interfere with Tenant's ability to operate the Premises for the purposes set forth in this Lease, then this Lease shall continue in full force and effect as to the part not taken, except that Tenant need not operate a Museum or provide the Public Benefits in the space so taken.

10.3 Taking Award. The parties are entitled to the following portions of any award or settlement in lieu thereof payable on account of a Taking:

(a) City shall be entitled to all amounts attributable to the value of the land comprising the Premises; and

(b) Tenant shall be entitled to receive:

(i) All amounts attributable to the value of the SAAM Building at the time of the Taking, provided that such funds are used for a replacement facility in Seattle. Such replacement facility shall be of comparable scale and quality to the SAAM Building and provide public benefits consistent with those enumerated in Exhibit B for the useful life of that facility. In selecting the location for a replacement facility, Tenant shall give priority consideration to a leasehold interest in any suitable City-owned site or facility that City may propose for such purpose. The term of the Tenant lease in any such City-owned site or facility shall be long enough to justify the investment that will be necessary to replace the Museum and in no event less than the remaining term of this Lease when the SAAM Building is taken;

(ii) All amounts attributable to the Museum Property; and

(iii) Tenant's relocation expenses.

If Tenant has not started construction on a replacement facility in Seattle within seven (7) years after the Taking and payment of the Taking proceeds to Tenant (with such extensions as City may grant in its reasonable discretion), then the Taking proceeds described in Section 10.3(b)(i) above shall be contributed to City and Tenant shall have no further claim to them. The provisions of this Section 10 shall survive expiration or termination of this Lease.

## ARTICLE 11 ACCESS TO PREMISES

11.1 Access. City and City's agents, employees, and representatives shall have the right to access, enter and inspect the Premises and the SAAM Building at any reasonable time during the Operating Hours when Museum staff is on Premises to escort the inspector for the purpose of ascertaining the condition of the Premises or the SAAM Building, monitoring compliance with this Lease or for any other purpose permitted under the terms of this Lease. City understands that Museum operating and security requirements prohibit unaccompanied, unsupervised access (including inspection), except as specifically provided herein. Except in cases of emergency when prior notice is not possible, City, in its capacity as the landlord under this Lease, shall have the right to enter the SAAM Building only upon reasonable prior notice to Tenant. In exercising such

rights, the parties shall cooperate and shall take all reasonable steps to avoid disruption or unnecessary interference with Tenant's use and operations of the Premises.

ARTICLE 12  
INSURANCE, WAIVER OF CLAIMS AND LIMITATION OF LIABILITY

12.1 Insurance. The parties agree to maintain throughout the Term, the insurance described below:

12.1.1 Tenant's Insurance Coverages and Limits. Tenant shall, at its sole cost and expense, maintain, and cause its subtenant(s), if any, to maintain in full force and effect the following minimum limits of insurance, and adhere to all terms and conditions set forth below, throughout the entire Lease Term:

(a) Commercial General Liability (CGL) written on an occurrence form at least as broad as ISO CG 00 01, with Minimum Limits of Liability:

\$1,000,000 per Occurrence  
\$2,000,000 General Aggregate  
\$2,000,000 Products/Completed Operations Aggregate  
\$1,000,000 Personal/Advertising Injury Liability  
\$ 1,000,000 Damage to Premises Rented to You

Employers Liability/Washington Stop  
\$1,000,000 Each Accident/Each Disease/Policy Limit

Alternatively, may be evidenced as Employer's Liability insurance under Part B of a Workers Compensation insurance policy.

Coverage shall include: Premises and Operations; Broad Form Property Damage (Including Completed Operations); Liability assumed under an Insured Contract (including tort liability of another assumed in a business contract); Personal Injury and Advertising Liability; Independent Contractors; Severability of Interest Clause; Waiver of Subrogation endorsement in favor of Owner as required by contract; General Aggregate Limits of Insurance shall apply separately; "Claims Made" and "Modified Occurrence" policy forms are not acceptable.

The limits of liability described above are minimum limits of liability only. Regardless of provisions to the contrary under the terms of any insurance policy maintained by Tenant, the specification of any such minimum limits shall neither be (1) intended to establish a maximum limit of liability to be maintained by Tenant regarding this Lease, nor (2) construed as limiting the liability of any of Tenant's insurers, which must continue to be governed by the stated limits of liability of the relevant insurance policies.

(b) Automobile Liability insurance at least as broad as ISO CA 00 01 including coverage for owned, non-owned, leased or hired vehicles as applicable, with a minimum limit of \$1,000,000 each accident for bodily injury and property damage.

(c) Workers' Compensation insurance securing Tenant's liability for industrial injury to its employees in accordance with the provisions of Title 51 of the Revised Code of Washington.

(d) Umbrella or Excess Liability insurance if and as necessary to maintain total CGL and Automobile Liability insurance limits of \$5,000,000 Each Occurrence and be no less broad than coverages described above.

(e) Broad-Form All Risk Property Insurance under which the buildings, structures, Tenant's furniture, trade fixtures, equipment and inventory ("Business Personal Property") and all alterations, additions and improvements that Tenant makes to the Premises are insured throughout the Lease Term in an amount not less than the replacement cost new thereof (which shall be evaluated on an annual basis), against the following hazards: (i) loss from the perils of fire and other risks of direct physical loss (earthquake optional), not less broad than provided by the insurance industry standard "Causes of Loss - Special Form" (ISO form CP 1030 or equivalent); (ii) loss or damage from water leakage or sprinkler systems now or hereafter installed in or on the Premises; (iii) loss or damage by explosion of steam boilers, pressure vessels, or above-ground oil or gasoline storage tanks or similar apparatus now or hereafter installed on the Premises; (iv) loss from business interruption or extra expense, with sufficient coverage to provide for the payment of fixed costs during any interruption of Tenant's business. Coverage shall contain a waiver of coinsurance or agreed amount endorsement(s). Such coverage shall not be subject to any coinsurance provisions. City shall be named as a loss payee, as its interest may appear, as respects property insurance covering the buildings, structures, alterations, additions and improvements under such policy; provided that the foregoing shall not apply during any period that the Master Lease is in effect. This insurance shall begin coincident with the termination of the Builder's Risk insurance during the Development Agreement to ensure complete coverage of all property.

(f) After termination of the Development Agreement and during such time as Tenant is engaged in the performance of other renovation of the Premises, the Tenant shall maintain in full force and effect "All Risks" Builder's Risk Property insurance or equivalent for the portion of the Premises under renovation, including fire and flood, on a replacement cost new basis. In the event of a claim under the builder's risk policy, Tenant or its contractor(s) shall be responsible for paying any deductible under the policy. It shall be Tenant's responsibility to properly coordinate with the City's Risk Management Division the placement of Builder's Risk Property insurance prior to any new construction on, or structural alteration of, the Premises.

In the event that the City deems insurance to be inadequate to protect Tenant and the City, Tenant shall increase coverages and/or liability limits as the City shall deem reasonably adequate within sixty (60) days after the date of written notice.

#### 12.1.2 Terms and Conditions for Tenant's Insurance.

(a) The City of Seattle as Additional Insured. The CGL insurance and, in addition, Excess and/or Umbrella liability insurance, if any, shall include "The City of Seattle, its officers, officials, employees, agents and volunteers" as additional insureds. Tenant's insurance shall be primary and non-contributory to any insurance maintained by or available to the City.

(b) Required Separation of Insured Provision; Cross-Liability Exclusion and other Endorsements Prohibited. Tenant's insurance policy shall include a "separation of insureds" or "severability" clause that applies coverage separately to each insured and additional insured, except with respect to the limits of the insurer's liability. Tenant's insurance policy shall not contain any provision, exclusion or endorsement that limits, bars, or effectively precludes the City of Seattle from coverage or asserting a claim under the Tenant's insurance policy on the basis that the coverage or claim is brought by an insured or additional insured against an insured or additional insured under the policy. Tenant's failure to comply with any of the requisite insurance provisions shall, at the discretion of the City of Seattle, shall serve as grounds for the City to procure or renew insurance coverage with any related costs of premiums to be repaid by Tenant or reduced and/or offset against the Agreement.

(c) Cancellation Notice. Coverage shall not be cancelled without thirty (30) days' prior written notice to the City of such cancellation, except that notice need only be ten (10) days in cases of cancellation for non-payment of premium.

(d) Minimum Security Requirements. Each insurance policy required hereunder shall be (1) subject to reasonable approval by City that it conforms with the requirements of this Section, and (2) be issued by an insurer rated A-:VII or higher in the then-current A. M. Best's Key Rating Guide and licensed to do business in the State of Washington unless procured under the provisions of chapter 48.15 RCW (Unauthorized insurers).

(e) Deductible. Any deductible must be disclosed to, and shall be subject to reasonable approval by, the City. The cost of any claim falling within a deductible shall be the responsibility of Tenant.

12.1.3 Evidence of Insurance. On or before the Commencement Date, and thereafter not later than the last business day prior to the expiration date of each such policy, the following documents must be delivered to City at its notice address as evidence of the insurance coverage required to be maintained by Tenant:

(a) Certification of insurance documenting compliance with the coverage, minimum limits and general requirements specified herein;

(b) A copy of the policy's declarations pages, showing the insuring company, policy effective dates, limits of liability and the Schedule of Forms and Endorsements specifying all endorsements listed on the policy including any company-specific or manuscript endorsements;

(c) A copy of the CGL insurance policy provision(s) and endorsements expressly including the City of Seattle and its officers, elected officials, employees, agents and volunteers as additional insureds (whether on ISO Form CG 20 26 or an equivalent additional insured or blanket additional insured policy wording), showing the policy number, and the original signature and printed name of the representative of the insurance company authorized to sign such endorsement; and

(d) Pending receipt of the documentation specified in this Section, Tenant may provide a copy of a current complete binder. An ACORD certificate of insurance will not be accepted in lieu thereof.

Evidence of Insurance as set forth above, shall be issued to:

City of Seattle  
Department of Parks and Recreation  
100 Dexter Avenue North  
Seattle, WA 98109-5199  
Attn: Property Management

12.1.4 Assumption of Property Risk. Except to the extent of City's negligence or willful misconduct, but subject to Section 12.2 below, the placement and storage of Tenant's Business Personal Property in or about the Premises shall be the responsibility, and at the sole risk, of Tenant.

12.1.5 Adjustments of Claims. The Tenant shall provide for the prompt and efficient handling of all claims for bodily injury, property damage or theft arising out of the activities of the Tenant under this Lease.

12.1.6 Tenant's Responsibility. The procuring of the policies of insurance required by this Lease shall not be construed to limit the Tenant's liability hereunder. Notwithstanding said insurance, but subject to Section 12.2 below, the Tenant shall be obligated for the full and total amount of any damage, injury or loss caused by negligence of the Tenant, or any of its agents, officers and employees or through use or occupancy of the Premises.

12.2 Waiver of Recovery and Subrogation. City and Tenant release and relieve the other from any liability they might otherwise have and waive their entire right of recovery for loss or damage to property located within or constituting a part or all of the Premises or the SAAM Building to the extent that the loss or damage either (a) is actually covered by the injured party's property insurance, or (b) if the injured party failed to maintain insurance as required under this Lease, would have been covered under the terms and conditions of the property insurance the injured party is required to carry under Section 12.1, whichever is greater. This waiver applies regardless of the cause or origin of the claim including without limitation loss due to the negligent acts or omissions of City or Tenant, or their respective officers, directors, council members, employees, agents, contractors, invitees, Tenant's assignees or subtenants. The parties shall have their property insurers endorse the applicable insurance policies to reflect the foregoing waiver of claims, provided however, that the endorsement shall not be required if the applicable policy of insurance permits the named insured to waive rights of subrogation on a blanket basis, in which case the blanket waiver shall be acceptable; and provided further, that the failure to obtain such endorsement, when required, shall not impair the effectiveness of this waiver and/or release between City and Tenant.

12.3 Limitation of Liability. In no event shall City, its successors or assigns, have any recourse whatsoever for any damages payable, obligations assumed or indemnifications proffered by Tenant under this Lease to SAM's (a) archives or art collection and proceeds from the sale of

art; (b) otherwise restricted funds, including but not limited to restricted pledges of funds and restricted funds held within SAM's endowment; (c) interests in real estate; and (d) proceeds, rents or other income derived from SAM real estate that may be pledged or otherwise committed to repayment of Museum Development Authority obligations guaranteed by the City. Under no circumstances shall City have any recourse whatsoever to Tenant's officers, trustees, directors, agents, employees, contractor or licensees for any debt or obligation created by this Lease.

12.4 Reallocation of Insurance Responsibilities. Notwithstanding the allocations of responsibility to insure contained in Section 12.1 above, the parties may by mutual agreement decide to reallocate such responsibilities, including which party shall insure the SAAM Building and allocating the cost thereof in an appropriate way among the parties. The parties will engage in good faith discussions, including consulting with their insurance professionals, to agree on the preferred arrangements for purchasing the insurance and sharing the cost thereof, which may change from time to time by mutual agreement. In addition, the parties may by mutual agreement amend the insurance requirements of this Lease from time to time as appropriate to address changes in insurance practices and the insurance needs of the parties consistent with their rights and obligations hereunder.

## ARTICLE 13 INDEMNIFICATION

### 13.1 Tenant's Indemnification.

13.1.1 Subject to the waiver of recovery and subrogation in Section 12.2 above, Tenant shall indemnify, pay the defense costs of and hold harmless City and its council members and employees from Claims for damages, costs, personal injury, death or for loss or damage to property that arise out of or relate to: (a) the acts or omissions of Tenant, its employees, agents, contractors, affiliates or licensees in the development, improvement, operation, maintenance or use of the Premises or conduct of the Project; or (b) any breach or default by Tenant in the performance of any obligation on Tenant's part to be performed under this Lease.

13.1.2 This indemnity does not apply: (a) to Claims to the extent they are caused by the acts, omissions or misconduct of City Parties; or (b) to damages, claims, suits, actions or liabilities waived under Section 12.2 above. The term "City Parties" means City, its council members, agents, employees, contractors and licensees.

13.1.3 Subject to Section 13.3, the foregoing indemnity shall also include reasonable costs, expenses and attorneys' fees incurred in connection with any indemnified Claim or incurred by City in successfully establishing the right to indemnity. Tenant shall have the right to assume the defense of any Claim subject to this indemnity. City agrees to cooperate fully with Tenant and its counsel in any matter in which Tenant elects to defend, provided that Tenant promptly reimburses City for reasonable costs and expenses incurred in connection with its duty to cooperate.

### 13.2 City's Indemnification.

13.2.1 Subject to the waiver of recovery and subrogation in Section 12.2 above, City shall indemnify, pay the defense costs of and hold harmless Tenant and its officers, directors, trustees, agents, employees, volunteers, contractors and licensees from Claims for damages, costs, personal injury, death or for loss or damage to property that arise out of or relate to the acts or omissions of any City Parties in performing their obligations under this Lease.

13.2.2 This indemnity does not apply: (a) to Claims to the extent they are caused by the acts or omissions or misconduct of the Tenant, including its officers, directors, trustees, agents, employees, volunteers, contractors, affiliates and licensees; or (b) to damages, claims, suits, actions or liabilities waived under Section 12.2 above.

13.2.3 Subject to Section 13.3, the foregoing indemnity shall also include reasonable costs, expenses and attorneys' fees incurred in connection with any indemnified Claim or incurred by Tenant in successfully establishing the right to indemnity. City shall have the right to assume the defense of any Claim subject to this indemnity. Tenant agrees to cooperate fully with City and City's counsel in any matter in which City elects to defend, provided that City promptly reimburses Tenant for reasonable costs and expenses incurred in connection with its duty to cooperate.

13.3 Joint, Comparative or Concurrent Negligence of Willful Misconduct. If the parties are determined to be jointly and severally liable in any action, then each party's duty to indemnify and defend shall be proportionate to such party's allocable share of joint, comparative or concurrent negligence or willful misconduct.

13.4 Waiver of Indemnity. City and Tenant agree that the foregoing indemnities specifically include, without limitation, Claims brought by either party's employees against the any other party. THE FOREGOING INDEMNITIES ARE EXPRESSLY INTENDED TO CONSTITUTE A WAIVER OF EACH PARTY'S IMMUNITY UNDER WASHINGTON'S INDUSTRIAL INSURANCE ACT, RCW TITLE 51, TO THE EXTENT NECESSARY TO PROVIDE THE OTHER PARTY OR PARTIES WITH A FULL AND COMPLETE INDEMNITY FROM CLAIMS MADE BY EACH PARTY AND ITS EMPLOYEES, TO THE EXTENT OF THEIR NEGLIGENCE. CITY AND TENANT ACKNOWLEDGE THAT THE INDEMNIFICATION PROVISIONS OF THIS ARTICLE WERE SPECIFICALLY NEGOTIATED AND AGREED UPON BY THEM.

#### ARTICLE 14 ASSIGNMENT AND SUBLETTING

14.1 Assignment and Subletting. Except as expressly set forth herein, no party may directly or indirectly make or permit an assignment, transfer, sublease or other alienation of such party's rights or obligations under this Lease at any time without the prior written consent of the other parties. Notwithstanding the foregoing: (i) Tenant may enter into the Master Lease; (ii) Master Tenant may enter into a Sublease; (iii) in the ordinary course of business for purposes consistent with normal Museum operations, Tenant may enter into licenses or concessions for catering services and a gift store, and permit short term event rentals (not to exceed five (5) consecutive days per event), which agreements shall be permitted hereunder; and (iv) upon

expiration of the Master Lease, Tenant may assign its interest under this Lease to a nonprofit entity that agrees to be the successor operator of the Museum and assumes all of Tenant's obligations hereunder, subject to the consent of City, such consent not to be unreasonably withheld provided that the successor tenant is either controlled by Tenant or can demonstrate to City's reasonable satisfaction that it can successfully operate the Museum; provided that, during the Tax Credit Compliance Period, Tenant may assign its interest under this Lease to any entity that agrees to operate the SAAM Building as a museum and assumes all of Tenant's obligations hereunder, without the consent of City. Nothing in this Section 14.1 shall change the requirements of Section 3.3 above under which Tenant provides certain Public Benefits as the operator of the SAAM Building.

14.2 Assignment at the Expiration of the Tax Credit Compliance Period. At the expiration of the Tax Credit Compliance Period, Tenant may assign its interest under this Lease to SAM without the prior consent of City, at which point, SAM Building Landlord, LLC shall be automatically released from all obligations relating to the Premises under this Lease.

## ARTICLE 15 DEFAULT AND REMEDIES

15.1 Tenant's Default. Each of the following constitutes a default by Tenant under this Lease ("Default"):

15.1.1 Tenant transfers its rights and obligations under this Lease in contravention of Article 14;

15.1.2 Tenant fails to perform or observe any covenant, provision or obligation of Tenant under this Lease not specifically addressed in another section of this Section 15.1, including failure to perform the Public Benefits or Museum operations obligations under Sections 3.3, 3.4 and 3.5, within ninety (90) days of the date of written notice of default from City (or if the breach requires longer than ninety (90) days to cure, Tenant fails to start curing the default within ninety (90) days after receipt of written notice and to thereafter diligently prosecute the cure thereof to completion); provided that the foregoing shall not apply to any period when the City agrees in writing that Tenant is performing any non-standard repair, maintenance, alteration or expansion of the SAAM Building or any period when, following written notice by the City, Landlord is performing any renovation to the SAAM Building or to portions of Volunteer Park adjacent to the SAAM Building, including, without limitation, the Adjacent Park Area that warrant a temporary stop to Tenant's performance under this Lease;

15.1.3 Tenant vacates, abandons or ceases to use the Premises for Museum operations for sixty (60) consecutive calendar days or longer, subject to excuse for force majeure reasons or periods of reconstruction following casualty or condemnation; provided that the foregoing shall not apply to any period when Tenant is performing any non-standard repair, maintenance, alteration or expansion of the SAAM Building reasonably approved in advance by City;



15.1.4 Tenant consolidates, dissolves or liquidates or takes an equivalent action or an involuntary case is commenced (other than by City) under any federal or state bankruptcy, reorganization, insolvency, moratorium or similar statute against Tenant, or a custodian, receiver, trustee, assignee for the benefit of creditors or other similar official is appointed to take possession, custody, or control of the property of Tenant unless such case, petition or appointment is dismissed, set aside or withdrawn or ceases to be in effect within ninety (90) days after the date such case is commenced or the date of said filing or appointment; or Tenant becomes insolvent or admits in writing its inability to pay its debts as they mature, or commences any voluntary case or files any petition or action for relief relating to any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors; or Tenant makes an assignment for the benefit of creditors or enters into an agreement of composition with its creditors; or Tenant fails generally to pay its debts as they become due; or Tenant fails to have discharged promptly any judgment, execution, garnishment or attachment of such consequence as could impair the ability of Tenant to carry on its operations or to fulfill its obligations under this Lease;

15.1.5 A court enters an order, judgment or decree approving a petition filed against Tenant seeking an arrangement, composition, liquidation, dissolution or similar relief under the present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors (other than at the instigation of City), and the order, judgment or decree remains unvacated or unstayed for one hundred twenty (120) days.

15.2 City's Remedies for Tenant's Default. If a Tenant Default occurs, then the parties shall use the dispute resolution procedures set forth in Section 18 hereof. If the mediation required pursuant to Section 18 hereof does not resolve the Dispute, then City may exercise any one or more of the following:

15.2.1 Terminate this Lease upon one hundred eighty (180) days' prior written notice; provided that, in no event may City terminate the Lease during the first ten (10) years of the initial Term.

15.2.2 Hold Tenant liable for all actual damages (but no punitive, indirect or consequential damages) and reasonable expenses, except attorneys' fees incurred by City in enforcing its remedies for any Default; and

15.2.3 Exercise any other legal or equitable right or remedy that it may have; provided that, notwithstanding anything herein to the contrary, in no event shall City have the right to require specific performance of Tenant's obligations hereunder.

In the event of a termination under Section 15.2, all improvements (excluding Museum Property) constructed or installed by Tenant upon the Premises shall become the property of City without the necessity of any deed or conveyance from Tenant to City.

15.3 City's Exigent Circumstances. Notwithstanding anything in Sections 15.2 to the contrary, if a Default by Tenant has occurred that involves an imminent danger to public health or safety, then City shall not be required to exhaust all the dispute resolution procedures set forth in Section 18 before exercising its remedy under Sections 15.2 hereunder, but the parties shall

nonetheless work together in good faith to try to resolve such dispute in accordance with such dispute resolution procedures.

15.4 City's Default. The failure of City to perform or observe any obligation of City under this Lease within ninety (90) days of the date of written notice from Tenant (or if the breach requires longer than ninety (90) days to cure, the failure of City to start curing within ninety (90) days after receipt of written notice and thereafter to diligently prosecute such cure to completion) shall constitute a default by City under this Lease ("City Default"):

15.5 Tenant's Remedies for City's Default. If a City Default occurs, then the parties shall use the dispute resolution procedures set forth in Section 18 hereof. If the mediation required pursuant to Section 18 hereof does not resolve the Dispute, then Tenant may exercise one or more of the following:

15.5.1 Terminate this Lease upon one hundred eighty (180) days prior written notice. Then and in any such event, all improvements (excluding Museum Property) constructed or installed by Tenant upon the Premises shall become the property of City without the necessity of any deed or conveyance from Tenant to City;

15.5.2 Hold City liable for all actual damages (but no punitive, indirect or consequential damages) and reasonable expenses except attorneys' fees incurred by Tenant in enforcing its remedies for any City Default;

15.5.3 Tenant may cease or suspend the provision of some or all of the Public Benefits to the extent that the City Default makes it impossible or impractical to provide the same; and

15.5.4 Tenant may exercise any other legal or equitable right or remedy that they may have.

15.6 Tenant's Exigent Circumstances. Notwithstanding anything in Sections 15.5 to the contrary, if a City Default has occurred that involves an imminent danger to public health or safety, then Tenant shall not be required to exhaust all the dispute resolution procedures set forth in Section 18 before exercising its remedies under Sections 15.5 or 15.6 hereunder, but the parties shall nonetheless work together in good faith to try to resolve such dispute in accordance with such dispute resolution procedures.

## ARTICLE 16 NOTICES

16.1 Notices. All notices, demands or requests that may or are required to be given by one party to the other under this Lease shall be given in writing and delivered personally, or sent by U.S. certified mail, postage prepaid, return receipt requested, or nationally recognized overnight air carrier, and addressed to City's address or Tenant's address, as follows:

If to the City: City of Seattle  
Department of Finance  
700 5<sup>th</sup> Avenue, Suite 5200  
Seattle, WA 98104-5058  
Attn: Finance Director  
Phone: 206.684.8079  
Email: glen.lee@seattle.gov

And: City of Seattle  
Department of Parks and Recreation  
100 Dexter Avenue North  
Seattle, WA 98109-5199  
Attn: Superintendent  
Phone: 206.684.8022  
Email: jesus.aguirre@seattle.gov

Copy to: Helaine Honig  
City of Seattle  
Law Department  
701 5<sup>th</sup> Avenue, Suite 2050  
Seattle, WA 98104-7097  
Phone: 206.684.8222  
Email: helaine.honig@seattle.gov

If to Tenant: Seattle Art Museum  
1300 1<sup>st</sup> Avenue  
Seattle, WA 98101-2003  
Attn: Illsley Ball Nordstrom Director and CEO  
Phone: 206.654.3142  
Email: kimr@seattleartmuseum.org

Copy to: Seattle Art Museum  
1300 1<sup>st</sup> Avenue  
Seattle, WA 98101-2003  
Attn: Richard Beckerman, Chief Operating Officer  
Phone: 206.654.3150  
Email: richardb@seattleartmuseum.org

Copy to: Gerry Johnson  
Pacifica Law Group LLP  
1191 2<sup>nd</sup> Avenue, Suite 2000  
Seattle, WA 98101-3404  
Phone: 206.245.1700  
Email: gerry.johnson@pacificalawgroup.com

Notices shall be deemed to have been given upon receipt or attempted delivery where delivery is not accepted. Either party may change its address and/or those receiving copies of notices upon written notice given to the other.

ARTICLE 17  
MEMORANDUM OF AGREEMENT

17.1 Memorandum. This Lease shall not be recorded except as permitted in this Article 17. The parties shall promptly execute and record, at Tenant's cost, a short form memorandum describing the Premises and stating the Term, the Effective Date and any other information the parties reasonably agree to include and/or necessary for any financing with respect to the Project.

ARTICLE 18  
DISPUTE RESOLUTION

18.1 In General; Mediation. In the event of any dispute or difference that shall arise between the parties relating to the construction, meaning, enforcement or effect of this Lease, or of the rights or liabilities of the parties hereunder, the parties shall first follow the procedures in this section before filing or initiating a lawsuit. The parties shall make their best efforts to resolve disputes as expeditiously as possible through good faith negotiations at the lowest possible decision-making level, and in the event such negotiations are unsuccessful, the matter shall be referred to the Superintendent and the Director/CEO of Tenant's Managing Member. If those officials are unable to resolve the dispute within a period of thirty (30) days after the matter has been formally referred to them for resolution, they shall meet during the immediately succeeding seven (7) days to select a mediator to assist in the resolution of such dispute. Tenant and City agree to participate in mediation with the agreed upon mediator for a reasonable amount of time and in good faith. The cost of the mediation shall be shared equally between Tenant and City.

ARTICLE 19  
MISCELLANEOUS

19.1 No Partnership. Nothing contained in this Lease shall create any partnership, joint venture or other relationship between Tenant and City. It is the intent of the parties that this Lease creates a leasehold estate in the Premises and that the relationship of the parties hereunder is that of landlord and tenant only.

19.2 Successors. This Lease shall bind and inure to the benefit of City, its successors and assigns, Tenant and its successors and assigns.

19.3 Severability. If any provision of this Lease is determined to be invalid or unenforceable, then that provision and the remainder of this Lease shall continue in effect and be enforceable to the fullest extent permitted by law. It is the intention of the parties that if any provision of this Lease is capable of two constructions, one of which would render the provision void, and the other of which would render the provision valid, then the provision shall have the meaning that renders it valid.

19.4 Integration and Amendments. Together with the Development Agreement, this Lease contains the entire integrated agreement between the parties as to the matters covered herein and supersedes any oral statements or representations or prior written matter not contained in this instrument as to the matters set forth herein. This Lease shall not be modified except by a written document signed by City and Tenant (or their successors in title) upon passage of an ordinance by the City Council.

19.5 Governing Law; Venue. This Lease shall be governed by and construed and enforced in accordance with the laws of the State of Washington.

19.6 No Waiver. Failure of either party to complain of any act or omission on the part of the other, no matter how long the failure may continue, shall not constitute a waiver of any rights under this Lease. No waiver by any party of any breach of any provisions of this Lease shall be deemed a waiver of a breach of any other provision of this Lease or a consent to any subsequent breach of any other provision. If any action of any party requires the consent or approval of another, consent or approval given on one occasion shall not be deemed a consent to or approval of that action on any other occasion. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.

19.7 Construction. The following rules shall apply to the construction of this Lease unless the context otherwise requires:

(a) Words describing the singular number shall include the plural number and vice versa, except where otherwise indicated.

(b) All references herein to particular articles, sections or exhibits are references to articles, sections or exhibits of this Lease, unless otherwise expressly stated.

(c) The headings and table of contents herein are solely for convenience of reference and shall not constitute a part of this Lease nor shall they affect its meaning, construction or effect.

(d) This Lease shall not be construed as if it had been prepared by one of the parties, but rather as if all parties had prepared it.

19.8 Time. Time is of the essence of every provision of this Lease.

19.9 Cumulative Remedies. The rights and remedies that either party may have under this Lease or at law or in equity, upon any breach, are distinct, separate and cumulative and shall not be deemed inconsistent with each other, and no one of them shall be deemed to be exclusive of any other.

19.10 Authority. Each party hereto warrants that it has the authority to enter into this Lease and to perform its obligations hereunder and that all necessary approvals, acts or resolutions

to authorize this transaction have been taken, and the signatories, by executing this Lease, warrant that they have the authority to bind the respective parties.

19.11 Consents and Approvals. In any instance when either party's consent or approval is required under this Lease, such consent or approval shall not be unreasonably withheld, conditioned or delayed. No permission, consent, or approval of City contained herein or given pursuant to this Lease is, or shall be construed as, a representation or assurance that the matter consented to or approved complies with applicable Laws, nor shall any such consent or approval be construed to authorize any failure to comply with such Laws. No action of the Superintendent in implementation of this Lease shall constitute or excuse any official action by any other City department or official that may be required by law, ordinance, rule or regulation.

19.12 Counterparts. This Lease may be executed in counterparts for the convenience of the parties, and such counterparts shall together constitute one Lease.

19.13 Force Majeure. Except as otherwise expressly provided in this Lease, time periods for any party's performance under any provisions of this Lease shall be suspended for periods of time during which such performance is prevented due to circumstances beyond such party's reasonable control, including without limitations, strikes, embargoes, shortages of labor or materials, governmental regulations, acts of God, unforeseen site conditions, casualty, war or other strife.

19.14 Exhibits. Exhibits A through C attached hereto are hereby incorporated herein and made a part of this Lease, and the term "Lease" shall include all exhibits hereto.

19.15 Limitation on Third Party Rights. Nothing in this Lease expressed or implied is intended or shall be construed to give to any person other than City or Tenant any legal or equitable right, remedy or claim under or in respect of this Lease or any covenant, condition or provision herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of City and Tenant.

19.16 Rights Reserved by City. City reserves the right to do the following, without liability of any kind, so long as such actions do not substantially interfere with Tenant's rights under this Lease or its ability to operate the Museum and provide the Public Benefits:

19.16.1 Appearance, Size and Location of Volunteer Park. Increase, reduce, and change in any manner whatsoever the number, appearance, dimension, and locations of Volunteer Park walks, buildings, landscaping, parking, and service areas, and make improvements, alterations, and additions to the portions of the Premises that are located outside of the Museum Building.

19.16.2 Traffic Regulation. Regulate all traffic within and adjacent to Volunteer Park.

19.16.3 Admission Charges. Impose a reasonable charge for use of facilities (other than the Museum) within Volunteer Park, including parking facilities.

19.16.4 Rules and Regulation Promulgation. Promulgate, from time to time, reasonable rules and regulations regarding the use and occupancy of any area of Volunteer Park; provided that no such rule or regulation that would directly or indirectly affect any right granted to Tenant by this Lease shall be promulgated without City having given prior written notice of such action to Tenant and at least thirty (30) days to comment on such proposed action unless such promulgation is because of a declared emergency.

19.16.5 Days and Hours for Operations. Determine the hours Volunteer Park will be open to the public. Nevertheless, regardless of park hours, City cannot restrict or block access to the Premises, SAAM Building or the Adjacent Park Property area (recognizing that the hours when the Museum is open to the general public (“Operating Hours”) or hosting events at the SAAM Building (including, without limitation, Private Events) may be different from the hours than when the park is open).

19.16.6 Park Concessions Determine the size, number, type and identity of concessions and operations being conducted or undertaken at Volunteer Park other than in the SAAM Building, the Premises or the Adjacent Park Property Area.

[signatures on next page]

IN WITNESS WHEREOF, this Lease is executed on the day and year first above written.

City:

CITY OF SEATTLE, a Washington  
municipal corporation

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

Approved as to form:

\_\_\_\_\_  
City of Seattle Assistant City Attorney

TENANT:

SAM BUILDING LANDLORD, LLC, a  
Washington limited liability company

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







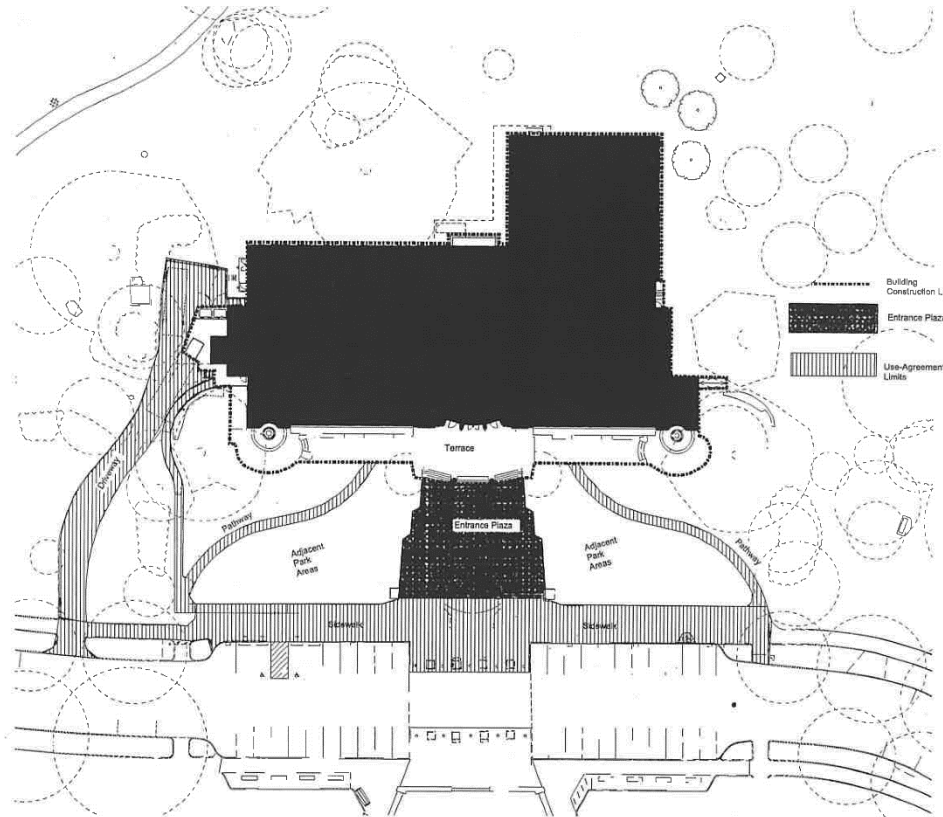
## **EXHIBIT A**

### **Legal Description of Volunteer Park**

The Northeast Quarter of the Northeast Quarter (NE 1/4 NE 1/4) of Section Twenty-Nine (29) in Township Twenty-Five (25) north of Range Four (4) east W.M.; Also beginning at the Northeast corner of the Southeast Quarter (SE 1/4) of the Northeast Quarter (NE 1/4) of Section Twenty-Nine (29) in Township Twenty-Five (25) North Range Four (4) east, W.M. King County, Washington, thence South along the line between Sections Twenty-Nine (29) and Twenty-Eight(28) a distance of one hundred seven and seventy-seven hundredths (107.77)feet, thence north 89°55' West, a distance of one thousand, three hundred forty-two and fifty-three hundredths (1342.53) feet more or less to the centerline of the Northeast Quarter (NE 1/4) of said Section 29, thence along said centerline North 0°13'30" West, a distance of eighty-six and eighty-seven hundredths (86.87) more or less feet to the centerline of the Northeast Quarter(NE 1/4) of said Section Twenty-Nine (29), thence along the last named centerline of the Northeast Quarter (NE 1/4) of said Section Twenty-Nine (29) north 89°11'30" east, a distance of one thousand three hundred forty-two and eighty-nine hundredths (1342.89) feet to the place of beginning. Also, the East one-half (E 1/2) of blocks "E" and "F" of Phinney Addition to the City of Seattle as recorded in Vol. 1, page 175, of King County Plats. Also, Eleventh (11) Avenue North in the City of Seattle, from the North line of Furth Addition to the North line of Phinneys Addition as vacated by Ordinance #26793.

# EXHIBIT A-1

## Site Plan



## **EXHIBIT B**

### **Public Benefits**

#### **Public Benefits and Reporting Requirements**

The Seattle Art Museum (SAM) is a leading creative cultural institution committed to preserving and sharing works of art from global cultures with the broadest possible audience. The SAM institution fills an important public role and has a truly city-wide reach. From this unique position, SAM is committed to advancing the City's goals of making available in a meaningful and effective way, the benefits and opportunities of cultural programming and resources to everyone in Seattle, particularly including those communities and geographic areas that historically have been underserved. The City recognizes that SAM, as a non-profit institution, funds its programs and operations by contributions from the public, supplemented by a small amount of earned revenue. In partial consideration for the public support for the development, rehabilitation and ongoing operation of the SAAM Building in Seattle's Volunteer Park, and in fulfillment of its educational and public service mission and ongoing commitment to the community, Tenant (which for purposes of this Exhibit shall include any successor operator of the Museum) agrees that from and after the Opening Date of the Museum through the Term of the Lease, it will cause the SAAM Building to be operated as an integrated, publicly accessible art museum with exhibits and programs devoted to global cultures, including related space for meeting and educational functions, a resource center that is open to the public and the operation of a book store/gift shop, all as further set forth below:

1. Opening Hours and General Admissions. The Museum will be operated to be open for public access in the SAAM Building at least forty (40) hours per week, fifty (50) weeks per year, subject to an admissions policy that shall include, without limitation, the following benefits:

(a) General public admission donation amount may be subject to a reasonable expected admission donation;

(b) Every day the Museum is open to the public, any member of the public unable to pay the standard admission fee will be admitted (excluding special events and special exhibitions) upon payment of whatever amount he or she determines he or she can pay, but in no event less than one (1) cent per person. The Museum shall take adequate measures to clearly inform the public of this benefit, including by posting conspicuous signage in the Museum, the content and location of which shall be subject to Superintendent approval, which will not be unreasonably withheld, and by identifying this benefit in marketing and outreach materials covering public activities at the Museum.

(c) At least four (4) days per calendar month will be regularly scheduled when admission to the Museum (excluding special events) is free of charge;

(d) Children of elementary and middle school age (fourteen (14) years or younger) will be admitted free of charge every day the Museum is open to the public. This excludes school and group admissions, special events and programs; and

(e) School groups will be admitted for a reduced fee on weekdays that the Museum is open to the public.

2. School Programs. Tenant will develop and offer on-going educational programs for elementary, middle and high school classrooms and provide reduced fee and other assistance to students from schools that participate in federal free or reduced price school lunch programs. Such programs may include, without limitation, guided gallery tours and art workshops in an art studio with the assistance of teaching artists.

3. Outreach. Develop and implement marketing and outreach policies that ensure information about all Museum programming and events, including those listed above, and related assistance benefits (such as scholarships) is thoroughly and effectively disseminated in a geographically equitable manner, which includes ensuring information is disseminated in all parts of the city, including within the general community and inside schools, in historically underserved areas such as Rainier Beach, South Park and North Lake City. At least once per year Tenant shall provide to the Parks and Recreation Department a written Outreach Plan showing how Tenant is providing information and other outreach in schools that participate in federal free or reduced price school lunch programs. The parties expect Tenant will conduct at least 3 separate outreach campaigns per year.

4. Scholarships and Other Opportunities for Free or Reduced Cost Participation: Provide a minimum of \$25,000 in assistance in the form of scholarships, and other opportunities to participate in programs, camps, tours and other activities for low-income youth and/or adults in the City. Scholarships will enable individuals from underserved communities, who otherwise could not afford it, to participate in fee-based workshops and camps.

5. Programming. Tenant is required and is committed to actively advance the City's goals of serving historically underserved populations and creating more equitable access to cultural programs. To that end, Tenant shall provide on an annual basis, with scholarships available for income qualified families, a variety of programming (some of which programming may be coordinated by the Gardner Center for Asian Arts and Ideas), including but not limited to the following:

(a) At least six (6) drop-in workshops guided by teaching artists on the day each month that the Museum is open to the public for free, with activities such as costumes for creative play, performances, family-friendly movies, books, and sketching tours;

(b) At least three (3) day camps during the summer for elementary school age children, focusing on art-making activities, tours of galleries and special exhibits and use of outdoor spaces;

(c) At least six (6) lectures and panel discussions by and among artists, critics, curators and scholars relating to the art in the special exhibits and addressing pressing issues in art and society; which may include international speakers invited to the Museum in partnership with the University of Washington Jackson School of International Studies;

(d) At least four (4) performances and visual arts demonstrations, such as dance, music and textiles, highlighting global cultures;

(e) At least two (2) coordinated and supported programming in the Volunteer Park Amphitheater space, which may include, without limitation, the screening of films;

6. Resource Center. Tenant will maintain a center with resources that may include books, catalogues, journals, videos, online resources and ephemera as a free reference collection for the public. Currently, the McCaw Foundation Library serves as the resource center and is dedicated to Chinese, Japanese, Korean, Indian, and Southeast Asian art.

7. Meeting and Educational Space. Subject to Tenant's use of meeting room space within the SAAM Building and school groups' use of educational space within the SAAM Building, Tenant will provide meeting room space for noncommercial use by community organizations for up to twenty-five (25) hours per month on a first-come, first-served basis, during hours when the Museum is open to the public, and subject to demand for such meeting space, Tenant's rules regarding use of such space and Tenant's scheduling convenience and execution of use agreements required by Tenant (including appropriate indemnities and agreements to pay for costs as hereafter described). The parties recognize that separate, dedicated meeting space will not be included in the Project design and such meetings would need to occur in Museum areas that also serve other functions. There shall be no facility rental fee for such meetings, but Tenant shall be compensated for (and may require advance payment of) audio/visual, special security or staffing, special set up and other event special needs and costs, if Tenant elects to provide the same. Tenant shall publicize the availability of such meeting space by, at a minimum, posting notice thereof in a prominent position on its website.

8. Public Restrooms. Tenant will make restrooms to be located in the SAAM Building available for public use during Operating Hours without requiring payment of Museum admission charges.

9. Reporting. Tenant shall provide the City with annual performance measurement data quantifying specifically how Tenant is delivering the services and programs set forth herein. Specifically, on or before the end of the first quarter of each year during the Lease Term, Tenant shall submit to the Seattle Parks and Recreation Department an annual Public Benefit Report in a form provided or approved by the Superintendent, which shall include for the previous year, at a minimum:

(a) Number of Museum attendees, including free and discounted admissions;

(b) Number and description of workshops provided, including number of program attendees with breakdown of free and discounted participants;

(c) Number and description of day camps provided, including number of program attendees with breakdown of free and discounted participants;

(d) Number and description of lectures and panel discussions provided, including number of program attendees with breakdown of free and discounted participants;

(e) Number and description of performances and visual arts demonstrations provided, including number of program attendees with breakdown of free and discounted participants;

(f) Number and description of coordinated and supported programming in the Volunteer Park Amphitheater space,

(g) Number and description of each internship and apprenticeship;

(h) Number and description of all Community Organization Partnership committee meetings, including names of attendees and copy of agendas;

(i) Number of school groups attending, including name of each group's school and breakdown of a breakdown of discounted and free groups;

(j) Frequency of public use of meeting rooms, i.e. number of times per year rooms made available to community free of charge;

(k) Description of culturally diverse special exhibitions;

(l) Estimated dollar value, with supporting accounting detail, of the programs, scholarships and other Public Benefits provided; and

(m) Description and copies of all outreach and marketing materials disseminated during the previous year with description of the distribution medium and area associated with each.

10. Evaluation of Public Benefits and Program Changes. The parties recognize that over the Term of the Lease Tenant or the City may develop new programs or strategies that may more effectively achieve the desired equity outcomes. Five (5) years following the Effective Date and every five (5) years thereafter during the Term, City and Tenant shall review the public benefits outlined herein and, if reasonably approved by both parties, shall modify this Exhibit to reflect changed circumstances with the community. It is understood that while types of benefits provided may change, such evolution should not represent diminished effort in this regard.

11. Approved Program Changes. At the end of every five-year evaluation period, Tenant may, upon written approval from the Superintendent, make changes to the programs listed above to provide replacement programming of equal or better value, as determined by the Superintendent.



**EXHIBIT C**

**City Operating Support Payments Schedule**

<b><u>Support Payment Years</u></b>	<b><u>City Operating Support Payment</u></b>	<b><u>REET Maximum Portion</u></b>
1-5	\$250,000	-----
6-10	\$275,000	-----
11-15	\$300,000	not more than \$50,000
16-20	\$350,000	not more than \$100,000
21-25	\$400,000	not more than 25% of total payment
26-30	\$450,000	not more than 25% of total payment
31-35	\$500,000	not more than 25% of total payment
36-40	\$550,000	not more than 25% of total payment
41-45	\$600,000	not more than 25% of total payment
46-50	\$650,000	not more than 25% of total payment
51-55	\$700,000	not more than 25% of total payment