

US GOVERNMENT LEASE FOR REAL PROPERTY

DATE OF LEASE

January 26, 2011

LEASE NO.

GS-10B-07224

BUILDING NO.

WA8027

THIS LEASE, made and entered into this date by and between SYB HOLDING CO., INC.

Whose address is 1440 ADMIRAL PLACE
FERNDALE, WASHINGTON 98248-8965

and whose interest in the property hereinafter described is that of **OWNER**

hereinafter called the Lessor, and the **UNITED STATES OF AMERICA**, hereinafter called the Government:

WITNESSETH: The parties hereto for the considerations hereinafter mentioned, covenant and agree as follows:

1. The Lessor hereby leases to the Government the following described premises:

A total of 7,500 rentable square feet (RSF) of office and related space, which yields 7,500 ANSI/BOMA Office Area (ABOA) square feet of space at the 5200 Building, 5200 Industrial Way, Ferndale, WA 98248 to be used for such purposes as determined by the General Services Administration. Included in the rent at no additional cost to the Government, Lessor leases to the Government a total of twenty (20) surface parking spaces, consisting of fourteen (14) visitor and employee spaces and six (6) secured spaces for Government vehicles. There is no additional value attributed to the parking spaces.

2. TO HAVE AND TO HOLD the said premises with their appurtenances for the term beginning on the date the Government accepts the premises as substantially complete and continuing for five (5) years, subject to termination and renewal rights as may be hereinafter set forth. The Lessor shall deliver the premises to the Government within ninety (90) calendar days of the Government issuing the Notice to Proceed for Tenant Improvements.

3. The Government shall pay the Lessor annual rent per the table below, per month in arrears.

Rent Period ¹	Shell Rent	Operating Rent ²	Tenant Improvement Costs ³	Total Annual Rent
09/01/11 - 08/31/12	\$95,925.00	\$36,375.00	\$51,808.22	\$184,108.22
09/01/12 - 08/31/13	\$98,775.00	\$36,375.00	\$51,808.22	\$186,958.22
09/01/13 - 08/31/14	\$101,775.00	\$36,375.00	\$51,808.22	\$189,958.22
09/01/14 - 08/31/15	\$104,850.00	\$36,375.00	\$51,808.22	\$193,033.22
09/01/15 - 08/31/16	\$108,000.00	\$36,375.00	\$51,808.22	\$196,183.22

¹ Dates specified above may be adjusted subject to Beneficial Occupancy. Rent for the period of 09/01/11 through 10/31/11 is adjusted pursuant to Paragraph 16 below.

² Base Operating Rent subject to adjustments in accordance with paragraph 11 of this SF-2.

³ Tenant Improvement Costs in accordance with paragraph 8 of this SF-2.

Rent for a lesser period shall be prorated. Rent checks shall be made payable to:

SYB HOLDING CO., INC.
PO BOX 189
FERNDALE, WASHINGTON 98248-0189

IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their names as of the date first above written.

LESSOR

SYB HOLDING CO., INC.

BY

[Signature]

1/18/11

President

(Signature)

(Title)

IN PRESENCE OF

MICHAEL KOTR

(Signature)

1440 ADMIRAL PL Ferndale, wa 98248

(Address)

UNITED STATES OF AMERICA

BY

[Signature]

(Signature)

Contracting Officer, General Services Administration

(Official Title)

4. The Government may terminate this lease in whole or in part at any time on or after the fifth (5th) lease year by giving at least 120 days' notice in writing to the Lessor and no rental shall accrue after the effective date of termination. Said notice shall be computed commencing with the day after the date of mailing.
5. This lease may be renewed at the option of the Government, for up to two 5-year renewal option periods, at the following rates:

Annual Rent Option Year
First Renewal Option (Years 6-10)

Annual Rent Option Year
Second Renewal Option (Years 11-15)

provided notice be given in writing to the Lessor at least 120 days before the end of the original lease term or any renewal term; all other terms and conditions of this lease shall remain the same during any renewal term. Said notice shall be computed commencing with the day after the date of mailing. Above Annual Rents are subject to adjustments in accordance with paragraphs 9 and 11 of this SF-2.

6. The Lessor shall furnish to the Government, as part of the rental consideration, the following:
- A. Those facilities, services, supplies, utilities, and maintenance in accordance with SFO 8WA2389 dated July 28, 2010.
 - B. Build out in accordance with standards set forth in SFO 8WA2389 dated July 28, 2010 and the Government's design intent drawings. Government space plans shall be developed subsequent to award. All tenant alterations to be completed by the lease effective date identified under Paragraph 2 above. Lease term to be effective on date of occupancy, if different from the date identified in Paragraph 2. The Lessor hereby waives restoration.
 - C. Deviations to the approved design intent drawings will not be permitted unless prior written authorization is obtained from the GSA Contracting Officer.
7. The following are attached and made a part hereof:
- A. Solicitation for Offers 8WA2389 dated July 28, 2010 (pages 1-47).
 - B. Special Requirements dated June 23, 2010 (pages 1-7).
 - C. GSA Form 3517B entitled GENERAL CLAUSES (Rev 11/05) (pages 1-33)
 - D. GSA Form 3518 entitled REPRESENTATIONS AND CERTIFICATIONS (Rev 1/07) (pages 1-7)
8. In accordance with the SFO paragraph 3.2 entitled *Tenant Improvements Included in Offer*, Tenant Improvements in the total amount of \$212,925.00 (7,500 ABOA SF x \$28.39) shall be amortized through the rent for 5 years at the rate of 8%. The total annual cost of Tenant Improvements for the amortization period shall be \$51,808.22.
9. In accordance with the SFO paragraph 4.2, entitled *Tax Adjustment*, and pursuant to GSA Form 1217 Lessor's Annual Cost Statement, Base Real Estate Taxes shall be formally established after the property and improvements are fully assessed. During the interim, taxes are included in the shell lease rate at \$4,687.00 per annum and the tax parcel number is 99730.
10. In accordance with the SFO paragraph 4.2 B entitled *Percentage of Occupancy*, the percentage of Government occupancy is established as 37.5% (7,500 RSF/20,000 RSF).
11. In accordance with the SFO paragraph 4.3 entitled *Operating Costs Base*, the escalation base is established as \$4.85/RSF (\$36,375.00/annum).
12. In accordance with the SFO paragraph 4.1 C entitled *Common Area Factor*, the common area factor is established as 1.000 (7,500 RSF/7,500 ABOA SF).
13. In accordance with the SFO paragraph 4.4 entitled *Adjustment for Vacant Premises*, the adjustment is established as \$1.90/ABOA SF for vacant space (rental reduction).

LESSOR

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14. In accordance with the SFO paragraph 4.6 entitled *Overtime Usage*, upon request by the GSA Field Office Manager, the Lessor shall provide heating, ventilation, and air-conditioning (HVAC) at any time beyond normal service hours (7:00 a.m. to 5:00 p.m., Monday through Friday, and except Federal Holidays), at a rate of \$9.50 per hour. The Lessor will not charge the Government if Lessor otherwise provides these services to other building tenants during the Government's overtime hours. The Lessor must submit a proper invoice quarterly to GSA Building Manager or designee located at 400 - 15th Street SW, Auburn, WA 98001, to receive payment.
15. The "Overtime Usage" rate specified above shall not apply to any portion of the premises that is required to have heating and cooling 24 hours per day as specified by the SFO. The charges for areas requiring 24 hour heating and cooling (HVAC) shall be provided at the rate of \$1.42 per square foot annually.
16. Adjusted monthly rent payments (application of commission credit):

The commission credit shall be applied against the shell rental payments over the minimum number of months that will not exceed the monthly shell rental per SFO subparagraph 2.4 B. The monthly rent is \$15,342.35. The monthly shell rent is \$7,993.75. The commission credit is [REDACTED] and is calculated as follows:

Total Commission:	Gross Rent	Yr 1 = \$184,108.22
		Yr 2 = \$186,958.22
		Yr 3 = \$189,958.22
		Yr 4 = \$193,033.22
		Yr 5 = \$196,183.22
		\$950,241.10

GSA Rent Credit: [REDACTED]
Studley/LaBonde Credit: [REDACTED]

The monthly rent payments adjusted for the commission credit are as follows:

<u>Rent Period</u>	<u>Scheduled Monthly Rent</u>	<u>Scheduled Mo. Shell Rent</u>	<u>Commission Credit</u>	<u>Commission Credit Remaining</u>	<u>Adjusted Monthly Rent Payment</u>
09/01/11 - 09/30/11	\$15,342.35	\$7,993.75	[REDACTED]	[REDACTED]	[REDACTED]
10/01/11 - 10/31/11	\$15,342.35	\$7,993.75	[REDACTED]	[REDACTED]	[REDACTED]
11/01/11 - 11/30/11	\$15,342.35	\$7,993.75	[REDACTED]	[REDACTED]	[REDACTED]

17. The Lessor hereby waives and forever relinquishes any right to make a claim against the Government for waste, damages or restoration arising from or related to any alteration or removal of any alteration by the Government during the term of this Lease or any extensions. Alterations may be completed by either the Government and/or the Lessor including the initial build-out of the leased space and/or any subsequent modifications required during the lease period. At the Government's sole discretion, property remaining in leased space after termination of the lease contract will become the property of the Lessor.
18. The following Energy Efficiency and Conservation (Sept 2010) items are hereby included in this lease:
- A. Existing buildings must have earned the Energy Star label in the most recent year or will have obtained it prior to lease award, unless the offered space meets one of the statutory exceptions listed below. All new construction shall achieve an Energy Star label within 18 months after occupancy by the Government. The Offeror is encouraged to include shared savings in the offer as a result of energy upgrades where applicable. ENERGY STAR tools and resources can be found at the www.energystar.gov Web site. The term "most recent year" means that the date of award of the Energy Star label by EPA must not be more than 1 year prior to the lease award date. For example, an Energy Star label awarded by EPA on October 1, 2010 is valid for all lease awards made on or before September 30, 2011.
- B. To earn the Energy Star label, a building owner or representative must follow the instructions on the Energy Star Web site at <http://www.energystar.gov/eslabel>.

LESSOR

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C. EXCEPTIONS. The Energy Independence and Security Act of 2007 (EISA) allows a Federal agency to lease space in a building that does not have an Energy Star label if:

1. No space is offered in a building with an Energy Star label in the delineated area that meets the functional requirements of an agency, including location needs;
2. The agency will remain in a building they currently occupy;
3. The lease will be in a building of historical, architectural, or cultural significance listed or eligible to be listed on the National Register of Historic Places; or
4. The lease is for 10,000 rentable square feet or less.

D. REQUIREMENTS FOR ALL BUILDINGS EXCEPTED FROM AN ENERGY STAR LABEL.

1. If an Energy Star label building is not offered or an exception is met in accordance with subparagraph "C" above, the successful Offeror must, nevertheless, agree to renovate the space for all energy efficiency and conservation improvements that would be cost effective over the firm term of the lease.
2. Such improvements may consist of, but are not limited to, the following:
 - a. Heating, Ventilating, and Air Conditioning (HVAC).
 - b. Lighting Improvements.
 - c. Building Envelope Modifications.
 - d. Additional information can be found on www.gsa.gov/leasing under "Green Leasing."
3. The term "cost effective" means an improvement that will result in substantial operational cost savings to the landlord by reducing electricity or fossil fuel consumption, water, or other utility costs. The term "operational cost savings" means a reduction in operational costs to the landlord through the application of building improvements that achieve cost savings over the firm term of the lease sufficient to pay the incremental additional costs of making the building improvements.
4. If the offered space meets one of the statutory exceptions identified above, but the successful Offeror obtains the Energy Star label prior to occupancy (or no later than one (1) year after signing the lease for succeeding and superseding leases), the lessor is not required to renovate such space for the energy efficiency and conservation improvements that may have been agreed to in the lease.

E. IMPROVEMENTS SCHEDULE. All improvements must be accomplished according to the following schedule:

1. With the exception of succeeding or superseding leases, the improvements must be completed **prior to occupancy**.
2. For succeeding and superseding leases, the improvements must be completed **no later than one (1) year after signing the lease**.

F. ENERGY STAR ONLINE TOOLS. To earn the ENERGY STAR label, a building owner or representative must follow the instructions on the Energy Star Web site at <http://www.energystar.gov/eslabel>. The ENERGY STAR® Building Upgrade Manual and Building Upgrade Value Calculator are tools which can be helpful in considering energy efficiency and conservation improvements to buildings.

1. ENERGY STAR® BUILDING UPGRADE MANUAL. This manual provides information on planning and implementing profitable energy saving building upgrades. The ENERGY STAR® Building Upgrade Manual is available at: <http://www.energystar.gov/bldgmanual>.
2. BUILDING UPGRADE VALUE CALCULATOR. The Building Upgrade Value Calculator, developed by the U.S. Environmental Protection Agency (EPA), is a product of the partnership between Energy Star, BOMA International, and the BOMA Foundation. This calculator was developed as part of BOMA's Energy Efficiency Program (BEEP), a series of courses designed to help commercial real estate practitioners improve their buildings' energy efficiency performance. The calculator tool was developed to help property professionals assess the financial value of investments in a property's energy performance. The Building Upgrade Value Calculator estimates the financial impact of proposed investments in energy efficiency in office properties. The calculations are based on data input by the user, representing scenarios and conditions present at their properties. The Building Upgrade Value Calculator is available on the Energy Star Web site at <http://www.energystar.gov/financiaevaluation>.

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- G. The Offeror may obtain a list of energy service companies qualified under the Energy Policy Act to perform Energy Savings Performance Contracts (ESPC), as well as additional information on cost effective energy efficiency, renewables, and water conservation. For the ESPC qualified list, refer to the www.eere.energy.gov/femp Web site, or call the Federal Energy Management Program (FEMP) Help Desk at 1-877-337-3463.
- H. The Offeror is encouraged to include shared savings in the offer as a result of energy upgrades where applicable.
- I. The Offeror is encouraged to purchase at least 50 percent of the Government tenant's electricity from renewable sources.
19. The Government reserves the right to adjust the final square footage after receipt and approval of CAD drawings and final site acceptance of the premises. Any adjustments, including those for agreed upon square footage and annual rent shall be documented by Supplemental Lease Agreement.
20. Wherever the words "Offeror", "Lessor" or "successful offeror" appear in this Lease, they shall be deemed to mean "Lessor"; wherever the words "solicitation", "Solicitation for Offers", or "SFO" appear in this lease, they shall be deemed to mean "this Lease"; where the words "space offered for lease" appear in this Lease, they shall be deemed to mean "Premises".
21. All terms and conditions of this lease as expressly contained herein represent the total obligations of the Lessor and the Government. Any agreements, written or oral, between the parties prior to the execution of this Lease are not applicable or binding. This agreement may be amended only by written instrument executed by the Lessor and the Government.

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