

SECOND AMENDMENT TO
GROUND LEASE
BETWEEN
THE CITY OF SEATTLE AND
EXPERIENCE MUSIC PROJECT

This Second Amendment to Ground Lease between the City of Seattle and Experience Music Project ("Second Amendment") is made this ___ day of _____ 2015, by and between THE CITY OF SEATTLE, a municipal corporation of the State of Washington ("the City"), acting through its Seattle Center Director ("Director"), and EXPERIENCE LEARNING COMMUNITY, d/b/a EXPERIENCE MUSIC PROJECT ("EMP"), a Washington non-profit corporation.

WHEREAS, on June 1, 1997, the City and EMP entered into a ground lease, as amended on May 27, 2010 (as amended, collectively, the "Ground Lease") for premises on which EMP constructed, maintains and operates a museum to conserve, catalogue and exhibit musical instruments, costumes, photographs, posters and other objects which explore the history of rock and roll, popular music and other various genres within the popular arts; and to provide indoor and outdoor gathering spaces for musical events, impromptu music-making, education and performances; and all necessary or incidental activities reasonably related hereto (the "Museum") for an initial term of forty (40) years;

WHEREAS, EMP was granted exclusive rights with respect to liquor sales at the Seattle Center which limits the City's options for attracting new investment and a mix of tenants consistent with the Century 21 Master Plan;

WHEREAS, in September 2014, The Seattle Center Advisory Commission adopted Non-Profit Long Term Lease Guidelines (the "Guidelines") for the leasing of property and facilities at the Seattle Center to help provide consistency for long term leases with non-profit organizations at Seattle Center;

WHEREAS, pursuant to the Guidelines, the City is required to receive a fair return for the use of public assets and the City may agree upon alternative methods of payment of rent to realize such return;

WHEREAS, the City has agreed to modify the terms of the Ground Lease to provide for payment of rent through measureable public benefits as well as cash; and

WHEREAS, EMP's agreement to release its exclusive rights with respect to liquor sales will provide Seattle Center with the flexibility to successfully implement the City's vision for the Center campus to provide events, experiences and environments that delight and inspire the human spirit to build stronger communities.

NOW, THEREFORE, for the good and valuable consideration of the mutual covenants and conditions set forth in this Second Amendment, receipt of which is hereby acknowledged, the parties agree to amend the Ground Lease as follows:

I. Continued Effect of EMP Ground Lease Terms not Amended

1. By the terms of this Second Amendment, the parties hereby agree to amend the terms of the Ground Lease, and the parties agree that the terms of this Second Amendment are incorporated into the Ground Lease. In the event of any conflict between this Second Amendment and the Ground Lease related to matters in the Second Amendment, the provisions of this Second Amendment shall prevail. All of the terms and conditions of the Ground Lease not modified by this Second Amendment shall remain in full force and effect.

2. This Second Amendment shall be effective on the date signed by an authorized representative of each party, following authorization by an ordinance of the Seattle City Council.

3. Unless otherwise defined in this Second Amendment, all capitalized terms shall have the same meaning as given in the Ground Lease, and all references to the "Ground Lease" shall mean and include the Ground Lease, the First Amendment and the Second Amendment.

II. Amendment of Ground Lease

1. Section 5. Rent.

A. A new Subsection 5.4 is added to Section 5 of the Ground Lease as follows:

5.4 Total Annual Rent. Beginning on June 1, 2015, regardless of the effective date of this Second Amendment, and thereafter throughout the Initial Term and, if applicable, any Option Terms, EMP shall fulfill its annual rent obligation as described in Subsections 5.1 and 5.2 of the Ground Lease (the "Total Annual Rent") with a combination of "Monetary Rent" and "Public Benefit Rent" (as defined in Subsections 5.4.1-5.4.2 below). As used herein, the term "Lease Year" shall mean a period beginning on June 1, and ending on the following May 31st during the Initial Term and any Option Terms.

5.4.1 Monetary Rent. EMP shall fulfill fifty percent (50%) of its Total Annual Rent obligations through Monetary Rent. As used in this Ground Lease, "Monetary Rent" means that portion of Total Annual Rent which shall be paid in cash or by check.

5.4.2 Public Benefit Rent. EMP shall fulfill fifty percent (50%) of its Total Annual Rent obligation through Public Benefit Rent. As used in this Ground Lease, "Public Benefit Rent" means the value of the public programming and benefits of the types set forth in Exhibit A to this Second Amendment, which is incorporated herein by this reference, subject to the Director's confirmation of valuation as further described in Subsection 5.5. Public Benefit Rent may also include the value of other programs not identified in Exhibit A, subject to the approval of the Director as further described in Subsection 5.5. For the purposes of this Subsection 5.4.2 and Exhibit A, any tickets for admission to the Museum provided to and used by individuals or groups at free or reduced cost shall be valued at the net difference between such complimentary or discounted ticket and a comparable full price ticket. Factors for determining whether the full price ticket is comparable to a free or reduced cost ticket include method of purchase (where applicable), ticket type, age group, day, time, or any other variable that impacts ticket prices. The value attributed to Public Benefit Rent shall be net of sponsorships or subsidies provided by third parties to support the specific program for which Public Benefit Rent credit is claimed. Both the City and EMP acknowledge that those public benefits enumerated on Exhibit A provide consideration to the City and constitute a valuable benefit from EMP to the City and the citizens of Seattle. EMP hereby acknowledges that the public benefits provided by EMP under this Section 5.4 are made possible in part by the City's acceptance of the Public Benefit Rent. EMP and the City shall mutually determine appropriate methods of documenting such acknowledgment. Attendance calculations pursuant to Section 7 of the Ground Lease shall exclude the attendance from events, programs, tickets, or other elements for which Public Benefit Rent has been claimed.

B. A new Subsection 5.5 is added to Section 5 of the Ground Lease as follows:

5.5 Process for Crediting Public Benefit Rent. EMP and the City will use the following processes for crediting Public Benefit Rent against EMP's Total Annual Rent. The Director shall not unreasonably withhold, delay or condition any approval required in this Subsection 5.5.

5.5.1 EMP's Annual Public Benefit Rent Proposal. Beginning in 2016, no later than January 31 of each calendar year during the Initial Term and any Option Term, if applicable, EMP shall provide to the Director a written proposal of Public Benefit Rent in the upcoming Lease Year, along with the estimated value of each benefit proposed (the "Annual Public Benefit Rent Proposal"). The City and EMP hereby agree and acknowledge that provided the proposed Public Benefit Rent is a type set forth on Exhibit A (the "Pre-approved PBR"), it will not require approval of the Director for the type of benefit provided, but only approval by the Director of EMP's proposed value of such Pre-approved PBR. Within thirty (30) days after receiving EMP's Annual Public Benefit Rent Proposal, the Director: (i) shall approve or disapprove the computations associated with the value of the Pre-approved PBR; or (ii) if a program outside of the categories set forth on Exhibit A is proposed (the "Other PBR"), the Director shall reasonably approve or disapprove the program and its associated value. If the Director disapproves of any such element of the Other PBR, or disagrees with EMP's computation of the value for the Pre-approved PBR, the Director shall state the reasons, and within thirty (30) days of receiving the Director's disapproval, EMP shall submit a revised proposal for the Director's consideration. Within thirty (30) days of receipt of EMP's revised proposal, the Director shall review and/or approve or disapprove of the revised proposal as set forth above, and this process may continue until the Director has approved all Pre-approved PBR valuations or the program and value of benefits for the Other PBR. Upon the Director's approval of EMP's Annual Public Benefit Rent Proposal (the "Approved Proposal"), the amount of Public Benefit Rent in the Approved Proposal shall be amortized evenly over the 12 months in the Lease Year, and the amount of Public Benefit Rent so allocated to each month shall be credited against the monthly installment of the Total Annual Rent for each month during the Lease Year; provided, however if this process has not been completed by June 1 of any Lease Year, then upon completion of said process, the amount of Public Benefit Rent in the Approved Proposal shall be amortized over the remaining months in the then current Lease Year, and the amount of Public Benefit Rent so allocated to each remaining month shall be credited against the monthly installment of Total Annual Rent for each remaining month during the Lease Year.

During each Lease Year, EMP may propose amendment(s) to the Approved Proposal, identifying alternative public benefits and/or the modifying the associated public benefit value. Subject to the Director's written approval of value (for Pre-approved PBR) or category and value (for Other PBR), the Approved Proposal will be amended and, if the amendment modifies the amount of Public Benefit Rent, the amortized and allocated amount of Public Benefit Rent shall be adjusted for each remaining month during the Lease Year.

The City and EMP agree and acknowledge that for the Lease Year commencing on June 1, 2015, the time frames set forth above will not be applicable. Therefore, for the Lease Year commencing June 1, 2015, the parties agree that EMP shall submit its Annual Public Benefit Rent Proposal within thirty (30) days of mutual execution of this Second Amendment, and the Director shall respond to such proposal within thirty (30) days of receipt, and the process shall thereafter proceed as set forth above; provided that it is agreed and acknowledged that the total annual Public Benefit Rent approved shall not be pro-rated for a partial year even if final approval occurs following the commencement of the first Lease Year that this Second Amendment is in effect, rather the total approved Public Benefit Rent shall

be credited equally against the months remaining in the 2015-2016 Lease Year subject to Subsection 5.5.2.

5.5.2 EMP's Annual Public Benefit Rent Statement and Reconciliation. On or before June 30 of each calendar year during the Initial Term and any Option Term, if applicable, EMP shall provide to the City an Annual Public Benefit Rent Statement, which shall set forth in writing the value of the public benefits actually provided in the prior Lease Year ("Annual Public Benefit Rent Statement"). The Annual Public Benefit Rent Statement shall be supported by an itemized statement from EMP, and, if requested by the City in writing, shall also include receipts and/or gate receipts, with corresponding dollar values, as well as an itemized statement of time, direct labor costs and materials where applicable, along with corresponding dollar values, and any other reasonably relevant supporting documents to verify the value of the Public Benefit Rent claimed. Only those items identified in EMP's Approved Proposal, as amended, may be included in the Annual Public Benefit Rent Statement. EMP shall keep accurate records and accounts of all matters upon the basis of which the accounting is calculated and such accounts and records shall be subject to inspection and copying by the City. Within thirty (30) days of receipt of EMP's Annual Public Benefit Rent Statement, the Director shall review it, and may request more information, approve the entire amount, or provide EMP with a written statement indicating which amounts have not been approved. If Public Benefit Rent amounts have not been approved, EMP shall have thirty (30) days to provide documentation supporting the provision of alternative public benefits consistent with the Approved Proposal for that Lease Year and such alternative public benefits shall be subject to the Director's reasonable approval. EMP shall not be entitled to carry forward any excess public benefits provided in any Lease Year, nor shall EMP be entitled to any refund. If EMP fails to provide Public Benefit Rent in an amount equal to fifty percent (50%) of the Total Annual Rent in any Lease Year, EMP shall pay the deficiency in cash no later than thirty (30) days following the Director's determination of the Public Benefit Rent deficiency for the applicable Lease Year.

5.5.3 Dispute Resolution. Upon the occurrence of any dispute arising from the terms of this Section 5.5, the parties agree that they shall follow the process in Section 37 of the Ground Lease.

2. Subsection 33.3 Liquor Sales.

Subsection 33.3 of the Lease is deleted in its entirety.

3. Section 52. Labor Harmony

A new Section 52 is added to the Ground Lease as follows:

Section 52. Labor Harmony

The Seattle Center is a major civic center with millions of visitors and a mission to provide exceptional public events, experiences and environments that delight and build stronger communities. Events and concessions at the Seattle Center support Seattle Center operations and ensure the economic feasibility of Seattle Center. The Seattle Center has been impacted by labor disputes in the food service industry and has an interest in ensuring that future programs, events, and visitor experiences are not interrupted or interfered with by work stoppages or other labor disputes in food service operations.

Therefore, EMP agrees to take reasonable steps and make good faith efforts to avoid any work stoppages or labor disputes in its food service operations. Such reasonable steps may include, but are not limited to, requiring new or incoming food service operators at the Premises to sign labor peace agreements with the labor organizations that represent or are seeking to represent employees at the Premises.

- 4. **Counterparts.** This Second Amendment may be executed in any number of counterparts and all counterparts shall be deemed to constitute a single agreement. The execution and delivery of one counterpart by any party shall have the same force and effect as if the party had signed all other counterparts.
- 5. **No Further Amendments.** Except as amended hereby, the Ground Lease remains in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have executed this amendment the day and year indicated below:

CITY OF SEATTLE,
a Washington municipal corporation

EXPERIENCE LEARNING COMMUNITY, d/b/a
EXPERIENCE MUSIC PROJECT (EMP), a
Washington non-profit corporation

By: _____
Robert Nellams
Director, Seattle Center

By: _____
Patty Isacson Sabee
CEO + Director, EMP Museum

Date: _____

Date: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this ____ day of _____, 2015, before me personally appeared Robert Nellams, the Director of the Seattle Center, of THE CITY OF SEATTLE, who executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said municipal corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

_____(Print Name)
Notary Public in and for the State of Washington, residing
at _____
My Commission Expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this _____ day of _____, 2015, before me personally appeared Patty Isacson Sabee, the CEO and Director of EMP Museum, of EXPERIENCE LEARNING COMMUNITY, d/b/a EXPERIENCE MUSIC PROJECT (EMP), who executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that she was authorized to execute said instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

_____(Print Name)
Notary Public in and for the State of Washington, residing
at _____
My Commission Expires: _____

EXHIBIT A

Pre-Approved Public Benefit Rent (Pre-Approved PBR)

Pre-Approved PBR includes the value of the following tickets, and services. All public benefits offered must occur on the Seattle Center campus to be eligible for Public Benefit Rent.

1. The value of free or discounted tickets, or scholarships for admission to the Experience Music Project (EMP) or its educational programs or events provided for and used by:
 - (a) Preschool, elementary, and secondary children and their teachers;
 - (b) Department of Social and Health Services Medical Card holders;
 - (c) Foster children and their foster families through foster care organizations;
 - (d) Homeless individuals through organizations for the homeless;
 - (e) EBT (food stamp) card holders and their dependent children; and
 - (f) Seattle public or private non-profit community based organizations of demonstrated effectiveness that are representative of the community or a significant segment of the community engaged in meeting human, educational, environmental, or public safety needs for a disadvantaged population.
2. The cost to EMP of busing school children to EMP programs at the Seattle Center;
3. The net difference between the rental rate paid to EMP for use of portions of the Premises by entities exempt from income taxation under 26 U.S.C.501(c)(3) and the rental rate paid to EMP by non-exempt entities for the same spaces for comparable use period(s);