

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-38464

Smartsheet Inc.

(Exact name of Registrant as specified in its charter)

Washington

(State or other jurisdiction of incorporation or organization)

**10500 NE 8th Street, Suite 1300
Bellevue, WA**

(Address of principal executive offices)

20-2954357

(I.R.S. Employer Identification Number)

98004

(Zip Code)

(844) 324-2360

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, no par value per share	SMAR	The New York Stock Exchange

None.

(Title of Class)

Securities registered pursuant to Section 12(g) of the Act:

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the stock of the Registrant as of July 30, 2021 (based on a closing price of \$72.55 per share) held by non-affiliates was approximately \$8.8 billion. As of March 18, 2022, there were 128,643,370 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the registrant's definitive proxy statement for its 2022 Annual Meeting of Shareholders ("Proxy Statement"), are incorporated herein by reference in Part II and Part III of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended January 31, 2022.

SMARTSHEET INC.
Form 10-K
For the Fiscal Year Ended January 31, 2022

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Unless the context otherwise requires, references in this Annual Report on Form 10-K (“Annual Report”) to “Smartsheet,” “Company,” “our,” “us,” and “we” refer to Smartsheet Inc. and where appropriate, its consolidated subsidiaries.

This Annual Report contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements in this Annual Report other than statements of historical fact, including but not limited to, statements regarding our future operating results and financial position, business plan and strategy, and market positioning, are forward-looking statements. We based these forward-looking statements on current expectations, estimates, forecasts, and projections as well as the beliefs and assumptions of management. Words such as “expect,” “anticipate,” “should,” “believe,” “target,” “project,” “goals,” “estimate,” “potential,” “predict,” “may,” “will,” “might,” “could,” “intend,” “shall” and variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. The forward-looking statements are contained principally in “Management’s Discussion and Analysis of Financial Condition and Result of Operations” and “Risk Factors.” Forward-looking statements contained in this Annual Report include, but are not limited to, statements about:

- the effect of uncertainties related to the ongoing COVID-19 coronavirus pandemic (“COVID-19”), including variants, on the U.S. and global markets, our business, operations, and customers;
- the effect of macroeconomic and geopolitical factors such as inflation and the risk of expansion of the Russia/Ukraine conflict;
- the highly competitive nature of work execution software and product introductions, promotional activity by our competitors, and our ability to differentiate our platform and applications;
- our ability to introduce new and enhanced product offerings and the continued market adoption of our platform;
- the effect of litigation, complaints, or adverse publicity on our business;
- our ability to attract new customers and expand sales to existing customers;
- our ability to provide effective customer support;
- our ability to execute our “land, expand, and climb” strategy;
- our ability to address security threats that may affect our platform, services, corporate and production technological infrastructure, and the public cloud infrastructure that we use;
- our ability to expand our sales force to address effectively the new industries, geographies, and types of organizations we intend to target;
- our ability to forecast and maintain an adequate rate of revenue growth and appropriately plan our expenses;
- our liquidity and working capital requirements;
- our ability to attract and retain qualified employees and key personnel;
- our ability to protect and enhance our brand and intellectual property;
- the costs related to defending intellectual property infringement and other claims;
- privacy and data protection laws, actual or perceived privacy or data breaches, other data security incidents, or the loss of data;

- future regulatory, judicial, and legislative changes in our industry; and
- future arrangements with, or investments in, other entities or associations, products, services or technologies.

These and other factors that could cause actual results to differ from those implied by the forward-looking statements in this Form 10-K are more fully described in the section titled “Risk Factors” and elsewhere in this Annual Report. The risks described in the section titled “Risk Factors” are not exhaustive. Other sections of this Annual Report describe additional factors that could adversely affect our business, financial condition, or results of operations. New risks emerge from time to time and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business, or the extent to which any risk or combination of risks may cause actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or will occur. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this Annual Report or to conform these statements to actual results or revised expectations.

You should read this Annual Report and the documents that we reference with the understanding that our actual future results, performance, and events and circumstances may be materially different from what we expect.

Part I

Item 1. Business

Overview

We are the enterprise platform for dynamic work, enabling teams and organizations of all sizes to plan, capture, manage, automate, and report on work at scale, resulting in more efficient processes and better business outcomes. The nature of work has changed and the majority of work is unstructured or dynamic. The growing volume and variety of information has complicated the process for executing work across teams that are increasingly multidisciplinary and geographically distributed. Unstructured or dynamic work is work that has historically been managed using a combination of email, spreadsheets, whiteboards, phone calls, and meetings to communicate with team members and complete projects and processes. It is frequently changing, often ad-hoc, and highly reactive to new information. Rigid applications, such as ticketing, enterprise resource planning, or customer relationship management systems are poorly suited to manage unstructured work. For nearly 30 years, organizations have primarily relied on disparate and rudimentary tools to manage dynamic or unstructured work. Reliance on these tools limits visibility and accountability, creates information silos that slow decision-making, and results in delays, errors, and suboptimal outcomes.

Business users need technology solutions they can set up and modify on their own. Today, many systems within an enterprise require IT implementation and management. Most tools that focus on the business user require some coding knowledge to incorporate business logic for workflows, integrate data from third-party systems, and adapt to changing business needs.

Smartsheet was founded in 2005 with a vision to build a universal software platform for work execution that does not require coding capabilities. Our platform serves as a single source of truth across work projects, processes, and initiatives, fostering accountability and engagement within teams and leading to more efficient decision-making and better business outcomes. We provide a number of solutions that eliminate the obstacles to capturing information, propelled by a familiar and intuitive interface as well as easily customizable forms. Our reporting and automation capabilities reduce time spent on administration and repetitive work. We make it easy for teams to apply business logic to automate repetitive actions using an extensive list of conditions. Business users, with little or no training, can set up and modify our platform to customize workflows to suit their needs. Our familiar and intuitive user interface and functionality allow users to realize the benefits of our platform without changing the behaviors developed using everyday productivity tools.

People across organizations have similar needs no matter where they work or what they do. They need to manage workflows across teams; gain visibility into progress on company-wide projects, programs, processes, and initiatives in real-time; capture inputs; track and report on deliverables; prioritize actions; and provide consistency in processes. Smartsheet is adaptable to manage virtually any type of work. Our customers use Smartsheet for thousands of documented use cases, including software migration planning, vendor and contract management, brand launches, compliance reporting, event planning, customer onboarding, budget approvals, patent application processing, talent acquisition management, benefit and retirement tracking, sales enablement, pipeline management, sales operations, commissions calculations, marketing programs management, investor relations tracking, and website management, among others.

Our customers are in approximately 190 countries and include 89 companies in the Fortune 100, and over 80% of the companies in the Fortune 500. As of January 31, 2022, our Fortune 100 and Fortune 500 customers had annualized contract values (“ACVs”) ranging from less than \$200 to over \$3.0 million. Our customers typically begin using our platform for a single initiative, process, or project. Over time, as users realize the benefits of improved execution, adoption of our platform expands horizontally across an organization through new use cases and teams, as well as expands vertically to increasingly sophisticated and mission-critical uses.

We have a blended go-to-market model that allows us to serve a larger, diverse user base without incurring excessive costs. We deliver our cloud-based software platform through a subscription model globally. Our digital sales model enables self-service licensing and adoption through our website. We employ an efficient inside sales team that utilizes machine learning and lead scoring to respond to and convert other interested users within new and existing organizations. We have a targeted field sales team dedicated to expanding our presence within existing enterprise customers where we have identified significant opportunity for growth. We have developed partner relationships to support new customers, use cases, and markets. The breadth of solutions we offer reflects the flexibility our users desire to purchase and use our platform in a way that most closely aligns with their needs and level of adoption.

Our Platform

Our platform is purpose-built to improve work execution for organizations and teams of all sizes. It is designed to scale up to the most demanding enterprise-grade workloads and delivers the scalability, compliance, and security required by the world's largest organizations. We provide our customers with a robust set of capabilities to plan, capture, manage, automate, and report on work. Our platform enhances visibility and accountability in work execution and eliminates behaviors and processes that hinder productivity. It is designed to be accessible and valuable to all knowledge workers. Business users with no coding ability can share their work in Smartsheet across internal and external teams, and create and modify workflows to address specific use cases. Our platform offers multiple ways for customers to plan and manage their work using grids, projects, cards, and calendars, and users can easily toggle between views to support their team's preferred way of working.

We also offer capabilities and functionality to enable teams to accelerate execution while maintaining the flexibility to apply our platform to thousands of documented use cases. Smartsheet Advance provides components that, in combination, enable customers to implement solutions for a specific use case or for large scale projects, initiatives, or processes. Some components are available for standalone purchase, including Connectors, which provide data integration and automation to third-party applications, and premium applications such as Control Center, Dynamic View, Data Shuttle, and Bridge by Smartsheet ("Bridge"). These capabilities are monetized based on the value they create for customers, not on a per seat basis.

Additional subscriptions that can be integrated with our cloud-based platform include Resource Management by Smartsheet ("Resource Management"), a resource planning solution that helps businesses find and schedule appropriate project teams, track and manage time, and forecast hiring needs; and Brandfolder, a digital asset management platform that enables workers to intuitively store, customize, and share creative assets. The combination of Brandfolder and Smartsheet allows our customers to create dynamic solutions to manage workflows around content and collaboration.

Benefits of our Platform

Automation across the organization saves time and minimizes manual processing

We enable users to organize their unstructured work and apply business logic to automate actions that shorten work execution timelines without the need to write code. Business logic is used to determine the conditions under which the following types of automated actions occur: update requests, intake and collection of information, sending of information, notifications, approval requests, and automated actions across systems. These elements of automation reduce errors and time spent by teams on administration.

Real-time visibility drives more informed, faster decision-making

Our platform is designed to provide a single source of truth for all stakeholders. We break down information silos across teams and provide real-time visibility into the status of work and the actions required by each stakeholder. This visibility ensures clear ownership of actions and outcomes. Teams feel empowered to take action, leading to stronger engagement and faster time to completion. Line of business managers benefit from visibility into progress against goals, allowing them to react quickly to real-time information and enabling faster and more informed decision-making.

Content collaboration produces better content, faster

We enable marketing, creative, and other functional teams to easily manage creative production and marketing work, as well as review, deliver, store, share, manipulate, and analyze the content they produce across hundreds of formats. We help global brands create compelling, timely, and consistent brand experiences.

Ease of use enables broad adoption

Our platform is designed for broad adoption within and across organizations for virtually any use case. Users can begin using Smartsheet within minutes and configure our platform for their needs with limited or no training. As of January 31, 2022, we had over 10 million Smartsheet users, including paid licensed users and non-licensed collaborators. Additionally, Advance introduces the concept of connected users who are monetized through this offering and can include both paid licenses and non-licensed collaborators. Our strategy is designed to monetize those seeking to enjoy the complete functionality of our platform or to enjoy tailored experiences while promoting greater usage within and across organizations. Teams and organizations buy into our platform because the productivity benefits derived through visibility and accountability are provided to all stakeholders. All team members can access the latest project information from a single location and can be held accountable without manual effort.

Multiple levels of integration to garner the most benefit from Smartsheet and other systems

We enable business users to engage with our platform through systems they currently use. Through connectors either built by Smartsheet or developed in collaboration with our partners, we extend the reach and consistency of data from other systems, such as those offered by Salesforce, Adobe, UiPath, Workday, DocuSign, Atlassian, ServiceNow, and Microsoft. Beyond these specific connections, the Smartsheet components, Bridge and Data Shuttle, enable customers to connect Smartsheet with most other systems for enhanced reach and cross system data consistency. These data connections, combined with Smartsheet platform capabilities, enable users to apply business logic and automate workflows, increasing the value of these existing applications to our users. We also integrate our platform into popular document and communication applications from Google, Microsoft, Slack, and others. Such functionality enables our users to incorporate documents directly into our platform or access our platform through the application of their choice. In addition, we offer extensible application programming interfaces (“APIs”) that enable a broad ecosystem of partners and customers to integrate directly into our platform, increasing the value of existing custom-built applications and improving the experience for our users.

Enterprise features and functionality for scalable adoption within businesses

Organizations rely on Smartsheet to manage a diverse set of business processes. We provide the scalability, compliance, and security needed to operate reliably for our customers. Our platform provides consistent program execution, enabling teams and organizations to administer programs with management, visibility, and reporting at scale. Customers can use our professional services offerings to create and administer programs for specific use cases. We also provide user management and compliance features that enable organizations to control user access and audit account activity within our platform. We provide enterprise-grade security controls and data governance to enable customer compliance with applicable privacy regulations and data handling requirements.

Our Growth Strategies

Our goal is to make our platform accessible for every organization, team, and worker relying on collaborative work to achieve successful outcomes. We are pursuing this goal with the following strategies.

Attract more customers to Smartsheet

We believe that there is a broad need for a work execution platform such as ours, and we believe there is significant opportunity to grow our paid user base. We will continue to invest in our digital sales model, direct sales force, brand, product, and partner marketing in order to land new customers and increase enterprise adoption. In addition, we will continue to grow our professional services function, and develop new and enhanced premium solutions based on Smartsheet Advance and our standalone offerings to help land larger accounts and increase the scale of our deployments with customers.

Expand within our existing customer base

Our customers frequently increase their use of our platform as they realize the value they derive from adopting Smartsheet. As a result, we are working with customers to help them define new use cases within existing deployments, and expand usage of Smartsheet to additional teams in their organizations that would benefit from our platform. In addition to broader deployments, we enable our customers to further derive value from Smartsheet through premium solutions such as our Connectors, Control Center, Dynamic View, and Bridge. Our professional services, customer success, and training teams provide our customers with implementation, training, and support services to help them expand their use of, and realize the full benefit of, Smartsheet.

Expand internationally

For the year ended January 31, 2022, we derived approximately 18% of our revenue from customers outside the United States. We believe that there is significant opportunity to acquire new customers internationally and accelerate expansion with our existing international customers. Our platform is available in eight languages. By expanding our direct and indirect sales force focused outside of the United States, establishing international sales territories and global corporate subsidiaries, and partnering with strategic resellers, we plan to continue to grow our international sales. In October 2018, we opened our first international sales office in the U.K. to focus on growing our presence within Western Europe. In September 2019, we established an additional international office in Australia to focus on expanding our position in the Australian market and the Asia Pacific region. In October 2021, we launched Smartsheet Regions and began hosting data in the European Union to meet customer compliance, privacy, and governance requirements. In November 2021, we established a shared services center in Costa Rica to support various functions within the Company.

Expand into government

Smartsheet Gov has achieved Provisional Authority to Operate (“P-ATO”) under the Federal Risk and Authorization Management Program (“FedRAMP”). This means the Smartsheet platform has been fully approved for use by federal agencies and government contractors, giving them the ability to plan, capture, manage, automate, and report on work at scale. Additionally, Smartsheet can now be found on the AWS Gov Cloud Marketplace. This marketplace lists FedRAMP authorized offerings to help agencies research and select secure and compliant cloud providers available for federal use. Smartsheet Gov has obtained the U.S. Department of Defense (“DoD”) Impact Level 4 P-ATO per the Security Requirements Guide for cloud computing by the Defense Information Systems Agency. This means that customers within the DoD can also use the Smartsheet Gov platform.

Expand product features and functionality

We intend to continually increase the value we provide to our customers by investing in extending the capabilities of our platform. We have made, and will continue to make, significant investments in research and development to bolster our existing technology and enhance usability to improve our customers’ productivity. We further place continued emphasis on enterprise management platform features, including account administration, security, and permissioning.

Make additional investments in partnerships and integrations

To help drive adoption of Smartsheet and deliver value to our customers, we offer extensive embedded functionality at no cost to complement and enhance the use of the most common productivity tools from providers such as Microsoft, Google, Slack, Box, DocuSign, and Dropbox. We offer powerful out-of-the-box Connectors with Salesforce, Adobe, Atlassian, ServiceNow, and Microsoft that we sell for an additional fee on top of our user-based pricing. We intend to continue to invest in these integrations, develop new partnerships, and enhance our architecture to support a wider range of Connectors with leading enterprise applications to increase the value, awareness, and adoption of our platform.

Pursue strategic acquisitions

We plan to pursue strategic acquisitions that we believe will be complementary to our existing offering, enhance our technology, and increase the value proposition we deliver to our customers. Our acquisitions of Denver-based Brandfolder and Seattle-based Artefact Product Group, LLC (“10,000ft”) are examples of acquisitions that were complementary to our existing product capabilities. Through our acquisition of Brandfolder, we now offer a solution for digital asset management that allows our customers to create dynamic solutions to manage workflows around content and collaboration. The acquisition of 10,000ft accelerated our time to market for a resource planning software solution.

Our Technology

We believe our collective domain knowledge, technical expertise, and more than a decade of software development experience have allowed us to differentiate our platform from the competition. Our scalable multi-tenant architecture is designed to provide our customers with highly usable, secure, and reliable functionality.

Extensible technology platform

Our solutions are built on a public cloud platform that allows us to leverage shared components and services, enabling us to rapidly develop new features and functionalities on our existing platform without re-architecting the infrastructure. This also enables our products to seamlessly integrate with one another and provide our customers with a better user experience while leveraging our platform. We also offer a broad set of APIs that allow our customers the ability to integrate their Smartsheet account with other systems, or build their own applications on top of our extensible platform.

Integrated mobile capabilities

We have invested in our public cloud framework and mobile development teams to extend the high-performance functionality of our platform to smartphones and tablets. Our native mobile applications are built for both iOS and Android, and are designed to provide similar functionality to our desktop version, while also supporting mobile-first customer use cases.

Enterprise-grade security

Our customers frequently use our platform to store and manage highly-sensitive or proprietary information. We prioritize security in every aspect of our service, from software development to customer experience. Our approach to security includes a comprehensive information security program, governing the processing and security of customer information, and the appropriate physical, organizational, and technical controls designed to ensure the security of customer information collected, accessed, stored, or transmitted to or by Smartsheet. To ensure our controls remain up-to-date, we use external auditors to verify the adequacy of security measures and controls according to the American Institute of Certified Public Accountants SOC2 standards as well as the International Organization for Standardization information security management systems standard 27001. In addition, we use external security experts to conduct penetration testing and application security testing at least annually and make these audit and penetration test reports available to customers.

Our Products

Smartsheet

The Smartsheet product is the core of our offerings to customers. Smartsheet is offered in a number of packages to meet the needs of customers looking to manage their programs and projects. Smartsheet scales from individual users looking to track their own work to large deployments of over 10,000 licensed users and hundreds of thousands of free collaborators. All Smartsheet product packages include the features listed below.

Dashboards

Dashboards provide real-time visibility into the status of work to align individuals, managers, and executives. Our dashboards provide real-time status of key performance indicators, trends, summary reports, and important deadlines. Teams can customize dashboards to view and interact with live data and metrics most critical to their programs and projects.

Portals

Portals allow business users to create customized landing pages for teams to easily locate and access from any device the entire set of resources available for a project without IT assistance. This ease of configuration and organization of data eliminates time wasted searching for information, allowing teams to focus on work execution rather than administration.

Cardview

Cardview provides a powerful visualization tool for teams to organize, share, and act on workflows. The ability to understand the flow of work from multiple perspectives enables teams to display information in the most effective format, foster engagement, and shorten time to action.

Grid

Grid offers a unified, customized view of work to keep teams on task and on time by easily tracking multiple moving parts. Configurable to support thousands of use cases through an extensible data model, multiple column types and a unique hierarchical approach grid allows business users to not only visually group data, but to also establish relationships between important data. With flexible formulas and conditional formatting, grids are the foundation for the Smartsheet work execution platform. The platform delivers new levels of clarity with a centralized source of all program or project information, bringing teams together with cloud-based, real-time access.

Reports

Reports provide an actionable portfolio level view of work by first aggregating projects into one central report, then filtering to only the data that teams need to see, and finally allowing users to directly update the status of their work from within this curated view. Reports allow users to see and action their work in one centralized location, and enable executives to answer specific questions like, "which tasks across all projects are at risk?"

Projects

Projects offer a familiar and intuitive interface with capabilities that foster collaboration among teams and organizations to improve work execution. Business users rely on projects to create a single source of truth for all program or project related information. This consistency of information aligns team objectives and eliminates information silos, fostering accountability and promoting faster decision-making.

Calendar

Calendar aligns teams and organizations by connecting deadlines to workflows, while offering a familiar interface to effectively communicate timing expectations. Calendar provides a comprehensive view of activities and critical timelines, including third-party calendar applications such as iCal and Google Calendar.

Forms

Forms create and customize forms using a simple user-friendly interface. Forms enable business users to collect information in a structured and consistent format. By minimizing manual processing, teams can move quickly to analyze and take action on the results.

Automated actions

Automated actions automate repetitive processes and accelerate work by creating automated workflows triggered based on preset conditions. Automated actions offer a diverse and granular rule set critical to supporting the broad range of manual, repetitive processes teams encounter.

Integrations

Integrations enable organizations and teams to connect, sync, and extend their existing enterprise applications across their workflows to create seamless work execution. We offer native connections to popular productivity applications, such as Google G Suite, Microsoft Office 365, Slack, Box, DocuSign, and Dropbox.

WorkApps

WorkApps enables customers to build easy to navigate apps in a few minutes using Smartsheet and external content like Tableau dashboards or Google Docs, all without writing a single line of code. WorkApps is designed to support a broad range of business workflows and can be tailored to support multiple user roles.

Premium Apps and Connectors

In addition to our core Smartsheet offering we sell additional product offerings, collectively referred to as Premium Apps and Connectors, that enable customers to build more complex solutions that can address the most demanding business work management needs, enabling scale and connections to systems of record across the enterprise.

Connectors

Connectors provide embedded integrations with industry-leading systems of record, including those from Salesforce, Adobe, Atlassian, ServiceNow, and Microsoft. Connectors enable data to be synchronized in real-time, fostering visibility and interoperability across these business platforms. We also provide extensible APIs to build custom applications and deep integrations with line of business systems.

Control Center

Control Center enables organizations to achieve consistent work execution at the individual user level across large scale programs, projects, or initiatives while reducing operational risk. Control Center provides enterprises with real-time visibility so they can react quickly to changing conditions. Without burdening the team with manual reporting, executives and managers can review the status of projects at scale without disrupting the speed of execution.

Dynamic View

Dynamic View enables business users to collaborate using the same data set while maintaining confidentiality when working with vendors or across inter- or intra- departmental teams. Dynamic View enables mixed internal and external teams to collaborate confidentially with vendors without them knowing about each other. This premium solution simplifies views into complex work where the process is complicated but each individual stakeholder only needs a partial view of the overall work. Dynamic View is ideal for managing departmental requests like business intelligence requests, marketing creative services, and sales tickets.

Data Shuttle

Data Shuttle allows business users to upload or offload data between Smartsheet and other existing systems and databases, so that a team's key data sources live together where work gets done. Data Shuttle automates the data upload process to centralize the disparate data, drive collaboration, provide real-time visibility into multiple business systems, and empower teams to be more efficient through effective work execution.

Bridge

Bridge enables organizations to build intelligent workflows and automate business processes across platforms. Bridge's no-code user interface makes it easy to apply business logic to data-driven actions that reduce time spent on manual and repetitive tasks and drive overall efficiency and accuracy.

Calendar App

Calendar App extends customer capabilities beyond those of the calendar view included in core Smartsheet. Calendar App is a flexible, configurable calendar add-on that allows customers to connect their Smartsheet data and forms and visualize their events in multiple views or by color-coded categories.

Pivot App

Pivot App enables customers to create Smartsheet pivot tables to analyze data and make better decisions, faster. Pivot App slices and dices data to create meaningful summary sheets from data stored in a sheet or report, and enables creation of charts in dashboards with report data. Smartsheet pivot tables update summary sheets as data changes, helping customers access and organize their data quickly.

DataMesh App

DataMesh App provides lookup functionality between sheets and reports, making it easy to keep data consistent. DataMesh App helps customers scale work in Smartsheet by eliminating typos, duplicative data entry, and unnecessary work.

Smartsheet Advance

Smartsheet Advance combines our Premium Apps and Connectors with new Smartsheet capabilities in packages that match our customers' solution maturity. Customers can start with an entry level Advance package to enable high scale solutions to manage portfolios, programs, and projects. They can then move to a different Advance tier to connect to other systems of record and orchestrate work management across the enterprise and add data governance and advanced security capabilities to Smartsheet solutions.

Resource Management

Resource Management enables businesses to plan and allocate resources across their programs and projects, optimize resource allocation by function or skill set, track time against forecast, and gain real-time portfolio level visibility into the status of budgets and deliverables. This premium solution combined with the core Smartsheet platform provides customers an end to end solution for work execution and resource management that balances top down strategic planning with bottom up work management.

Brandfolder

Brandfolder is a digital asset management solution that provides a centralized platform to easily organize, discover, control, distribute, and measure all forms of digital content. In addition to supporting the logistics of content management, Brandfolder's capabilities provide insights and analyses on the discoverability and reusability of assets throughout the entire content lifecycle for internal and external stakeholders. Combining Brandfolder's digital asset management capabilities with the core Smartsheet platform through a robust integration creates a dynamic solution for customers to manage workflows around content and collaboration.

Human Capital

At Smartsheet, our mission is to empower anyone to drive meaningful change. This starts with our own team. As of January 31, 2022 Smartsheet and its wholly owned subsidiaries employed 2,539 people, with 2,259 in the United States and 280 internationally. Our leadership team is composed of eight executive officers, 25% of whom are women and 37.5% of whom are persons of color.

Engaging our team

We believe in a culture of empowerment and know that the tenacity, adaptability, and integrity of our employees is our greatest asset. With a vision to be the dynamic platform to empower everyone everywhere to change the way the world works, we are dedicated to investing in and supporting our employees in their achievements.

To ensure we are continuously improving, we regularly conduct confidential surveys to seek feedback from our employees on a variety of topics, including but not limited to, leadership effectiveness and company confidence, competitiveness of our total rewards offerings, career growth opportunities, and work-life fulfillment. The results are shared with employees and reviewed by leadership, who identify areas of progress or opportunity and prioritize actions to drive meaningful change.

Given the unprecedented events of the past two years, we have continued to closely monitor our employees' sentiment around the COVID-19 pandemic and Smartsheet's response. These activities have included pulse surveys, regular updates on a COVID-19 dashboard (powered by Smartsheet), weekly status reports, an ongoing "Ask Me Anything" series with leadership, and a task force dedicated to both crisis management and creating our new norms for our future of work. Our employees' resilience and agility remains evident in their feedback, where we heard they felt supported during the global pandemic and felt confident in their ability to succeed. We know that connection has been key during this time so we have also hosted a variety of virtual team building, engagement, and well-being workshops and events.

Growth and development

To help our team members succeed, we continually emphasize and invest in talent development and training, provide career pathing, and promote internal mobility opportunities.

Along with an online learning management system that hosts virtual content ranging from compliance training to security protocols, we subscribe to two separate platforms for continuous learning and professional development, and offer instructor-led training on topics such as leadership and communication. We also support the development of our people leaders through various leadership training opportunities and access to certified coaches. Lastly, our talent management team implemented a new program around quarterly check-ins to encourage more regular conversations between employees and their leaders around their development and career opportunities, as well as to enable and support internal mobility readiness.

Total rewards

We invest in our employees by offering compelling and competitive compensation packages designed to attract, attain, motivate, and reward. Our total rewards packages include base and variable compensation, new hire and retentive stock awards for all eligible roles, an employee stock purchase plan in most jurisdictions, and comprehensive benefits. Our benefit programs are responsive to our geographies, while also providing a consistent focus on comprehensive healthcare, and paid leave for important life events such as welcoming a child. Examples of global benefits include flexible (unlimited) paid time off for exempt employees, paid parental leave, a monthly flex work stipend and additional commuter support, employer retirement contributions, and subsidized child and adult care. We continually assess the current business environment, labor markets, and solicit employee feedback as we work to refine our total rewards packages and ensure they remain compelling and equitable.

We view well-being as a fundamental part of our employees' lives, and emphasize this with a robust suite of offerings. We support holistic well-being with our online mental health counseling and well-being services, financial wellness workshops, and a comprehensive wellness dashboard (powered by Smartsheet), which includes resources for employees on a wide range of topics.

Diversity, equity, and inclusion and corporate social responsibility

We strive to create a culture of belonging that is rooted in respect and opportunity for all people. We believe that by celebrating diverse voices and experiences, and fostering equity for our team, customers, and communities, we enable people to do and be their best. Our Diversity, Equity, and Inclusion (“DEI”) framework centers on culture, people, practices, and markets. We have several working committees, including our Global DEI Committee, which brings together a cross section of the global organization to support and amplify our DEI initiatives, as well as department-specific groups such as our DEI in Marketing Committee. We continue to invest in hiring practices that attract underrepresented talent, including sourcing from diverse universities, specialized conferences, and organizations. We also offer ongoing DEI education at all levels and strive to ensure that we have diverse representation in all that we do, from hiring panels to company meetings and events. Further, we have seven employee resource groups as places for learning and support, such as Black at Smartsheet, Parents & Caregivers, and Rainbow Collab.

At Smartsheet, we are committed to harnessing the power of our people, resources, and technology to support causes that reflect our vision of empowering human achievement. We encourage our employees to volunteer in their communities by offering paid volunteer time off. Additionally, we offer a volunteer rewards program whereby we make a donation in association with an employee’s volunteer time. Each year, we make donations to nonprofit organizations which focus on causes that are meaningful to our business, customers, employees, and communities. We also support nonprofit organizations by offering discount pricing. These nonprofit organizations rely on Smartsheet to improve visibility and accountability, help run mission-oriented organizations, and achieve more.

Sales and Marketing

Our marketing and sales teams work closely together to provide an easy way for potential users to discover, try, adopt, and expand usage of Smartsheet over time. We include demand generation, customer success, customer support, and professional services under the sales organization to align these efforts to best support our customers.

Marketing

Our marketing organization is responsible for corporate brand reputation and management, increasing awareness and demand for our platform, and fostering our community of users. We target potential users across a wide variety of departments and functions in organizations of all sizes and industries. We employ a range of techniques to increase brand awareness, product interest, and traffic to our website, where we engage prospects throughout the buyer’s journey and encourage new users to sign up for a 30-day free trial and purchase our subscription services online. These marketing techniques include advertising, brand marketing, content marketing, search marketing, social marketing, digital marketing, events, communications, and more. We frequently engage with respected industry analyst firms to educate them on the benefits of our platform and accelerate the maturation of an appropriate market category.

We have also built marketing relationships with a number of technology companies, such as Microsoft and Google, to help promote and grow our user base and footprint. These partners offer access to our platform through links on their websites and expand our marketing reach.

In October 2021, we hosted our annual global customer conference, Smartsheet ENGAGE, to provide current and prospective users a better understanding of our platform through interactions with peers and training, and to highlight customer successes, use cases, and best practices.

Sales

Our sales organization is responsible for driving customer expansion and new customer opportunities. Our sales force is organized into separate teams focused on new customers, small to medium-sized businesses, large enterprises, geographic regions, and industries. Our assisted sales model relies on machine learning and lead scoring to identify users based on their likelihood to purchase our platform. Further, once we identify an opportunity for meaningful expansion within a customer organization, we can assign a customer success manager and an expansion sales representative to that customer. When an organization reaches a certain level of usage, we typically assign a field sales representative who is focused on growing adoption in these large accounts and expanding usage to a broader set of use cases.

Professional Services

Our professional services team provides our customers with implementation, training, and consulting services to help them realize the full benefits of Smartsheet. Our training programs include a mix of virtual and in-person offerings with different options focused either on helping onboard teams of users quickly or helping individuals achieve certification-level subject matter expertise. Our consulting and solution services teams provide configuration, use case optimization, integration, and process automation services.

Customer Support

Our platform is designed to minimize the need for customer support, as users can easily sign up and begin using it without assistance. We provide significant self-help resources including our extensive help portal and our active online community. Additionally, we provide free support channels for users based on their plan type with additional paid support offerings available. These include ticket submission for all users at no cost, along with access to phone support and subject matter expert appointments as part of our paid plans. We also allocate support team member time to accounts for continuity of care through specialized paid offerings such as Technical Account Managers.

Customers

Our scalable collaborative work management platform helps teams and organizations of all sizes get work done fast and efficiently. As of January 31, 2022, we had domain-based customers with ACVs ranging from less than \$200 to over \$3.0 million. We define a domain-based customer as an organization with at least one paid user account associated with a unique domain name such as @cisco. An ISP customer is typically a small team or an individual that registers for our services with an email address hosted on a widely used domain such as @gmail, @outlook, or @yahoo.

Our domain-based customers include organizations across virtually all sectors, including aerospace, automotive, biotechnology, consumer, e-commerce, education, finance, government, healthcare, IT services, marketing, media, non-profit, publishing, software, technology, and travel.

Backlog

The majority of our invoiced customers sign up for subscription terms of one year and are invoiced for the full subscription term upfront. A small subset of customers sign multi-year subscription contracts but receive annual invoicing terms. Another smaller subset of customers with annual contract terms are invoiced on a quarterly or a semi-annual basis. When contract terms exceed invoicing terms, portions of those contracts which at a point in time remain uninvoiced, are not recorded in revenue, deferred revenue, or elsewhere in our consolidated financial statements. Those contracted but uninvoiced amounts are considered by us to be backlog. As of January 31, 2022 and January 31, 2021, we had backlog of approximately \$53.9 million and \$35.1 million, respectively. As the majority of our contracts are annual, and as invoicing terms on the majority of our contracts are also upfront annual, most of our customer contracts have no impact on backlog and therefore we do not utilize backlog as a key management metric internally.

Research and Development

Our research and development team consists of our engineering, user experience, design, and product management teams. These groups are responsible for the design, development, testing, and delivery of new technologies and features for our platform. Our research and development team is also responsible for continuous availability, scalability, performance, and security of our platform and maintaining the underlying public cloud infrastructure. We invest substantial resources in research and development to drive core technology innovation and bring new products to market.

Intellectual Property

Smartsheet and its subsidiaries rely on a combination of patents, trademarks, and trade secrets, as well as contractual provisions and restrictions, to protect their intellectual property. As of January 31, 2022, Smartsheet and its subsidiaries held a number of pending patent applications as well as issued and active patents, the latter of which expire between 2022 and 2038 absent any term adjustments or extensions. Additionally, as of January 31, 2022, Smartsheet and its subsidiaries held a number of U.S. and international trademark registrations, as well as pending trademark applications.

These intellectual property protections and applications seek to protect proprietary inventions and marks relevant to Smartsheet's business. While we believe that in the aggregate these patents, patent applications, trademarks, and trademark applications are important to Smartsheet's and its subsidiaries' competitive positions, no single patent, trademark, or application is material. Smartsheet intends to pursue additional intellectual property protection to the extent we believe it would be beneficial and cost effective.

Compliance with Government Regulations

Our business is subject to various U.S. federal, state, local, and foreign laws and regulations, including those relating to data privacy, security and protection, intellectual property, employment and labor, workplace safety, consumer protection, anti-bribery, import and export controls, immigration, federal securities, and tax. Additionally, we may currently or in the future be subject to various laws and regulations relating to the contractual commitments with our customers in heavily regulated industries and the public sector, which could affect how we and our partners do business with such customers. Our failure to comply with these laws and regulations could have an adverse effect on our business and operating results.

The legal environment of internet-based businesses is evolving rapidly in the United States and globally. New and evolving laws and regulations, and changes in their enforcement and interpretation, may require changes to our platform, products, services, or business practices, and may significantly increase our compliance costs and otherwise adversely affect our business and results of operations. As our business expands to include additional products and services, and our operations continue to expand internationally, our compliance requirements may increase, and we may be subject to increased regulatory scrutiny. We believe we are currently in material compliance with laws and regulations to which we are subject and do not expect continued compliance to have a material impact on our capital expenditures, earnings, or competitive position. We continue to monitor existing and pending laws and regulations and while the impact of regulatory changes cannot be predicted with certainty, we do not expect compliance with these laws and regulations to have a material adverse effect on our business or operations.

Competition

The market for work execution software is fragmented, increasingly competitive, and subject to rapidly changing technology and evolving standards. We face competition from a number of vendors with a variety of product offerings. Our competitors range in size, from diversified global companies with significant research and development and marketing resources, to smaller startups building on new technology platforms whose narrower offerings may allow them to be more efficient in deploying technical, marketing, and financial resources. Our primary competition remains a combination of manual, email- and spreadsheet-based processes from providers that users have historically relied on to manage work such as Google and Microsoft, who offer a range of productivity solutions. While we currently collaborate with Google and Microsoft, they may develop and introduce, or acquire, products that directly or indirectly compete with our platform. Certain of our features compete with current or potential products and services offered by Airtable, Asana, Atlassian, Citrix, ClickUp, Monday.com, Planview, and others. Larger software vendors with substantial resources and smaller upstarts building on new technology platforms may also decide to enter our market by building or acquiring products that compete with our platform. We believe that the principal competitive factors in our market include:

- ease of deployment and use of applications;
- product features, quality, and functionality;
- ability to automate multi-step processes;
- ability to integrate with other applications and systems;
- enterprise-grade security, scalability, compliance, and administration capabilities;
- ability to support mission critical workloads at scale;
- vision for the market and product innovation;
- size of customer base and level of user adoption;
- pricing and total cost of ownership;
- strength of sales and marketing efforts;
- brand awareness and reputation; and
- customer experience, including support.

We believe we are positioned favorably against our competitors based on our enterprise-grade capabilities, focus on business user empowerment, and ability to support mission critical workflows at scale. Our ability to remain competitive will largely depend on our ongoing performance and the quality of our platform.

Corporate Information

We were incorporated as Navigo Technologies, Inc. in Washington in June 2005. We changed our name to Smartsheet.com, Inc. in February 2006 and to Smartsheet Inc. in February 2017. Our principal executive offices are located at 10500 NE 8th Street, Suite 1300, Bellevue, Washington 98004. Our telephone number is (844) 324-2360. Our website address is www.smartsheet.com. Information contained on, or that can be accessed through, our website does not constitute part of this Annual Report.

Additional Information

We file annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (the “SEC”). Our reports filed with or furnished to the SEC pursuant to Section 13(a) and 15(d) of the Exchange Act of 1934, as amended (the “Exchange Act”), are available, free of charge, on our Investor Relations website at investors.smartsheet.com as soon as reasonably practicable after we electronically file such material with, or furnish it to the SEC. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at www.sec.gov.

We webcast our quarterly earnings calls and provide notifications of news or announcements regarding our financial performance, including SEC filings, press releases, blogs, and certain events we participate in or host with members of the investment community on our Investor Relations website. We have used, and intend to continue to use, our website, LinkedIn, Facebook, and Twitter account (@Smartsheet) as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. The information disclosed by the foregoing channels could be deemed to be material. As such, we encourage investors, the media, and others to review the information disclosed through such channels.

Item 1A. Risk Factors

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” before deciding whether to invest in our Class A common stock. The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, operating results, and growth prospects. These factors could also cause our actual business and financial results to differ materially from those contained in forward-looking statements made by management from time-to-time. In such an event, the market price of our Class A common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently believe are not material may also impair our business, financial condition, operating results, and growth prospects. In addition to the effects discussed in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in the risk factors below, additional or unforeseen effects from COVID-19 and the resulting global economic impacts may give rise to additional risks or amplify the risks discussed in this Item 1A.

Risk Factor Summary

The following summarizes certain of the most material risks that make an investment in our Class A common stock uncertain, risk laden, or speculative. If any of the following risks occur, our business, financial condition, operating results, and growth prospects may be impaired, the market price of our Class A common stock could decline, and you may lose all or part of your investment.

Industry, product, and infrastructure risks

- The market in which we participate is highly competitive, and if we do not compete effectively, our operating results could be harmed.
- Our business depends on a strong brand, and if we are unable to develop, maintain, and enhance our brand, our business and results may be harmed.
- Our forecasts of market growth may prove to be inaccurate, and our business may not grow at a pace similar to market growth.
- Security threats and attacks are common, increasing globally, and may result in significant liabilities.
- Our or our vendors’ failure to sufficiently secure our platform and services may result in unauthorized access to and use of customer data, a negative impact on our customer attraction and retention, and significant liabilities.
- We depend on public cloud service providers and computing infrastructure operated by third parties, and any disruptions in these operations could harm our business and results.
- If our platform fails to perform or if we fail to scale our platform to meet the needs of customers, our market share could decline and we could be subject to liability.
- If we fail to manage our services infrastructure, or our platform experiences outages, interruptions, or delays in updates to meet customers’ needs, we may be subject to liabilities and our operating results may be harmed.
- Failure to establish and maintain partnerships with complementary technology offerings and integrations could limit our ability to grow our business.
- Our platform and internal business operations use third-party software and services that may be difficult to replace or may cause errors or failures that could lead to a loss of customers or harm our operating results.

Commercial and financial risks

- It is difficult to predict future operating results.
- We have a history of cumulative losses and cannot assure profitability in the future.
- We derive substantially all of our revenue from a single offering.
- We recognize revenue over the term of the relevant service period, and downgrades, new sales, or renewals may not be immediately reflected in our results.

Operational and other risks

- We have recently experienced rapid growth and expect our growth to continue; failure to manage our growth effectively may harm our business.
- Our sales cycle may become longer, more complex, and more expensive as we continue to target enterprise and government customers, all of which could harm our business or results.
- Our growth depends on our ability to expand our sales force domestically and internationally, and the failure to do so may harm our business and results.
- We may not receive significant revenue from our current development efforts for several years, if at all.
- Contractual disputes or commitments, including indemnity obligations, may be costly, time consuming, and could harm our reputation.
- Catastrophic events may disrupt our business.

Risks Related to Our Industry, Platform, and Infrastructure

The market in which we participate is highly competitive, and if we do not compete effectively, our operating results could be harmed.

The market for work execution software is fragmented, increasingly competitive, and subject to rapidly changing technology and evolving standards. Our competitors range in size, from diversified global companies with significant research and development and marketing resources, to smaller startups building on new technology platforms whose narrower offerings may allow them to be more efficient in deploying technical, marketing, and financial resources.

Certain of our features compete with current or potential products and services offered by Airtable, Asana, Atlassian, Citrix, ClickUp, Monday.com, Planview, and others. We also face competition from Google and Microsoft, who offer a range of productivity solutions including spreadsheets and email that have traditionally been used for work management. While we currently collaborate with Adobe, Google, and Microsoft, they may develop and introduce, or acquire, products that directly or indirectly compete with our platform. For example, Adobe recently acquired Workfront, a company whose product and service offerings compete with ours. As we continue to sell products and services to potential customers with existing internal solutions, we must convince their stakeholders that our platform is superior to the solutions that their organization has previously adopted and deployed. With the introduction of new technologies and market entrants, and the growth of existing market participants, we expect competition to continue to intensify in the future.

Many of our current and potential competitors, particularly large software companies, have longer operating histories, greater name recognition, more established customer bases, and significantly greater financial, operating, technical, marketing, and other resources than we do. As a result, our competitors may be able to leverage their relationships with distribution partners and customers based on other products or incorporate functionality into existing products to gain business in a manner that discourages users from purchasing our platform, including by selling at zero or negative margins or by using product bundling. Further, our competitors may respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. We could lose customers if our competitors consolidate, introduce new collaborative work management products, add new features to their current product offerings, acquire competitive products, reduce prices, form strategic alliances with other companies, or are acquired by third parties with greater available resources. We may also face increasing competition if our competitors provide products and services for free. If our competitors' products or services are more widely adopted than ours, if they are successful in bringing their products or services to market sooner than ours, if their pricing is more competitive, or if their products or services are more technologically capable than ours, then our business, operating results, and financial condition may be harmed.

If we do not keep pace with technological changes, our platform may become less competitive and our business may suffer.

Our industry is marked by rapid technological developments and innovations, and evolving industry standards. If we are unable to provide enhancements and new features and integrations for our existing platform, develop new products that achieve market acceptance, or innovate quickly enough to keep pace with rapid technological developments, our business could be harmed.

In addition, because our platform is designed to operate on a variety of systems, we will need to continuously modify, enhance, and improve our platform to keep pace with changes in the following: Internet-related hardware; mobile operating systems such as iOS and Android; and other software, communication, browser, and database technologies. We may not be successful in either developing these modifications, enhancements, and improvements, or in bringing them to market quickly or cost-effectively in response to market demands. Furthermore, uncertainties about the timing and nature of new network platforms or technologies, or modifications to existing platforms or technologies, could increase our research and development expenses. Any failure of our products or services to keep pace with technological changes or operate effectively with future network platforms and technologies, or to do so in a timely and cost-effective manner, could reduce the demand for our platform, result in customer dissatisfaction, reduce our competitive advantage, and harm our business.

Our business depends on a strong brand, and if we are not able to develop, maintain, and enhance our brand, our business and operating results may be harmed.

We believe that developing, maintaining, and enhancing our brand is critical to achieving widespread acceptance of our platform, attracting new customers, retaining existing customers, persuading existing customers to expand their relationships with us, and hiring and retaining employees. We believe that the importance of our brand will increase as competition in our market further intensifies. Successful promotion of our brand will depend on a number of factors, including the effectiveness of our marketing efforts; our ability to provide a high-quality, reliable, and cost-effective platform; the perceived value of our platform; our ability to provide a quality customer success experience; and our ability to control or influence perception of our brand regardless of customer use cases.

Brand promotion activities require us to make substantial expenditures. We have made and continue to make significant investments in the promotion of our brand, however, our ability to successfully promote our brand is uncertain. The promotion of our brand may not generate customer awareness or increase revenue, and any increase in revenue may not offset the expenses we incur in building and maintaining our brand. If we fail to successfully promote and maintain our brand, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may fail to realize a sufficient return on our brand-building efforts, or fail to achieve the widespread brand awareness that is critical for broad customer adoption of our platform, which could harm our business and operating results.

Our forecasts of market growth may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, we cannot assure you that our business will grow at similar rates, if at all.

Growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. Our forecasts, including the size and expected growth in the addressable market for collaborative work management platforms, may prove to be inaccurate, or may decline rapidly as a result of unforeseen events and their ongoing effects, such as the effects of the COVID-19 pandemic. Even if these addressable markets experience the forecasted growth, we may not grow our business at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties.

Security threats and attacks are common, increasing globally, and may result in significant liabilities.

Our platform and our internal corporate information technology systems have in the past been, and will in the future be, subject to cyber-attacks, credential stuffing, account takeover attacks, denial or degradation of service attacks, phishing attacks, ransomware attacks, malicious software programs, supply chain attacks, and other cyber security threats (“Cyber Threats”). Further, we engage service providers to store and otherwise process some of our and our customers’ data, including sensitive and personal information, and these service providers are also targets of Cyber Threats.

Cyber Threats have been increasing in frequency and sophistication globally, and may be accompanied by demands for payment in exchange for resolution, restoration of functionality, or return of data. Sources of Cyber Threats range from individuals to sophisticated organizations, including state-sponsored organizations. These attackers use a wide variety of methods to exploit vulnerabilities and gain access to corporate assets, including networks, information, individuals, or credentials. The types and methods of Cyber Threats are constantly evolving and becoming more complex, and we may not be able to detect, combat, or successfully defend against Cyber Threats. Attackers initiating Cyber Threats may be more sophisticated than we are and may gain access to our corporate assets. Any vulnerabilities in our infrastructure or the success of any Cyber Threats against us may not be discovered in a timely fashion or at all, and the impact of vulnerabilities may be exacerbated the longer such vulnerabilities persist or remain undetected. While we utilize security measures and architecture designed to protect the integrity of our platform and corporate information technology environment, we remain subject to ongoing and evolving Cyber Threats, and we anticipate that we will need to expend significant resources in an effort to protect against Cyber Threats. We may not be able to deploy, allocate, or retain sufficient resources to keep pace with the persistent and evolving Cyber Threat landscape.

Moreover, as a result of the COVID-19 pandemic, our employees, service providers and third parties work more frequently on a remote basis, which may involve relying on less secure systems and may increase the risk of cybersecurity related incidents and susceptibility to Cyber Threats. We cannot guarantee these private work environments and electronic connections to our work environment have the same robust security measures deployed in our physical offices.

Further, our ability to monitor the data security of our service providers and vendors is limited, and Cyber Threats initiated by third parties may successfully circumvent our service providers' security measures, resulting in the unauthorized access to, or misuse, disclosure, loss, or destruction of our and our customers' data. Any actual or perceived failure by us or our service providers to prevent or defend against Cyber Threats, actual or perceived vulnerabilities in our products or services, or unauthorized access to corporate assets may lead to claims against us and may result in significant data loss, significant costs and liabilities, and could reduce our revenue, harm our reputation, and compromise our competitive position.

Our failure to sufficiently secure our platform and services may result in unauthorized access to customer data, a negative impact on our customer attraction and retention, and significant liabilities.

Our products and services involve the storage, transmission, and processing of our customers' sensitive and proprietary information, including business strategies, financial and operational data, personal or identifying information, and other data. Our failure to sufficiently secure our platform and services may result in unauthorized access to customer data, a negative impact on our customer attraction and retention, and significant liabilities. Even if our security measures are appropriately engineered and implemented to secure our platform and services against external threats, we may be subject to inadvertent disclosures as a result of employee actions or system misconfigurations. Unauthorized use of or access to customer data could result in the loss, compromise, corruption, or destruction of our or our customers' sensitive and proprietary information and could lead to litigation, regulatory investigations and claims, indemnity obligations, loss of authorization under the Federal Risk and Authorization Management Program ("FedRAMP") or other authorizations, and other liabilities.

Our customers, especially our larger enterprise customers, increasingly prioritize the security of their digital assets and information when making decisions regarding purchasing Internet-based products and services. Additionally, we serve government customers; customers in regulated industries such as financial services, health care, and education; and other customers that process large quantities of sensitive information or personal data. These customers often seek platforms that offer enhanced or specialized security measures. Any success in attracting new customers in these industries, and retaining and growing such existing customers, may require enhancements to or additional engineering of our platform to meet these requirements. Committing to such changes could be costly and time consuming, and could divert the attention of our management and key personnel from other business operations; such investments and efforts may not take place in a timely manner, or at all.

Our agreements with third parties, including customers, contain contractual commitments we are required to adhere to related to information security and data privacy compliance. If we experience an incident that triggers a breach of such contractual commitments, we could be exposed to significant liability or cancellation of service under these agreements. The damages payable to the counterparty as well as the impact to our service could be substantial and create substantial costs and loss of business. There can be no assurance that any limitations of liability provisions in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim.

Many U.S. and foreign laws and regulations require companies to provide notice of data security breaches and/or incidents involving certain types of personal data to individuals, the media, government authorities, or other third parties. Security compromises experienced by our customers or by us may lead to public disclosures, which may lead to widespread negative publicity. Any security compromise in our industry, whether actual or perceived, could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively affect our ability to attract new customers, cause existing customers to elect not to renew their subscriptions or subject us to third-party lawsuits, regulatory fines or other action or liability, which could adversely affect our business and operating results. Even the perception of inadequate security may damage our reputation and negatively impact our ability to win new customers and retain existing customers.

Additionally, we could be required to expend significant capital and other resources to investigate and address any actual or suspected data security incident or breach, or to prevent further or additional security incidents or breaches. We may find it necessary or desirable to incur costs to provide remediation and incentives to customers or other business partners following a security breach, or other actual or suspected security incident, in an effort to maintain business relationships. We also cannot be sure that our existing cybersecurity insurance will continue to be available on acceptable terms or will be available in sufficient amounts to cover any claims, or that insurers will not deny coverage as to any future claim. Security breaches may result in increased costs for such insurance. One or more large, successful claims against us in excess of our available insurance coverage, or changes in our insurance policies, including premium increases or large deductible or co-insurance requirements, could have an adverse effect on our business, operating results, and financial condition.

We depend on public cloud service providers and computing infrastructure operated by third parties, and any service outages, delays, or disruptions in these operations could harm our business and operating results.

We host our platform and serve our customers through public cloud service providers. Public cloud service providers run their own platforms that we access, and we are, therefore, vulnerable to service interruptions, delays, and outages. Our public cloud service providers (“Cloud Providers”) may experience events such as natural disasters, fires, power loss, telecommunications failures, or similar events. The systems, infrastructure, and services of our Cloud Providers may also be subject to human or software errors, viruses, Cyber Threats, fraud, spikes in customer usage, denial of service issues, break-ins, sabotage, intentional acts of vandalism, acts of terrorism, and other misconduct. Our Cloud Providers may also experience other unanticipated problems, including but not limited to financial difficulties and bankruptcy. The occurrence of any of the foregoing events could result in lengthy interruptions or delays, and may impact us via outages in our service and noncompliance with our contractual obligations or business requirements.

Further, we have experienced in the past, and may experience in the future, periodic interruptions, delays, and outages in service and availability with our Cloud Providers due to a variety of factors, including Internet connectivity failures, infrastructure changes, human or software errors, website hosting disruptions, and capacity constraints. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time.

Our Cloud Providers have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew agreements with our Cloud Providers on commercially reasonable terms, if our agreements with our Cloud Providers are prematurely terminated for any reason, or if our Cloud Providers are acquired or cease business, we may be required to transfer our infrastructure to new public cloud facilities, and we may incur significant costs and possible service interruptions in connection with doing so.

Additionally, there are limited options for public cloud service providers capable of effectively supporting our infrastructure. Consolidation through a single, or select few, service provider(s) may result in a dependency on the selected provider(s). Consolidation may also negatively impact customer acquisition or expansion as customers or potential customers may object to certain providers for a variety of reasons, including that such providers do not meet their hosting requirements or that the providers operate in a competitive space. The foregoing objections could harm our business and operating results.

Any issues with our Cloud Providers may result in errors, defects, disruptions, or other performance problems with our platform, which could harm our reputation and may damage our and our customers’ businesses. Interruptions in our platform’s operation might reduce our revenue, cause us to issue credits or refunds to customers, subject us to potential liability, cause customers to terminate their subscriptions, harm our renewal rates, and affect our reputation. Any of these events could harm our business and operating results.

If our platform fails to perform properly, or if we are unable to scale our platform to meet the needs of our customers, our reputation could be harmed, our market share could decline, and we could be subject to liability claims.

Our platform is inherently complex and may contain material defects or errors. Additionally, we provide regular updates to our platform, which may contain undetected defects when first introduced or released. Any defects in functionality or interruptions in the availability of our platform could result in:

- loss of, or delayed, market acceptance and sales;
- breach of contract or warranty claims;
- issuance of credits or other compensation for downtime;
- termination of subscription agreements, loss of customers, and issuance of refunds;
- diversion of development, customer service, and other company resources; and
- harm to our reputation.

The costs incurred in correcting any material defects or errors might be substantial and could harm our operating results.

Because of the large amount of data that we handle, hardware failures, errors in our systems, user errors, or Internet outages could result in data loss or corruption that our customers may regard as significant. Furthermore, the availability and performance of our platform could be diminished or otherwise impacted by a number of factors, which may damage the perception of its reliability and reduce our revenue. These factors include but are not limited to customers' inability to access the Internet; the failure of our network or software systems, including backup systems; simultaneous development efforts causing reallocation of resources; computing vulnerabilities; security breaches; capacity issues or service failures experienced by our service providers; or variability in user traffic for our platform. We monitor vulnerabilities that may impact our business and the availability of our platform. Any such impact, and the costs incurred in addressing or correcting these vulnerabilities, may harm our operating results, may harm our reputation, and may cause us to lose customers.

We may be required to issue credits or refunds, or otherwise be liable to our customers for damages they may incur resulting from certain of these events. Our insurance coverage may be inadequate to sufficiently cover such potential liabilities, and may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover all claims made against us and defending a lawsuit, regardless of its merit, could be costly and divert management's attention.

Furthermore, we will need to ensure that our platform can scale to meet the evolving needs of our customers, particularly as we continue to focus on larger enterprise customers. We regularly monitor and update our platform to fix errors, add functionality, and improve scaling; however, our customers have occasionally experienced outages and latency issues, sometimes during peak usage periods. If we are not able to provide our platform at the scale required by our customers or to correct any platform functionality defects and capacity limitations, potential customers may not adopt our platform and product offerings and existing customers may not renew their agreements with us.

If we fail to manage our services infrastructure at the levels expected by our customers, including due to factors such as service outages, interruptions, or delays in updates to our platform to meet customers' needs, then we may be subject to liabilities and our operating results may be harmed.

We have experienced significant growth in the number of users and data that our platform supports, and it is critical that we maintain sufficient excess service capacity to ensure our platform is accessible and functioning with an acceptable latency; and to ensure we meet the needs of existing and new customers and users, the needs required to support customer and user expansion, and our own internal needs. To do this, we must manage our services infrastructure to support software updates and the evolution of our platform capabilities. The provision of any new service infrastructure requires significant cost and management. If we do not accurately predict or manage our service infrastructure requirements, if our existing providers are unable to keep up with our needs for capacity, if they are unwilling or unable to allocate sufficient capacity to us, or if we are unable to contract with additional providers on commercially reasonable terms, our customers may experience service interruptions, delays, or outages that may subject us to financial penalties, cause us to issue credits or other compensation to customers, or result in other liabilities and customer losses. If our services and infrastructure fail to scale, customers may experience delays as we seek to obtain additional capacity or make architectural changes to address newly discovered scalability and performance issues, which could damage our reputation and our business. We may also be required to move or transfer our and our customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery and performance of our platform, and may harm our operating results.

Failure to establish and maintain relationships with partners that can provide complementary technology offerings and software integrations could limit our ability to grow our business.

Our growth strategy includes expanding the use of our platform through complementary technology offerings and software integrations, such as third-party application programming interfaces ("APIs"). While we have established relationships with providers of complementary technology offerings and software integrations, we cannot assure you that we will be successful in maintaining relationships with these providers or establishing relationships with new providers. For example, we currently collaborate with Google and Microsoft, however, we may be unable to maintain these collaborative relationships if those entities develop and introduce, or acquire, products that directly or indirectly compete with our platform. Third-party providers of complementary technology offerings and software integrations may take any of the following actions: decline to enter into, or later terminate, relationships or agreements with us; change their features or platforms; restrict our access to their applications and platforms; or alter the terms governing use of and access to their applications and APIs in an adverse manner. Such actions could functionally limit or terminate our ability to use these third-party technology offerings and software integrations with our platform, which could negatively impact our offerings and harm our business.

Further, if we fail to integrate our platform with new third-party applications and platforms that our customers use, or to adapt to the data transfer requirements of such third-party applications and platforms, we may not be able to offer the functionality that our customers need, which would negatively impact our offerings and, as a result, could negatively affect our business, operating results, and financial condition. In addition, we may benefit from these partners' brand recognition, reputations, referrals, and customer bases. Any losses or shifts in the referrals from, or the market positions of, these partners generally, in relation to one another or to new competitors or technologies, could lead to losses in our relationships or customers, or a need to identify or transition to alternative channels for marketing our platform.

Our platform and internal business operations use third-party software and services that may be difficult to replace or may cause errors or failures that could lead to a loss of customers or harm to our reputation and our operating results.

We license third-party software and depend on services from various third parties to operate our platform. In the future, this software or these services may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of such software or services could harm our business, and it could result in decreased functionality of our platform until equivalent technology is either developed by us or, if available from another provider, is identified, obtained, and integrated. In addition, any errors or defects in or failures of the third-party software or services could result in errors or defects in, or failure of, our platform, which could harm our business and be costly to correct. Such errors, defects, or failures could also harm our reputation and result in liability to third parties, including customers. Many of these providers attempt to limit their liability for errors, defects, and failures, which could limit our ability to recover from them and increase our potential liabilities and operating costs.

Further, we use technologies and services from third parties to operate critical internal functions of our business, including cloud infrastructure services, customer relationship management services, business management services, and customer support and consulting staffing services. Our internal operations would be disrupted if any of the third-party software or services we use for internal operations were unavailable due to extended outages or interruptions, or if they are no longer available on commercially reasonable terms or at all. Such disruptions may adversely affect our ability to operate our websites, process and fulfill transactions, respond to customer inquiries, and generally maintain cost-efficient operations. In the event of disruption, we may be required to seek replacement technologies or services from other parties, or to develop these components ourselves, which could result in increased costs, diversion of management attention, delays in the release of new product offerings, and reduced efficiencies in the operations of our impacted departments, until such time as suitable technology can be identified and integrated. These disruptions, if they occur, could result in customer dissatisfaction, and harm our operating results and financial condition.

Our use of open source software could negatively affect our ability to offer and sell our products and subject us to possible litigation.

We use open source software in our platform and expect to continue to use open source software in the future. There are uncertainties regarding the proper interpretation of and compliance with open source licenses, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to use such open source software, and consequently to provide or distribute our platform.

Additionally, we may from time to time face claims from third parties alleging infringement of certain intellectual property resulting from our use of open source software, or seeking to enforce the terms of an open source license, including by demanding release of the open source software, derivative works, or our proprietary source code that was developed using such software. These claims could result in litigation and could require us to make our software source code freely available, devote additional research and development resources to change our platform, or incur additional costs and expenses, any of which could result in reputational harm and would have a negative effect on our business and operating results. Any of the foregoing outcomes would adversely affect our business, financial condition, and operating results.

In addition, if the license terms change for the open source software we utilize, then we may be forced to re-engineer our platform or incur additional costs to comply with the changed license terms or to replace the affected open source software. Further, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties, assurance of performance or title, or controls on the origin of, or updates to, such software. Certain versions and libraries of open source software allow for any individuals to make general contributions and updates, and the use of such open source software may introduce or amplify certain security vulnerabilities, depending on how, and with which systems, it is implemented. Although we have established policies to regulate the use and incorporation of open source software into our platform, we cannot be certain that we have not incorporated open source software in our platform in a manner that is inconsistent with such policies.

Risks Related to Our Commercial and Financial Operations

It is difficult to predict our future operating results.

Our ability to accurately forecast our future operating results is limited and subject to a number of uncertainties, including planning for and modeling future growth. We have encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan our business, are incorrect or change due to industry or market developments, or if we do not address these risks successfully, our operating results could differ materially from our expectations and our business could suffer.

The COVID-19 pandemic has significantly impacted worldwide economic activity, and as COVID-19 transitions from a pandemic to an endemic disease, we are uncertain about its ongoing effect on both domestic and worldwide economic activity. While in many jurisdictions throughout the United States, the government and businesses have begun to wind down restrictions, it is possible that we could experience another COVID-19 surge and such restrictions could be re-instated. Additionally, other foreign jurisdictions, including those where we have operations and where our customers operate, may experience surges of COVID-19 and impose restrictions. Such restrictions can result in adverse conditions that could affect us and our customers, such as: increased risk in collectibility of accounts receivable; reduced staff productivity due to working remotely for extended periods; increased costs and challenges related to retrofitting facilities and changing operating procedures in an attempt to mitigate health-related risks in the workplace; reduced staff productivity due to illness, illness in the family, or lack of dependent care; increased customer losses or churn; lengthened customer payment terms; increased challenges in acquiring new customers; extreme currency exchange-rate fluctuations; and challenges with Internet infrastructure due to high loads. There is still uncertainty as COVID-19 transitions from pandemic to an endemic disease, and we continue to monitor its effects. While it is not possible at this time to estimate the overall impact that the COVID-19 pandemic could have on our business, the persistence of COVID-19 and its variants, and the measures taken by the governments of countries affected, will continue to have an impact on global economic conditions, which could have an adverse effect on our business and financial condition.

We have a history of cumulative losses and we cannot assure you that we will achieve profitability in the foreseeable future.

We have incurred losses in each period since we incorporated in 2005. We incurred net losses of \$171.1 million, \$115.0 million, and \$95.9 million during the years ended January 31, 2022, 2021, and 2020, respectively. As of January 31, 2022, we had an accumulated deficit of \$542.5 million. These losses and accumulated deficit reflect the substantial investments we made to develop our products and services, acquire new customers, and maintain and expand existing customers. We expect our operating expenses to increase in the future due to anticipated increases in sales and marketing expenses, research and development expenses, operations costs, and general and administrative costs, and we expect our losses to continue for the foreseeable future. Furthermore, to the extent we are successful in increasing and expanding our customer base, we may also incur increased losses due to associated upfront costs, particularly as a result of the nature of subscription revenue, which is generally recognized ratably over the term of the subscription period. You should not consider our recent revenue growth as indicative of our future performance. Our revenue growth could slow or our revenue could decline for a number of reasons, including slowing demand for our subscription solutions or professional services, reduced conversion from our free trial users or collaborators to paid users, increasing competition, or our failure to capitalize on growth opportunities. Accordingly, we cannot assure you that we will achieve profitability in the foreseeable future, nor that, if we do become profitable, we will sustain profitability.

If we are unable to attract new customers and maintain and expand sales to existing customers, our growth could be slower than we expect and our business may be harmed.

Our future growth depends in part upon increasing our customer base and expanding sales to, and renewing subscriptions with, our existing customers. Our ability to achieve significant growth in revenue in the future will depend, in large part, upon the effectiveness of our sales and marketing efforts, both domestically and internationally; our ability to predict customer demands; our ability to continue to attract new customers; and our ability to expand our relationship with existing customers by addressing new use cases, increasing their number of users, or selling additional products and services. These endeavors may be particularly challenging where an organization is reluctant to try, or invest further in, a cloud-based collaborative work management platform, or where an organization has already invested significantly in an existing solution. Additionally, we continue to monitor how the COVID-19 pandemic affects the adoption or expansion of cloud-based solutions generally, and our success in engaging with new customers and expanding relationships with existing customers. If we fail to predict customer demand, fail to understand the impact that COVID-19's persistence and transition from pandemic to an endemic disease may have on our sales projections, or fail to attract new customers and maintain and expand those and existing customer relationships, our revenue may grow more slowly than expected, may not grow at all, or may decline, and our business may be harmed.

Moreover, many of our subscriptions are sold for a one-year term. While many of our subscriptions provide for automatic renewal, our customers have no obligation to renew their subscription after the expiration of the term and we cannot assure you that our customers will renew subscriptions with a similar contract period or the same or greater number of users or premium solutions, or renew at all. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction with our platform or services, our pricing or pricing structure, the pricing or capabilities of the products and services offered by our competitors, the effects of economic conditions, or reductions in our customers' spending levels. If our customers do not renew their agreements with us, or renew on terms less favorable to us, our revenue may decline.

Our quarterly operating results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly operating results, including the levels of our revenue, calculated billings, gross margin, profitability, cash flow, and deferred revenue may vary significantly in the future, and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly operating results may fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Fluctuations in quarterly operating results may reduce the value of our Class A common stock. Factors that may cause fluctuations in our quarterly results include, but are not limited to:

- our ability to attract new customers and expand existing customers, domestically and internationally;
- interest rate fluctuations which will cause our interest income to decrease during low interest rate environments and may negatively impact our customers' income or access to capital;
- the addition or loss of large customers, including through acquisitions or consolidations;
- the mix of customers obtained through self-service on our website and sales-assisted channels;
- customer renewal rates and the extent to which customers purchase services and subscribe for additional users and products;
- the ongoing impact of, including any market volatility and economic disruption caused by, geopolitical instability or global health concerns;
- customers impacted by macroeconomic downturns and seeking bankruptcy protection or other similar relief;
- the impact of rising inflation rates, particularly in the United States where the majority of our customers are located;
- customers' failure to pay amounts due to us, customers' extending the time to pay amounts owed to us, our inability to collect amounts due, and the cost of enforcing the terms of our contracts, including litigation costs;
- the timing and growth of our business, in particular through our hiring of new employees and international expansion;
- our ability to hire, train, and maintain our sales force and other employees in customer-facing roles;
- the length and timing of sales cycles, with a significant portion of our larger transactions occurring in the last few days and weeks of each quarter;
- the timing of recognition of revenue;
- the amount and timing of operating expenses;
- changes in our pricing policies or offerings, or those of our competitors;

- the timing and success of new product and service introductions by us or our competitors, or any other change in the competitive dynamics of our industry, including consolidation or new entrants among competitors, customers, or strategic partners;
- customers delaying purchasing decisions in anticipation of new products or product enhancements by us or our competitors or otherwise;
- the timing and effectiveness of new and existing sales and marketing initiatives;
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies;
- network or service outages, Internet disruptions, security breaches or perceived security breaches impacting us directly or indirectly via our third-party service providers, and the costs associated with responding to and addressing such outages or breaches;
- changes in laws and regulations that affect our business, the costs to maintain or achieve compliance with changes in laws and regulations, and any lawsuits or other proceedings involving us or our competitors;
- changes in foreign currency exchange rates or addition of currencies in which our sales are denominated; and
- general economic, industry, and market conditions.

We derive substantially all of our revenue from a single offering.

Although we offer and continue to develop additional solutions, we currently derive, and expect to continue to derive, substantially all of our revenue from the sale of subscriptions to our cloud-based collaborative work management platform. As such, the continued growth in market demand for our platform is critical to our continued success. Demand for our platform is affected by a number of factors, including continued market acceptance, the timing of development and release of competing products and services, price or product changes by us or by our competitors, technological changes, growth or contraction in the markets we serve, and general economic conditions and trends. In addition, some current and potential customers, particularly large organizations, may develop or acquire their own internal collaborative work management tools or continue to rely on traditional tools that would reduce or eliminate the demand for our platform. If demand for our platform declines for any of these or other reasons, our business could be adversely affected.

Because we recognize revenue from subscriptions and support services over the term of the relevant service period, downturns or upturns in new sales or renewals may not be immediately reflected in our operating results and may be difficult to discern.

We recognize subscription revenue from customers ratably over the terms of their subscription agreements, which are typically one year. As a result, most of the subscription revenue we report in each quarter is derived from the recognition of deferred revenue relating to subscriptions entered into during previous quarters. A decline in new or renewed subscriptions in any single quarter will likely only have a minor effect on our revenue for that quarter, and such a decline will reduce our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our platform, and potential changes in our pricing policies or customer retention rates, may not be fully reflected in our operating results until future periods. We may be unable to adjust our cost structure to reflect the changes in revenue. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as subscription revenue from new customers is recognized over the applicable subscription term.

We may need additional capital, and we cannot be certain that additional financing will be available on favorable terms, or at all.

We have funded our operations since inception primarily through equity financings, including our initial public offering (“IPO”) and subsequent registered offering, subscription and services fees from our customers, and through proceeds from option exercises and the sale of our capital stock pursuant to our 2018 Employee Stock Purchase Plan. We do not know when or if our operations will generate sufficient cash to fund our ongoing operations. In the future, we may require additional capital to respond to business opportunities, challenges, acquisitions, declines in subscriptions for our platform, or unforeseen circumstances. A deterioration of current conditions in worldwide credit markets and fluctuations in interest rates could limit our ability to obtain external financing to fund our operations and capital expenditures. We may not be able to timely secure debt or equity financing on favorable terms, or at all. Any debt financing obtained by us could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Additionally, we may not be able to generate sufficient cash to service any debt financing obtained by us, which may force us to reduce or delay capital expenditures or sell assets or operations. If we raise additional funds through further issuances of equity, convertible debt securities, or other securities convertible into equity, our existing shareholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences, and privileges senior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

We may face exposure to foreign currency exchange rate fluctuations.

While we have historically transacted in U.S. dollars with the majority of our customers and vendors, we have transacted in certain foreign currencies and may transact in more foreign currencies in the future. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar can affect our revenue and operating results due to transactional and translational re-measurement that is reflected in our earnings. Such foreign currency exchange rate fluctuations may be materially impacted by the ongoing COVID-19 pandemic and any global events, wars, or conflicts, including the Russia/Ukraine conflict.

As a result of foreign currency exchange rate fluctuations, it could be more difficult to detect underlying trends in our business and operating results. In addition, to the extent that fluctuations in currency exchange rates cause our operating results to differ from our expectations or the expectations of our investors, the trading price of our Class A common stock could be lowered. Our foreign currency exchange policy approves use of certain hedging instruments, including spot transactions, forward contracts, and purchased options with maturity of up to one year. The use, if any, of such hedging instruments may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

Our sales are generally more heavily weighted toward the end of each fiscal quarter, which could have an impact on the timing of our billings, revenue, and collections, and on the reporting of such metrics for any given quarter and subsequent quarters.

Our sales cycles are generally more heavily weighted toward the end of each fiscal quarter, with a high volume of sales in the last few weeks and days of the quarter, and can otherwise be dependent on customer purchasing patterns and the timing of particularly large transactions. Any of the foregoing may have an impact on the timing of revenue recognition, calculated billings, and cash collections; may cause significant fluctuations in our operating results and cash flows; may make it challenging for an investor to predict our performance on a quarterly or annual basis; and may prevent us from achieving our quarterly or annual forecasts.

Compression of sales activity to the end of the quarter also greatly increases the likelihood that sales cycles will extend beyond the quarter in which they are forecasted to close for some sizable transactions, which may harm forecasting accuracy and adversely impact new customer acquisition metrics for the quarter in which they are forecasted to close. Further, the concentration of contract negotiations in the last few weeks and days of the quarter may require us to expend more in the form of compensation for additional sales operations, legal, and finance employees and resources.

Risks Related to Our General Operations

We have recently experienced rapid growth and expect our growth to continue. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service and operational controls, or adequately address competitive challenges.

We have recently experienced a period of rapid growth in our personnel headcount and operations and expect to continue to invest in our growth in the future. During the period from January 31, 2016 to January 31, 2022 we grew from 274 employees to 2,539 employees. In addition, we have engaged temporary workers and contractors to supplement our employee base. This growth has made our operations more complex and has placed, and future growth will place, a significant strain on our management, and our administrative, operational, and financial infrastructure. Our success will depend in part on our ability to manage this growth and complexity effectively.

We anticipate that we will continue to expand our operations and personnel headcount in the near term. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial, and management controls, processes, and documentation, and our reporting systems and procedures. Failure to effectively manage growth or complexity could result in difficulties growing and maintaining our customer base; cost increases; inefficient and ineffective responses to customer needs; delays in developing and deploying new features, integrations, or services; violations of law; breaches of contract; or other operational difficulties. Any of these difficulties could harm our business and operating results.

As a substantial portion of our sales efforts are targeted at enterprise and government customers, our sales cycles may become longer and more expensive, we may encounter implementation and configuration challenges, and we may have to delay revenue recognition for more complicated transactions, all of which could harm our business and operating results.

Our ability to increase revenue and achieve and maintain profitability depends, in large part, on widespread acceptance of our platform by large businesses, government agencies, and other organizations. Sales efforts targeted at enterprise and government customers require acceptance by and support of the customers' knowledge workers and senior management and involve greater costs; longer sales cycles, including complex customer procurement and budgeting considerations; greater competition; increased operational burden; potential reseller or other third-party involvement; and less predictability. In the large enterprise and government agency markets, the customer's decision to use our platform and services can sometimes be an organization-wide decision, in which case, we will likely be required to provide greater levels of customer education to familiarize potential customers with the use and benefits of our platform and services, as well as increased training and support. In addition, larger enterprises and government agencies may demand more features, configuration options, and integration and support services. They may also expect operational changes to satisfy their supplier requirements. As a result of such factors, these sales opportunities may require us to devote greater sales support, research and development, engineering, customer support, professional services resources, and other internal resources and processes to these customers, resulting in increased costs, lengthened sales cycles, and diversion of sales and professional services resources to a smaller number of customers. Moreover, these larger transactions may require us to delay revenue recognition on some of these transactions until the technical or implementation requirements have been met. Any of the foregoing effects could harm our business and operating results.

Our growth depends on our ability to expand our sales force domestically and internationally.

In order to increase our revenue and achieve profitability, we must increase the size of our sales force, both in the United States and internationally, to generate additional revenue from new and existing customers. We intend to further increase our number of sales personnel, but we may not be successful in doing so and any such increase may occur at a slower pace than intended.

We believe that there is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve revenue growth will depend, in large part, on our success in recruiting, training, and retaining sufficient numbers of sales personnel to support our growth. New hires require significant training and may take considerable time before they achieve full productivity, particularly in new sales territories. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business, which may necessitate that we explore new markets to find talent or increase sales targets for existing sales personnel. In addition, as we continue to grow, a large percentage of our sales personnel may be new to our company, our platform, or the collaborative work management industry, which may adversely affect our sales if we cannot train such personnel quickly or effectively. Attrition rates may increase and we may face integration challenges as we continue to seek to expand our sales force. If we are unable to hire and train sufficient numbers of effective sales personnel, or the sales personnel are not successful in obtaining new customers or increasing sales to our existing customer base, our business could be adversely affected.

Our failure to attract, integrate, and retain highly qualified personnel could harm our business.

Our growth strategy depends on our ability to expand our organization with highly skilled personnel. Identifying, recruiting, training, and integrating qualified individuals will require significant time, expense, and attention. In addition to hiring new employees, we must continue to focus on retaining our best employees. Competition for highly skilled personnel is intense. We compete with many other companies for software developers with high levels of experience in designing, developing, and managing cloud-based software, as well as for skilled product development, marketing, sales, and operations professionals. We may not be successful in attracting and retaining the professionals we need, particularly in the greater Seattle area where our headquarters are located. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. In addition, immigration laws and travel bans may restrict or limit our ability to recruit individuals outside their countries of citizenship. Any changes to immigration or travel policies that restrain the flow of technical and professional talent may inhibit our ability to recruit and retain highly qualified employees.

Further, many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees, alone or with our inducement, have breached their legal obligations, resulting in a diversion of our time and resources. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived or actual value of our equity awards declines, it may reduce our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be harmed.

If we cannot maintain our corporate culture as we grow and work in a hybrid working environment, we could lose the innovation, teamwork, and passion that we believe contribute to our success, and our business may be harmed.

We believe that a critical component of our success has been our corporate culture. We have invested substantial time and resources in building our team. As we continue to expand our presence domestically and internationally, and as we have managed a hybrid working environment resulting from the COVID-19 pandemic, we will need to preserve and maintain our corporate culture among a larger number of employees who are dispersed in various geographic regions both in our offices and remotely. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives.

We may not receive significant revenue from our current development efforts for several years, if at all.

Developing our platform is expensive and the investment in such technological development often involves a long return on investment cycle. We incurred research and development expenses of \$165.4 million, \$118.7 million, and \$95.5 million during the years ended January 31, 2022, 2021, and 2020, respectively. We have made and expect to continue to make significant investments in development, infrastructure, and related opportunities. Accelerated product introductions and short product life cycles require high levels of expenditures that could adversely affect our operating results if they are not offset by revenue increases. We believe that we must continue to dedicate significant resources to our development efforts to maintain and improve our customer engagement and competitive position. However, we may not receive significant revenue from these investments for several years, if at all.

We may experience difficulties in accurately predicting optimal pricing necessary to attract new customers and retain existing customers.

We have in the past changed, and expect in the future that we will from time to time need to change, our published and unpublished pricing and packaging models. We have previously deployed, and may continue to deploy, multiple structures and models of pricing and packaging to serve our wide variety of customers. As the market for our platform and services matures, as competitors introduce new products or platforms that compete with ours, and as we expand into international markets, we may be unable to attract and retain customers at the same price or based on the same pricing and packaging models as we have historically, if at all, and some of our competitors may offer their products at a lower price. Further, we may have difficulty attracting and retaining customers based on new pricing and packaging models, and any new models may inhibit the organic growth that we value from individuals who have traditionally used our products and services as free collaborators. Pricing and packaging decisions may also affect the mix of adoption among our subscription plans and reduce our overall revenue. Moreover, larger enterprises may demand substantial price concessions. As a result, in the future we may be required to reduce our prices, which could harm our operating results.

The loss of one or more of our key customers, or a failure to renew our subscription agreements with one or more of our key customers, could negatively affect our ability to market our platform.

We rely on our reputation and recommendations from key customers in order to promote subscriptions to our platform. The loss of, or failure to renew by, any of our key customers could have a significant effect on our revenue, reputation, and our ability to obtain new customers. In addition, if our customers are acquired by other companies, it could lead to cancellation of such customers' contracts, thereby reducing the number of our existing and potential customers.

If we fail to offer high-quality customer support, our business and reputation may be harmed.

Our customers rely on our customer support organization to respond to inquiries about, and resolve issues with, their use of our platform. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. Increased customer demand for these services could increase costs and harm our operating results. Customers who elect not to purchase enhanced support may be unable to sufficiently address their support issues through self-service, and their support requests may not be prioritized once received by us; this may result in a poor customer experience. In addition, our sales process is highly dependent on the ease of use of our platform, our business reputation, and positive recommendations from our existing customers. Any failure to maintain a high-quality customer support organization, or a market perception that we do not maintain high-quality customer support, could harm our reputation, our ability to sell to existing and prospective customers, and our business.

Our long-term growth depends in part on being able to expand internationally on a profitable basis.

Historically, we have generated a majority of our revenue from customers in the United States. We are expanding internationally and plan to continue to expand our international operations as part of our growth strategy. There are certain risks inherent in conducting international business, including:

- fluctuations in foreign currency exchange rates or adding additional currencies in which our sales are denominated;

- new, or changes in existing, regulatory requirements;
- health or similar issues, including epidemics or pandemics such as the current COVID-19 pandemic;
- tariffs, export and import restrictions, restrictions on foreign investments, sanctions, and other trade barriers or protection measures;
- costs of localizing our platform and services;
- lack of or delayed acceptance of localized versions of our platform and services;
- difficulties in and costs of staffing, managing, and operating our international operations, including compliance with local labor and employment laws and customs;
- tax issues, including restrictions on repatriating earnings, and with respect to our corporate operating structure and intercompany arrangements;
- weaker intellectual property protection;
- the ongoing uncertainty, difficulty of, and burden and expense involved with, compliance with shifting global privacy, data protection, and cyber and information security laws and regulations, such as the General Data Protection Regulation 2016/679 (“GDPR”) and related cross-border data transfer requirements, the California Consumer Privacy Act (the “CCPA”), the California Privacy Rights Act (“CPRA”), the Virginia Consumer Data Protection Act (“VCDA”), and the Colorado Data Protection Act (“CDA”);
- economic weakness or currency-related crises;
- the burden of complying with a wide variety of United States and global laws and regulations applicable to foreign operations, including the U.S. Foreign Corrupt Practices Act (“FCPA”) of 1977, as amended, the U.K. Bribery Act 2010, import and export control laws and regulations, tariffs, trade barriers, economic sanctions and other regulatory, legal, or contractual limitations on our ability to sell products and services in certain foreign markets, and the risks and costs of non-compliance;
- generally longer payment cycles and greater difficulty in collecting accounts receivable;
- our ability to adapt to sales practices and customer requirements in different cultures;
- lack of brand recognition and increased competition;
- the impact of wars and conflicts in certain foreign jurisdictions, such as the current Russia/Ukraine conflict;
- political instability, uncertainty, or change, such as that caused by and occurring with the United Kingdom’s departure from the European Union (“Brexit”);
- security risks in the countries where we are doing business; and
- our ability to maintain our relationship with resellers to distribute our platform internationally.

Any of these risks could adversely affect our business. For example, compliance with laws and regulations applicable to our international operations increases our cost of doing business in foreign jurisdictions. We may be unable to keep current with government requirements as they change from time to time. Failure to comply with these laws or regulations could have adverse effects on our business. In addition, in many foreign countries it is common for others to engage in business practices that are prohibited by our internal policies and procedures or applicable U.S. laws and regulations. As we grow, we continue to implement compliance procedures designed to prevent violations of these laws and regulations. There can be no assurance that all of our employees, contractors, resellers, and agents will comply with our compliance policies, or applicable laws and regulations. Violations of laws or compliance policies by our employees, contractors, resellers, or agents could result in delays in revenue recognition, financial reporting misstatements, fines, penalties, or the prohibition of the import or export of our products and services, and could have a material adverse effect on our business and operating results.

Further, our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake will not be successful. We continue to adapt to and develop strategies to address expansion into international markets, but there is no guarantee that our strategies will have the desired outcomes. We expect that our international activities will continue to grow as we pursue further opportunities in existing and new markets, and that our expansion efforts into new markets may accelerate, which will require significant management attention, financial resources, and compound the risks inherent to international expansion. If we invest substantial time and resources to expand our international operations and are unable to do so successfully, or in a timely manner, our business and operating results will suffer.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part upon our intellectual property. Unauthorized use of our intellectual property or a violation of our intellectual property rights by third parties may damage our brand and our reputation. In addition to certain patents and patent applications, we primarily rely on a combination of copyright, trademark, and trade secret protections, and confidentiality and license agreements with our employees, customers, partners, and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. In addition, the laws of some foreign countries do not protect proprietary rights to as great an extent as do the laws of the United States. We make business decisions about when to seek patent protection for a particular technology and when to rely upon trade secret protection, and the approach we select may ultimately prove to be inadequate. Even in cases where we seek patent protection, there is no assurance that patents may be granted or that awarded patents will effectively protect every significant feature of our products and services. We also believe that the protection of our trademark rights is an important factor in product recognition, protecting our brand, and maintaining goodwill. If we do not adequately protect our rights in our trademarks from infringement and unauthorized use, any goodwill that we have developed in those trademarks could be lost or impaired, which could harm our brand and our business.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Any efforts to enforce our intellectual property rights may be met with actions attacking the validity and enforceability of our intellectual property rights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Remedies following any such infringement or misappropriation, including injunctive relief, may be insufficient to enjoin the infringement or misappropriation or otherwise address the damages sustained. Our failure to secure, protect, and enforce our intellectual property rights could seriously damage our brand and our business.

We may be sued by third parties for alleged infringement of their proprietary rights.

There is considerable patent and other intellectual property development activity in our industry. Our future success depends on our technology, platform, and services not infringing upon the intellectual property rights of others. Our competitors, as well as a number of other entities, including non-practicing entities and individuals, may own or claim to own intellectual property relating to our industry. From time to time, our competitors or other third parties may claim that we are infringing upon or misappropriating their intellectual property rights, and we may be found to be infringing upon such rights. Additionally, we rely on the feedback provided by our customers and users to inform decisions on potential changes to our products and services, and we negotiate agreements with our customers that may include license rights to intellectual property developed while performing professional services. Such feedback and license rights may provide a customer or user a basis for competing against us or contesting ownership of current or future intellectual property.

Third parties have occasionally alleged that our technology infringes upon their intellectual property rights. In the future others may raise the same or similar claims and may assert claims against us, even if we are unaware of their intellectual property rights. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our platform or services or from using certain technologies, require that we implement expensive workarounds, or require that we comply with other unfavorable conditions.

We may incur substantial costs or take material action to resolve claims or litigation, whether or not successfully asserted against us, which could include payment of significant settlement, royalty, or license fees; modification or discontinuation of our products and services; or issuance of refunds to customers. We may also be obligated, without contractual limitation of liability provisions to limit our exposure, to indemnify our customers or business partners for such claims or litigation. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time consuming and divert the attention of our management and key personnel from our business operations. During the course of any litigation, we may make announcements regarding the results of hearings and motions and other interim developments, which could cause the market price of our Class A common stock to decline if securities analysts and investors view those announcements negatively.

The requirements of being a public company, including maintaining adequate internal control over our financial and management systems, may strain our resources, divert management's attention, and affect our ability to attract and retain executive management and qualified board members.

As a public company we incur significant legal, accounting, and other expenses. We are subject to reporting requirements of the Securities Exchange Act of 1934, as amended, ("Exchange Act"), the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), the rules subsequently implemented by the U.S. Securities and Exchange Commission ("SEC"), the rules and regulations of the listing standards of the New York Stock Exchange ("NYSE"), and other applicable securities rules and regulations. Compliance with these rules and regulations strains our financial and management systems, internal controls, and employees.

The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results. Moreover, the Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls, procedures, and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls, procedures, and internal control over financial reporting to meet this standard, significant resources and management oversight may be required.

In addition, we are required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. We have incurred and expect to continue to incur significant expenses and devote substantial management effort toward ensuring compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, operating results, and financial condition. To assist us in complying with these requirements we may need to hire more employees in the future, or engage outside consultants, which will increase our operating expenses.

Public company director and officer liability insurance is expensive, and we have recently been, and likely will continue to be, required to incur higher costs to obtain and maintain the same or similar coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors and qualified executive officers.

As reported in our Annual Report on Form 10-K for the fiscal year ended January 31, 2020, we had material weaknesses in our internal control over financial reporting. While we remediated these material weaknesses during the fiscal year ended January 31, 2021 and concluded that our internal control over financial reporting was effective as of January 31, 2022 and 2021, such remediation does not guarantee that our remediated controls will continue to operate properly, or that we will not experience another material weakness in the future.

Internal controls related to the operation of technology systems are critical to maintaining adequate internal control over financial reporting. As disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended January 31, 2020, filed with the SEC on March 31, 2020, management had identified material weaknesses evidencing an ineffective control environment relating to: (i) certain revenue and billing processes; (ii) ineffective information technology general controls in the areas of user access, program change-management, and computer operations controls over certain information technology systems that support our financial reporting processes; and (iii) insufficient resources with an appropriate level of controls knowledge and expertise commensurate with our financial reporting requirements. As a result, management concluded that our internal control over financial reporting was not effective as of January 31, 2020. These material weaknesses were remediated during the year ended January 31, 2021, and we concluded that our internal control over financial reporting was effective as of January 31, 2022 and 2021. However, we recognize that maintaining adequate internal control over financial reporting will continue to require significant management attention and expense, and we cannot assure you that we will not identify similar material weaknesses in the future. If new material weaknesses are identified in our internal controls then the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding the timely filing of periodic reports or the NYSE listing requirements, investors may lose confidence in our financial reporting, and our share price could decline.

We intend to evaluate acquisitions or investments in third-party technologies and businesses, but we may not realize the anticipated benefits from, and may have to pay substantial costs related to, any acquisitions, mergers, joint ventures, or investments that we undertake.

As part of our business strategy, we continually evaluate acquisitions of, or investments in, a wide array of potential strategic opportunities, including third-party technologies and businesses. We may be unable to identify suitable transaction candidates in the future or to make these transactions on a commercially reasonable basis, or at all. The evaluation of potential acquisitions and investments requires diversion of time and resources from normal business operations and may cause us to incur fees owed to outside advisors. Any transactions that we enter into could be material to our financial condition and operating results. Such transactions may not result in the intended benefits to our business, and we may not successfully evaluate or utilize any acquired technology, offerings, or personnel, or accurately forecast the financial effect of a transaction. Although we conduct reasonably extensive due diligence of any transaction target entity, such due diligence may not reveal every concern that may exist with the target entity, the proposed transaction, and any subsequent integration. The process of acquiring a company or integrating an acquired company, business, technology, or personnel into our own company is subject to various risks and challenges, including:

- diverting management time and focus from operating our business to acquisition integration;
- disrupting our respective ongoing business operations;
- customer and industry acceptance of the acquired company's offerings;
- implementing or remediating the controls, procedures, and policies of the acquired company;
- integrating acquired technologies into our own platform and technologies;

- our ability to ensure that we maintain quality and security standards for the acquired technology consistent with our brand;
- retaining and integrating acquired employees;
- failing to maintain important business relationships and contracts;
- failing to realize any anticipated synergies;
- using cash or equity that we may need in the future to operate our business or incurring debt on terms unfavorable to us or that we are unable to pay;
- liability for activities of the acquired company before the acquisition;
- liability arising from contracts entered into by the acquired company before the acquisition, which may include contracts that are in active breach by the company or another party thereto, or contracts which may not align with our acceptable contracting principles or liability limitations;
- litigation or other claims arising in connection with the acquired company;
- impairment charges associated with goodwill and other acquired intangible assets; and
- other unforeseen operating difficulties and expenditures.

Our limited experience acquiring companies may increase these risks. Our inability to address these risks or other problems we encounter with our acquisitions and investments could result in a failure to realize the anticipated benefits of such acquisitions or investments, unanticipated liabilities, and harm to our business.

Risks Related to Ownership of Our Common Stock

The market price of our Class A common stock has been and will likely continue to be volatile, and you could lose all or part of your investment.

The market price of our Class A common stock has been, and will likely continue to be, volatile. Since shares of our Class A common stock were sold in our IPO in April 2018 at a price of \$15.00 per share, our stock price has ranged from \$18.06 to \$85.65 through March 18, 2022. In addition to the factors discussed in this Annual Report on Form 10-K, the trading prices of the securities of technology companies in general have been highly volatile.

The market price of our Class A common stock may continue to fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- price and volume fluctuations in the overall stock market or in the trading volume of our shares or the size of our public float;
- negative publicity related to the real or perceived quality of our platform, as well as the failure to timely launch new features, integrations, or services that gain market acceptance;
- actual or anticipated fluctuations in our revenue or other operating metrics;
- changes in the financial projections we provide to the public or our failure to meet financial projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of investors;
- recruitment or departure of key personnel;
- changes in accounting standards, policies, guidelines, interpretations, or principles;

- the economy as a whole and market conditions in our industry, including inflation and interest rates;
- rumors and market speculation involving our company or other companies in our industry;
- actual or perceived failures or breaches of security or privacy, and the costs associated with responding to and addressing any such actual or perceived failures or breaches;
- announcements by us or our competitors of significant innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- indemnity demands or lawsuits threatened or filed against us;
- other events or factors, including those resulting from wars and conflicts, incidents of terrorism, public health concerns or epidemics, or responses to these events;
- sales of our Class A common stock held by our large institutional shareholders; and
- sales of additional shares of our Class A common stock by us, our directors and executive officers, or our other shareholders.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities. In particular, the stock markets have been volatile in response to the COVID-19 pandemic, the Russia/Ukraine conflict, macroeconomic conditions such as inflation and interest rates, and for companies in the technology industry generally, and extreme volatility has also resulted for companies that have been targeted for “short squeeze” opportunities. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, shareholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and harm our business.

Sales of a substantial amount of our Class A common stock in the public markets, particularly sales by our directors, executive officers, and significant shareholders, or the perception that these sales may occur, may cause the market price of our Class A common stock to decline.

Shares held by our employees, executive officers, directors, and the majority of our security holders are currently tradeable in the public market, subject in certain cases to volume limitations under Rule 144 of the Securities Act of 1933, as amended (the “Securities Act”), various vesting agreements, as well as our insider trading policy. Sales of a substantial number of such shares, or the perception that such sales may occur, could cause our market price to fall or make it more difficult for you to sell your Class A common stock at a time and price that you deem appropriate.

In addition, we have filed a registration statement to register shares reserved for future issuance under our equity compensation plans. Subject to the satisfaction of vesting conditions, the shares issued upon exercise of outstanding stock options or settlement of outstanding restricted stock units (“RSUs”) will be available for immediate resale in the United States in the open market.

Further, certain holders of our Class A common stock are, subject to certain conditions, entitled under contracts providing for registration rights, to require us to register shares owned by them for public sale in the United States.

We may also issue our shares of common stock or securities convertible into shares of our common stock from time to time in connection with a financing, acquisition, investment, or otherwise. Any further issuance could result in substantial dilution to our existing shareholders and cause the market price of our Class A common stock to decline.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our company, the price and trading volume of our Class A common stock could decline.

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about our company, our market, and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on our company on a regular basis, demand for our Class A common stock could decrease, which might cause our market price or trading volume to decline.

Provisions in our corporate charter documents and under Washington law could make an acquisition of our company, which may be beneficial to our shareholders, more difficult and may prevent attempts by our shareholders to replace or remove our current management.

Provisions in our amended and restated articles of incorporation and bylaws may discourage, delay, or prevent a merger, acquisition, or other change in control of our company that shareholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of our board of directors. Among other things, these provisions:

- established a classified board of directors so that not all members of our board are elected at one time;
- permit only the board of directors to establish the number of directors and fill vacancies on the board;
- eliminated the ability of our shareholders to call special meetings of shareholders;
- prohibit shareholder action by written consent unless the consent is unanimous, which requires all shareholder actions to be taken at a meeting of our shareholders;
- established advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by shareholders at annual shareholder meetings;
- prohibit cumulative voting;
- provide that directors may only be removed “for cause” and only with the approval of two-thirds of the voting power of our outstanding shares;
- require supermajority voting to amend some provisions in our amended and restated articles of incorporation and amended and restated bylaws; and
- authorized the issuance of “blank check” preferred stock that our board could use to implement a shareholder rights plan, also known as a “poison pill.”

In addition, under Washington law, shareholders of public companies can act by written consent only by obtaining unanimous written consent. This limit on the ability of our shareholders to act by less than unanimous consent may lengthen the amount of time required to take shareholder action.

Moreover, because we are incorporated in the State of Washington, we are governed by the provisions of Chapter 23B.19 of the Washington Business Corporation Act (“WBCA”), which prohibits a “target corporation” from engaging in any of a broad range of business combinations with any “acquiring person,” which is defined as a person or group of persons who beneficially owns 10% or more of the voting securities of the “target corporation,” for a period of five years following the date on which the shareholder became an “acquiring person.”

Any of these provisions of our charter documents or Washington law could, under certain circumstances, depress the market price of our Class A common stock. See Exhibit 4.3 to this Annual Report on Form 10-K for the fiscal year ended January 31, 2022 titled “Description of Securities Under Section 12 of the Securities Exchange Act of 1934, as amended.”

Our amended and restated articles of incorporation designate the federal and state courts located within the State of Washington as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or agents.

Our amended and restated articles of incorporation provide that, unless we consent in writing to an alternative forum, the federal courts located in the State of Washington are the sole and exclusive forum for claims under the Securities Act, and the federal and state courts located within the State of Washington ("Washington Courts"), are the sole and exclusive forum for any internal corporate proceedings (as defined in the WBCA), subject to such courts having personal jurisdiction over the indispensable parties named as defendants therein and the claim not being one that is vested in the exclusive jurisdiction of a court or forum other than in Washington Courts, or for which the Washington Courts do not have subject matter jurisdiction. Any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to this provision of our amended and restated articles of incorporation.

This choice of forum provision may limit our shareholders' ability to bring a claim in a judicial forum that it finds favorable for internal corporate proceedings, which may discourage such lawsuits even though an action, if successful, might benefit our shareholders. Shareholders who do bring a claim in Washington Courts could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near the State of Washington. Washington Courts may also reach different judgments or results than would other courts, including courts where a shareholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our shareholders. Alternatively, if a court were to find this provision of our amended and restated articles of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could have an adverse effect on our business, financial condition or operating results.

Risks Related to Governmental Regulation including Taxation

We are subject to laws and regulations affecting our business, including those related to marketing, advertising, privacy, data protection and information security. Our actual or perceived failure to comply with laws or regulations could harm our business. Complying with laws and regulations, in particular those related to privacy and data protection, could also result in additional costs and liabilities to us or inhibit sales of our platform and services.

We receive, store and process personal information and other data from and about customers, our employees, partners, and service providers. In addition, customers use our products and solutions to obtain and store personal information, health information (including protected health information), and personal financial information. Our handling of data is thus subject to a variety of laws and regulations, including regulation by various government agencies, such as the U.S. Federal Trade Commission (the "FTC"), the U.S. Department of Health and Human Services Office for Civil Rights ("OCR"), and various state, local and foreign agencies and other authorities. Our data handling also is subject to contractual obligations and industry standards.

We have internal policies and publicly posted documentation regarding our collection, processing, use, disclosure, deletion and security of information. Although we endeavor to comply with our policies and documentation, we may at times fail to do so or be accused of having failed to do so. The publication of our privacy practices and other documentation that provide commitments about data privacy and security can subject us to potential actions if they are found to be deceptive, unfair, or otherwise misrepresent our actual practices, which could materially and adversely affect our business, financial condition and results of operations.

The U.S. federal government and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use and storage of data relating to individuals and businesses, including the use of contact information and other data for marketing, advertising, and other communications with individuals and businesses. In the United States, various laws, regulations, and agency rules and opinions apply to the collection, processing, disclosure, and security of certain types of data, including:

- The Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the Gramm Leach Bliley Act (“GLBA”), the Health Insurance Portability and Accountability Act (“HIPAA”), and various state laws relating to privacy and data security. As an example, HIPAA imposes mandatory contractual terms and other obligations with respect to safeguarding the privacy, security, and transmission of protected health information. We may function as a HIPAA business associate for certain of our customers and, as such, are subject to applicable privacy and data security requirements. Failure to comply with HIPAA can result in significant civil monetary penalties and, in certain circumstances, criminal penalties.
- Additionally, the FTC and many state attorney generals are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, dissemination, and security of data. For example, in June 2018, California enacted the CCPA, which became operative on January 1, 2020 and broadly defines personal information, gives California residents expanded privacy rights and protections, and provides for civil penalties for violations and a private right of action for data breaches. Additionally, a new privacy law, the CPRA, recently was approved by California voters in the November 2020 election. The CPRA will significantly modify the CCPA, and goes into effect and fully supersedes CCPA on January 1, 2023. The CPRA will significantly modify the CCPA, including by expanding consumers’ rights and establishing a new state agency that will be vested with authority to implement and enforce the CPRA. For example, the CPRA and the CCPA may lead other states to pass comparable legislation, with potentially greater penalties, and more rigorous compliance requirements relevant to our business. Virginia enacted the VCDA and Colorado enacted the CDA, respectively, which have similar requirements and obligations to the CCPA.

Internationally, many countries have established their own data privacy and security legal framework with which we, our customers and partners may need to comply. For example, in Europe, the GDPR took effect on May 25, 2018, and contains numerous requirements and changes from previously existing European law, including more robust obligations on data controllers and processors and more fulsome documentation requirements for data protection compliance programs by companies. As a result of our presence in Europe and the United Kingdom and our products and services being offered in the European Union and the United Kingdom, we are subject to the GDPR, UK GDPR, and UK Data Protection Act 2018, all of which impose stringent data protection and cybersecurity requirements, and could increase the risk of non-compliance and the costs of providing our services in a compliant manner. A breach of the GDPR or UK GDPR could result in regulatory investigations, reputational damage, fines and sanctions, orders to cease or change our processing of our data, enforcement notices, or assessment notices (for a compulsory audit). Such penalties are in addition to any civil litigation claims by customers and data subjects. We may also face civil claims including representative actions and other class action-type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

The GDPR and UK GDPR also impose strict rules on the transfer of personal data out of the European Union or UK (as applicable) to a “third country,” including the United States. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data from the EU and the United Kingdom to the United States. On July 16, 2020, the Court of Justice of the European Union (the “CJEU”) invalidated the EU-U.S. Privacy Shield Framework, or Privacy Shield, under which personal data could be transferred from the EEA to U.S. entities who had self-certified under the Privacy Shield scheme. While the CJEU upheld the adequacy of the standard contractual clauses (a standard form of contract approved by the EU Commission as an adequate personal data transfer mechanism, and potential alternative to the Privacy Shield), it made clear that reliance on them alone may not necessarily be sufficient in all circumstances. Use of the standard contractual clauses must now be assessed on a case-by-case basis, taking into account the legal regime applicable in the destination country, in particular applicable surveillance laws and rights of individuals and additional measures and/or contractual provisions may need to be put in place, however, the nature of these additional measures is currently uncertain. The CJEU went on to state that if a competent supervisory authority believes that the standard contractual clauses cannot be complied with in the destination country and the required level of protection cannot be secured by other means, such supervisory authority is under an obligation to suspend or prohibit that transfer. To safeguard data transfers from the EEA to other jurisdictions, including the United States, we currently utilize standard contractual clauses approved by the EU Commission.

The EU Commission has also published revised standard contractual clauses for data transfers from the EEA: the revised clauses must be used for relevant new data transfers from September 27, 2021 and existing standard contractual clauses arrangements must be migrated to the revised clauses by December 27, 2022. Where we continue to rely on standard contractual clauses, we will need to implement the revised standard contractual clauses, in relation to relevant existing contracts and vendor/customer arrangements, within the relevant time frames. There is some uncertainty around whether the revised clauses can be used for all types of data transfers, particularly whether they can be relied on for data transfers to non-EEA entities subject to the GDPR.

The relationship between the United Kingdom and the European Union in relation to certain aspects of data protection law remains unclear, and it is unclear how U.K. data protection laws and regulations, including those regarding data transfers to and from the United Kingdom, will develop in the medium to longer term. For example, while the EU Commission has adopted an adequacy decision in favor of the United Kingdom, enabling data transfers from EU member states to the United Kingdom without additional safeguards, the decision will automatically expire in June 2025 unless the EU Commission re-assesses and renews/extends it. These developments and this uncertainty may lead to additional costs and increase our overall risk exposure.

We expect that new laws, regulations and industry standards will continue to be proposed and enacted relating to privacy, data protection, marketing, advertising, consumer communications, and information security in the United States, the EU and other jurisdictions, and we cannot determine the impact such future laws, regulations and standards may have on our business. Future laws, regulations, standards and other obligations or any changed interpretation of existing laws or regulations could impair our ability to develop and market new functionality and maintain and grow our customer base and increase revenue. Future restrictions on the collection, use, sharing, or disclosure of data or additional requirements for the express or implied consent of our customers, partners, or end consumers for the use and disclosure of such information could require us to incur additional costs or modify our products and solutions, possibly in a material manner, and could limit our ability to develop new functionality.

If we are not able to comply with these laws or regulations or if we become liable under these evolving laws or regulations, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain solutions, which would negatively affect our business, operating results, and financial condition. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business and operating results.

Additionally, any failure or perceived failure by us to comply with laws, regulations, policies, legal or contractual obligations, industry standards, or regulatory guidance relating to privacy or data security, may result in governmental investigations and enforcement actions (including, for example, a ban by EU data protection authorities on the processing of EU personal data under the GDPR), litigation, fines and penalties or adverse publicity, and could cause our customers and partners to lose trust in us, which could have an adverse effect on our reputation and business.

Changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for our platform and services and could harm our business.

U.S. federal, state, or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations relating to Internet usage. The adoption of any laws or regulations that could reduce the growth, popularity, or use of the Internet, including laws or practices regarding Internet neutrality, could decrease the demand for, or the usage of, our platform and services, increase our cost of doing business, and harm our operating results. Changes in these laws or regulations could also require us to modify our platform in order to comply. In addition, government agencies or private organizations may begin to impose taxes, fees, or other charges for accessing the Internet or for commerce conducted via the Internet. These laws or charges could limit the growth of Internet-related commerce or communications, or reduce demand for Internet-based services and platforms such as ours.

Further, we use email as part of our platform for communication and workflow management. Internet service providers continually develop new technologies to filter messages deemed to be unwanted before they reach users' inboxes, which may interfere with the deliverability of email messages from our platform. Government regulations and laws regarding electronic communications, evolving practices regarding the use of email, or misuse of our email features by customers, could restrict our use of email. Any deliverability issues or restrictions on our use of email would reduce functionality of our platform, impact user adoption, and harm our business.

In addition, the use of the Internet and, in particular, cloud-based solutions, could be adversely affected by delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the Internet has been adversely affected by "viruses," "worms," and similar malicious programs; businesses have experienced a variety of outages and other delays as a result of damage to Internet infrastructure. These issues could diminish the overall attractiveness of, and demand for, our platform.

We could be subject to additional sales tax or other tax liabilities.

State, local, and foreign taxing jurisdictions have differing rules and regulations governing sales, use, value added, and other taxes, and these rules and regulations are subject to varying interpretations that may change over time. In particular, the applicability of sales taxes to our platform in various jurisdictions is unclear. It is possible that we could face tax audits and that our liability for these taxes could exceed our estimates as taxing authorities could still assert that we are obligated to collect additional amounts as taxes from our customers and remit those taxes to those authorities. Additionally, we do not collect such transaction taxes in all jurisdictions in which we have sales, based on our understanding that such taxes are not applicable or an exemption from such taxes applies. If we become subject to tax audits in these jurisdictions and a successful assertion is made that we should be collecting sales, use, value added, or other taxes where we have not historically done so, it could result in substantial tax liabilities for past sales; discourage customers from purchasing our products; or otherwise harm our business, operating results, and financial condition.

Further, an increasing number of states and foreign jurisdictions have considered or adopted laws or administrative practices, with or without notice, that impose new taxes on all or a portion of gross revenue or other similar amounts or impose additional obligations on remote sellers to collect transaction taxes such as sales, consumption, value added, or similar taxes. If new laws are adopted in a jurisdiction where we do not collect such taxes, we may not have sufficient lead time to implement systems and processes to collect these taxes. Failure to comply with such laws or administrative practices, or a successful assertion by such states or foreign jurisdictions requiring us to collect taxes where we do not, could result in substantial tax liabilities, including for past sales, as well as penalties and interest. In addition, if the tax authorities in jurisdictions where we are already subject to sales tax or other indirect tax obligations were to successfully challenge our positions, our tax liability could increase substantially.

Our ability to use our net operating loss to offset future taxable income may be subject to certain limitations.

As of January 31, 2022, we had U.S. federal net operating loss carryforwards ("NOLs"), of approximately \$588.4 million. In general, under Section 382 of the Internal Revenue Code of 1986, as amended ("Code"), a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs to offset future taxable income. As a result, our existing NOLs may be subject to limitations arising from previous ownership changes.

Future changes in our stock ownership, the causes of which may be outside of our control, could result in an ownership change under Section 382 of the Code. Our NOLs may also be impaired under state laws. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs, whether or not we attain profitability.

Changes in tax laws or regulations could be enacted or existing tax laws or regulations could be applied to us or our customers in a manner that could increase the costs of our platform and services and harm our business.

Income, sales, use, value added, or other tax laws, statutes, rules, regulations, or ordinances could be enacted or amended at any time, possibly with retroactive effect, and could be applied solely or disproportionately to products and services provided over the Internet. These enactments or amendments could reduce our sales activity by increasing gross sales prices, inclusive of tax, and ultimately harm our operating results and cash flows.

Additionally, any changes to, or the reform of, current U.S. tax laws that may be enacted in the future could impact the tax treatment of our foreign earnings. Currently, we have not accumulated significant foreign earnings; however, this could change on a go-forward basis as our international operations continue to develop. In addition, due to the expansion of our international business activities, any changes in the U.S. taxation of such activities may increase our worldwide effective tax rate and adversely affect our financial position and operating results.

The application of U.S. federal, state, local, and international tax laws to services provided electronically is unclear and continuously evolving. Existing tax laws, statutes, rules, regulations, or ordinances could be interpreted or applied adversely to us, possibly with retroactive effect, which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties, as well as interest for past amounts. If we are unsuccessful in collecting such taxes due from our customers, we could be held liable for such costs, thereby adversely affecting our operating results and harming our business.

Failure to comply with Federal Acquisition Regulation clauses or anti-corruption and anti-money laundering laws, including the FCPA and similar laws associated with our activities outside of the United States, could subject us to penalties and other adverse consequences.

We are subject to contractual clauses promulgated under the Federal Acquisition Regulations (“FAR”), the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act 2010, and other anti-bribery and anti-money laundering laws in countries in which we conduct activities. We face significant risks if we fail to comply with the FCPA and other anti-corruption laws that prohibit companies and their employees and third-party intermediaries from promising, authorizing, offering, or providing, directly or indirectly, improper payments or anything of value to foreign government officials, political parties, and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person, or securing any advantage. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. As we expand our international business activities, our potential liabilities under these laws and regulations will increase.

In addition, we use various third parties to sell our products and services and conduct our business abroad and with the federal government. We or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and we can be held liable for the corrupt or other illegal activities of these third-party intermediaries, and our employees, representatives, contractors, partners, and agents, even though such activities would violate our internal policies and even if we do not explicitly authorize such activities. We have implemented an anti-corruption compliance program and adopted an anti-corruption policy, but we cannot assure you that all our employees and agents, as well as those companies to which we outsource certain of our business operations, will comply with our policies and applicable law, and we may be ultimately held responsible for any such non-compliance.

Any breach of applicable FAR clauses or violation of the FCPA or the laws underlying the applicable FAR clauses, other applicable anti-corruption laws, or anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and, in the case of the FCPA, suspension or debarment from U.S. government contracts, any of which could have a materially adverse effect on our reputation, business, operating results, and prospects. In addition, responding to any enforcement action may result in a significant diversion of management’s attention and resources and significant defense costs and other professional fees.

Governmental export or import controls could limit our ability to compete in foreign markets and subject us to liability if we violate them.

Our products and services may be subject to U.S. export controls, including U.S. Export Administration Regulations administered by the Department of Commerce's Bureau of Industry and Security, and we incorporate encryption technology into certain features. U.S. export controls may require submission of a product classification and annual or semi-annual reports. Governmental regulation of encryption technology and regulation of imports or exports of encryption products, or our failure to obtain required import or export authorization or licenses for our products and services, when applicable, could harm our international sales and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the export of our products and services may create delays in the introduction of our feature releases in international markets, prevent our customers with international operations from using our platform and services or, in some cases, prevent the use of our products and services in some countries or regions altogether. If we fail to comply with such regulations we may be subject to criminal and civil penalties.

Furthermore, economic sanctions prohibit the distribution of certain products and the provisioning of technology and services to countries, governments, and persons identified by government sanction programs, including trade sanctions regulations maintained by the U.S. Department of Treasury's Office of Foreign Assets Control. If we fail to comply with such economic sanctions or fail to maintain controls sufficient to monitor our compliance on an ongoing basis, we may suffer reputational harm and the government may fine or impose other penalties on us, including a denial of certain export privileges or civil penalties. While our controls and policies are designed to prevent the shipment of certain products and services to countries, governments, and persons identified by government sanction programs, we may not be able to prevent such shipment from occurring, and these controls may not be fully effective.

Moreover, any new export or import restrictions, trade sanctions, new legislation, or shifting approaches in the enforcement or scope of existing regulations could result in decreased use of our products or services by, or in our decreased ability to export or sell our services or access to our platform to, existing or potential customers with international operations. Any decreased use of our products or services, or limitation on our ability to export or sell our services or access to our platform, would likely adversely affect our business.

General Risk Factors

The loss of one or more of our key personnel could harm our business.

Our success depends largely upon the continued service of our senior management team, which provides leadership and contributions in the areas of product development, operations, security, marketing, sales, customer support, finance and accounting, legal, and compliance. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. Further, if any of our senior management team becomes subject to significant illness, including related to COVID-19, they may be unable to provide leadership and contributions at pre-existing levels until fully recovered.

We do not have employment agreements with any member of our senior management team, and we do not maintain key person life insurance for any employee. The loss of one or more of our key employees or members of our senior management team, especially our President and Chief Executive Officer, Mark P. Mader, may be disruptive to our business.

Contractual disputes or commitments, including indemnity obligations, may be costly, time-consuming, may result in contract or relationship terminations, and could harm our reputation.

The sale of our products and services to customers, and our engagements with other vendors and partners, are contract intensive and we are a party to contracts globally. Contract terms with such parties are not always standardized and may be subject to differing interpretations, which could result in contractual disputes. Our contracts with customers contain a wide variety of operational commitments, including security and privacy obligations and regulatory compliance requirements. If we fail to meet such commitments; if our customers notify us of an alleged contract breach, make claims for damages arising from their use of our platform, or otherwise dispute any provision under our contracts, the resolution of any such failure, disputes, or claims in a manner adverse to us could negatively affect our operating results. Even the existence of such issues, or resolution in a manner favorable to us could negatively affect our operating results due to the loss of customer goodwill, termination of revenue-generating contracts, or the costs associated with defending or enforcing our contractual rights.

Further, certain of our customer agreements contain service level commitments. If we are unable to meet the stated service level commitments, including uptime requirements, we may be contractually obligated to provide these affected customers with service credits or refunds which could significantly affect our revenue in the period in which the uptime failure occurs or the period in which the credits are due. We could also face subscription terminations, which may significantly affect both our current and future revenue. We have issued credits and other recompense to customers in the past based on outages experienced by our platform. Additional service level failures could damage our reputation, which would also affect our future revenue and operating results.

Our agreements with customers, vendors, and partners may also include provisions under which we agree to provide certain defense and indemnity obligations for losses suffered or incurred as a result of third-party claims of intellectual property infringement or other liabilities relating to or arising from our contractual obligations. Indemnity payments and defense costs may be substantial and could harm our business, operating results, and financial condition. Any dispute involving a customer and relating to such indemnity obligations could have adverse effects on our relationship with that customer and other existing or potential customers, and may harm our business and operating results. There can be no assurance that contractual provisions will protect us from liability for damages in the event we are sued by parties with which we contract, or if we are called upon to fulfill indemnification obligations.

We may be subject to litigation or regulatory proceedings for a variety of claims, which could adversely affect our operating results, harm our reputation, or otherwise negatively impact our business.

From time to time, we may be involved as a party to, or an indemnitor in, disputes or regulatory inquiries that arise in the ordinary course of business. These may include alleged claims, lawsuits, and proceedings regarding labor and employment issues, commercial disagreements, securities law violations, merger and acquisition activity, and other matters. For example, we recently settled a lawsuit seeking indemnification from the Company in connection with a lawsuit against a former director and shareholder to which we are not a party. We expect that the number and significance of these potential disputes may increase as our business expands and our company grows larger.

Although we carry general liability, employment practices, and director and officer liability insurance coverage, our insurance may not cover all potential claims to which we are exposed or may not be adequate to indemnify us for all liability that may be imposed. Any claims made against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time, and result in the diversion of significant operational resources. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business, financial condition, operating results, and prospects.

Our reported financial results may be harmed by changes in the accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. Other companies in our industry may apply these accounting principles differently than we do, adversely affecting the comparability of our consolidated financial statements.

Adverse economic and market conditions and reductions in productivity spending may harm our business.

Our business depends on the overall demand for cloud-based collaborative work management platforms and on the economic health of our current and prospective customers. The United States has experienced cyclical downturns from time to time that have resulted in a significant weakening of the economy, more limited availability of credit, a reduction in business confidence and activity, and other difficulties that may affect one or more of the industries to which we sell subscriptions and services. Further, our operations expose us to risks associated with public health crises, such as the COVID-19 pandemic, which could harm our business and cause our operating results to suffer. COVID-19 has created significant worldwide operational and economic volatility, uncertainty, and disruption, and the extent to which COVID-19's transition from pandemic to an endemic disease will adversely impact our business in the future is highly uncertain, rapidly changing, and cannot be accurately predicted.

In addition, the COVID-19 pandemic has significantly impacted areas where we operate and areas of customer and user concentration. The impact of the COVID-19 pandemic has limited, for an indefinite period of time, the business activities of our employees, partners, and customers, including due to shutdowns that have been and may continue to be requested or mandated by government authorities, or due to safety measures implemented by businesses themselves. Our response in taking precautions against COVID-19 has resulted in our employees utilizing alternative working arrangements and limiting travel. The ongoing effects of these precautions are unknown, may negatively impact the productivity of our employee base, may have a disproportionately negative impact on our sales and operations functions, and may result in adverse tax consequences, all of which could have an adverse effect on our business, operating results, and financial condition. The COVID-19 pandemic has also resulted in certain government closures and supply chain disruptions, which has impacted specific areas of our business.

Continued uncertainty due to the COVID-19 pandemic, in particular concerning variants and vaccine efficacy, and the transition of COVID-19 from pandemic to an endemic disease, as well as general economic uncertainty and associated macroeconomic conditions, make it extremely difficult for us and our customers to accurately forecast and plan future business activities, which could cause customers to delay or reduce their information technology spending. This could result in reductions in sales of our platform and services, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies, and increased price competition. Any of these events could harm our business and operating results. In addition, there can be no assurance that cloud-based collaborative work management and productivity spending levels will increase following any recovery.

Political developments, including wars and conflicts, and their associated effects may harm our business.

Political developments, wars and conflicts, government shutdowns in the United States, Brexit and other governmental changes, and trade disputes and tariffs may negatively impact markets and cause weaker macroeconomic conditions. Such conditions have created and may in the future create economic, operational, and political uncertainty, including volatility in global financial markets and the value of foreign currencies. The current Russia/Ukraine conflict, and any laws, sanctions, or regulations resulting therefrom, may impact our ability to do business in those or other jurisdictions; we continue to monitor the conflict for potential and actual impact to our business. The persistence or escalation of the Russia/Ukraine conflict could adversely affect our business in those jurisdictions and more broadly in the geographic area. We continue to monitor developments and may adjust our business plans in compliance with applicable law, sanctions, regulations, and as necessary to support our customers and employees.

The impact of wars, conflicts, domestic and international political developments, and governmental changes may not be fully realized for several years or more, and uncertainty in their effects may cause some of our customers or potential customers to curtail spending and may ultimately result in new regulatory, operational, and cost challenges to our global operations. These adverse conditions could result in reductions in sales of our platform, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies, and increased price competition. Any of these events would likely have an adverse effect on our business, operating results, and financial position.

Catastrophic events may disrupt our business.

Natural disasters or other catastrophic events may cause damage or disruptions to our operations. Our corporate headquarters are located in the greater Seattle area, an earthquake-prone region and an area that has been significantly affected by the COVID-19 pandemic. Additionally, we rely on our network and third-party infrastructure and enterprise applications, internal technology systems, and our website for our development, marketing, operational support, and sales activities. In the event of a major earthquake, hurricane, or catastrophic event such as fire, power loss, telecommunications failure, social unrest, cyber-attack, war, or terrorist attack, our disaster recovery and business continuity plans may be inadequate and we may endure system interruptions, reputational harm, delays in our product development, lengthy interruptions in our platform and services, breaches of data security, loss of critical data, and inability to continue our operations, all of which could harm our operating results. In addition, the long-term effects of climate change on general economic conditions and the technology industry in particular are unclear, and may heighten or intensify existing risk of natural disasters.

Investors' expectations of our performance relating to environmental, social, and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from certain investors, employees, and other stakeholders concerning corporate responsibility, specifically related to environmental, social, and governance factors. Some investors may use these factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies relating to corporate responsibility are inadequate. Third-party providers of corporate responsibility ratings and reports on companies have increased to meet growing investor demand for measurement of corporate responsibility performance. The criteria by which companies' corporate responsibility practices are assessed may change, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. If we elect not to or are unable to satisfy such new criteria, investors may conclude that our policies with respect to corporate responsibility are inadequate. We may face reputational damage in the event that our corporate responsibility procedures or standards do not meet the standards set by various constituencies.

Furthermore, if our competitors' corporate responsibility performance is perceived to be greater than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the event that we communicate certain initiatives and goals regarding environmental, social and governance matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors, employees, and other stakeholders, or, if our initiatives are not executed as planned, our reputation and business, operating results, and financial condition could be adversely impacted.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters are located in Bellevue, Washington, where we currently lease approximately 228,000 square feet under lease agreements that expire at various times from 2023 through 2029.

We also lease facilities on a long-term basis in Boston, Massachusetts; Denver, Colorado; Edinburgh, Scotland; London, England; and Sydney, Australia; and in several other locations on a short-term basis.

We believe that our facilities are suitable to meet our current needs. We intend to expand our facilities or add new facilities as we add employees and enter new geographic markets, and we believe that suitable additional or alternative space will be available as needed to accommodate any such growth.

Item 3. Legal Proceedings

From time to time in the normal course of business, we may be subject to various legal matters such as threatened or pending claims or proceedings. For further information on our legal proceedings, see Note 13, *Commitments and Contingencies*, in the notes to our consolidated financial statements included in this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock has been listed on the New York Stock Exchange under the symbol "SMAR" since April 27, 2018. Prior to that date, there was no public trading market for our Class A common stock.

Our Class B common stock is not listed or traded on any stock exchange. There are no shares of Class B common stock outstanding.

Holders of record

As of March 18, 2022, we had 120 holders of record of our Class A common stock. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of beneficial owners of our Class A common stock represented by these holders.

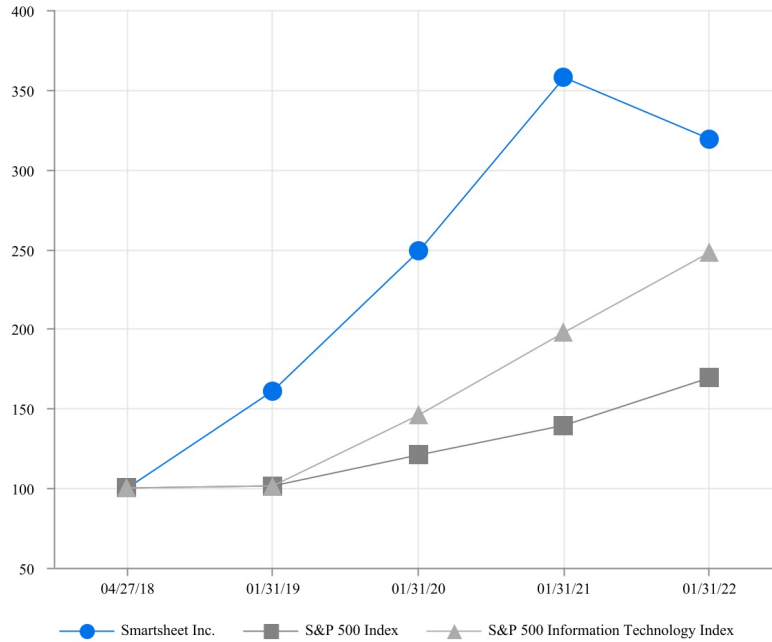
Dividend policy

We currently do not intend to declare or pay any cash dividends in the foreseeable future.

Stock performance graph

This stock performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Smartsheet Inc. under the Securities Act or the Exchange Act.

We have presented below the cumulative total return to our shareholders between April 27, 2018 (the date our Class A common stock commenced trading on the New York Stock Exchange) through January 31, 2022 in comparison to the Standard & Poor's 500 Index and Standard & Poor Information Technology Index. All values assume a \$100 initial investment and data for the Standard & Poor's 500 Index and Standard & Poor Information Technology Index assume reinvestment of dividends. The comparisons are based on historical data and are not indicative of, nor intended to, forecast the future performance of our Class A common stock.



Securities authorized for issuance under equity compensation plans

The information required by this item with respect to our equity compensation plans is incorporated by reference to our Proxy Statement for the 2022 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2022.

Recent sales of unregistered securities

None.

Issuer purchases of equity securities

None.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including but not limited to those discussed in the section titled "Risk Factors" and in other parts of this Annual Report on Form 10-K. Our fiscal year ends January 31. A discussion and analysis of our financial condition, results of operations, and cash flows for the year ended January 31, 2021 compared to the year ended January 31, 2020 is included in Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended January 31, 2021 filed with the SEC on March 25, 2021.

Overview

Smartsheet is the enterprise platform for dynamic work. We empower anyone to drive meaningful change. Our leading cloud-based platform enables teams and organizations to plan, capture, manage, automate, and report on work at scale, resulting in more efficient processes and better business outcomes. We were founded in 2005 with a vision to build a universal application for work management that does not require coding capabilities.

Unstructured or dynamic work is work that has historically been managed using a combination of email, spreadsheets, whiteboards, phone calls, and in-person meetings to communicate with team members and complete projects and processes. It is frequently changing, often ad-hoc, and highly reactive to new information. Our platform helps manage this kind of unstructured work and serves as a single source of truth across work processes, fostering accountability and engagement within teams, leading to more efficient decision-making and better business outcomes.

We generate revenue primarily from the sale of subscriptions to our cloud-based platform. For subscriptions, customers select the plan that meets their needs and can begin using Smartsheet within minutes. We offer three subscription levels to new customers: Pro, Business, and Enterprise, the pricing for which varies by the capabilities provided. Customers can also purchase Smartsheet Advance, which provides components that, in combination, enable customers to implement solutions for a specific use case or for large scale projects, initiatives, or processes. Some components are available for standalone purchase, including Connectors, which provide data integration and automation to third-party applications, and premium applications such as Dynamic View, Data Shuttle, Control Center, and Bridge. Additional subscriptions that can be integrated with our cloud-based platform include Resource Management, a resource planning solution that helps businesses find and schedule appropriate project teams, track and manage time, and forecast hiring needs; and Brandfolder, a digital asset management platform that enables workers to intuitively store, customize, and share creative assets. Professional services are offered to help customers create and administer solutions for specific use cases and for training purposes.

Customers can begin using our platform by purchasing a subscription directly from our website or through our sales force, starting a free trial, or working as a collaborator on a project.

Impact of COVID-19

In response to the COVID-19 pandemic, our executive leadership team and human resources leadership team began an ongoing monitoring of the situation. Beginning in early February 2020, and aligning with guidance provided by government agencies and international organizations, we took measures to restrict travel, institute a broad work-from-home policy, and limit visitors and office services. By mid-March 2020, and again aligning with guidance provided by government agencies and international organizations, we restricted all travel, mandated a work-from-home policy across our global workforce, fully closed our offices to all visitors and services, and migrated all customer-facing activities to virtual formats. As of January 31, 2022, our offices have reopened in accordance with applicable regional guidance. We continue to prioritize employee and community health and safety.

During the year ended January 31, 2022, purchasing decisions of certain customers continued to be impacted and sometimes deferred due to uncertainties around COVID-19. As long as the global economic environment is influenced by the COVID-19 pandemic, our existing customers may be hesitant to expand their use of Smartsheet and, in certain industries, may be more likely to churn.

We will continue to actively monitor the COVID-19 situation and may take further actions that alter our business operations, as may be required by federal, state, or local authorities, or that we determine are in the best interests of our employees, customers, partners, suppliers, and shareholders. Refer to Part I, Item 1A, *Risk Factors* for further discussion of the impact and possible future impacts of the COVID-19 pandemic on our business.

Key Business Metrics

We review the following key business metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

	January 31,		
	2022	2021	2020
Average annualized contract value per domain-based customer	\$ 6,977	\$ 5,103	\$ 3,643
Dollar-based net retention rate for all customers (trailing 12 months)	134 %	123 %	135 %
Customers with annualized contract values of \$100 thousand or more	1,026	588	350
Customers with annualized contract values of \$50 thousand or more	2,354	1,515	961
Customers with annualized contract values of \$5 thousand or more	15,150	11,874	9,079

Average ACV per domain-based customer

We use average annualized contract value (“ACV”) per domain-based customer to measure customer commitment to our platform and sales force productivity. We define average ACV per domain-based customer as total outstanding ACV for domain-based subscriptions as of the end of the reporting period divided by the number of domain-based customers as of the same date. We define domain-based customers as organizations with a unique email domain name.

Dollar-based net retention rate

We calculate dollar-based net retention rate as of a period end by starting with the ACV from the cohort of all customers as of the 12 months prior to such period end (“Prior Period ACV”). We then calculate the ACV from these same customers as of the current period end (“Current Period ACV”). Current Period ACV includes any upsells and is net of contraction or attrition over the trailing 12 months, but excludes subscription revenue from new customers in the current period. We then divide the total Current Period ACV by the total Prior Period ACV to arrive at the dollar-based net retention rate.

The dollar-based net retention rate is used by us to evaluate the long-term value of our customer relationships and is driven by our ability to retain and expand the subscription revenue generated from our existing customers.

Components of Results of Operations

Revenue

Subscription revenue

Subscription revenue primarily consists of fees from customers for access to our cloud-based platform. We recognize subscription revenue ratably over the subscription contract term beginning on the date access to our platform is provided, as no implementation work is required, assuming all other revenue recognition criteria have been met.

Professional services revenue

Professional services revenue primarily includes fees for consulting and training services. Our consulting services typically consist of platform configuration and use case optimization, and are primarily invoiced on a time and materials basis, with some smaller engagements being provided for a fixed fee. We recognize revenue for our consulting services as those services are delivered. Our training services are delivered either remotely or at the customer site. Training services are charged for on a fixed-fee basis and we recognize revenue as the training program is delivered. Our consulting and training services are generally considered to be distinct, for accounting purposes, and we recognize revenue as services are performed or upon completion of work.

Cost of revenue and gross margin

Cost of subscription revenue

Cost of subscription revenue primarily consists of expenses related to hosting our services and providing support, including employee-related costs such as salaries, wages, and related benefits, third-party hosting fees, software-related costs, amortization of acquisition-related intangibles, amortization of capitalized software, payment processing fees, costs of outside services to supplement our internal teams, allocated overhead, costs of Connectors between Smartsheet and third-party applications, and costs related to technical support services.

Cost of professional services revenue

Cost of professional services revenue consists primarily of employee-related costs for our consulting and training teams, costs of outside services to supplement our internal teams, allocated overhead, software-related costs, travel-related costs, and billable expenses.

Gross margin

Gross margin is calculated as gross profit expressed as a percentage of total revenue. Our gross margin may fluctuate from period to period as our revenue mix fluctuates, and as a result of the timing and amount of investments to expand our hosting capacity, our continued building of application support and professional services teams, and increased share-based compensation expense. As we continue to build our technology to expand to newer markets and geographies, we expect our gross margin to decline moderately.

Operating expenses

Research and development

Research and development expenses consist primarily of employee-related costs, software-related costs, allocated overhead, and costs of outside services used to supplement our internal staff. We consider continued investment in our development talent and our platform to be important for our growth. We expect our research and development expenses to increase in absolute dollars as our business grows and to gradually decrease over the long-term as a percentage of total revenue due to economies of scale.

Sales and marketing

Sales and marketing expenses consist primarily of employee-related costs, brand awareness and demand generation costs, allocated overhead, software-related costs, costs of outside services used to supplement our internal staff, amortization of acquisition-related intangibles, and travel-related expenses. Commissions earned by our sales force that are incremental to each customer contract, along with related fringe benefits and taxes, are capitalized and amortized over an estimated useful life of three years. We expect that sales and marketing expenses will increase in absolute dollars as we continue to invest in advertising and marketing initiatives. We expect sales and marketing costs to gradually decrease as a percentage of total revenue over the long-term due to economies of scale.

General and administrative

General and administrative expenses consist primarily of employee-related costs for accounting, finance, legal, IT, and human resources personnel. In addition, general and administrative expenses include non-personnel costs, such as accounting and legal costs, costs of outside services to supplement our internal staff, software-related costs, allocated overhead, certain tax, license, and insurance-related expenses, bad debt expense, and bank charges. We expect our general and administrative expenses to increase in absolute dollars as our business grows, and to gradually decrease over the long-term as a percentage of total revenue due to economies of scale.

Interest income

Interest income consists of interest income from our investment holdings. Due to the current near-zero interest rate environment, we expect our interest income in the near term to remain insignificant.

Other income (expense), net

Other income (expense), net consists of foreign exchange gains and losses, interest expense, and other non-operating income and expenses.

Income tax provision (benefit)

Our income tax provision (benefit) consists primarily of income taxes in foreign jurisdictions and state income taxes. We maintain a valuation allowance on our U.S. federal, state, and certain foreign deferred tax assets as we have concluded that it is not more likely than not that the deferred assets will be realized.

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our total revenue for those periods:

	Year Ended January 31,	
	2022	2021
(in thousands)		
Revenue		
Subscription	\$ 507,375	\$ 352,782
Professional services	43,457	32,731
Total revenue	550,832	385,513
Cost of revenue		
Subscription ⁽¹⁾	77,460	59,374
Professional services ⁽¹⁾	39,013	26,165
Total cost of revenue	116,473	85,539
Gross profit	434,359	299,974
Operating expenses		
Research and development ⁽¹⁾	165,440	118,722
Sales and marketing ⁽¹⁾	329,751	230,281
General and administrative ⁽¹⁾	109,204	71,443
Total operating expenses	604,395	420,446
Loss from operations	(170,036)	(120,472)
Interest income	48	1,444
Other income (expense), net	(813)	296
Net loss before income tax provision (benefit)	(170,801)	(118,732)
Income tax provision (benefit)	296	(3,753)
Net loss	\$ (171,097)	\$ (114,979)

(1) Amounts include share-based compensation expense as follows:

	Year Ended January 31,	
	2022	2021
(in thousands)		
Cost of subscription revenue	\$ 6,274	\$ 4,385
Cost of professional services revenue	3,788	2,146
Research and development	41,218	25,072
Sales and marketing	40,632	25,921
General and administrative	22,988	14,498
Total share-based compensation expense	\$ 114,900	\$ 72,022

The following table sets forth the components of our results of operations, for each of the periods presented, as a percentage of total revenue.

	Year Ended January 31,	
	2022	2021
Revenue		
Subscription	92 %	92 %
Professional services	8	8
Total revenue	100	100
Cost of revenue		
Subscription	14	15
Professional services	7	7
Total cost of revenue	21	22
Gross profit	79	78
Operating expenses		
Research and development	30	31
Sales and marketing	60	60
General and administrative	20	19
Total operating expenses	110	109
Loss from operations	(31)	(31)
Interest income	—	—
Other income (expense), net	—	—
Net loss before income tax provision (benefit)	(31)	(31)
Income tax provision (benefit)	—	(1)
Net loss	(31)%	(30)%

Note: Certain amounts may not sum due to rounding

Comparison of the years ended January 31, 2022 and 2021

Revenue

	Year Ended January 31,		Change	
	2022	2021	Amount	%
	(dollars in thousands)			
Revenue				
Subscription	\$ 507,375	\$ 352,782	\$ 154,593	44 %
Professional services	43,457	32,731	10,726	33 %
Total revenue	\$ 550,832	\$ 385,513	\$ 165,319	43 %
Percentage of total revenue				
Subscription revenue	92 %	92 %		
Professional services revenue	8 %	8 %		

Subscription revenue increased \$154.6 million, or 44%, for the year ended January 31, 2022 compared to the year ended January 31, 2021. The increase in revenue between periods was driven by increased sales of user-based subscription plans, which contributed \$93.4 million of the increase, followed by sales of pre-configured capabilities, which contributed \$61.2 million of the increase.

The increase in professional services revenue was primarily driven by an increase in demand for our consulting and training services.

Cost of revenue, gross profit, and gross margin

	Year Ended January 31,		Change	
	2022	2021	Amount	%
(dollars in thousands)				
Cost of revenue				
Subscription	\$ 77,460	\$ 59,374	\$ 18,086	30 %
Professional services	39,013	26,165	12,848	49 %
Total cost of revenue	\$ 116,473	\$ 85,539	\$ 30,934	36 %
Gross profit	\$ 434,359	\$ 299,974	\$ 134,385	45 %
Gross margin				
Subscription	85 %	83 %		
Professional services	10 %	20 %		
Total gross margin	79 %	78 %		

Cost of subscription revenue increased \$18.1 million, or 30%, for the year ended January 31, 2022 compared to the year ended January 31, 2021. The increase was primarily due to an increase of \$6.0 million in employee-related expenses due to increased headcount, of which \$2.1 million was related to share-based compensation expense, an increase of \$3.0 million in hosting fees, an increase of \$2.7 million in amortization of capitalized software, an increase of \$1.8 million in costs of outside services to supplement our internal staff, an increase of \$1.4 million in amortization of acquisition-related intangibles, an increase of \$1.2 million in software-related costs, an increase of \$1.0 million in credit card processing fees, an increase of \$0.8 million in costs of Connectors with third-party applications, and an increase of \$0.2 million in allocated overhead costs.

Our gross margin for subscription revenue was 85% and 83% for the years ended January 31, 2022 and 2021, respectively. The increase in gross margin during the year ended January 31, 2022 was driven primarily by an increase in subscription revenue that outpaced the related increase in personnel expenses. This was partially offset by an increase in costs related to hosting our platform and allocated overhead costs.

Cost of professional services revenue increased \$12.8 million, or 49%, for the year ended January 31, 2022 compared to the year ended January 31, 2021. The increase was primarily due to an increase of \$8.6 million in employee-related expenses, of which \$1.7 million was related to share-based compensation expense, an increase of \$3.6 million in costs of outside services to supplement our internal staff, and an increase of \$0.3 million in both allocated overhead costs and software-related costs.

Our gross margin for professional services revenue was 10% and 20% for the year ended January 31, 2022 and 2021, respectively. The decrease in gross margin during the year ended January 31, 2022 was primarily driven by increases in personnel expenses and expenses related to third-party service providers to supplement our internal staff that outpaced the related increase in professional services revenue.

Operating expenses

Research and development expenses

	Year Ended January 31,		Change	
	2022	2021	Amount	%
	(dollars in thousands)			
Research and development	\$ 165,440	\$ 118,722	\$ 46,718	39 %
Percentage of total revenue	30 %	31 %		

Research and development expenses increased \$46.7 million, or 39%, for the year ended January 31, 2022 compared to the year ended January 31, 2021. The increase was primarily due to an increase of \$41.3 million in employee-related expenses due to increased headcount, of which \$16.1 million was related to share-based compensation expense, and an increase of \$5.7 million in software-related costs. This was partially offset by a decrease of \$0.1 million in both allocated overhead costs and costs of outside services to supplement our internal staff.

Sales and marketing expenses

	Year Ended January 31,		Change	
	2022	2021	Amount	%
	(dollars in thousands)			
Sales and marketing	\$ 329,751	\$ 230,281	\$ 99,470	43 %
Percentage of total revenue	60 %	60 %		

Sales and marketing expenses increased \$99.5 million, or 43%, for the year ended January 31, 2022 compared to the year ended January 31, 2021. The increase was primarily due to an increase of \$64.6 million in employee-related expenses due to increased headcount, of which \$14.4 million related to increased share-based compensation expense, an increase of \$24.1 million in brand awareness and demand generation costs, an increase of \$3.8 million in costs of outside services used to supplement our internal staff, an increase of \$2.9 million in software-related costs, an increase of \$2.4 million in amortization of acquisition-related intangibles, and an increase of \$2.2 million in allocated overhead costs. This was partially offset by a decrease of \$0.5 million in amortization of capitalized software.

General and administrative expenses

	Year Ended January 31,		Change	
	2022	2021	Amount	%
	(dollars in thousands)			
General and administrative	\$ 109,204	\$ 71,443	\$ 37,761	53 %
Percentage of total revenue	20 %	19 %		

General and administrative expenses increased \$37.8 million, or 53%, for the year ended January 31, 2022 compared to the year ended January 31, 2021. The increase was primarily due to an increase of \$22.5 million in employee-related expenses due to increased headcount, of which \$8.5 million related to increased share-based compensation expense, an increase of \$9.4 million in legal fees, which primarily related to a \$10.0 million settlement for an indemnification claim, an increase of \$2.8 million in taxes, licenses, and insurance, an increase of \$2.2 million in costs of outside services used to supplement our internal staff, an increase of \$1.7 million in software-related costs, an increase of \$0.8 million in allocated overhead costs, an increase of \$0.5 million in bad debt expense, and an increase of \$0.2 million in amortization of capitalized software. This was partially offset by a decrease of \$2.2 million in accounting, internal control, and tax-related costs, and a decrease of \$0.1 million in bank charges.

Interest income

	Year Ended January 31,		Change	
	2022	2021	Amount	%
	(dollars in thousands)			
Interest income	\$ 48	\$ 1,444	\$ (1,396)	(97)%
Percentage of total revenue	—%	—%		

For the year ended January 31, 2022 compared to the year ended January 31, 2021, the decrease in interest income of \$1.4 million was driven by a lower monetary value of cash and cash equivalents held in interest-bearing accounts and instruments and the decline in interest rates year over year.

Other income (expense), net

	Year Ended January 31,		Change	
	2022	2021	Amount	%
	(dollars in thousands)			
Other income (expense), net	\$ (813)	\$ 296	\$ (1,109)	*N/M
Percentage of total revenue	—%	—%		

*N/M = Not meaningful

For the year ended January 31, 2022 compared to the year ended January 31, 2021, the change in other income (expense), net was driven by a net increase of \$1.8 million in other expense primarily due to a \$1.2 million increase in unrealized foreign currency loss and an impairment of an investment of \$0.5 million. These were offset by a net increase of \$0.7 million in other income due to an acquisition-related gain contingency that was resolved during the year ended January 31, 2022.

Income tax provision (benefit)

	Year Ended January 31,		Change	
	2022	2021	Amount	%
	(dollars in thousands)			
Income tax provision (benefit)	\$ 296	\$ (3,753)	\$ 4,049	N/M*
Percentage of total revenue	—%	(1)%		

*N/M = Not meaningful

The income tax provision changed to an expense of \$0.3 million for the year ended January 31, 2022 compared to a benefit of \$3.8 million the year ended January 31, 2021. The change was primarily driven by a \$4.0 million partial release of our valuation allowance in the prior period related to the purchase accounting for the acquisition of Brandfolder.

Non-GAAP Financial Measures

In addition to our results determined in accordance with generally accepted accounting principles in the United States ("GAAP"), we believe the following non-GAAP financial measures are useful in evaluating our operating performance. We use the below referenced non-GAAP financial measures, collectively, to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial measures, when taken collectively, may be helpful to investors because they provide consistency and comparability with past financial performance, and assist in comparisons with other companies, some of which use similar non-GAAP financial measures to supplement their GAAP results. The non-GAAP financial measures are presented for supplemental informational purposes only, should not be considered a substitute for financial measures presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

Limitations of non-GAAP financial measures

Our non-GAAP financial measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for an analysis of our results under GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. First, free cash flow and calculated billings are not substitutes for net cash used in operating activities and total revenue, respectively. Similarly, non-GAAP gross profit and non-GAAP operating loss are not substitutes for gross profit and operating loss, respectively. Second, other companies may calculate similar non-GAAP financial measures differently or may use other measures as tools for comparison. Additionally, the utility of free cash flow as a measure of our financial performance and liquidity is further limited as it does not represent the total increase or decrease in our cash balance for a given period. Furthermore, as calculated billings are affected by a combination of factors, including the timing of sales, the mix of monthly and annual subscriptions sold, and the relative duration of subscriptions sold, and each of these elements has unique characteristics in the relationship between calculated billings and total revenue, our calculated billings activity is not closely correlated to revenue except over longer periods of time.

Non-GAAP gross profit and non-GAAP gross margin

We define non-GAAP gross profit as gross profit adjusted for share-based compensation expense, amortization of acquisition-related intangible assets, and one-time acquisition costs. Non-GAAP gross margin represents non-GAAP gross profit as a percentage of total revenue.

	Year Ended January 31,		
	2022	2021	2020
	(dollars in thousands)		
Gross profit	\$ 434,359	\$ 299,974	\$ 217,982
Add:			
Share-based compensation expense ⁽¹⁾	10,776	6,531	2,651
Amortization of acquisition-related intangible assets ⁽²⁾	5,080	3,656	1,831
One-time acquisition costs	—	—	69
Non-GAAP gross profit	<u>\$ 450,215</u>	<u>\$ 310,161</u>	<u>\$ 222,533</u>
Gross margin	79 %	78 %	80 %
Non-GAAP gross margin	82 %	80 %	82 %

(1) Includes amortization related to share-based compensation expense that was capitalized in internal-use software and other assets in previous periods.

(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting and contribute to revenue generation. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.

Non-GAAP operating loss and non-GAAP operating margin

We define non-GAAP operating loss as loss from operations adjusted for share-based compensation expense, amortization of acquisition-related intangible assets, one-time acquisition costs, and litigation expenses and settlements related to matters that are outside the ordinary course of business. Non-GAAP operating margin represents non-GAAP operating loss as a percentage of total revenue.

	Year Ended January 31,		
	2022	2021	2020
	(dollars in thousands)		
Loss from operations	\$ (170,036)	\$ (120,472)	\$ (103,774)
Add:			
Share-based compensation expense ⁽¹⁾	115,704	72,022	37,564
Amortization of acquisition-related intangible assets ⁽²⁾	10,059	6,266	2,734
One-time acquisition costs	27	977	686
Litigation expenses and settlements ⁽³⁾	10,000	—	—
Non-GAAP operating loss	<u>\$ (34,246)</u>	<u>\$ (41,207)</u>	<u>\$ (62,790)</u>
Operating margin	(31)%	(31)%	(38)%
Non-GAAP operating margin	(6)%	(11)%	(23)%

(1) Includes amortization related to share-based compensation expense that was capitalized in internal-use software and other assets in previous periods.

(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting and contribute to revenue generation. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.

(3) Relates to matters that are outside the ordinary course of our business.

Non-GAAP net loss

We define non-GAAP net loss as net loss adjusted for share-based compensation expense, amortization of acquisition-related intangible assets, one-time acquisition costs, litigation expenses and settlements related to matters that are outside the ordinary course of our business, and non-recurring income tax adjustments associated with mergers and acquisitions.

	Year Ended January 31,		
	2022	2021	2020
	(in thousands)		
Net loss	\$ (171,097)	\$ (114,979)	\$ (95,940)
Add:			
Share-based compensation expense ⁽¹⁾	115,704	72,022	37,564
Amortization of acquisition-related intangible assets ⁽²⁾	10,059	6,266	2,734
One-time acquisition costs	27	977	686
Litigation expenses and settlements ⁽³⁾	10,000	—	—
Release of valuation allowance ⁽⁴⁾	—	(4,014)	—
Non-GAAP net loss	<u>\$ (35,307)</u>	<u>\$ (39,728)</u>	<u>\$ (54,956)</u>

(1) Includes amortization related to share-based compensation expense that was capitalized in internal-use software and other assets in previous periods.

(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting and contribute to revenue generation. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.

(3) Relates to matters that are outside the ordinary course of our business.

(4) Relates to a non-recurring income tax adjustment associated with the Brandfolder acquisition.

Free cash flow

We define free cash flow as net cash provided by (used in) operating activities less cash used for purchases of property and equipment, capitalized internal-use software, and payments on finance lease obligations. We believe free cash flow facilitates period-to-period comparisons of liquidity. We consider free cash flow to be a key performance metric because it measures the amount of cash we generate from our operations after our capital expenditures and payments on finance lease obligations. We use free cash flow in conjunction with traditional GAAP measures as part of our overall assessment of our liquidity, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies, and to communicate with our board of directors concerning our liquidity.

	Year Ended January 31,		
	2022	2021	2020
	(in thousands)		
Net cash used in operating activities	\$ (3,512)	\$ (15,648)	\$ (10,870)
Less:			
Purchases of property and equipment	(10,563)	(4,176)	(5,153)
Capitalized internal-use software	(6,706)	(7,608)	(6,699)
Payments on principal of finance leases	—	(4,129)	(4,167)
Free cash flow	<u>\$ (20,781)</u>	<u>\$ (31,561)</u>	<u>\$ (26,889)</u>

Calculated billings

We define calculated billings as total revenue plus the change in deferred revenue in the period. Because we recognize subscription revenue ratably over the subscription term, calculated billings can be used to measure our subscription sales activity for a particular period, to compare subscription sales activity across particular periods, and as an indicator of future subscription revenue.

Because we generate most of our revenue from customers who are invoiced on an annual basis, and because we have a wide range of customers, from those who pay us less than \$200 per year to those who pay us more than \$3.0 million per year, we experience seasonality and variability that is tied to typical enterprise buying patterns and contract renewal dates of our largest customers. We expect that our billings trends will continue to vary in future periods based on the timing and size of new and renewal bookings, changes to the economic environment, and other factors.

	Year Ended January 31,		
	2022	2021	2020
	(in thousands)		
Total revenue	\$ 550,832	\$ 385,513	\$ 270,882
Add:			
Deferred revenue (end of period)	334,662	223,997	158,809
Less:			
Deferred revenue (beginning of period)	223,997	158,809	96,133
Calculated billings	<u>\$ 661,497</u>	<u>\$ 450,701</u>	<u>\$ 333,558</u>

Liquidity and Capital Resources

As of January 31, 2022, our principal sources of liquidity were cash and cash equivalents totaling \$449.1 million, which were held for working capital purposes and were comprised primarily of money market funds. We have generated significant operating losses and negative cash flows from operations as reflected in our accumulated deficit and consolidated statements of cash flows. We expect to continue to incur operating losses and may incur negative cash flows from operations for the foreseeable future.

We finance our operations primarily through payments received from customers for subscriptions and professional services, net proceeds received through sales of equity securities, option exercises, and contributions from our 2018 Employee Stock Purchase Plan ("ESPP").

A significant majority of our customers pay in advance for annual subscriptions. Therefore, a substantial source of our cash is from our deferred revenue, which is included on our consolidated balance sheet as a liability. Deferred revenue consists of customer billings and payments in advance of revenue being recognized from the Company's contracts. As of January 31, 2022, we had deferred revenue of \$334.7 million, of which \$332.3 million was recorded as a current liability and was expected to be recognized as revenue in the subsequent 12 months, provided all recognition criteria are met.

Our material cash requirements from known contractual and other obligations consist of the following:

Leases

We have non-cancelable operating leases that expire at various dates through 2029. As of January 31, 2022, we had fixed minimum lease payments of \$86.3 million, of which \$18.4 million is due in the next twelve months. Refer to Note 12, *Leases*, to the consolidated financial statements contained within this Annual Report on Form 10-K for additional information on our operating leases.

Other contractual obligations

In the ordinary course of business we enter into contracts with vendors for goods and services, some of which are non-cancelable. As of January 31, 2022, we had contractual obligations of \$179 million, of which \$27.7 million is due in the next twelve months. These contractual obligations primarily consist of purchase commitments with our cloud-based hosting service providers. See Note 13, *Commitments and Contingencies*, to the consolidated financial statements contained within this Annual Report on Form 10-K for additional information on our commitments with our cloud-based hosting service providers.

We believe our existing cash, cash equivalents, and cash provided by sales of our products and services will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our subscription growth rate, subscription renewal activity, billing frequency, the introduction of new and enhanced product offerings, the continued market adoption of our product, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, and employee-related expenditures from expansion of our headcount. We may, in the future, enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing in order to meet these future capital requirements. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, our ability to compete successfully could be reduced, and this could harm our results of operations.

Cash flows

The following table summarizes our cash flows for the periods indicated:

	Year Ended January 31,	
	2022	2021
	(in thousands)	
Net cash used in operating activities	\$ (3,512)	\$ (15,648)
Net cash used in investing activities	(18,300)	(85,057)
Net cash provided by financing activities	30,341	25,793
Effects of changes in foreign currency exchange rates on cash, cash equivalents, and restricted cash	(1,197)	471
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>\$ 7,332</u>	<u>\$ (74,441)</u>

Operating activities

Our largest sources of operating cash are cash collections from our customers for subscription and professional services. Our primary uses of cash from operating activities are for employee-related expenditures and sales and marketing expenses. Historically, we have generated negative cash flows from operating activities during most fiscal years, and have supplemented working capital requirements through net proceeds from the sale of equity securities.

During the year ended January 31, 2022, net cash used in operating activities was \$3.5 million, driven by our net loss of \$171.1 million, adjusted for non-cash charges of \$196.3 million, and net cash outflows of \$28.7 million provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of share-based compensation expense, amortization of deferred commissions, depreciation and amortization, and non-cash operating lease costs. Fluctuations in operating assets and liabilities included an increase in deferred revenue of \$110.7 million and an increase in accounts receivable of \$48.6 million, both due to an increase in billings. Additionally, there was an increase in deferred commissions of \$74.5 million, an increase in accounts payable and accrued expenses of \$20.5 million primarily due to the timing of employee-related payments, an increase in prepaid expenses and other current assets of \$19.9 million, a decrease in operating lease liabilities of \$13.5 million, a decrease in other long-term liabilities of \$3.9 million, and a decrease in other long-term assets of \$0.5 million.

During the year ended January 31, 2021, net cash used in operating activities was \$15.6 million, driven by our net loss of \$115.0 million, adjusted for non-cash charges of \$131.7 million, and net cash outflows of \$32.4 million provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of share-based compensation expense, amortization of deferred commissions, depreciation and amortization, and non-cash operating lease costs. Fluctuations in operating assets and liabilities included an increase in deferred revenue of \$60.5 million and an increase in accounts receivable of \$43.1 million, both due to an increase in billings. Additionally, there was an increase in deferred commissions of \$43.0 million due to increased customer sales, a decrease in operating lease liabilities of \$7.7 million driven by lease payments and offset by slower office expansions due to COVID-19, an increase in accounts payable and accrued expenses of \$6.4 million due to increase in overall purchasing activity and timing of when vendor invoices are received and paid, an increase in other long-term assets of \$5.8 million, an increase in other long-term liabilities of \$3.9 million, and an increase in prepaid expenses and other current assets of \$3.7 million.

Investing activities

Net cash used in investing activities during the year ended January 31, 2022 of \$18.3 million consisted of purchases of property and equipment of \$10.6 million, spend on capitalized internal-use software development of \$6.7 million, and purchases of long-term investments of \$1.0 million.

Net cash used in investing activities during the year ended January 31, 2021 of \$85.1 million consisted of \$125.1 million in payments for business acquisitions net of cash acquired for the purchase of Brandfolder and the release of the \$1.0 million holdback related to the January 2019 acquisition of TernPro, Inc., spend on capitalized internal-use software development of \$7.6 million, and purchases of property and equipment of \$4.2 million. This was offset by proceeds from early termination of short-term investments of \$50.5 million and proceeds from the sale of property and equipment of \$1.3 million.

Financing activities

Net cash provided by financing activities during the year ended January 31, 2022 of \$30.3 million was primarily due to \$19.1 million in proceeds from the exercise of stock options and \$17.4 million in proceeds from our ESPP, partially offset by taxes paid related to net share settlement of restricted stock units of \$6.2 million.

Net cash provided by financing activities during the year ended January 31, 2021 of \$25.8 million was primarily due to \$17.4 million in proceeds from the exercise of stock options, and \$14.8 million in proceeds from our ESPP, partially offset by principal payments on finance leases of \$4.1 million, taxes paid related to net share settlement of restricted stock units of \$2.2 million, and payments of deferred follow-on offering costs of \$0.1 million.

Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. An indemnification claim has been made to the Company related to litigation in which a former director and shareholder are parties. On January 29, 2021, Ryan Hinkle and Insight Venture Partners VII, L.P. and certain affiliates filed a complaint against Smartsheet Inc. in the Superior Court of Washington, King County, for the advancement of legal fees, costs, and expenses incurred related to this indemnification claim. During the three months ended January 31, 2022, we paid \$10.0 million as part of an overall settlement of these matters, as described in Note 13, *Commitments and Contingencies*, in this Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, costs and operating expenses, and related disclosures. Generally, we base our estimates on historical experience and on various other assumptions in accordance with GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our financial condition or results of operations would be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Revenue recognition

We derive our revenue primarily from subscription services and professional services. Revenue is recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services, net of any sales taxes.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, we satisfy a performance obligation.

Subscription revenue

Subscription revenue primarily consists of fees from customers for access to our cloud-based platform and involves a significant volume of transactions. The Company uses automated systems to process and record these transactions. Subscription revenue is recognized on a ratable basis over the subscription contract term, beginning on the date the access to our platform is provided, as no implementation work is required, if consideration we are entitled to receive is considered probable of collection. Subscription contracts generally have terms of one year or one month, are billed in advance, and are non-cancelable. The subscription arrangements do not allow the customer the contractual right to take possession of the platform; as such, the arrangements are considered to be service contracts.

Certain of our subscription contracts contain performance guarantees related to service continuity. To date, refunds related to such guarantees have been immaterial in all periods presented.

On occasion, we sell our subscriptions to third-party resellers. The price at which we sell to the reseller is typically discounted, as compared to the price at which we would sell to an end customer, in order to enable the reseller to realize a margin on the eventual sale to the end customer. As our pricing to the reseller is fixed, and we do not have visibility into the pricing provided by the reseller to the end customer, the revenue is recorded net of any reseller margin.

Professional services revenue

Professional services revenue primarily includes revenue recognized from fees for consulting and training services. Our consulting services consist of platform configuration and use case optimization, and are primarily invoiced on a time and materials basis, monthly in arrears. Services revenue is recognized over time, as service hours are delivered. Smaller consulting engagements are on occasion provided for a fixed fee. These smaller consulting arrangements are typically of short duration (less than three months). In these cases, revenue is recognized over time, based on the proportion of hours of work performed, compared to the total hours expected to complete the engagement. Configuration and use case optimization services do not result in significant customization or modification of the software platform or user interface.

Training services are billed in advance, on a fixed-fee basis, and revenue is recognized after the training program is delivered, or after the customer's right to receive training services expires.

Associated out-of-pocket travel expenses related to the delivery of professional services are typically reimbursed by the customer. Out-of-pocket expense reimbursements are recognized as revenue at the point in time, or as, the distinct performance obligation to which they relate is delivered. Out-of-pocket expenses are recognized as cost of professional services as incurred.

Contracts with multiple performance obligations

Some of our contracts with customers contain multiple performance obligations. We account for individual performance obligations separately, as they have been determined to be distinct, i.e., the services are separately identifiable from other items in the arrangement and the customer can benefit from them on their own or with other resources that are readily available to the customer. The transaction price is allocated to the distinct performance obligations on a relative stand-alone selling price basis. Stand-alone selling prices are determined based on the prices at which we separately sell subscription, consulting, and training services, and based on our overall pricing objectives, taking into consideration market conditions, value of our contracts, the types of offerings sold, customer demographics, and other factors.

Deferred commissions

The majority of sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commission are paid on initial contracts and on any upsell contracts with a customer. No sales commissions are paid on customer renewals. Sales commissions and related payroll taxes and fringe benefits are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be three years. We determined the period of benefit by taking into consideration our customer contracts, expected customer life, the expected life of our technology and other factors. Amortization expense is included in sales and marketing expense in the accompanying statements of operations and comprehensive loss. We evaluate the period of benefit and test for impairment on a quarterly basis and whenever events or changes in circumstances occur that could impact the recoverability of these assets. While we do not anticipate any significant changes to the period of benefit, if a significant change did occur, it may result in a material impact to our amortization expense in a given year.

Deferred commissions were \$91.3 million and \$60.5 million as of January 31, 2022 and 2021, respectively. Amortization expense for deferred commissions was \$43.7 million, \$30.7 million, and \$19.8 million for the years ended January 31, 2022, 2021, and 2020, respectively. No significant impairments of commissions assets were recorded during the years ended January 31, 2022, 2021, or 2020.

Share-based compensation

We measure and recognize compensation expense for all share-based awards granted to employees and directors, based on the estimated fair value of the award on the date of grant. Expense is recognized on a straight-line basis over the vesting period of the award based on the estimated portion of the award that is expected to vest.

We use the Black-Scholes option pricing model to measure the fair value of stock option awards when they are granted. We make several estimates in determining share-based compensation expense and these estimates generally require significant analysis and judgment to develop. These assumptions and estimates are as follows:

Expected term. The expected term of options represents the period that share-based awards are expected to be outstanding. We estimate the expected term using the simplified method due to the lack of historical exercise activity for our company.

Risk-free interest rate. The risk-free interest rate is based on the implied yield available at the time of the option grant in the U.S. Treasury securities at maturity with a term equivalent to the expected term of the option.

Expected volatility. Expected volatility is based on an average volatility of stock prices for a group of publicly traded peer companies. In considering peer companies, we assess characteristics such as industry, state of development, size, and financial leverage.

Dividend yield. We have never declared or paid any cash dividends and do not plan to pay cash dividends in the foreseeable future, and, therefore, use an expected dividend yield of zero.

If any assumptions used in the Black-Scholes option pricing model change significantly, share-based compensation for future awards may differ materially compared with the awards granted previously.

In addition to the assumptions used in the Black-Scholes option pricing model, we must also estimate a forfeiture rate to calculate the share-based compensation expense for awards. Our forfeiture rate is derived from historical employee termination behavior. If the actual number of forfeitures differs from these estimates, additional adjustments to compensation expense will be required.

Total share-based compensation expense was \$114.9 million, \$72.0 million, and \$37.6 million for the years ended January 31, 2022, 2021, and 2020, respectively. As of January 31, 2022, there was a total of \$419.0 million of unrecognized share-based compensation expense, which is expected to be recognized over a weighted-average period of 3.2 years.

Recent accounting pronouncements

For further information on recent accounting pronouncements, refer to Note 2, *Summary of Significant Accounting Policies*, in the notes to our consolidated financial statements included in this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk

We had cash and cash equivalents totaling \$449.1 million as of January 31, 2022, of which \$415.1 million was invested in money market funds. We had cash and cash equivalents totaling \$442.2 million as of January 31, 2021, of which \$420.6 million was invested in money market funds. Our cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our investment portfolio are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates. Due in part to these factors, our future investment income may fall short of our expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates.

A hypothetical 10% relative change in interest rates during the periods presented would not have a material impact on the value of our cash equivalents in our consolidated financial statements.

Foreign currency exchange risk

Due to our international operations, although our sales contracts are primarily denominated in U.S. dollars, we have foreign currency risks related to revenue denominated in other currencies, such as the Euro, British Pound Sterling, Australian dollar, and Canadian dollar, as well as expenses denominated in the British Pound Sterling and Australian dollar. Changes in the relative value of the U.S. dollar to other currencies may negatively affect revenue and other operating results as expressed in U.S. dollars. We have not engaged in the hedging of foreign currency transactions to date. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on our operating results for the years ended January 31, 2022, 2021, or 2020.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of Smartsheet Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Smartsheet Inc. and subsidiaries (the "Company") as of January 31, 2022 and 2021, the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows, for the years then ended, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of January 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Subscription Revenue – Refer to Notes 2 and 3 to the financial statements

Critical Audit Matter Description

The Company derives its revenues predominantly from subscription services. Subscription revenue primarily consists of fees from customers for access to the Company's cloud-based platform and involves a significant volume of transactions. The Company recognizes subscription revenue on a ratable basis over the subscription contract term, beginning on the date the access to their platform is provided, assuming all other revenue recognition criteria have been met. The Company uses automated systems to process and record subscription revenue transactions. For the year ended January 31, 2022, subscription revenue was \$507.4 million.

We identified subscription revenue as a critical audit matter given the significant volume of transactions. This required increased auditor judgment and extent of audit effort, including the need to involve professionals with expertise in data analytics and information technology (IT).

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's subscription revenue included the following, among others:

- We tested effectiveness of certain controls within the subscription revenue business processes.
- With the assistance of our IT specialists, we identified the significant systems used to process subscription revenue transactions and tested the effectiveness of general IT controls over the systems, including testing of user access controls, change management controls, and IT operations controls.
- With the assistance of our data analytics specialists, we performed a recalculation of subscription revenue recorded through the Company's relevant systems utilizing key attributes of subscription revenue transaction data, including the transaction price and revenue recognition timing, among others. We compared our recalculation of expected subscription revenue to the Company's recorded subscription revenue.
- For a sample of subscription revenue transactions, we evaluated the accuracy of the data used in our recalculation of subscription revenue by comparing key attributes utilized in our recalculation to source documents.
- We tested the completeness of the subscription revenue transaction data by selecting transactions from independent sources and evaluated whether those transactions were included in the subscription revenue transaction data.
- We performed audit procedures on those related accounts determined to have a significant relationship with subscription revenue. Such procedures included sending confirmations to customers for a selection of accounts receivable and making selections of cash receipts subsequent to year end and tracing them back to their associated invoices included in accounts receivable as of the balance sheet date. We also confirmed cash as of the balance sheet date and reconciled recognized subscription revenue to the audited deferred revenue balance.

/s/ Deloitte & Touche LLP

Portland, Oregon

March 25, 2022

We have served as the Company's auditor since fiscal 2021.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Smartsheet Inc.

Opinion on the Financial Statements

We have audited the consolidated statements of operations and comprehensive loss, of changes in shareholders' equity and of cash flows of Smartsheet Inc. and its subsidiaries (the "Company") for the year ended January 31, 2020, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the year ended January 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Seattle, Washington

March 31, 2020

We served as the Company's auditor from 2012 to 2020.

SMARTSHEET INC.

Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except per share data)

	Year Ended January 31,		
	2022	2021	2020
Revenue			
Subscription	\$ 507,375	\$ 352,782	\$ 244,058
Professional services	43,457	32,731	26,824
Total revenue	550,832	385,513	270,882
Cost of revenue			
Subscription	77,460	59,374	32,707
Professional services	39,013	26,165	20,193
Total cost of revenue	116,473	85,539	52,900
Gross profit	434,359	299,974	217,982
Operating expenses			
Research and development	165,440	118,722	95,469
Sales and marketing	329,751	230,281	176,060
General and administrative	109,204	71,443	50,227
Total operating expenses	604,395	420,446	321,756
Loss from operations	(170,036)	(120,472)	(103,774)
Interest income	48	1,444	8,410
Other income (expense), net	(813)	296	(462)
Loss before income tax provision (benefit)	(170,801)	(118,732)	(95,826)
Income tax provision (benefit)	296	(3,753)	114
Net loss and comprehensive loss	\$ (171,097)	\$ (114,979)	\$ (95,940)
Net loss per share, basic and diluted	\$ (1.36)	\$ (0.95)	\$ (0.85)
Weighted-average shares outstanding used to compute net loss per share, basic and diluted	125,632	120,663	112,991

See notes to consolidated financial statements.

SMARTSHEET INC.
Consolidated Balance Sheets
(in thousands, except share data)

	January 31,	
	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 449,074	\$ 442,200
Accounts receivable, net of allowances of \$7,561 and \$6,933, respectively	151,138	102,648
Prepaid expenses and other current assets	34,390	13,524
Total current assets	634,602	558,372
Restricted cash	17	18
Deferred commissions	91,312	60,529
Property and equipment, net	36,835	28,613
Operating lease right-of-use assets	67,171	81,081
Intangible assets, net	44,096	54,139
Goodwill	125,605	125,605
Other long-term assets	3,194	3,432
Total assets	<u>\$ 1,002,832</u>	<u>\$ 911,789</u>
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 1,506	\$ 2,851
Accrued compensation and related benefits	66,744	47,861
Other accrued liabilities	18,901	17,263
Operating lease liabilities, current	18,003	17,059
Deferred revenue	332,285	222,689
Total current liabilities	437,439	307,723
Operating lease liabilities, non-current	58,237	71,925
Deferred revenue, non-current	2,377	1,308
Other long-term liabilities	—	3,904
Total liabilities	<u>498,053</u>	<u>384,860</u>
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, no par value; 10,000,000 shares authorized, no shares issued or outstanding as of January 31, 2022 and January 31, 2021	—	—
Class A common stock, no par value; 500,000,000 shares authorized, 127,809,525 shares issued and outstanding as of January 31, 2022; 500,000,000 shares authorized, 123,272,902 shares issued and outstanding as of January 31, 2021	—	—
Class B common stock, no par value; 500,000,000 shares authorized, no shares issued and outstanding as of January 31, 2022; 500,000,000 shares authorized, no shares issued and outstanding as of January 31, 2021	—	—
Additional paid-in capital	1,047,313	898,366
Accumulated deficit	(542,534)	(371,437)
Total shareholders' equity	<u>504,779</u>	<u>526,929</u>
Total liabilities and shareholders' equity	<u>\$ 1,002,832</u>	<u>\$ 911,789</u>

See notes to consolidated financial statements.

SMARTSHEET INC.

 Consolidated Statements of Changes in Shareholders' Equity
 (dollars in thousands)

	Common Stock (Class A and B)		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balances at January 31, 2019	104,971,443	\$ —	\$ 327,510	\$ (160,518)	\$ 166,992
Issuance of common stock under employee stock plans	4,197,716	—	25,519	—	25,519
Issuance of common stock in connection with follow-on public offering, net of underwriting discounts, commissions and issuance costs	9,025,000	—	378,982	—	378,982
Share-based compensation expense	—	—	38,507	—	38,507
Net loss and comprehensive loss	—	—	—	(95,940)	(95,940)
Balances at January 31, 2020	118,194,159	—	770,518	(256,458)	514,060
Issuance of common stock under employee stock plans	4,435,143	—	30,330	—	30,330
Taxes paid related to net share settlement of equity awards	—	—	(2,150)	—	(2,150)
Issuance of restricted stock awards, net of cancellations	92,318	—	—	—	—
Issuance of common stock for acquisition	551,282	—	25,872	—	25,872
Share-based compensation expense	—	—	73,796	—	73,796
Net loss and comprehensive loss	—	—	—	(114,979)	(114,979)
Balances at January 31, 2021	123,272,902	—	898,366	(371,437)	526,929
Issuance of common stock under employee stock plans	4,536,623	—	38,248	—	38,248
Taxes paid related to net share settlement of equity awards	—	—	(6,171)	—	(6,171)
Share-based compensation expense	—	—	116,870	—	116,870
Net loss and comprehensive loss	—	—	—	(171,097)	(171,097)
Balances at January 31, 2022	127,809,525	\$ —	\$ 1,047,313	\$ (542,534)	\$ 504,779

See notes to consolidated financial statements.

SMARTSHEET INC.

 Consolidated Statements of Cash Flows
 (in thousands)

	Year Ended January 31,		
	2022	2021	2020
Cash flows from operating activities			
Net loss	\$ (171,097)	\$ (114,979)	\$ (95,940)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share-based compensation expense	114,900	71,750	37,493
Depreciation and amortization	21,765	17,255	13,449
Amortization of deferred commission costs	43,680	30,691	19,806
Unrealized foreign currency (gain) loss	1,048	(161)	82
Loss on disposal of assets	—	268	—
Non-cash operating lease costs	14,905	11,924	7,971
Changes in operating assets and liabilities:			
Accounts receivable	(48,575)	(43,112)	(25,965)
Prepaid expenses and other current assets	(19,884)	(3,678)	(3,909)
Operating lease right-of-use assets	—	—	(12,173)
Other long-term assets	467	(5,819)	(339)
Accounts payable	(1,331)	(4,915)	3,593
Other accrued liabilities	1,950	5,543	5,840
Accrued compensation and related benefits	19,906	5,811	11,994
Deferred commissions	(74,463)	(42,965)	(39,046)
Other long-term liabilities	(3,904)	3,904	(1,003)
Deferred revenue	110,664	60,534	61,646
Operating lease liabilities	(13,543)	(7,699)	5,631
Net cash used in operating activities	<u>(3,512)</u>	<u>(15,648)</u>	<u>(10,870)</u>
Cash flows from investing activities			
Purchases of short-term investments	—	—	(100,532)
Proceeds from early termination of short-term investments	—	50,532	—
Purchases of long-term investments	(1,000)	—	(1,000)
Proceeds from maturity of investments	—	—	50,000
Purchases of property and equipment	(10,563)	(4,176)	(5,153)
Proceeds from sale of property and equipment	—	1,250	—
Capitalized internal-use software development costs	(6,706)	(7,608)	(6,699)
Purchases of intangible assets	(31)	—	—
Payments for business acquisitions, net of cash acquired	—	(125,055)	(26,659)
Net cash used in investing activities	<u>(18,300)</u>	<u>(85,057)</u>	<u>(90,043)</u>
Cash flows from financing activities			
Proceeds from follow-on offering of common stock, net of underwriters' discounts and commissions	—	—	379,828
Payments on principal of finance leases	—	(4,129)	(4,167)
Payments of deferred offering costs	—	(59)	(798)
Proceeds from exercise of stock options	19,132	17,373	15,905
Taxes paid related to net share settlement of restricted stock units	(6,171)	(2,150)	—
Proceeds from Employee Stock Purchase Plan	17,380	14,758	11,254
Net cash provided by financing activities	<u>30,341</u>	<u>25,793</u>	<u>402,022</u>
Effects of changes in foreign currency exchange rates on cash, cash equivalents, and restricted cash	(1,197)	471	(25)
Net increase (decrease) in cash, cash equivalents, and restricted cash	7,332	(74,441)	301,084
Cash, cash equivalents, and restricted cash at beginning of period	442,348	516,789	215,705
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 449,680</u>	<u>\$ 442,348</u>	<u>\$ 516,789</u>

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Cash paid for interest	\$	—	\$	114	\$	243
Cash paid for income taxes		196		168		106
Purchases of fixed assets under finance leases		—		—		2,364
Right-of-use assets obtained in exchange for operating lease liabilities		994		35,415		12,173
Accrued purchases of property and equipment (including internal-use software)		1,164		1,080		1,155
Deferred offering costs, accrued but not yet paid		—		—		60
Share-based compensation capitalized in internal-use software development costs		1,970		1,986		1,014
Fair value of shares issued as consideration for acquisition		—		25,872		—

See notes to consolidated financial statements.

SMARTSHEET INC.

Notes to Consolidated Financial Statements

1. Overview and Basis of Presentation

Description of business

Smartsheet Inc. (the “Company,” “we,” “our”) was incorporated in the State of Washington in 2005, and is headquartered in Bellevue, Washington. The Company is a leading enterprise platform for dynamic work, enabling teams and organizations of all sizes to plan, capture, manage, automate, and report on work at scale, resulting in more efficient processes and better business outcomes. Customers access their accounts online via a web-based interface or a mobile application. Some customers also purchase the Company’s professional services, which primarily consist of consulting and training services.

Collapse of dual class common stock structure

On September 19, 2019, all outstanding shares of the Company’s Class B common stock automatically converted into the same number of shares of the Company’s Class A common stock, pursuant to the terms of the Company’s amended and restated articles of incorporation (the “Articles”). No additional shares of Class B common stock will be issued following this conversion.

The conversion occurred pursuant to the Articles, which provide that each share of Class B common stock would convert automatically, without further action by the Company, into one share of Class A common stock at the close of business on the date on which the outstanding shares of Class B common stock represented less than 15% of the aggregate number of shares of Class A common stock and Class B common stock then outstanding. In accordance with the Articles, the shares of Class B common stock that converted as a result of the automatic conversion were retired and will not be reissued by the Company.

Follow-on offering

On June 14, 2019, we completed a public equity offering in which we issued and sold 9,025,000 shares of Class A common stock, inclusive of the exercised over-allotment option, at a public offering price of \$43.50 per share. In addition, 5,810,000 shares of the Company’s common stock were sold by selling shareholders of the Company, inclusive of the over-allotment, as part of this offering. We received net proceeds of \$379.0 million after deducting underwriting discounts and commissions of \$12.8 million and other issuance costs of \$0.9 million. We did not receive any proceeds from the sale of common stock by selling shareholders.

Basis of presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding financial reporting. The Company’s fiscal year ends on January 31.

The consolidated financial statements include the results of Smartsheet Inc. and its wholly owned subsidiaries, which are located in the United States, the United Kingdom, Australia, Germany, and Costa Rica. All intercompany balances and transactions have been eliminated upon consolidation.

In the opinion of management, the information contained herein reflects all adjustments necessary for a fair presentation of our consolidated financial statements. All such adjustments are of a normal, recurring nature.

Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. The Company bases its estimates on historical experience and on other assumptions that its management believes are reasonable under the circumstances. Actual results could differ from those estimates. The Company's most significant estimates and judgments involve revenue recognition with respect to the allocation of transaction consideration for the Company's offerings; determination of the amortization period for capitalized sales commission costs; and the measurement of fair values of share-based compensation award grants, among others.

Liquidity

The Company continues to be subject to the risks and challenges associated with companies at a similar stage of development, including the ability to raise additional capital to support future growth. Since inception through January 31, 2022, the Company has incurred losses from operations and accumulated a deficit of \$542.5 million. The Company finances its operations primarily through payments received from customers for subscriptions and professional services, net proceeds received through sales of equity securities, option exercises, and contributions from our 2018 Employee Stock Purchase Plan ("ESPP"). The Company believes its existing cash will be sufficient to meet its working capital and capital expenditure needs for at least the next 12 months.

2. Summary of Significant Accounting Policies

Segment information

The Company operates as one operating segment. The Company's chief operating decision maker is its Chief Executive Officer, who reviews consolidated financial information for purposes of making operating decisions, assessing financial performance, and allocating resources.

Revenue recognition

The Company derives its revenue primarily from subscription services and professional services. Revenue is recognized when control of these services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services, net of any sales taxes.

The Company determines revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

Subscription revenue

Subscription revenue primarily consists of fees from customers for access to the Company's cloud-based platform and involves a significant volume of transactions. The Company uses automated systems to process and record these transactions. Subscription revenue is recognized on a ratable basis over the subscription contract term, beginning on the date the access to the Company's platform is provided, as no implementation work is required, if consideration the Company is entitled to receive is probable of collection. Subscription contracts generally have terms of one year or one month, are billed in advance, and are non-cancelable. The subscription arrangements do not allow the customer the contractual right to take possession of the platform; as such, the arrangements are considered to be service contracts.

Certain of the Company's subscription contracts contain performance guarantees related to service continuity. To date, refunds related to such guarantees have been immaterial in all periods presented.

On occasion, the Company sells its subscriptions to third-party resellers. The price at which the Company sells to the reseller is typically discounted, as compared to the price at which the Company would sell to an end customer, in order to enable the reseller to realize a margin on the eventual sale to the end customer. As our pricing to the reseller is fixed, and the Company does not have visibility into the pricing provided by the reseller to the end customer, the revenue is recorded net of any reseller margin.

Professional services revenue

Professional services revenue primarily includes revenue recognized from fees for consulting and training services. The Company's consulting services consist of platform configuration and use case optimization, and are primarily invoiced on a time and materials basis, monthly in arrears. Services revenue is recognized over time, as service hours are delivered. Smaller consulting engagements are, on occasion, provided for a fixed fee. These smaller consulting arrangements are typically of short duration (less than three months). In these cases, revenue is recognized over time, based on the proportion of hours of work performed, compared to the total hours expected to complete the engagement. Configuration and use case optimization services do not result in significant customization or modification of the software platform or user interface.

Training services are billed in advance, on a fixed-fee basis, and revenue is recognized after the training program is delivered, or after the customer's right to receive training services expires.

Associated out-of-pocket travel expenses related to the delivery of professional services are typically reimbursed by the customer. Out-of-pocket expense reimbursements are recognized as revenue at the point in time, or as the distinct performance obligation to which they relate is delivered. Out-of-pocket expenses are recognized as cost of professional services as incurred.

Contracts with multiple performance obligations

Some of the Company's contracts with customers contain multiple performance obligations. The Company accounts for individual performance obligations separately, as they have been determined to be distinct, i.e., the services are separately identifiable from other items in the arrangement and the customer can benefit from them on their own or with other resources that are readily available to the customer. The transaction price is allocated to the distinct performance obligations on a relative stand-alone selling price basis. Stand-alone selling prices are determined based on the prices at which the Company separately sells subscription, consulting, and training services, and based on the Company's overall pricing objectives, taking into consideration market conditions, value of the Company's contracts, the types of offerings sold, customer demographics, and other factors.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are primarily comprised of trade receivables that are recorded at the invoice amount, net of an allowance for doubtful accounts. Subscription fees billed in advance of the related subscription term represent contract liabilities and are presented as accounts receivable and deferred revenues upon establishment of the unconditional right to invoice, typically upon signing of the non-cancelable service agreement. Our typical payment terms provide for customer payment within 30 days of the invoice date.

The allowance for doubtful accounts is based on the Company's estimated expected credit losses derived upon assessment of various factors including historical trends on collectibility, composition of accounts receivable by aging, current market conditions, reasonable and supportable forecasts of future economic conditions, and other factors. The estimated credit losses are recorded to the allowance for doubtful accounts in the consolidated balance sheets, with an offsetting decrease in related deferred revenue and a reduction of revenue or charge to general and administrative expense in the consolidated statements of operations and comprehensive loss.

Activity related to the Company's allowance for doubtful accounts was as follows (in thousands):

	January 31,		
	2022	2021	2020
Beginning balance	\$ 6,933	\$ 2,989	\$ 1,234
Additions	7,700	6,540	3,384
Write-offs	(7,072)	(2,596)	(1,629)
Ending balance	<u>\$ 7,561</u>	<u>\$ 6,933</u>	<u>\$ 2,989</u>

Deferred revenue

Deferred revenue consists of customer billings and payments in advance of revenue being recognized from the Company's contracts. The Company typically invoices its customers annually in advance for its subscription-based contracts. Deferred revenue and accounts receivable are recorded at the beginning of a new subscription term. For some customers, the Company invoices in monthly, quarterly, semi-annual, or multi-year installments and, therefore, the deferred revenue balance does not necessarily represent the total contract value of all non-cancelable subscription agreements. Deferred revenue anticipated to be recognized during the succeeding 12-month period is recorded as deferred revenue and the remaining portion is recorded as deferred revenue, non-current in our consolidated balance sheets.

Deferred commissions

The majority of sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions are paid on initial contracts and on any upsell contracts with a customer. No sales commissions are paid on customer renewals. Sales commissions and related payroll taxes and fringe benefits are deferred and then amortized on a straight-line basis over a period of benefit that the Company has determined to be three years. The Company determined the period of benefit by taking into consideration its customer contracts, expected customer life, the expected life of its technology, and other factors. Amortization expense is included in sales and marketing expense in the accompanying statements of operations and comprehensive loss. The Company evaluates the period of benefit and tests for impairment on a quarterly basis and whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Overhead allocations

The Company allocates shared costs, such as facilities (including lease costs, utilities, and depreciation on equipment shared by all departments), and information technology costs to all departments based on headcount. As such, allocated shared costs are reflected in each cost of revenue and operating expense category.

Cash, cash equivalents, and short-term investments

The Company considers all highly liquid investments with an original maturity of three months or less from date of purchase to be cash equivalents. Investments with terms greater than three months but less than or equal to twelve months are included in short-term investments. Interest income earned on cash, cash equivalents, and short-term investments is recorded in interest income in the accompanying consolidated statements of operations and comprehensive loss.

Restricted cash

Restricted cash as of January 31, 2022 and January 31, 2021 was \$0.6 million and \$0.1 million, respectively, primarily related to Australian employee contributions to our 2018 ESPP. Restricted cash as of January 31, 2020 consisted of \$0.9 million related to security deposits for the Company's Bellevue, Boston, London, and Edinburgh leases.

Cash as reported on the consolidated statements of cash flows includes the aggregate amounts of cash and cash equivalents and restricted cash as shown on the consolidated balance sheets. Cash as reported on the consolidated statements of cash flows consists of the following (in thousands):

	January 31,		
	2022	2021	2020
Cash and cash equivalents	\$ 449,074	\$ 442,200	\$ 515,924
Restricted cash included in prepaid expenses and other current assets	589	130	—
Restricted cash	17	18	865
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	<u>\$ 449,680</u>	<u>\$ 442,348</u>	<u>\$ 516,789</u>

Business combinations

When we acquire a business, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Any residual purchase price is recorded as goodwill. The allocation of the purchase price requires management to make significant estimates in determining the fair values of the assets acquired and liabilities assumed, especially with respect to the identifiable intangible assets. These estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate weighted-average cost of capital, the cost savings expected to be derived from acquiring an asset, its expected remaining economic useful life, and the appropriate discount rate to employ in the valuation analyses in order to properly account for the risk associated with the asset's expected future cash flows. These estimates are inherently uncertain. During the measurement period, which may be up to one year from the acquisition date, adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed may be recorded, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations and comprehensive loss.

Acquisition costs, such as legal and consulting fees, are expensed as incurred.

Goodwill and acquired intangible assets

The Company evaluates goodwill for impairment at the reporting unit level on an annual basis (September 1), or whenever events or changes in circumstances indicate that impairment may exist. Events or changes in circumstances which could trigger an impairment review include, but are not limited to, a significant adverse change in customer demand or business climate or a significant decrease in expected cash flows. When evaluating goodwill for impairment, the Company may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. If the Company does not perform a qualitative assessment, or if the Company determines that it is not more likely than not that the fair value of the reporting unit exceeds its carrying amount, the Company calculates the estimated fair value of the reporting unit. If the carrying amount of the reporting unit exceeds the estimated fair value, an impairment charge is recorded to reduce the carrying value to the estimated fair value. No impairment charges were recorded for the years ended January 31, 2022, 2021, or 2020.

Acquired intangible assets consist of identifiable intangible assets, primarily software technology and customer relationships, resulting from our acquisitions. Intangible assets are recorded at fair value on the date of acquisition and amortized over their estimated useful lives.

Property and equipment

Property and equipment are recorded at cost, net of accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the following estimated useful lives:

Computer equipment	3 years
Computer software	3 years
Furniture and fixtures	5-7 years

Leasehold improvements are amortized over the shorter of the expected useful lives of the assets or the related lease term. Maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Internal-use software development costs

The Company capitalizes certain qualifying costs incurred during the application development stage in connection with the development of internal-use software. Costs related to preliminary project activities and post-implementation activities are expensed in research and development (“R&D”) as incurred. R&D expenses consist primarily of employee-related costs, software-related costs, allocated overhead, and costs of outside services used to supplement our internal staff.

Internal-use software costs of \$8.6 million and \$9.5 million were capitalized in the years ended January 31, 2022 and 2021, respectively. All capitalized costs related to costs incurred during the application development stage of software development for the Company’s platform to which subscriptions are sold.

Capitalized internal-use software costs are included within property and equipment, net on the consolidated balance sheets, and are amortized over the estimated useful life of the software, which is typically three years. The related amortization expense is recognized in the consolidated statements of operations and comprehensive loss within the function that receives the benefit of the developed software. Amortization expense of capitalized internal-use software costs totaled \$5.7 million, \$3.6 million, and \$2.3 million for the years ended January 31, 2022, 2021, and 2020, respectively.

Leases

We determine if an arrangement is a lease at inception, and leases are classified at commencement as either operating or finance leases.

Right-of-use (“ROU”) assets and lease liabilities are recognized at commencement date based on the present value of the future minimum lease payments over the lease term. ROU assets also include any lease payments made. Operating lease ROU assets are presented separately in long-term assets and finance lease ROU assets are included in property and equipment, net on our consolidated balance sheets. As our operating leases do not provide an implicit rate, we use our incremental borrowing rate based on information available at the commencement date in determining the present value of future payments. This rate is an estimate of the collateralized borrowing rate we would incur on our future lease payments over a similar term based on the information available at commencement date. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. At January 31, 2022, we did not include any options to extend leases in our lease terms as we were not reasonably certain to exercise them. The Company’s lease agreements do not contain residual value guarantees or covenants.

We utilize certain practical expedients and policy elections available under the lease accounting standard. Leases with a term of one year or less are not recognized on our consolidated balance sheets; we recognize lease expense for these leases on a straight-line basis over the lease term. Additionally, we have elected to include non-lease components with lease components for contracts containing real estate leases for the purpose of calculating lease ROU assets and liabilities, to the extent that they are fixed. Non-lease components that are not fixed are expensed as incurred as variable lease payments. Our real estate operating leases typically include non-lease components such as common-area maintenance costs.

Impairment of long-lived assets

Long-lived assets, such as property and equipment, intangible assets, operating lease ROU assets, and internal-use software development costs, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of an asset group is measured by comparing the carrying amount to the estimated undiscounted future cash flows expected to be generated. If the carrying amount exceeds the undiscounted cash flows, the assets are determined to be impaired and an impairment charge is recognized as the amount by which the carrying amount exceeds its fair value. No significant impairments of long-lived assets were recorded during any of the periods presented.

Self-funded health insurance

The Company's health insurance plan is partially self-funded. To reduce its risk related to high-dollar claims, the Company maintains individual and aggregate stop-loss insurance. The Company estimates its exposure for claims incurred but not paid at the end of each reporting period and uses historical claims data to estimate its self-insurance liability. As of January 31, 2022 and 2021, the Company's net self-insurance reserve estimate was \$2.3 million and \$1.3 million, respectively, included in other accrued liabilities in the accompanying consolidated balance sheets.

Advertising expenses

Advertising and marketing costs are expensed as incurred, and are included in sales and marketing expense in the consolidated statements of operations and comprehensive loss. Advertising and marketing expenses, inclusive of lead generation costs, were \$55.6 million, \$31.6 million, and \$35.5 million for the years ended January 31, 2022, 2021, and 2020, respectively.

Deferred offering costs

Deferred offering costs of \$0.9 million were offset against proceeds upon the closing of the follow-on offering on June 14, 2019.

Share-based compensation

The Company measures and recognizes compensation expense for all share-based awards granted to employees and directors, based on the estimated fair value of the award on the date of grant. Expense is recognized on a straight-line basis over the vesting period of the award based on the estimated portion of the award that is expected to vest.

The Company uses the Black-Scholes option pricing model to measure the fair value of stock option awards when they are granted. The Company makes several estimates in determining share-based compensation and these estimates generally require significant analysis and judgment to develop.

Income taxes

Income taxes are accounted for using the asset and liability method. Under this method, the Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The Company records a valuation allowance to reduce deferred tax assets to an amount for which realization is more likely than not.

The Company evaluates and accounts for uncertain tax positions using a two-step approach. The first step is to evaluate if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained in an audit. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company reflects interest and penalties related to income tax liabilities as a component of income tax expense.

Concentrations of risk and significant customers

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash, cash equivalents, and accounts receivable. The Company maintains its cash accounts with financial institutions where deposits, at times, exceed the Federal Deposit Insurance Corporation (“FDIC”) limits.

No individual customer represented more than 10% of accounts receivable as of January 31, 2022 or 2021. No individual customer represented more than 10% of revenue for the years ended January 31, 2022, 2021, or 2020.

Net loss per share

The Company calculates basic net loss per share by dividing net loss by the weighted-average number of the Company’s common stock shares outstanding during the respective period. The Company calculates diluted net loss per share by adjusting basic net loss per share for the potential dilutive impacts of outstanding stock options, restricted stock units (“RSUs”), and shares issuable pursuant to our ESPP. The denominator of the diluted net loss per share calculation is adjusted for these securities if the impact of doing so increases net loss per share. During the periods presented, the impact is to decrease net loss per share and therefore the Company is precluded from adjusting its calculation for these securities. As a result, diluted net loss per share is calculated using the same formula as basic net loss per share.

Recent accounting pronouncements not yet adopted

In October 2021, the Financial Accounting Standards Board issued Accounting Standards Update 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The new guidance requires contract assets and contract liabilities acquired in a business combination to be recognized in accordance with Accounting Standards Codification (“ASC”) Topic 606 as if the acquirer had originated the contracts. The standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company does not expect adoption of this standard to have a material effect on the Company’s consolidated financial statements.

3. Revenue from Contracts with Customers

During the years ended January 31, 2022, 2021, and 2020 the Company recognized \$216.6 million, \$155.2 million, and \$93.0 million of subscription revenue, respectively, and \$4.8 million, \$3.4 million, and \$2.1 million of professional services revenue, respectively, which were included in the deferred revenue balance as of January 31, 2022, 2021, and 2020, respectively.

As of January 31, 2022, approximately \$388.6 million of revenue, including amounts already invoiced and amounts contracted but not yet invoiced, was expected to be recognized from remaining performance obligations, of which \$383.1 million related to subscription services and \$5.5 million related to professional services. Approximately 91% of revenue related to remaining performance obligations is expected to be recognized in the next 12 months.

4. Deferred Commissions

Deferred commissions were \$91.3 million and \$60.5 million as of January 31, 2022 and 2021, respectively.

Amortization expense for deferred commissions was \$43.7 million, \$30.7 million, and \$19.8 million for the years ended January 31, 2022, 2021, and 2020, respectively. Deferred commissions are amortized over a period of three years and the amortization expense is recorded in sales and marketing on the Company’s consolidated statements of operations and comprehensive loss. No significant impairments of commissions assets were recorded during the years ended January 31, 2022, 2021, or 2020.

5. Net Loss Per Share

The following tables present calculations for basic and diluted net loss per share (in thousands, except per share data):

	Year Ended January 31,		
	2022	2021	2020
Numerator:			
Net loss	\$ (171,097)	\$ (114,979)	\$ (95,940)
Denominator:			
Weighted-average common shares outstanding	125,632	120,663	112,991
Net loss per share, basic and diluted	\$ (1.36)	\$ (0.95)	\$ (0.85)

The following outstanding shares of common stock equivalents (in thousands) as of the periods presented were excluded from the computation of diluted net loss per share for the periods presented because the impact of including them would have been anti-dilutive:

	Year Ended January 31,		
	2022	2021	2020
Shares subject to outstanding common stock awards	11,855	11,299	12,215
Shares issuable pursuant to the Employee Stock Purchase Plan	52	162	165
Total potentially dilutive shares	11,907	11,461	12,380

6. Fair Value Measurements

Assets and liabilities recorded at fair value in the consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The lowest level of significant input determines the placement of the fair value measurement within the following hierarchical levels:

- *Level 1:* Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3:* Unobservable inputs that are supported by little or no market activity.

Assets and liabilities measured at fair value on a recurring basis

The following tables present information about the Company's financial assets and liabilities that are measured at fair value and indicates the fair value hierarchy of the valuation inputs used (in thousands):

	January 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	\$ 378,294	\$ —	\$ —	\$ 378,294
Total assets	<u>\$ 378,294</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 378,294</u>
	January 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	\$ 378,281	\$ —	\$ —	\$ 378,281
Total assets	<u>\$ 378,281</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 378,281</u>

The carrying amounts of certain financial instruments, including cash held in banks, accounts receivable, and accounts payable, approximate fair value due to their short-term maturities and are excluded from the fair value tables above.

It is the Company's policy to recognize transfers of assets and liabilities between levels of the fair value hierarchy at the end of a reporting period. The Company does not transfer out of Level 3 and into Level 2 until observable inputs become available and reliable. There were no transfers between fair value measurement levels during the years ended January 31, 2022 or 2021.

Assets and liabilities measured at fair value on a non-recurring basis

See Note 8, *Business Combinations*, and Note 9, *Goodwill and Net Intangible Assets*, of these notes to our consolidated financial statements for fair value measurements of certain assets and liabilities recorded at fair value on a non-recurring basis.

7. Property and Equipment, Net

Property and equipment, net consists of the following (in thousands):

	January 31,	
	2022	2021
Computer equipment	\$ 13,728	\$ 9,630
Computer software, purchased and developed	27,663	21,876
Furniture and fixtures	9,082	7,662
Leasehold improvements	9,969	5,500
Total property and equipment	60,442	44,668
Less: accumulated depreciation	(23,607)	(16,055)
Total property and equipment, net	<u>\$ 36,835</u>	<u>\$ 28,613</u>

Depreciation expense was \$10.9 million, \$11.0 million, and \$10.7 million for the years ended January 31, 2022, 2021, and 2020, respectively.

As of January 31, 2022 and 2021, we had no equipment under finance leases. We did not recognize depreciation expense related to finance leases during the year ended January 31, 2022. Depreciation expense related to finance leases, which is included in total depreciation expense described immediately above, was \$3.1 million and \$4.3 million for the years ended January 31, 2021 and 2020, respectively.

8. Business Combinations

Brandfolder

On September 14, 2020, we acquired 100% of the outstanding equity of Brandfolder, Inc. (“Brandfolder”), a Delaware corporation, pursuant to an Agreement and Plan of Merger (the “Brandfolder Merger Agreement”). Combining Brandfolder capabilities with Smartsheet creates dynamic solutions that manage workflows around content and collaboration. The Company has included the financial results of Brandfolder in our consolidated financial statements from the acquisition date. We incurred acquisition costs of \$1.0 million during the year ended January 31, 2021, and less than \$0.1 million during the year ended January 31, 2022. These costs included legal and accounting fees and other costs directly related to the acquisition of Brandfolder and are recognized within general and administrative expense in the consolidated statements of operations and comprehensive loss. The acquisition date fair value of the consideration transferred for Brandfolder was approximately \$152.5 million, which consisted of the following (in thousands):

	Fair Value	
Cash	\$	126,589
Class A Common Stock		25,872
Total	\$	152,461

The fair value of the Class A Common Stock issued as part of the consideration paid for Brandfolder was determined on the basis of the closing market price of Smartsheet’s common shares on the acquisition date.

Of the cash paid at closing, \$0.7 million was held in a third-party escrow account after closing to secure our indemnification rights under the Brandfolder Merger Agreement. The \$0.7 million was released from escrow during the three months ended January 31, 2022.

Additionally, we granted certain continuing employees of Brandfolder restricted stock awards with service conditions, which total 96,620 shares of our Class A common stock with an aggregate grant date fair value of \$4.5 million that will be accounted for as post-acquisition share-based compensation expense over the vesting period. We incurred share-based compensation expense related to these awards of \$1.5 million and \$0.5 million during the years ended January 31, 2022 and January 31, 2021, respectively.

We accounted for the transaction as a business combination using the acquisition method of accounting. We allocated the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed based on their respective estimated fair values on the acquisition date. The excess purchase price consideration was recorded as goodwill, and is primarily attributable to the acquired assembled workforce and expanded market opportunities. The goodwill recognized upon acquisition is not deductible for U.S. federal income tax purposes. Fair values were determined using income and cost approaches. The fair value measurements of the intangible assets were based primarily on significant unobservable inputs and thus represent a Level 3 measurement as defined in ASC 820.

We engaged a third-party valuation specialist to aid our analysis of the fair value of the acquired intangibles. All estimates, key assumptions, and forecasts were either provided by or reviewed by us. While we chose to utilize a third-party valuation specialist for assistance, the fair value analysis and related valuations reflect the conclusions of management and not those of any third party.

The fair values assigned to assets acquired and liabilities assumed are based on management's best estimates and assumptions as of the reporting date and are considered final. The following table presents the final allocation of the purchase price at the acquisition date (in thousands):

	September 14, 2020
Cash	\$ 2,530
Accounts receivable	2,649
Contract assets	1,620
Right-of-use assets	895
Other assets	991
Intangible assets	45,270
Goodwill	109,108
Accounts payable, accrued expenses, and other current liabilities	(1,411)
Deferred revenue	(4,655)
Lease liabilities, non-current	(522)
Net deferred tax liability	(4,014)
Total	<u>\$ 152,461</u>

The estimated useful lives and fair values of the identifiable intangible assets at acquisition date were as follows (dollars in thousands):

	Fair Value	Expected Useful Life	Discount Rate
Software technology	\$ 17,400	5 years	10.0 %
Customer relationships	16,590	7 years	11.0 %
Customer relationships - reseller	7,280	7 years	13.0 %
Trade name	4,000	9 years	13.8 %
Total intangible assets	<u>\$ 45,270</u>		

The identifiable intangible assets were valued as follows:

Software technology - we valued the finite-lived software technology using a relief-from-royalty method under the income approach. This method estimates fair value by forecasting avoided royalties, reducing them by maintenance-related research and development expenses and taxes, and discounting the resulting net cash flows to a present value using an appropriate discount rate. We applied judgment which involved the use of significant assumptions with respect to the future revenue forecast, technology life, royalty rate, and the discount rate.

Customer relationships - we valued the finite-lived customer relationships using the multi-period excess earnings method. This method involves forecasting the net earnings expected to be generated by the asset, reducing them by appropriate returns on contributory assets, and then discounting the resulting net cash flows to a present value using an appropriate discount rate. We applied judgment which involved the use of the significant assumptions with respect to the future cash flows forecast, base year annual recurring revenue, customer churn rate, and the discount rate.

Customer relationships - reseller - we valued the finite-lived reseller-related customer relationships using an incremental cash flow approach. This method involves forecasting the incremental revenues expected to be generated by having the existing reseller relationship in place at acquisition, reducing them by appropriate operating expenses, taxes, and returns on contributory assets, and then discounting the resulting net cash flows to a present value using an appropriate discount rate. We applied judgment which involved the use of significant assumptions with respect to the future cash flows forecast and the discount rate.

Trade name - we valued the finite-lived trade name using the relief-from-royalty method under the income approach. This method involves forecasting avoided royalties, reducing them by income taxes, and then discounting the resulting net cash flows to a present value using an appropriate discount rate. We applied judgment which involved the use of significant assumptions with respect to our income forecast.

The related software technology amortization expense is recognized over its useful life within cost of revenues in the consolidated statements of operations and comprehensive loss. The amortization expense related to customer relationships and trade name intangible assets are recognized over their useful lives within sales and marketing in our consolidated statements of operations and comprehensive loss. The weighted-average amortization period of the acquired intangible assets is 6.4 years.

The amounts of revenue and earnings of Brandfolder included in the Company's consolidated statements of operations and comprehensive loss from the acquisition date of September 14, 2020 to January 31, 2021 are as follows (in thousands):

	January 31, 2021	
Revenue	\$	5,683
Loss before income tax benefit		(4,758)

The following unaudited pro forma financial information is for illustrative purposes only and summarizes the combined results of operations for Smartsheet Inc. and Brandfolder, as though the companies were combined as of the beginning of the Company's fiscal year 2020. The unaudited pro forma financial information was as follows (in thousands):

	January 31,			
	2021		2020	
Revenue	\$	397,160	\$	278,200
Loss before income tax provision (benefit)		(122,148)		(112,351)
Net loss		(122,410)		(107,374)

The pro forma financial information for all periods presented above has been calculated after adjusting the results of Brandfolder to reflect the business combination accounting effects resulting from this acquisition. It includes pro forma adjustments related to the amortization of acquired intangible assets, acquisition costs, share-based compensation expense, alignment of accounting policies, deferred revenue fair value adjustment, and the related income tax effects. The unaudited pro forma results have been prepared based on estimates and assumptions, which we believe are reasonable; however, they are not necessarily indicative of the consolidated results of operations had the acquisition occurred on February 1, 2019, or of future results of operations.

10,000ft

On May 1, 2019, we acquired 100% of the outstanding equity of Artefact Product Group, LLC ("Artefact Product Group" or "10,000ft"), a Washington limited liability company, pursuant to an Agreement and Plan of Merger (the "Merger Agreement"). The acquisition was complementary to our existing product capabilities and accelerated our time to market for a resource planning software solution. The aggregate consideration paid in exchange for all of the outstanding equity interests of Artefact Product Group was approximately \$27.8 million in cash, after a working capital adjustment of \$0.2 million. Of the cash paid at closing, after a reduction for the working capital adjustment, a total of \$2.8 million was held in a third-party escrow account to secure our indemnification rights under the 10,000ft Merger Agreement. The \$2.8 million was released from escrow during the three months ended July 31, 2020.

We accounted for the transaction as a business combination using the acquisition method of accounting. We allocated the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed based on their respective estimated fair values on the acquisition date. Excess purchase price consideration was recorded as goodwill, and is primarily attributable to the acquired assembled workforce and expected growth from the expansion of the acquired product offerings and customer base. The goodwill recognized upon acquisition is expected to be deductible for U.S. federal income tax purposes.

We engaged a third-party valuation specialist to aid our analysis of the fair value of the acquired intangibles. All estimates, key assumptions, and forecasts were either provided by or reviewed by us. While we chose to utilize a third-party valuation specialist for assistance, the fair value analysis and related valuations reflect the conclusions of management and not those of any third party.

10,000ft's results of operations have been included in the Company's consolidated results of operations since the acquisition date. The major classes of assets and liabilities to which the Company allocated the purchase price, net of the \$0.2 million working capital adjustment, were as follows (in thousands):

	May 1, 2019	
Cash	\$	1,150
Current assets		801
Intangible assets		16,090
Goodwill		11,001
Current liabilities		(180)
Deferred revenue		(1,030)
Total	\$	27,832

The estimated useful lives and fair values of the identifiable intangible assets at acquisition date were as follows (dollars in thousands):

	Fair Value	Expected Useful Life
Software technology	\$ 8,000	5 years
Customer relationships	7,990	8 years
Trade name	100	32 months
Total intangible assets	\$ 16,090	

The significant identified intangible assets, software technology and customer relationships, were valued as follows:

Software technology - we valued the finite-lived software technology using the relief-from-royalty method under the income approach. This method reflects the present value of the projected cash flows that are expected to be generated from the licensing of the asset to third parties. We applied judgment which involved the use of significant assumptions with respect to the base year revenue and the royalty rate.

Customer relationships - we valued the finite-lived customer relationships using the multi-period excess-earnings method. This method involves forecasting the net earnings to be generated by the asset, reducing them by appropriate returns on contributory assets, and then discounting the resulting net returns to a present value using an appropriate discount rate. We applied judgment which involved the use of the significant assumption of the royalty rate impacting the returns on contributory assets for software technology.

9. Goodwill and Net Intangible Assets

The changes in the carrying amount of goodwill during the years ended January 31, 2022 and 2021 were as follows (in thousands):

Goodwill balance as of January 31, 2020	\$	16,497
Addition - acquisition of Brandfolder		109,381
Measurement period adjustment - acquisition of Brandfolder		(273)
Goodwill balance as of January 31, 2021		125,605
Additions and measurement period adjustments		—
Goodwill balance as of January 31, 2022	\$	125,605

No goodwill impairments were recorded during the years ended January 31, 2022, 2021, or 2020.

The following table presents the components of net intangible assets (in thousands):

	As of January 31, 2022			As of January 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired software technology	\$ 25,400	\$ (9,195)	\$ 16,205	\$ 25,400	\$ (4,115)	\$ 21,285
Acquired customer relationships	32,150	(7,735)	24,415	32,150	(3,235)	28,915
Trade names	4,100	(711)	3,389	4,100	(233)	3,867
Patents	170	(127)	43	170	(111)	59
Domain name	44	—	44	13	—	13
Total	\$ 61,864	\$ (17,768)	\$ 44,096	\$ 61,833	\$ (7,694)	\$ 54,139

The components of intangible assets acquired as of the periods presented were as follows (in thousands):

	As of January 31, 2022		As of January 31, 2021	
	Net Carrying Amount	Weighted Average Life (Years)	Net Carrying Amount	Weighted Average Life (Years)
Acquired software technology	\$ 16,205	3.3	\$ 21,285	4.3
Acquired customer relationships	24,415	5.5	28,915	6.5
Trade names	3,389	7.6	3,867	8.6
Total	\$ 44,009	4.9	\$ 54,067	5.8

Amortization expense related to intangible assets was \$10.1 million, \$6.3 million, and \$2.8 million for the years ended January 31, 2022, 2021, and 2020, respectively. As of January 31, 2022, estimated remaining amortization expense for the finite-lived intangible assets by fiscal year is as follows (in thousands):

2023	\$	9,942
2024		9,942
2025		8,740
2026		7,023
2027		4,858
Thereafter		3,547
Total	\$	44,052

10. Share-Based Compensation

The Company has issued incentive and non-qualifying stock options to employees and non-employee directors under the 2005 Stock Option/Restricted Stock Plan (“2005 Plan”), the 2015 Equity Incentive Plan (“2015 Plan”), and the 2018 Equity Incentive Plan (“2018 Plan”).

The Company has also issued RSUs to employees pursuant to the 2015 Plan and the 2018 Plan.

During the year ended January 31, 2021, the Company issued restricted stock awards (“RSAs”) to certain Brandfolder employees subject to vesting conditions. These shares were issued in a private placement transaction. As vesting of these RSAs is dependent on continuous employment, these were not considered part of the purchase price in accounting for the acquisition.

Employee stock options are granted with exercise prices at the fair value of the underlying common stock on the grant date, in general vest based on continuous employment over four years, and expire 10 years from the date of grant. Employee RSUs are measured based on the grant date fair value of the awards and in general vest based on continuous employment over four years. The RSAs are measured based on the grant date fair value of the awards and vest based on continuous employment over three years.

Stock options

The following table includes a summary of the option activity during the year ended January 31, 2022:

	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 31, 2021	6,533,474	\$ 12.07	6.4	\$ 376,789
Granted	665,051	68.09		
Exercised	(2,317,135)	7.26		
Forfeited or canceled	(307,908)	38.54		
Outstanding at January 31, 2022	4,573,482	20.87	6.2	192,982
Exercisable at January 31, 2022	3,517,096	10.63	5.4	181,455
Vested and expected to vest at January 31, 2022	4,373,238	18.96	6.0	191,975

The weighted-average grant date fair value per share of stock options granted during the years ended January 31, 2022, 2021, and 2020 was \$29.71, \$18.95, and \$17.11, respectively. The total grant date fair value of stock options vested was \$10.1 million, \$11.1 million, and \$11.1 million during the years ended January 31, 2022, 2021, and 2020, respectively.

The intrinsic value of options exercised was \$141.1 million, \$141.3 million, and \$136.6 million during the years ended January 31, 2022, 2021, and 2020, respectively.

Restricted stock units

The following table includes a summary of the RSU activity during the year ended January 31, 2022:

	Number of Shares Underlying Outstanding RSUs	Weighted-Average Grant- Date Fair Value per RSU
Outstanding at January 31, 2021	4,765,240	\$ 42.15
Granted	5,557,135	68.21
Vested	(1,877,563)	41.54
Forfeited or canceled	(1,163,580)	49.93
Outstanding at January 31, 2022	<u>7,281,232</u>	<u>60.95</u>

An RSU award entitles the holder to receive shares of the Company's common stock as the award vests, which is based on continued service. Non-vested RSUs do not have non-forfeitable rights to dividends or dividend equivalents.

The weighted-average grant date fair value of RSUs granted during the years ended January 31, 2022, 2021, and 2020 was \$68.21, \$43.19, and \$41.62, respectively.

Restricted stock awards

The following table includes a summary of RSA activity during the year ended January 31, 2022:

	Number of Shares	Weighted-Average Grant- Date Fair Value per Share
Outstanding at January 31, 2021	92,318	\$ 46.93
Granted	—	—
Vested	(33,640)	46.93
Forfeited or canceled	(2,390)	46.93
Outstanding at January 31, 2022	<u>56,288</u>	<u>46.93</u>

The weighted-average grant date fair value of RSAs granted during the year ended January 31, 2021 was \$46.93.

2018 Employee Stock Purchase Plan

In April 2018, we adopted our ESPP. The ESPP became effective on April 26, 2018, with the effective date of our IPO.

Under our ESPP, eligible employees are able to acquire shares of our Class A common stock by accumulating funds through payroll deductions of up to 15% of their compensation, subject to plan limitations. Purchases are accomplished through participation in discrete offering periods. Each offering period is six months (formerly commencing each March 25 and September 25) and consists of one six-month purchase period, unless otherwise determined by our board of directors or our compensation committee. As of January 2022, each offering period commences on January 1 and July 1. This change required an abbreviated, one-time purchase period from September 25, 2021 through December 31, 2021 to align to the new offering periods. The purchase price for shares of our common stock purchased under our ESPP is 85% of the lesser of the fair market value of our common stock on (i) the first trading day of the applicable offering period or (ii) the last trading day of the purchase period in the applicable offering period.

The following table includes a summary of the activity of shares available for issuance under our 2018 Plan and our 2018 ESPP during the year ended January 31, 2022:

	Shares Available for Issuance	
	2018 Plan	2018 ESPP
Balance at January 31, 2021	13,654,077	3,234,516
Authorized	6,163,646	1,232,730
Granted	(6,222,186)	(426,816)
Forfeited	1,471,488	—
Balance at January 31, 2022	15,067,025	4,040,430

The aggregate number of shares reserved for issuance under our ESPP will increase automatically on February 1 of each of the first 10 calendar years after the first offering date under the ESPP by the number of shares equal to 1% of the total outstanding shares of our Class A common stock and Class B common stock as of the immediately preceding January 31 (rounded to the nearest whole share) or such lesser number of shares as may be determined by our board of directors in any particular year. The aggregate number of shares issued over the term of our ESPP, subject to stock-splits, recapitalizations or similar events, may not exceed 20,400,000 shares of our Class A common stock.

As of January 31, 2022, \$2.7 million has been withheld on behalf of employees for a future purchase under the ESPP and is recorded in accrued compensation and related benefits in the consolidated balance sheet.

Valuation assumptions

The fair value of employee stock options and ESPP purchase rights was estimated using a Black-Scholes option pricing model with the following assumptions:

	Year Ended January 31,		
	2022	2021	2020
Employee Stock Options			
Risk-free interest rate	1.0%-1.4%	0.6%-0.7%	2.3%-2.6%
Expected volatility	43.1%-43.5%	43.0%-43.5%	42.3%-42.5%
Expected term (in years)	6.25	6.25	6.19-6.25
Expected dividend yield	— %	— %	— %
Employee Stock Purchase Plan			
Risk-free interest rate	0.0%-0.1%	0.1%-1.9%	1.9%-2.5%
Expected volatility	46.9%-68.0%	39.9%-68.0%	38.3%-51.1%
Expected term (in years)	0.27-0.50	0.50	0.49-0.50
Expected dividend yield	— %	— %	— %

The risk-free interest rate used in the Black-Scholes option pricing model is based on the U.S. Treasury yield that corresponds with the expected term at the time of grant. The expected term of an option is determined using the simplified method, which is calculated as the average of the contractual life and the vesting period. The expected term for the ESPP purchase rights is estimated using the offering period, which is typically six months. We estimate volatility for options using volatilities of a group of public companies in a similar industry, stage of life cycle, and size; and volatility of ESPP purchase rights using our own volatility history. The Company does not currently pay dividends and does not expect to for the foreseeable future. In addition to the assumptions used in the Black-Scholes option pricing model, we must also estimate a forfeiture rate to calculate the share-based compensation expense for awards. Our forfeiture rate is derived from historical employee termination behavior. If the actual number of forfeitures differs from these estimates, additional adjustments to compensation expense will be required.

Given the absence of an active market for the Company's common stock prior to the IPO, the board of directors was required to estimate the fair value of the Company's common stock at the time of each option grant based on several factors, including consideration of input from management and contemporaneous third-party valuations. These valuations included consideration of enterprise value and assessment of other common stock and convertible preferred stock transactions occurring during the period.

Share-based compensation expense

Share-based compensation expense included in the consolidated statements of operations and comprehensive loss was as follows (in thousands):

	Year Ended January 31,		
	2022	2021	2020
Cost of subscription revenue	\$ 6,274	\$ 4,385	\$ 1,392
Cost of professional services revenue	3,788	2,146	1,259
Research and development	41,218	25,072	14,260
Sales and marketing	40,632	25,921	12,937
General and administrative	22,988	14,498	7,716
Total share-based compensation	<u>\$ 114,900</u>	<u>\$ 72,022</u>	<u>\$ 37,564</u>

We have excluded \$2.0 million of capitalized software development costs from stock-based compensation expense in both of the years ended January 31, 2022 and 2021.

As of January 31, 2022, there was a total of \$419.0 million of unrecognized share-based compensation expense, which is expected to be recognized over a weighted-average period of 3.2 years.

11. Income Taxes

The components of loss before income tax provision (benefit) were as follows (in thousands):

	Year Ended January 31,		
	2022	2021	2020
United States	\$ (174,043)	\$ (120,958)	\$ (96,810)
Foreign	3,242	2,226	984
Loss before income tax provision (benefit)	\$ (170,801)	\$ (118,732)	\$ (95,826)

The income tax provision (benefit) consisted of the following (in thousands):

	Year Ended January 31,		
	2022	2021	2020
Current:			
Federal	\$ —	\$ —	\$ —
State	175	115	85
Foreign	49	63	17
Total current tax provision (benefit)	224	178	102
Deferred and other:			
Federal	—	(3,117)	—
State	—	(898)	—
Foreign	72	84	12
Total deferred tax provision (benefit)	72	(3,931)	12
Total income tax provision (benefit)	\$ 296	\$ (3,753)	\$ 114

Income tax expense for the year ended January 31, 2022 was recognized primarily due to income taxes in foreign jurisdictions and state income taxes.

Income tax benefit for the year ended January 31, 2021 was recognized primarily due to a release of the Company's federal and state valuation allowance on deferred tax assets as a result of the deferred tax liabilities established for definite lived intangible assets from the acquisition of Brandfolder, offset by income taxes in foreign jurisdictions and state income taxes.

Income tax expense for the year ended January 31, 2020 was recognized primarily due to income taxes in foreign jurisdictions and state income taxes.

The reconciliation of federal statutory income tax to the Company's provision for income taxes is as follows (in thousands):

	Year Ended January 31,		
	2022	2021	2020
Income tax at statutory federal rate	\$ (35,868)	\$ (24,934)	\$ (20,124)
Tax credits	(5,697)	(5,657)	(5,798)
Change in valuation allowance	71,738	51,296	47,412
Share-based compensation	(30,092)	(24,057)	(22,009)
Other	215	(401)	633
Total income tax provision (benefit)	\$ 296	\$ (3,753)	\$ 114

Deferred income taxes reflect the net tax effects of loss and credit carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The tax effects of temporary differences and related deferred tax assets and liabilities as of January 31, 2022 and 2021 were as follows (in thousands):

	January 31,	
	2022	2021
Deferred tax assets:		
Net operating loss carryforwards	\$ 147,348	\$ 95,219
Deferred revenue	82,904	55,167
Tax credits	23,677	17,912
Lease liabilities	19,379	21,725
Share-based compensation	16,595	9,877
Accrued compensation	5,711	5,403
Other	1,097	570
Total deferred tax assets	296,711	205,873
Valuation allowance	(247,130)	(159,673)
Total deferred tax assets, net	49,581	46,200
Deferred tax liabilities:		
Capitalized commissions	(23,242)	(14,745)
Lease right-of-use assets	(17,023)	(20,527)
Intangibles	(8,265)	(10,057)
Property and equipment	(1,186)	(934)
Total deferred tax liabilities	(49,716)	(46,263)
Net deferred tax assets (liabilities)	\$ (135)	\$ (63)

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended January 31, 2022. Such objective evidence limits the ability to consider other subjective evidence, such as the Company's projections for future growth. On the basis of this evaluation, the Company has established a full valuation allowance equal to its U.S. and U.K. net deferred tax assets due to the uncertainty of future realization of the net deferred tax assets. The valuation allowance increased by \$87.5 million during the year ended January 31, 2022. The increase in the valuation allowance was primarily related to U.S. federal and state losses incurred during the year.

As of January 31, 2022, we had net operating loss carryforwards ("NOLs") of \$588.4 million for U.S. federal income taxes and \$353.1 million for state and local income taxes. U.S. federal NOLs of \$533.9 million may be carried forward indefinitely, and U.S. federal NOLs of \$54.5 million will expire on various dates starting in 2025. The state NOL carryforwards will begin to expire in 2025.

As of January 31, 2022, the Company's tax credit carryforwards for income tax purposes were approximately \$23.7 million net of uncertain tax positions for research and development credits. If not used, the tax credit carryforwards will begin to expire in 2030.

The Company's operations in Costa Rica are located in a Free Trade Zone ("FTZ") which entitles the Company to certain tax incentives including a tax holiday from corporate income tax or a reduced corporate tax rate. The FTZ benefits are conditional on the Company meeting certain employment and investment thresholds. These tax incentives are effective into 2034 and may be extended if additional requirements are satisfied. The impact of the tax holiday was not material.

Accounting guidance for income taxes requires a deferred tax liability to be established for the U.S. tax impact of undistributed earnings of foreign subsidiaries unless it can be shown that these earnings will be permanently reinvested outside the U.S. If the Company's foreign earnings were to be repatriated in the future, the estimated U.S. tax liability would be insignificant.

The calculation of the Company's tax obligations involves dealing with uncertainties in the application of complex tax laws and regulations. ASC 740, *Income Taxes*, provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits. The Company has assessed its income tax positions and recorded tax benefits for all years subject to examination, based upon its evaluation of the facts, circumstances, and information available at each period end. For those tax positions where the Company has determined there is a greater than 50% likelihood that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is determined there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit has been recognized.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits:

	Year Ended January 31,		
	2022	2021	2020
Balance, beginning of the year	\$ 5,283	\$ 3,339	\$ 1,416
Increases to tax positions taken during the current year	2,010	2,046	1,850
Increases to tax positions taken in prior years	—	11	73
Decreases to tax positions taken in prior years	(89)	(113)	—
Balance, end of year	<u>\$ 7,204</u>	<u>\$ 5,283</u>	<u>\$ 3,339</u>

Although the Company believes that it has adequately reserved for its uncertain tax positions, it can provide no assurance that the final tax outcome of these matters will not be materially different. The Company makes adjustments to its reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made.

No liability was recorded for uncertain tax positions, or related interest or penalties, as of January 31, 2022 or 2021. As of January 31, 2022 and 2021, the Company had \$7.2 million and \$5.3 million of unrecognized tax benefits, respectively, of which the total amount that would impact the effective tax rate, if recognized, is \$7.2 million and \$5.3 million, respectively. Any impact on the effective tax rate for unrecognized tax benefits would be offset by the impact of the Company's full valuation allowance on its U.S. federal and state deferred tax assets.

In the U.S., the Company's tax years from 2005 to present remain effectively open to examination by the Internal Revenue Service, as well as various state and foreign jurisdictions.

Interest or penalties, if incurred, are recognized as a component of income tax expense. Penalties and interest recognized were not material for the years ended January 31, 2022, 2021, and 2020.

12. Leases

The Company has operating leases primarily related to corporate offices and certain equipment. During the years ended January 31, 2021 and 2020, the Company had finance leases primarily related to data center equipment. During the three months ended January 31, 2021, the Company paid off all finance leases.

Our leases have remaining lease terms of less than 1 year to 7 years, some of which include options to extend the leases for up to 5 years.

The components of lease expense recorded in the consolidated statements of operations and comprehensive loss were as follows (in thousands):

	Year Ended January 31,		
	2022	2021	2020
Operating lease cost	\$ 18,739	\$ 15,586	\$ 11,494
Finance lease cost:			
Amortization of assets	—	3,093	4,195
Interest on lease liabilities	—	114	250
Short-term lease cost	371	1,493	845
Variable lease cost	2,850	2,606	1,865
Total lease costs	\$ 21,960	\$ 22,892	\$ 18,649

Other information related to leases was as follows (in thousands):

	Year Ended January 31,		
	2022	2021	2020
Supplemental cash flow information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows related to operating leases*	\$ 17,610	\$ 14,249	\$ 9,990
Operating cash flows related to finance leases	—	114	243
Financing cash flows related to finance leases	—	4,129	4,167
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	994	35,415	12,173
Finance leases	—	—	2,364

*Includes cash paid for lease liability accretion of \$4.1 million, \$4.0 million, and \$4.4 million for the years ended January 31, 2022, 2021, and 2020, respectively.

Supplemental balance sheet information related to our operating leases was as follows:

	January 31,	
	2022	2021
Weighted-average remaining lease term (in years)	5.3	6.2
Weighted-average discount rate	5.0 %	5.1 %

As of January 31, 2022, remaining maturities of lease liabilities were as follows (in thousands):

	Operating Leases	
Fiscal 2023	\$	18,415
Fiscal 2024		17,665
Fiscal 2025		15,366
Fiscal 2026		13,336
Fiscal 2027		10,029
Thereafter		11,499
Total lease payments		86,310
Less: imputed interest		(10,070)
Total	\$	76,240

13. Commitments and Contingencies

Lease commitments

We have entered into various non-cancelable lease agreements related to our corporate offices and certain equipment. For additional information regarding our lease agreements, see Note 12.

Purchase commitments

During the year ended January 31, 2022, the Company entered into a four-year commitment with a cloud-based hosting service provider for \$190.0 million. This commitment replaced our four-year commitment for \$75.0 million disclosed in our audited consolidated financial statements as of and for the year ended January 31, 2021. As of January 31, 2022, \$177.3 million remained unpaid, of which \$26.0 million of upfront payments are to be paid in fiscal year 2023, \$44.3 million of upfront payments are to be paid in fiscal year 2024, \$57.8 million of upfront payments are to be paid in fiscal year 2025, and \$40.5 million of upfront payments are to be paid in fiscal year 2026. Total remaining payments will exceed upfront payment amounts based on on-demand usage.

During the year ended January 31, 2021, the Company entered into a three-year commitment with a separate cloud-based hosting service provider for \$3.2 million. As of January 31, 2022, \$1.7 million remained unpaid. Payments are to be made monthly based on usage through fiscal year 2024.

Legal matters

An indemnification claim has been made against the Company by a former director, Ryan Hinkle, and Insight Venture Partners VII, L.P. and certain affiliated entities that are former shareholders of the Company (together with Hinkle, the "IVP Parties"), relating to a purported class action litigation in which the IVP Parties are defendants. On January 29, 2021, the IVP Parties filed a complaint against the Company in the Superior Court of Washington, King County, for the advancement of legal fees, costs, and expenses incurred in defending the purported class action claim. During the three months ended January 31, 2022, we paid \$10.0 million as part of an overall settlement of these matters.

From time-to-time, in the normal course of business, the Company may be subject to various other legal matters such as threatened or pending claims or proceedings. Although management currently believes that resolution of such matters, individually and in the aggregate, will not have a material impact on our financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties, and management's view of these matters may change in the future.

14. 401(k) and Pension Plans

In March 2008, the Company initiated a 401(k) plan for the benefit of all United States employees. In the second quarter of fiscal 2021, we began to match 50% of each participant's contribution up to a maximum of 6% of the participant's eligible pay during the period. We recognized an expense of \$6.7 million and \$4.4 million related to matching contributions during the years ended January 31, 2022 and 2021, respectively. No employer contributions were made to the 401(k) plan by the Company during the year ended January 31, 2020.

In January 2018, the Company began contributing to a pension plan for the benefit of its employees based in the United Kingdom. In January 2020, the Company began contributing to a pension plan for the benefit of its employees based in Australia. We recognized an expense related to employer contributions of \$1.6 million, \$1.0 million, and \$0.3 million during the years ended January 31, 2022, 2021, and 2020, respectively.

15. Related Party Transactions

Certain members of the board of directors serve as directors of, or are executive officers of, and in some cases are investors in, companies that are customers or vendors of the Company. Certain of the Company's executive officers also serve as directors of, or serve in an advisory capacity to, companies that are customers or vendors of the Company. Related-party transactions were not material as of and for the years ended January 31, 2022, 2021, and 2020.

16. Geographic Information**Revenue**

Revenue by geographic location is determined by the location of the Company's customers. The following table sets forth revenue by geographic area (in thousands):

	Year Ended January 31,		
	2022	2021	2020
United States	\$ 454,246	\$ 314,177	\$ 214,492
EMEA	51,603	37,463	29,246
Asia Pacific	21,326	15,325	12,969
Americas other than the United States	23,657	18,548	14,175
Total	<u>\$ 550,832</u>	<u>\$ 385,513</u>	<u>\$ 270,882</u>

No individual country other than the United States contributed more than 10% of total revenue during any of the periods presented.

Long-lived assets

Long-lived assets by geographic location is based on the location of the legal entity that owns the asset. The following table sets forth long-lived assets by geographic area (in thousands):

	January 31,	
	2022	2021
United States	\$ 79,278	\$ 85,740
EMEA	3,828	5,007
Asia Pacific	1,153	2,020
Americas other than the United States	28	—
Total	<u>\$ 84,287</u>	<u>\$ 92,767</u>

The table above includes property and equipment and operating lease right-of-use assets and excludes capitalized internal-use software costs and intangible assets.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures**Evaluation of disclosure controls and procedures**

Under the supervision and with the participation of our management, including our principal executive officer (Chief Executive Officer) and principal financial officer (Chief Financial Officer), we conducted an evaluation (pursuant to Rule 13a-15(b) of the Exchange Act) of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, as of January 31, 2022.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of January 31, 2022 at the reasonable assurance level.

Management's report on internal control over financial reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 31, 2022, based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation our Chief Executive Officer and Chief Financial Officer have concluded that as of January 31, 2022, our internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of January 31, 2022 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included in Item 8 of this Annual Report on Form 10-K.

Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended January 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent limitations on effectiveness of controls

Management recognizes that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2022 Annual Meeting of Shareholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2022.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2022 Annual Meeting of Shareholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2022.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2022 Annual Meeting of Shareholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2022.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2022 Annual Meeting of Shareholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2022.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2022 Annual Meeting of Shareholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2022.

Part IV**Item 15. Exhibits and Financial Statement Schedules**

The following documents are filed as a part of this Annual Report on Form 10-K:

(a) Financial Statements

The information concerning our financial statements, and Report of Independent Registered Public Accounting Firm required by this Item is incorporated by reference herein to the section of this Annual Report on Form 10-K in Item 8, entitled “Financial Statements and Supplementary Data.”

(b) Financial Statement Schedules

All schedules have been omitted because the required information is not present or not present in amounts sufficient to require submission of the schedules, or because the information required is included in Item 8, entitled “Financial Statements and Supplementary Data.”

(c) Exhibits

Exhibit Number	Exhibit Title	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Articles of Incorporation	10-Q	001-38464	3.1	June 12, 2018	
3.2	Amended and Restated Bylaws	10-Q	001-38464	3.2	June 12, 2018	
4.1	Form of Class A common stock certificate	S-1/A	333-223914	4.1	April 16, 2018	
4.2	Amended and Restated Investors’ Rights Agreement by and among the Registrant and certain security holders of the Registrant dated May 19, 2017, as amended by the First Amendment to Amended and Restated Investors’ Rights Agreement October 26, 2017	S-1	333-223914	4.2	March 26, 2018	
4.3	Description of Securities Under Section 12 of the Securities Exchange Act of 1934, as amended	10-K	001-38464	4.3	March 31, 2020	
10.1 [†]	Form of Indemnification Agreement	S-1/A	333-223914	10.1	April 16, 2018	
10.2 [†]	2005 Stock Option/Restricted Stock Plan, and forms of award agreements thereunder	S-1	333-223914	10.2	March 26, 2018	
10.3 [†]	2015 Equity Incentive Plan, and forms of award agreements thereunder	S-1/A	333-223914	10.3	April 16, 2018	
10.4 [†]	2018 Equity Incentive Plan, and forms of award agreements thereunder	S-1/A	333-223914	10.4	April 16, 2018	
10.5 [†]	2018 Employee Stock Purchase Plan, as amended	10-Q	001-38464	10.1	September 8, 2021	
10.6 [†]	Offer Letter by and between the Registrant and Mark P. Mader, dated January 11, 2006	S-1	333-223914	10.6	March 26, 2018	
10.7 [†]	Offer Letter by and between the Registrant and Michael Arntz, dated September 5, 2016	S-1	333-223914	10.8	March 26, 2018	
10.8 [†]	Offer Letter by and between the Registrant and Paul Porrini, dated February 19, 2018	S-1	333-223914	10.12	March 26, 2018	
10.9 [†]	Offer Letter by and between the Registrant and Praerit Garg, dated January 13, 2019	10-K	001-38464	10.19	April 1, 2019	
10.10 [†]	Offer Letter by and between the Registrant and Pete Godbole, dated November 6, 2020	10-K	001-38464	10.22	March 25, 2021	
10.11 [†]	Offer Letter by and between the Registrant and Megan Hansen, dated July 8, 2019	10-Q	001-38464	10.1	June 4, 2021	
10.12 [†]	Offer Letter by and between the Registrant and Andrew Bennett, dated November 11, 2021					X
10.13 [†]	Offer Letter by and between the Registrant and Stephen Branstetter, dated November 11, 2021					X

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10.14 ¹	Offer Letter by and between the Registrant and Jolene Marshall, dated November 11, 2021						X
10.15 ¹	Form of Change in Control Severance Agreement	S-1	333-223914	10.13	March 26, 2018		
10.16 ¹	2019 Amended and Restated Annual Incentive Plan	8-K	001-38464	10.1	October 13, 2020		
10.17	Bank of America Building Office Lease by and between the Registrant and Bellevue Place Office, LLC, as amended						X
10.18	City Center Bellevue Building Office Lease by and between the Registrant and AAT CC Bellevue, LLC, as amended						X
16.1	Letter from PricewaterhouseCoopers LLP dated April 30, 2020	8-K	001-38464	16.1	April 30, 2020		
21.1	List of Subsidiaries						X
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm						X
23.2	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm						X
24.1	Power of Attorney						X
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002						X
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002						X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002						X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002						X
101.INS	XBRL Instance Document						X
101.SCH	XBRL Taxonomy Extension Schema Document						X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document						X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document						X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document						X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document						X
104	The cover page from the Registrant's Annual Report on Form 10-K for the year ended January 31, 2022, formatted in Inline XBRL (included in Exhibit 101)						X

¹ Indicates a management contract or compensatory plan.

* This certification is deemed not filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SMARTSHEET INC.

By: /s/ Mark P. Mader
Name: Mark P. Mader
Title: Chief Executive Officer and President
(Principal Executive Officer)

Date: March 25, 2022

SMARTSHEET INC.

By: /s/ Pete Godbole
Name: Pete Godbole
Title: Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Date: March 25, 2022

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Mark P. Mader and Pete Godbole, and each of them, as his or her true and lawful attorneys-in-fact, proxies, and agents, with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, proxies, and agents, or substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Name	Title	Date
<u>/s/ Mark P. Mader</u> Mark P. Mader	Chief Executive Officer and President <i>(Principal Executive Officer)</i>	March 25, 2022
<u>/s/ Pete Godbole</u> Pete Godbole	Chief Financial Officer and Treasurer <i>(Principal Financial and Accounting Officer)</i>	March 25, 2022
<u>/s/ Geoffrey T. Barker</u> Geoffrey T. Barker	Chair of the Board of Directors	March 25, 2022
<u>/s/ Alissa Abdullah</u> Alissa Abdullah	Director	March 25, 2022
<u>/s/ Brent Frei</u> Brent Frei	Director	March 25, 2022
<u>/s/ Elena Gomez</u> Elena Gomez	Director	March 25, 2022
<u>/s/ Michael Gregoire</u> Michael Gregoire	Director	March 25, 2022
<u>/s/ Matthew McIlwain</u> Matthew McIlwain	Director	March 25, 2022
<u>/s/ Rowan Trollope</u> Rowan Trollope	Director	March 25, 2022
<u>/s/ James N. White</u> James N. White	Director	March 25, 2022
<u>/s/ Magdalena Yesil</u> Magdalena Yesil	Director	March 25, 2022

November 11, 2021
Andrew Bennett
via email

Dear Andrew:

Smartsheet Inc. (the "Company") is pleased to offer you a new role within the Company on the terms described below.

1. Position. You will transition to a full-time position as Chief Marketing Officer and will initially report to the Company's CEO. By signing this letter, you confirm with the Company that you are under no contractual or other legal obligations that would prohibit you from performing your duties with the Company.

2. Compensation. You will be paid a starting base salary at the rate of \$350,000 per year, payable on the Company's regular payroll dates. Additionally, you will be eligible to participate in our annual company bonus program. Your new company bonus target is 60% of base salary, contingent upon achievement of both personal and corporate objectives. The eligible amount for a specific plan year is based on the bonus target percentage multiplied by your base pay, and is prorated for mid-plan year base pay rate changes and mid-plan year bonus target percentage changes. For more detail on the Annual Company Bonus Plan please refer to the plan document posted on the Employee Resource Center or contact me.

3. Equity. Management will recommend to the Compensation Committee of the Company's Board of Directors (the "Committee") that, during the Company's upcoming annual equity grant process, you be granted equity awards with an aggregate value of \$2,000,000 provided in a combination of stock options (making up approximately one-third of the aggregate value) and restricted stock units (approximately two-thirds of the aggregate value). Equity awards (i) will be granted under and subject to the terms and conditions of the Company's 2018 Equity Incentive Plan and the applicable award agreement; and (ii) shall vest over four years, with 25% vesting on the one year anniversary of the vesting commencement date, and the remaining 75% vesting in equal quarterly increments thereafter.

4. Employment Relationship. This change in role does not alter the nature of your employment nor does it imply a contract with the Company. Employment with the Company is for no specific period of time. Your employment with the Company will continue to be "at will".

5. Withholding Taxes. All forms of compensation referred to in this letter are subject to applicable withholding and payroll taxes.

6. Entire Agreement. This offer letter constitutes the entire agreement between you and the Company regarding the matters described in this letter, and supersedes and replaces any prior understandings or agreements, whether oral, written or implied, between you and the Company relating to such subject matter.

7. Effective Date and Transition. If you wish to accept this offer, please sign and date this letter. This offer, if not accepted, will expire at the close of business on Nov 11, 2021. Your anticipated start date in the new role is Nov 12, 2021. If you have any questions regarding this offer or need to adjust your start date, please contact Mark or myself. We look forward to having you join us!

Sincerely,
Smartsheet Inc.

DocuSigned by:
Megan Hansen

Megan Hansen, Chief People and Culture Officer

I have read and accept this employment offer.

DocuSigned by:
Andrew Bennett

Andrew Bennett

11/11/2021

Date



November 11, 2021
Stephen Branstetter
via email

Dear Stephen:

Smartsheet Inc. (the "Company") is pleased to offer you a new role within the Company on the terms described below.

1. Position. You will transition to a full-time position as Chief Operating Officer and will initially report to the Company's CEO. By signing this letter, you confirm with the Company that you are under no contractual or other legal obligations that would prohibit you from performing your duties with the Company.

2. Compensation. You will be paid a starting base salary at the rate of \$325,000 per year, payable on the Company's regular payroll dates. Additionally, you will be eligible to participate in our annual company bonus program. Your new company bonus target is 60% of base salary, contingent upon achievement of both personal and corporate objectives. The eligible amount for a specific plan year is based on the bonus target percentage multiplied by your base pay, and is prorated for mid-plan year base pay rate changes and mid-plan year bonus target percentage changes. For more detail on the Annual Company Bonus Plan please refer to the plan document posted on the Employee Resource Center or contact me.

3. Equity. Management will recommend to the Compensation Committee of the Company's Board of Directors (the "Committee") that, during the Company's upcoming annual equity grant process, you be granted equity awards with an aggregate value of \$1,500,000 provided in a combination of stock options (making up approximately one-third of the aggregate value) and restricted stock units (approximately two-thirds of the aggregate value). Equity awards (i) will be granted under and subject to the terms and conditions of the Company's 2018 Equity Incentive Plan and the applicable award agreement; and (ii) shall vest over four years, with 25% vesting on the one year anniversary of the vesting commencement date, and the remaining 75% vesting in equal quarterly increments thereafter.

4. Employment Relationship. This change in role does not alter the nature of your employment nor does it imply a contract with the Company. Employment with the Company is for no specific period of time. Your employment with the Company will continue to be "at will".

5. Withholding Taxes. All forms of compensation referred to in this letter are subject to applicable withholding and payroll taxes.

6. Entire Agreement. This offer letter constitutes the entire agreement between you and the Company regarding the matters described in this letter, and supersedes and replaces any prior understandings or agreements, whether oral, written or implied, between you and the Company relating to such subject matter.

7. Effective Date and Transition. If you wish to accept this offer, please sign and date this letter. This offer, if not accepted, will expire at the close of business on Nov 11, 2021. Your anticipated start date in the new role is Nov 12, 2021. If you have any questions regarding this offer or need to adjust your start date, please contact Mark or myself. We look forward to having you join us!

Sincerely,
Smartsheet Inc.

DocuSigned by:

Megan Hansen, Chief People and Culture Officer

I have read and accept this employment offer.

DocuSigned by:

Stephen Branstetter

11/11/2021
Date

November 11, 2021
Jolene Marshall
via email

Dear Jolene:

Smartsheet Inc. (the "Company") is pleased to offer you a new role within the Company on the terms described below.

1. Position. You will transition to a full-time position as Chief Legal Officer and will initially report to the Company's CEO. By signing this letter, you confirm with the Company that you are under no contractual or other legal obligations that would prohibit you from performing your duties with the Company.

2. Compensation. You will be paid a starting base salary at the rate of \$350,000 per year, payable on the Company's regular payroll dates. Additionally, you will be eligible to participate in our annual company bonus program. Your new company bonus target is 60% of base salary, contingent upon achievement of both personal and corporate objectives. The eligible amount for a specific plan year is based on the bonus target percentage multiplied by your base pay, and is prorated for mid-plan year base pay rate changes and mid-plan year bonus target percentage changes. For more detail on the Annual Company Bonus Plan please refer to the plan document posted on the Employee Resource Center or contact me.

3. Equity. Management will recommend to the Compensation Committee of the Company's Board of Directors (the "Committee") that, during the Company's upcoming annual equity grant process, you be granted equity awards with an aggregate value of \$2,500,000 provided in a combination of stock options (making up approximately one-third of the aggregate value) and restricted stock units (approximately two-thirds of the aggregate value). Equity awards (i) will be granted under and subject to the terms and conditions of the Company's 2018 Equity Incentive Plan and the applicable award agreement; and (ii) shall vest over four years, with 25% vesting on the one year anniversary of the vesting commencement date, and the remaining 75% vesting in equal quarterly increments thereafter.

4. Employment Relationship. This change in role does not alter the nature of your employment nor does it imply a contract with the Company. Employment with the Company is for no specific period of time. Your employment with the Company will continue to be "at will".

5. Withholding Taxes. All forms of compensation referred to in this letter are subject to applicable withholding and payroll taxes.

6. Entire Agreement. This offer letter constitutes the entire agreement between you and the Company regarding the matters described in this letter, and supersedes and replaces any prior understandings or agreements, whether oral, written or implied, between you and the Company relating to such subject matter.

7. Effective Date and Transition. If you wish to accept this offer, please sign and date this letter. This offer, if not accepted, will expire at the close of business on Nov 11, 2021. Your anticipated start date in the new role is Nov 12, 2021. If you have any questions regarding this offer or need to adjust your start date, please contact Mark or myself. We look forward to having you join us!

Sincerely,
Smartsheet Inc.

DocuSigned by:
Megan Hansen

Megan Hansen, Chief People and Culture Officer

I have read and accept this employment offer.

DocuSigned by:
Jolene Marshall

Jolene Marshall

11/11/2021

Date

BANK OF AMERICA BUILDING OFFICE LEASE

BETWEEN

BELLEVUE PLACE OFFICE, LLC,

a Washington limited liability company

(Landlord)

AND

SMARTSHEET INC.,

a Washington corporation (tenant)

SUITE 212

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BANK OF AMERICA BUILDING OFFICE LEASE

THIS LEASE is made this 10th day of October, 2017, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord owns certain rights and interests in and to certain real property and improvements thereon in the City of Bellevue, King County, Washington, which real property is described in Exhibit "A," attached hereto, and shown on the site plan attached hereto as Exhibit "B." Said property and the improvements thereon are part of a first-class multi-use development commonly known and referred to herein as "Bellevue Place." Bellevue Place currently consists of the Bank of America Building, Hotel Building, Corner Building, and Wintergarden Retail Center, as shown on Exhibit "B," as well as a Parking Garage currently located beneath the foregoing.

B. Tenant desires to lease from Landlord a portion of the Bank of America Building and Landlord is willing to do so on certain terms and conditions, which are set forth herein.

NOW THEREFORE, for and in consideration of the promises, covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. BASIC LEASE DATA, TERMS AND EXHIBITS.

1.1 Landlord: Bellevue Place Office, LLC, a Washington limited liability company.

1.2 Address of Landlord: P. O. Box 4186, Bellevue, Washington 98009.

1.3 Tenant: Smartsheet Inc., a Washington corporation.

1.4 Principal Business Address of Tenant: 10500 NE 8th Street, Suite 1300, Bellevue, WA 98004.

1.5 Tenant's Permitted Trade Name: Smartsheet

1.6 Leased Premises: That portion of the second (2nd) floor of the Bank of America Building; as and where shown on Exhibit "C" attached hereto.

1.7 Rentable Area of the Leased Premises: Seven Hundred Ninety-six (796) square feet.

1.8 Breakdown of Rentable Area at Bellevue Place

(a) The total Rentable Area of the Bank of America Building and the Comer Building is Four Hundred Sixty-three Thousand Five Hundred Ninety-nine (463,599) square feet.

(b) The total Rentable Area of Bellevue Place is Five Hundred Nineteen Thousand Five Hundred Forty-nine (519,549) square feet.

1.9 Tenant's Share:

(a) Because Bellevue Place is a multi-use development containing a variety of different office, retail, and common area facilities within its various elements, Tenant's Share appropriately comprises two components: (i) Operating, Repair and Maintenance Expenses specific to the Bank of America Building and the Comer Building, as set forth in Section 1.9(b); and (ii) Operating, Repair and Maintenance Expenses for Bellevue Place generally, as set forth in Section 1.9(c).

(b) Operating, Repair and Maintenance Expenses for the Bank of America Building and the Comer Building: point one seven two percent (.172%) based on 463,599 rentable square feet pursuant to Section 1.8(a).

(c) Operating, Repair and Maintenance Expenses for Bellevue Place: point one five three percent (.153%) based on 519,549 rentable square feet pursuant to Section 1.8(b).

1.10 Rent:

(Based on 796 square feet of Rentable Area]

From and including the Commencement Date through and including the last day of the twelfth (12th) month of the Lease Term, the Rent shall be Thirty-eight and 00/100 Dollars (\$38.00), per square foot of the Rentable Area of the Leased Premises per annum or Two Thousand Five Hundred Twenty and 67/100 Dollars (\$2,520.67) per month.

From and including the first day of the thirteenth (13th) month of the Lease Term through and including the last day of the twenty-fourth (24th) month of the Lease Term, the Rent shall be Thirty-nine and 14/100 Dollars (\$39.14) per square foot of the Rentable Area of the Leased Premises per annum or Two Thousand Five Hundred Ninety-six and 29/100 Dollars (\$2,596.29) per month.

From and including the first day of the twenty-fifth (25th) month of the Lease Term through and including the last day of the thirty-sixth (36th) month of the Lease Term, the Rent shall be Forty and 31/100 Dollars (\$40.31) per square foot of the Rentable Area of the Leased Premises per annum or Two Thousand Six Hundred Seventy-three and 90/100 Dollars (\$2,673.90) per month.

From and including the first day of the thirty-seventh (37th) month of the Lease Term through and including the last day of the forty-eighth (48th) month of the Lease Term, the Rent shall be Forty-one and 52/100 Dollars (\$41.52) per square foot of the Rentable Area of the Leased Premises per annum or Two Thousand Seven Hundred Fifty-four and 16/100 Dollars (\$2,754.16) per month.

From and including the first day of the forty-ninth (49th) month of the Lease Term through and including the Expiration Date, the Rent shall be Forty-two and 77/100 Dollars (\$42.77) per square foot of the Rentable Area of the Leased Premises per annum or Two Thousand Eight Hundred Thirty-seven and 08/100 Dollars (\$2,837.08) per month.

1.11 Lease Term: Sixty (60) calendar months, plus that portion of a calendar month necessary, if at all, for the Expiration Date to occur on the last day of such calendar month.

1.12 Commencement Date:

The earlier of (i) five (5) days following substantial completion of the Premises Improvements (defined in Section 11.1(a) below), or (ii) the date Tenant first occupies the Leased Premises for business purposes.

1.13 Expiration Date: Sixty (60) months following the Commencement Date, subject to a five (5) year option to extend the Lease.

1.14 Security Deposit: Upon execution of this Lease, Tenant shall pay Landlord Seven Thousand Two Hundred Five and 79/100 Dollars (\$7,205.79), of which Three Thousand Four Hundred Forty-four and 69/100 Dollars (\$3,444.69) of which shall be applied to Rent and Additional Rent due for the first (1st) month of the Lease Term, and Three Thousand Seven Hundred Sixty-one and 10/100 Dollars (\$3,761.10) representing Rent and Additional Rent due for the last month of the Lease Term, shall be held as a security deposit.

1.15 Deadline for Submission to Landlord of Premises Plans for Premises Improvements: November 8, 2017.

1.16 Contingency: THIS LEASE IS CONTINGENT UPON ITS ACCEPTANCE AND APPROVAL BY LANDLORD'S LENDERS. If this Lease is acceptable to Landlord's lenders, this contingency will be waived by Landlord.

1.17 Project Architect: JPC Architects, or as otherwise designated by Landlord.

1.18 Exhibits Incorporated by Reference:

- Exhibit "A" - Legal Description of Bellevue Place.
- Exhibit "B" - Site Plan of Bellevue Place.
- Exhibit "C" - Floor Plan of the Leased Premises.
- Exhibit "D" - Tenant Design & Construction Manual (including Base Building Finish Condition).
- Exhibit "E" - Rules and Regulations.
- Exhibit "F" - Bellevue Place Transportation Management Agreement.
- Exhibit "G" - Form of Tenant Estoppel Certificate.
- Exhibit "H" - Form of Subordination Agreement to Reciprocal Easement Agreement.

2. PREMISES.

2.1 Generally.

Landlord does hereby lease and demise to Tenant, and Tenant hereby accepts from Landlord, upon the terms and conditions herein set forth, the Leased Premises described in Section 1.6 above and depicted in Exhibit "C," together with rights of ingress and egress over and across the Common Areas and Facilities of the Bank of America Building and Bellevue Place.

2.2 Reserved to Landlord.

Landlord reserves the right, from time to time, to change the size and dimensions of Bellevue Place; add additional buildings and improvements to Bellevue Place; relocate, alter, and change the Number of buildings and other improvements in, on and under Bellevue Place; change any building dimensions and the number of floors in any of the buildings and parking areas in Bellevue Place; change the identity and type of stores and tenancies in Bellevue Place; change the name and address of the buildings and other improvements in Bellevue Place; and

change the Common Areas and Facilities in Bellevue Place. Landlord further reserves the use of, and all rights in and to, the exterior walls and roof, and the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through the Leased Premises in locations which will not materially interfere with Tenant's use thereof and serving other parts of Bellevue Place. Landlord shall reasonably attempt to locate such items under the floor, above the ceiling, or adjacent to an interior wall. Such use shall not exceed one percent (1%) of the Useable Area of the Leased Premises unless otherwise agreed. If Landlord's use hereunder exceeds one percent (1%) of the Useable Area of the Leased Premises, Tenant shall be entitled, as its sole and exclusive remedy, to a reduction in the stated Rentable Area for the Leased Premises, as set forth in Section 1.7 above, and a proportional reduction in Rent and Additional Rent (as defined in Sections 5 and 6 below) due hereunder. The Leased Premises shall not include the space above the suspended ceiling. Landlord shall retain the right to use the area immediately below the floor surface and the space above the suspended ceiling in any manner which does not permanently and materially interfere with Tenant's use of the Leased Premises.

3. LEASE TERM.

3.1 Generally.

The term of this Lease (the "Term" or "Lease Term") shall be the period of time set forth in Section 1.11 above and shall commence on the Commencement Date as provided in Section 4.1 below and shall end at 11:59 p.m. on the Expiration Date, as provided in Section 4.2 below.

3.2 Termination.

The Lease shall terminate on the Expiration Date, unless sooner terminated hereunder or by operation of law, without the necessity for any notice from either Landlord or Tenant. If Tenant fails to surrender the Leased Premises at the end of the Lease Term, Tenant shall be liable for, and shall indemnify Landlord against, all claims and demands made by any succeeding tenants against Landlord founded upon delay by Landlord in delivering possession of the Leased Premises to such succeeding tenant.

3.3 Holding Over.

Any holding over by Tenant after the expiration of the Lease Term shall be construed to be a tenancy from month-to-month. During such tenancy, Tenant shall pay to Landlord a monthly rental of one hundred fifty percent (150%) of the Rent payable during the last month of the Lease Term in addition to the Additional Rent and Other Charges set forth herein. Except as set forth herein, such month-to-month tenancy also shall be subject to all of the terms, covenants, and conditions of this Lease.

3.4 Option to Extend Lease Term.

(a) Tenant is granted an option (the "Extension Option") to extend the Lease Term for an additional five (5) year term, to and including the last day of the month that is sixty (60) months following the Expiration Date. The period of time shall be referred to herein as the "Option Period". To exercise the Extension Option, Tenant must give Landlord unequivocal written notice of Tenant's election to exercise the Extension Option at least ten (10) calendar months (but not earlier than twelve (12) calendar months) prior to the Expiration Date.

(b) If Tenant elects to exercise the Extension Option, the Rent for the Option Period ("New Rent") shall be the Fair Market Rent (as defined below) for comparable space in the Bank of America Building ("Comparable Space"), but in no event shall the New Rent be less than the Rent payable during the last month of the Lease Term. If there is no Comparable Space

in the Bank of America Building at the time, Tenant shall pay, as New Rent, whatever the fair market rent in the Bank of America Building would be if there was such Comparable Space in the Bank of America Building. The term "Fair Market Rent" shall mean the rent that would be paid by a willing tenant renewing its lease for Comparable Space for a term of five (5) years. Tenant concessions shall be included in the determination of fair market rent with respect to tenants who are renewing their leases in the Bank of America Building. The term "tenant concessions" shall include, without limitation, such inducements as tenant improvements and free rent.

(c) In the event Landlord and Tenant cannot agree on the New Rent, the matter shall be submitted for decision to a panel of three (3) arbitrators. Landlord and Tenant shall each appoint one (1) arbitrator, who shall by profession be a licensed commercial real estate broker or an MAI real estate appraiser and who shall be familiar with Bellevue Place and have been active (over the three (3) year period ending on the date of such appointment) in the brokering or appraisal of Comparable Space. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's proposed New Rent is the closest to the Fair Market Rent. Each such arbitrator shall be appointed within fifteen (15) days after Tenant's or Landlord's notice to the other of its election to have the New Rent be determined by this arbitration procedure. The two arbitrators so appointed shall, within fifteen (15) days of the date of the appointment of the last appointed arbitrator, agree upon and appoint a third arbitrator, who shall be qualified under the same criteria set forth above for qualification of the initial two arbitrators. Failing such agreement, either Landlord or Tenant shall have the right to petition for the appointment of the third arbitrator by the Presiding Judge of the Superior Court of the County of King. The three (3) arbitrators shall, within thirty (30) days of the appointment of the third arbitrator, reach a decision as to whether the parties shall use Landlord's or Tenant's proposed New Rent and shall notify Landlord and Tenant thereof. The decision of the majority of the three (3) arbitrators shall be binding upon both Landlord and Tenant. The cost of the arbitration shall be paid by Landlord and Tenant equally. The arbitration procedure shall not take more than thirty (30) days. However, if the arbitrators have not determined the New Rent prior to the beginning of the Option Period, Tenant shall pay the Rent previously in effect under the Lease plus a ten percent (10%) increase until such time as the arbitrators determine the New Rent. If the arbitration procedure results in a higher Rent, Tenant shall pay the difference with the next monthly rental payment due under the Lease. If the arbitration procedure results in a lower Rent, Tenant shall receive a credit against its next monthly Rent payments under the Lease, and any succeeding monthly rental payments, if necessary, in an amount equal to the overpayment.

(d) Notwithstanding anything in the foregoing to the contrary, the Extension Option may not be exercised during any period in which Tenant is in default under any provision of the Lease until said default has been fully cured. Time is of the essence. If Tenant fails to exercise the Extension Option in any instance when such right is in effect, prior to the expiration of the applicable time period for the exercise of such right, the Extension Option shall thereafter be deemed null and void and of no further force or effect. The period of time within which the Extension Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise such rights because of the foregoing provisions. All rights of Tenant to the Extension Option shall terminate and be of no further force or effect, even after Tenant's due and timely exercise thereof, if, after such exercise, but prior to the commencement date of the Option Period, Tenant defaults under the terms of the Lease which default is not cured within any applicable cure period.

(e) The Extension Option shall be personal to Tenant and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant, nor shall the Extension Option be assignable separate and apart from this Lease.

4. COMMENCEMENT AND EXPIRATION DATES; LEASE YEAR.

4.1 Commencement Date.

The Commencement Date shall be the date set forth in Section 1.12 above.

4.2 Expiration Date.

This Lease shall expire at 11:59 p.m. on the date set forth in Section 1.13 above.

4.3 Confirmation of Commencement and Expiration.

Within five (5) business days after Tenant's occupancy of the Leased Premises, or upon Landlord's request, Landlord and Tenant shall confirm the specific Commencement and Expiration Dates in writing, as well as the "as built" Rentable Area of the Leased Premises, as defined in Section 6.2(f), and the Rent payable hereunder, which shall be appended to and incorporated into this Lease.

4.4 Lease Year.

A "Lease Year" shall mean a calendar year commencing on January 1 and ending the following December 31. If the Commencement Date is a date other than January 1, the initial Lease Year shall be from and including the Commencement Date to and including December 31 of that calendar year. If the Expiration Date is a date other than December 31, the final Lease Year shall be from and including January 1 of the calendar year of the Final Lease Year to and including the Expiration Date.

5. RENT.

Tenant shall pay to Landlord, without notice or demand and without setoff or deduction whatsoever, the sums stated in Section 1.10 above (the "Rent"), which shall be paid to Landlord in advance in lawful money of the United States, on or before the first day of each calendar month at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. Rent and Additional Rent (as defined in Section 6.1 below) for any partial month at the beginning or end of the Lease Term shall be prorated, based upon a thirty (30) day month. All amounts payable hereunder, other than Rent and Additional Rent, may be sometimes referred to as "Other Charges." Landlord may (but shall not be required to) make available to Tenant procedures for the payment to Landlord by electronic funds transfer of any or all amounts required by the terms of this Lease to be paid by Tenant.

6. ADDITIONAL RENT.

6.1 Generally.

In addition to the Rent provided for in Section 5 above, Tenant shall pay to Landlord, without notice (other than notice advising Tenant of its share of the Additional Rent) or demand and without setoff or deduction, Tenant's Share (as defined in Section 6.2(a) below) of the Operating Expenses (as defined in Section 6.2(b) below), which expenses include, but are not limited to, (i) Operating, Repair, and Maintenance Expenses for the Bank of America Building and the Comer Building; and (ii) Operating, Repair, and Maintenance Expenses for Bellevue Place during the Lease Term (the "Additional Rent").

6.2 Definitions.

The following terms shall have the meanings hereinafter specified, unless the context otherwise specifies or clearly requires:

- (a) Tenant's Share. Tenant's Share shall be equal to the percentages set forth in Section 1.9 above.
- (b) Operating Expenses Generally. The Operating Expenses shall include (i) all Operating, Repair and Maintenance Expenses (defined in Section 6.2(c) below), and (ii) all Taxes (defined in Section 6.2(d) below).
- (c) Operating, Repair and Maintenance Expenses. Operating, Repair and Maintenance Expenses shall include the actual costs and expenses that are paid or payable by Landlord in connection with the operation, repair and maintenance of Bellevue Place and its constituent parts, which include without limitation, the Bank of America Building, the Comer Building and the Wintergarden Retail Center, less all contributions for such costs received from the owner of the Hotel Tract as defined in and pursuant to the terms of that certain Construction, Operation and Reciprocal Easement Agreement recorded under King County Recorder's File No. 8709160449, as amended from time to time (the "REA"), and shall include, but not be limited to, those costs and expenses that are paid or payable to the Transportation Management Association. Without limiting the generality of the foregoing and by way of illustration, Operating, Repair and Maintenance Expenses shall include costs and expenses of all utility, heating, air conditioning and ventilation costs and expenses; license, permit and inspection fees; planting and landscaping costs and expenses; janitorial services; direct physical damage insurance (including but not limited to loss of income insurance), liability and excess liability insurance, and other appropriate insurance policies, as determined solely by Landlord or Landlord's lender, including but not limited to garage keeper's legal liability, boiler and machinery and auto insurance; taxes and assessments on equipment; the cost and expense of repairs including, but not limited to, those of a capital nature necessary or appropriate to fulfill Landlord's obligations to its tenants; the cost and expense of removing trash and other refuse; the cost and expense of supplies, tools and equipment; the cost and expense of cleaning, maintaining, repairing and replacing machinery and equipment, including but not limited to automatic door openers, lights and lighting fixtures, heating, air conditioning and ventilation equipment, fire and sprinkler systems and security systems; depreciation allowance on machinery and equipment (depreciation to be over the useful life of any such machinery and equipment in accordance with the guidelines and regulations established by the Internal Revenue Service, if any); the cost and expense of personnel to implement such services, including but not limited to security and traffic control; legal and accounting costs and expenses; customary management fees; the cost of any capital improvements necessary or appropriate to fulfill Landlord's repair or maintenance obligations, required by any applicable governmental law or regulation not in effect at the time Tenant is required to take occupancy of the Leased Premises or made for the purpose of reducing operating, repair or maintenance costs (the cost of any such capital improvements shall be amortized over the useful life of such item (in accordance with the guidelines and regulations established by the Internal Revenue Service, if any, from time to time) as Landlord shall determine with a return on capital at the current market rate per annum on the unamortized balance or at such higher rate as may have been paid by Landlord on funds borrowed for the purpose of purchasing or constructing such improvements).
- (d) Taxes. Taxes shall include all real estate taxes, personal property taxes and all other taxes, surcharges and assessments that are or may be levied upon, assessed against or attributable to Bellevue Place and all improvements, fixtures, equipment and other property of Landlord, real and personal, located on, in or under Bellevue Place and used in connection with the operation thereof, including the Bank of America Building, the Comer Building and land underlying the Bank of America Building and the Comer Building and including, although not limited to, the land, improvements, equipment, fixtures and other property used in connection

with the operation of and comprising the Parking Garage and Wintergarden Retail Center and any rental, excise, sales, transaction or other privilege tax or levy, however denominated (excepting federal, state and local net income taxes) paid or payable during the Lease Term and taxes on all tenant improvements in the Wintergarden Retail Center owned by Landlord but excluding the Hotel Building and the land underlying the Hotel Building. Taxes also shall include any amounts paid or payable to any third party or incurred by Landlord for the purpose of obtaining a reduction in the Taxes as above defined.

(e) Rentable Area of the Leased Premises. For purposes of this Lease, the Rentable Area of the Leased Premises shall mean the Useable Area of the Leased Premises, as that term is defined and computed according to the *Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA z65.1-2010*, otherwise known as the "BOMA Standard," multiplied by a load factor of twenty-three point eight five percent (23.85%). The "as built" Rentable Area of the Leased Premises shall be the true Rentable Area of the Leased Premises at the time Landlord tenders possession of the Leased Premises to Tenant.

(f) Rentable Area of Bellevue Place. For purposes of this Section 6, the Rentable Area of Bellevue Place shall include the total of all areas and spaces in (i) the Bank of America Building, (ii) the Comer Building, and (iii) all areas and spaces in and opening into the Wintergarden Retail Center (whether or not such areas or spaces in the Bank of America Building, the Comer Building, and the Wintergarden Retail Center are actually leased by Landlord) that are available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests and shall include, but not be limited to, all rest rooms, mezzanines, warehousing and storage areas, clerical and office areas, and employee areas within the leased premises of any tenant of Landlord in the Wintergarden Retail Center, Bank of America Building and Comer Building, but shall exclude all areas and spaces in the Hotel Building (other than those areas and spaces in or opening into the Wintergarden Retail Center and available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests) and the Common Areas and Facilities of Bellevue Place. If at any time, Landlord believes the Rentable Area of Bellevue Place is materially different than the Rentable Area of Bellevue Place set forth in Section 1.8 above because of an error in calculation or additions, modifications or alterations to Bellevue Place and Landlord desires to amend this Lease to reflect the actual or changed Rentable Area of Bellevue Place, Landlord shall so notify Tenant in writing. If Tenant does not object in writing to Landlord's notice within ten (10) days following receipt of Landlord's notice, this Lease shall be deemed to be amended to incorporate the Rentable Area of Bellevue Place as set forth in Landlord's notice to Tenant. If Tenant does object in writing to Landlord's notice within said ten (10) days, and Landlord and Tenant are unable to agree upon the Rentable Area of Bellevue Place within ten (10) days following receipt of Tenant's notice of objection, the matter shall be submitted for determination to the Project Architect for Bellevue Place. The decision of the Project Architect shall be final and binding on both Landlord and Tenant and this Lease shall be deemed to be amended to reflect the Rentable Area of Bellevue Place as and when decided by the Project Architect. The cost and expense of the Project Architect's consideration of the matter, if any, shall be shared equally among Landlord and all tenants objecting to Landlord's notice.

(g) Notwithstanding anything in this Section 6.2 to the contrary, the following costs shall not be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease:

Leasing commissions, advertising expenses, fees and costs incurred in procuring new tenants for portions of Bellevue Place.

Except as permitted in Section 6.2(c) of the Lease, interest or amortization payments on mortgages.

Rental on ground leases or other underlying leases.

Any costs or expenses associated with or incurred in connection with required environmental testing, removal, enclosure, encapsulation or other handling of asbestos or other hazardous or toxic materials or substances.

Costs of any item for which Landlord is or is entitled to be paid or reimbursed by insurance.

Charges for electricity, water, or other utilities and applicable taxes for which Landlord is entitled to reimbursement from any other tenant.

Cost of correcting major defects in the design, construction or equipment of, or substantial latent defects in, the Bank of America Building or Bellevue Place (a defect, for the purposes of this subsection (g), is defined as a substantial condition that occurred because of negligence in the initial construction of Bellevue Place).

Any costs incurred in constructing any future material expansion of the Bank of America Building (as opposed to the costs of operating and maintaining the expanded Bank of America Building, which may be included in the operating costs

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and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease).

Costs of a capital nature, except for costs (a) reasonably necessary or appropriate to fulfill Landlord's repair or maintenance obligations; (b) incurred as a result of any applicable governmental law or regulation enacted and enforced after the date of the Lease; and/or (c) made for the purpose of reducing operating, repair or maintenance costs.

Interest and penalties incurred as a result of Landlord's delinquent payment of any obligation of Landlord.

Notwithstanding any reference in Section 6.2 to the contrary, the cost of any capital item shall not be expensed in a single year but shall be depreciated over the useful life of such item in a manner consistent with other Bellevue Class "A" office buildings.

Notwithstanding anything in this Lease to the contrary, there shall be no duplication of any particular cost, charge or expense in any operating costs and maintenance expenses set forth in this Section 6.2 of the Lease, provided Landlord reserves the right to include a customary administrative fee and a customary management fee within operating costs and maintenance expenses.

6.3 Payment.

Landlord shall provide to Tenant, at or before the Commencement Date, an estimate of the annual Operating Expenses for the Lease Year in which the Commencement Date occurs. Within ninety (90) days after the expiration of each succeeding Lease Year of the Lease Term, or as soon thereafter as such information becomes available, Landlord shall give Tenant a written estimate of Tenant's Share of the Operating Expenses for the then current Lease Year ("Tenant's Estimated Share"). Tenant shall pay Tenant's Estimated Share, in advance, in equal monthly installments on or before the first (1st) day of each calendar month of such Lease Year at

Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. During the period of time following the expiration of a Lease Year and Tenant's receipt of Landlord's estimate of Tenant's Estimated Share, Tenant shall continue to pay Landlord Tenant's Estimated Share from the prior Lease Year. Within ninety (90) days after the expiration of each Lease Year of the Lease Term (or as soon thereafter as such information becomes available), Landlord shall furnish to Tenant a written statement summarizing the actual amount of Tenant's Share of the Operating Expenses for the prior Lease Year (hereinafter sometimes referred to as the "Annual Reconciliation Statement"). If Tenant's Share of the Operating Expenses exceeds the amount paid by Tenant, Tenant shall pay the deficiency to Landlord promptly upon receipt of a written notice of the amount thereof. If such statement shows Tenant's Share of the Operating Expenses to be less than the amount paid by Tenant, the amount of overpayment by Tenant shall be credited by Landlord to the next payment or payments of Additional Rent due hereunder, if Tenant has otherwise complied with all of the terms and provisions of this Lease. If the Lease Term has expired and Tenant has vacated the Leased Premises and no amounts are or may become payable by Tenant, then any overpayment shall be returned to Tenant, or at Landlord's option, to the last assignee of Tenant's interest in the Leased Premises. If this Lease commences at a time other than the beginning of a calendar year, Tenant shall pay the Additional Rent for the remaining portion of the Lease Year based upon the number of days from the Commencement Date. If this Lease expires at a time other than the last day of a calendar year, Tenant shall be obligated to pay immediately any deficiencies which shall be computed at the expiration of that Lease Year. If at any time during a Lease Year it appears to Landlord that any of the Operating Expenses payable for that Lease Year will vary from Landlord's estimate by more than five percent (5%) on an individual or aggregate basis, Landlord may, at its election, adjust Tenant's Estimated Share for the balance of that Lease Year to compensate for such increase. Any increased payments required to be made pursuant to this Section shall be made within thirty (30) days after Landlord has notified Tenant thereof. Tenant's obligations under this Section shall survive the expiration or termination of this Lease.

6.4 Nonpayment.

In the event of nonpayment of any item of Additional Rent or any Other Charge due hereunder, Landlord shall have the same rights and remedies as for failure to pay Rent.

6.5 Future Development of Bellevue Place.

Tenant is aware that Landlord, by itself or in combination with other persons, intends to further expand and develop Bellevue Place in one or more additional phases and Tenant has reviewed plans and other documents describing the intended expansion and development of Bellevue Place or has been provided with opportunities to review such plans and documents. In the event one or more such phases of the Bellevue Place project are completed during the Lease Term, any additional operating, repair or maintenance expenses and real estate and other taxes attributable to such other phases may be included in the Operating Expenses at Landlord's discretion; provided that the denominator used to calculate Tenant's proportionate share of such expenses is reasonably adjusted with respect to such phases.

6.6 Disputes Relating to Additional Rent.

If Tenant desires to contest any calculation by Landlord of Tenant's Share or the amount of any Bellevue Place Operating Expense payable by Tenant, Tenant must give Landlord a written notice (an "Objection Notice") stating that Tenant disputes the calculation or amount. The Objection Notice must be received by Landlord within ninety (90) days after Tenant receives Landlord's Annual Reconciliation Statement regarding Bellevue Place Operating Expenses, and set forth with particularity the reason why Tenant disputes Landlord's calculation

or the amount. If Tenant fails to give Landlord such an Objection Notice within such time, Tenant shall be deemed to have waived and released any and all rights it may have to contest the calculation and amount. Promptly after receiving any such Objection Notice from Tenant, Landlord shall meet with Tenant and both Tenant and Landlord shall attempt in good faith to reconcile the matters described in the Objection Notice; provided, however, if Tenant refuses to meet with Landlord within thirty (30) days after the date Landlord received the Objection Notice from Tenant, Tenant shall be deemed to have waived and released any and all rights it may have to contest Landlord's calculation and the inclusion and amount of any Bellevue Place Operating Expense. If Landlord and Tenant are unable to resolve the dispute within a reasonable time, Landlord shall cause its accounting firm to undertake an investigation and analysis of the matter and prepare a written report, a copy of which shall be provided to Tenant. The cost of the investigation, analysis and report shall be paid for by Tenant unless the investigation and analysis discloses a material error favoring Landlord, in which event Landlord shall bear the cost of the investigation, analysis and report. If the report discloses that the amount or calculation used by Landlord was incorrect, Landlord shall provide a credit to Tenant against future obligations under this Section 6 equal to the amount of any overpayment paid by Tenant during the Lease Year to which Tenant's Objection Notice relates. Notwithstanding the pendency of any dispute hereunder, Tenant shall continue to pay all amounts owed hereunder based upon Landlord's determination and calculation or until such calculation or amount has been established hereunder to be incorrect.

7. LATE CHARGES.

If Tenant fails to pay, when the same is due and payable, any Rent, Additional Rent or Other Charges, such unpaid amounts shall bear interest at the rate of two percent (2%) per month from the date due to the date of payment, unless such amount would violate any applicable usury law, in which event such unpaid amounts shall bear interest at the highest rate then allowed by law. In addition to such interest, Tenant acknowledges that the late payment by Tenant of any installment of Rent, Additional Rent or Other Charges will cause Landlord to incur certain costs and expenses not contemplated under this Lease, the exact amount of such costs being extremely difficult or impractical to fix. Such costs and expenses will include, without limitation, administrative and collection costs, and processing and accounting expenses. Therefore, if any Rent, Additional Rent or Other Charge installment is not received by Landlord from Tenant by the fifth (5th) day after such installment is due, Tenant shall immediately pay to Landlord, in addition to the installment due, a late charge equal to twelve percent (12%) of such installment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for its loss and expense suffered by such nonpayment by Tenant. Acceptance of this late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising all other rights and remedies available to Landlord under this Lease. Landlord shall apply payments made by Tenant first to accrued charges, interest and rent in the following order: (a) Late Charges; (b) interest; (c) Rent; Other Charges and Additional Rent; and (d) any balance remaining to current Rent, Other Charges, and Additional Rent. Notwithstanding anything in this Section 7 to the contrary, provided Tenant pays all sums due hereunder by electronic funds transfer, Landlord shall waive the first (1st) late charge that may be incurred by Tenant during any twelve (12) month period during the Lease Term, provided the unpaid amount is in fact paid in full by Tenant on or before the fifteenth (15th) day of the month in which any such payment is due.

8. SECURITY DEPOSIT.

As additional consideration for this Lease, Tenant has delivered to Landlord as a security deposit the sum shown in Section 1.14 above. Such sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of this Lease to be

kept and performed by Tenant during the entire Lease Term. If Tenant is in breach under any provision of this Lease, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any unpaid obligation or sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's breach, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach. In the event Landlord elects to so use, apply or retain all or any part of the security deposit, Tenant shall deposit with Landlord, within ten (10) days of demand therefor, cash sufficient to restore the security deposit to the amount set forth in Section 1.14. Landlord shall not be required to keep the security deposit separate from its general funds and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease, the security deposit or any balance thereof after deductions hereunder by Landlord shall be returned to Tenant (or at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder) within thirty (30) days following expiration of the Lease Term or Tenant's return of the Leased Premises to Landlord in the condition required hereunder, whichever shall last occur. No trust relationship is created hereby between Landlord and Tenant with respect to the security deposit.

9. USES.

9.1 Permitted Uses.

Tenant shall use and occupy the Premises only for general office purposes consistent with a first class office building (the "Permitted Use") under the trade name set forth in Section 1.5 above, and for no other business or purpose or under any other trade name without the prior written consent of Landlord, which consent may be withheld if Landlord, in its sole discretion, determines that any proposed use or trade name is inconsistent with or detrimental to the maintenance and operation of the Building as a first-class office building. Landlord makes no representation or warranty as to the availability of Tenant's Permitted Trade Name or that it will not infringe on any other person's trademark, service mark or other rights or privileges.

9.2 Prohibited Uses.

Tenant shall not do or permit or suffer anything to be done in or about the Leased Premises, Bank of America Building or Bellevue Place which will in any way obstruct or interfere with the rights of other tenants or occupants of the Bank of America Building or Bellevue Place or injure or annoy them, their customers or clients, nor shall Tenant use or allow the Leased Premises to be used for any purpose which is objectionable or offensive in Landlord's reasonable judgment or which is unlawful, nor shall Tenant do or permit or suffer anything to be done in or about the Leased Premises, the Bank of America Building or Bellevue Place which would cause Landlord to be in violation of any of its agreements with others. If Tenant permits or engages in any activity which, in Landlord's reasonable judgment, is objectionable, offensive or otherwise constitutes a nuisance to Landlord, the other tenants of the Bank of America Building or Bellevue Place, or their employees, customers, guests or invitees, Tenant shall immediately discontinue such activity or take action to cause the activity to be discontinued with all due diligence if it cannot be immediately discontinued. Tenant's failure to comply with this Section shall constitute a material default of this Lease and entitle Landlord to pursue its remedies for such a breach or, in the alternative, undertake such work as may be appropriate to prevent such activity and recover, as additional rent, the cost thereof plus interest thereon at two percent (2%) over the prime rate of interest charged or published by Bank of America on the first day of each month, commencing on the date due through the date of payment.

9.3 Compliance with Laws, Rules and Regulations.

Tenant shall, at its sole cost and expense, promptly comply with all local, state and federal laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force relating to Tenant's use and occupancy of the Leased Premises and Tenant's business conducted therein.

9.4 Hazardous Material.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Leased Premises by Tenant, its agents, employees, contractors or invitees. If Tenant breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Leased Premises caused or permitted by Tenant results in contamination of the Leased Premises or any part of Bellevue Place or any other property, or if contamination of the Leased Premises or any part of Bellevue Place or any other property by Hazardous Material otherwise occurs for which Tenant may be legally liable for damage resulting therefrom, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the property, damages for the loss or restriction on use of rentable or useable space or of any amenity of Bellevue Place or the Leased Premises or elsewhere, damages arising from any adverse impact on marketing of space at Bellevue Place or elsewhere, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Lease Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under Bellevue Place. Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Leased Premises or Bellevue Place by Tenant, its agents, employees, contractors or invitees, results in any contamination of the Leased Premises or any part of Bellevue Place or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Leased Premises, Bellevue Place or any other property to the condition existing prior to the introduction of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Leased Premises, Bellevue Place or other property. As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government.

10. SERVICES AND UTILITIES.

10.1 Standard Services.

As long as Tenant is not in default under any of the provisions of this Lease, Landlord shall cause the Leased Premises (in accordance with Section 12.3) and the public and common areas of the Building, including the lobbies, elevators, stairs, corridors and rest rooms, to be maintained in reasonably good order and condition consistent with the operation and maintenance of the Bank of America Building as a first-class office and retail building in downtown Bellevue, except for damage occasioned by any act or omission of Tenant or Tenant's officers, contractors, agents, invitees, licensees or employees, the repair of which shall be paid for by Tenant. From 7:00 a.m. to 6:00 p.m. on weekdays, excluding legal holidays ("Regular Business Hours"), Landlord shall furnish the Leased Premises with electricity for lighting and operation of low power usage office machines, water, heat, air conditioning and elevator service (the "Standard Services"). During all other hours, Landlord shall furnish the Standard Services, including elevator service as reasonably required to provide access to the Leased Premises,

except for heat and air conditioning and lighting. If requested by Tenant, Landlord shall furnish heat and air conditioning and lighting at times other than Regular Business Hours and the cost of such services, as established by Landlord, shall be paid by Tenant in the same manner as provided in Section 5 above. Landlord also shall provide lamp replacement service for Building Standard fluorescent light fixtures, toilet room supplies, window washing at reasonable intervals and customary building janitorial service as part of the Standard Services, although no janitorial service shall be provided for Saturdays, Sundays or legal holidays. The cost and expense of any janitorial or other services provided or caused to be provided by Landlord to Tenant in addition to the services ordinarily provided Bank of America Building tenants shall be paid by Tenant in the same manner as provided for payment in Section 5 above.

10.2 Interruption of Services.

Landlord shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption or failure of the Standard Services due to any cause whatsoever. No temporary interruption or failure of the Standard Services incident to the making of repairs, alterations, or improvements, or due to accident, strike or conditions or events beyond Landlord's reasonable control shall be deemed an eviction of Tenant or relieve Tenant from any of Tenant's obligations hereunder.

10.3 Additional Services.

Tenant shall not install lights and equipment in the Leased Premises with heating loads which in the aggregate exceed the Bank of America Building standard mechanical system. Landlord shall not arbitrarily withhold consent to Tenant's installation of lights and equipment exceeding such amount but may condition its consent on Tenant's payment of the costs incurred by Landlord for the installation, operation, repair and maintenance of supplementary air conditioning capacity or electrical systems as necessitated by such equipment or lights. In addition, Tenant shall pay to Landlord, in advance, on the first day of each month during the Lease Term, such amount estimated by Landlord to be the cost of furnishing electricity to Tenant for the operation of such equipment or lights and such amount estimated by Landlord to be the cost of operating and maintaining the supplementary air conditioning units as necessitated by Tenant's use of such equipment or lights. Such costs shall be paid by Tenant in the same manner as provided in Section 5 above. In the event of nonpayment of amounts due for any of the above-described additional services, Landlord shall have the same rights and remedies as it has with respect to the nonpayment of rent hereunder. Landlord shall be entitled to install and operate, at Tenant's sole cost and expense, a monitoring or metering system in the Leased Premises to measure the added demands on electricity, heating, ventilation, and air conditioning systems resulting from such equipment and lights and from Tenant's after-hours heating, ventilation and air conditioning service requirements. Tenant shall comply with Landlord's instructions for the use of drapes, blinds and thermostats in the Bank of America Building.

11. IMPROVEMENTS, ALTERATIONS AND ADDITIONS.

11.1 Premises Improvements.

(a) Prior to the Commencement Date, the Leased Premises shall be improved by Landlord (the "Premises Improvements"), which Premises Improvements shall be in accordance with mutually agreed upon plans and specifications for such improvements (the "Premises Plans"). The Premises Improvements shall be performed and installed by design professionals and contractors selected by Landlord in the exercise of Landlord's subjective discretion, and shall be performed in accordance with the requirements set forth in Exhibit "D". Landlord shall contract directly with the contractors constructing the Premises Improvements. Landlord shall contract directly with the Project Architect for architectural services related to the

Premises Improvements. Landlord shall pay certain amounts toward the cost of the Premises Improvements ("Landlord's Improvement Allowance"). Landlord's Improvement Allowance is limited to Thirty-five and 00/100 Dollars (\$35.00) per rentable square foot, or a total amount not to exceed Twenty-seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$27,860.00). Landlord's Improvement Allowance shall be used exclusively for the Premises Improvements (including all sales and other applicable taxes but *not* including furniture, trade fixtures, equipment, inventory, or personal property, which shall be Tenant's sole cost and responsibility); provided, however, Tenant has the right to use up to One Thousand Five Hundred Ninety-two and 00/100 Dollars (\$1,592.00) of Landlord's Improvement Allowance to offset data, telephone, and similar communication cabling costs.

(b) Any and all costs for the construction and installation of the Premises Improvements (including but not limited to the cost of all working drawings, space plans, and engineering, architectural, design and consulting fees) in excess of Landlord's Improvement Allowance ("Excess Improvement Costs") shall be Tenant's sole responsibility and shall be paid by Tenant promptly when due. Tenant's failure or refusal to pay any such Excess Improvement Costs shall be a material breach of this Lease and a default hereunder. If it should appear to Landlord at any time that Tenant is or may be obligated to pay for any Excess Improvement Costs, in addition to any and all other rights and remedies to which Landlord may be entitled, Landlord shall have the right, but not the obligation, to immediately stop or prevent any and all further design, construction and installation work until Landlord has received satisfactory assurances that Tenant can and will promptly pay all Excess Improvement Costs.

(c) Prior to the Commencement Date, the Project Architect shall certify that the Premises Improvements are substantially complete in accordance with the Premises Plans. If substantial completion of the Premises Improvements is delayed by Tenant's acts or omissions, change in design decisions, revisions or additional work, or those of Tenant's agents, then the Commencement Date shall be the date substantial completion of the Premises Improvements would have been achieved but for the Tenant delay, as determined by the Project Architect. The terms "substantial completion" or "substantially complete", as used herein, means that stage of construction where the Premises Improvements are usable for their principal intended purpose, as determined in good faith by the Project Architect, and the applicable governmental authorities deem the Leased Premises approved for occupancy, notwithstanding the possible need to complete, finish or install non-critical improvement features and fixtures. The existence of repairs or defects of a nature commonly found on a "punch list," (meaning minor items that do not materially impact Tenant's use of the Leased Premises), after turnover to Tenant, shall not postpone the Commencement Date or result in a delay or abatement of Tenant's obligation to pay rent or give rise to a damage claim against Landlord, provided Landlord shall use commercially reasonable efforts to complete such punch list items within sixty (60) days after Landlord's receipt of Tenant's punch list, referred to below. Tenant's occupancy of the Leased Premises shall be deemed an acknowledgement that the Leased Premises is in good condition and repair and that Landlord has caused the Bank of America Building and all of the Premises Improvements to be constructed as required by this Lease, subject to those items, if any, specified in any punch list to be delivered by Tenant within thirty (30) days following substantial completion.

(d) All improvements and fixtures made or installed in or to the Leased Premises, including all Premises Improvements, are the property of Landlord. The Premises Improvements shall *not* include, and Tenant shall be solely responsible for all costs associated with (i) the interior design of the Leased Premises, (ii) security and access control to the Leased Premises, (iii) data, telephone, and similar communications cabling in excess of One Thousand Five Hundred Ninety-two and 00/100 Dollars (\$1,592.00), as set forth in paragraph 11.1(a) above, and (iv) furniture, fixtures and equipment. The foregoing shall be deemed to be a

financial accommodation of the type referenced in 11 USC §365(c)(2) and a material and substantial part of this Lease transaction, as amended.

11.2 Alterations by Tenant

After completion of Premises Improvements, Tenant shall not make any subsequent alterations, additions or improvements in, on, or to the Leased Premises without the prior written consent of Landlord, which consent may be subject to such conditions as Landlord may deem appropriate. Tenant shall submit complete sets of final plans and specifications for all such alterations, additions or improvements to Landlord for approval. Any such alterations, additions or improvements consented to by Landlord shall be made at Tenant's sole cost and expense. Prior to the commencement of any such work, Tenant shall notify Landlord of the contractors that will be retained by Tenant to perform the work. Landlord shall have the right to approve or disapprove in advance any or all contractors to be retained by Tenant for such work. Landlord shall promptly be provided with complete "as built" drawings and specifications for all alterations, additions and improvements made by Tenant. Tenant shall secure all governmental permits, approvals or authorizations required for such work. All alterations, additions and improvements (including but not limited to all light fixtures and floor coverings but excluding any inventory, furniture and similar personal property which does not become a part of the Leased Premises) shall immediately become the property of Landlord, without any obligation on the part of Landlord to pay therefor, upon installation in the Leased Premises. Upon the expiration or sooner termination of the Lease Term, Tenant shall forthwith remove (at Tenant's sole cost and expense) all alterations, additions or improvements made by Tenant (except original leasehold improvements constructed as part of Premises Improvements) designated by Landlord to be removed and Tenant shall repair (at its sole cost and expense) any damage to the Leased Premises caused by such removal. Notwithstanding anything herein or elsewhere in this Lease to the contrary, Tenant shall remove all voice and data cabling and other telecommunications equipment installed by Tenant, and shall restore the Leased Premises to the condition they were in prior to the installation of such items. Tenant's obligations hereunder shall survive the expiration or termination of this Lease.

11.3 Disability Laws.

Notwithstanding anything in this Lease to the contrary, if Tenant constructs, makes or installs or causes to be constructed, made or installed any improvement or alteration in or to the Leased Premises, Tenant shall be solely responsible for ensuring that such improvements and/or alterations do not violate any provision in any local, state or federal law or regulation relating to accessibility for handicapped persons or the removal of architectural or communication barriers to accessibility ("Disability Law"), including but not limited to RCW Chapter 70.92 and The Americans with Disabilities Act. Any approval by Landlord of Tenant's plans or specifications for any such improvements or alterations shall not be a representation or warranty, express or implied, by Landlord that such plans will comply with any Disability Law. If any claim is asserted against Landlord under any Disability Law which claim relates directly or indirectly to any alterations or improvements installed, made or constructed, directly or indirect, by or for Tenant in or to the Leased Premises or any trade fixture or personal property item used by Tenant in the Leased Premises, Tenant shall defend, indemnify and hold Landlord harmless from and against the claim and any and all charges, liabilities, obligations, penalties, damages, judgments, costs and expenses (including attorneys' fees) arising or incurred against or suffered, directly or indirectly, by Landlord relating thereto. If it should be determined that any improvement or alteration constructed, made or installed in or to the Leased Premises, directly or indirectly, by or for Tenant or any trade fixture or personal property item used by Tenant in the Leased Premises is an illegal architectural or communication barrier under any Disability Law, Tenant shall immediately, at its sole cost and expense, remove the barrier or, to the extent allowed by the

Disability Law, provide alternatives to the barrier so as to make the Leased Premises accessible to handicapped persons.

No alteration or improvement in the Leased Premises will be approved by Landlord if it will require that barriers outside the Leased Premises be removed under any Disability Law. Tenant shall not have any basis for objecting to Landlord's judgment regarding the probable application of any Disability Law provided Landlord does not act arbitrarily.

12. MAINTENANCE OF THE PREMISES.

12.1 Maintenance and Repair by Tenant.

Tenant shall at all times throughout the Lease Term, at its sole cost and expense, keep the Leased Premises (including all exterior doors and entrances, windows and moldings and trim on all doors and windows) and all partitions, door surfaces, fixtures, equipment and appurtenances thereof in good order, condition and repair consistent with a first-class office building, damage by unavoidable casualty excepted (but not excluding any damage caused by burglary, attempted burglary or vandalism of the Leased Premises).

12.2 Failure to Maintain.

If, after five (5) days' prior written notice (except in emergencies) from Landlord, Tenant fails to keep, preserve and maintain the Leased Premises as set forth in Section 12.1 above, Landlord may, at its option, put or cause the same to be put in the condition and state of repair agreed upon, and in such case, upon receipt of written statements from Landlord, Tenant shall promptly pay the entire cost thereof as additional rent. Landlord shall have the right to enter the Leased Premises for the purpose of undertaking such work upon the failure of Tenant to do so.

12.3 Repair by Landlord.

Landlord shall keep the roof, exterior walls, exterior building windows, public corridors, equipment used in common with other tenants (such as elevators, plumbing, heating, air conditioning and similar equipment) and building structure of the Leased Premises in a good state of repair, and shall accomplish such repairs as may be needed promptly after receipt of written notice from Tenant. If repairs are required by reason of Tenant's acts or negligent failure to act, Tenant shall promptly pay Landlord, as additional rent, for the cost thereof. Except as otherwise specifically provided in Sections 16 or 28, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Leased Premises or building of which the Leased Premises are a part, or in or to fixtures, appurtenances and equipment therein. In no event shall Landlord be liable to Tenant for any damage to the Leased Premises or for any loss, damage or injury to any property therein or thereon resulting from acts by other third parties or occasioned by fire, explosion, falling plaster; the breaking, bursting, stoppage or leaking of water, gas, sewer, electrical cables, wires or steam pipes; or from water, rain, or other substances leaking or coming from the roof, street, subsurface or from any other place or from dampness or from any similar risks or causes. Landlord shall not be liable for any loss or damage to any person or property sustained by Tenant or any other persons, which may be caused by theft, or by any act or neglect of any tenant or occupant of Bellevue Place, or of any other third parties.

12.4 Surrender of Leased Premises.

At the expiration or sooner termination of this Lease, Tenant shall return the Leased Premises to Landlord in the same condition in which it was initially received (or, if altered by

Landlord or by Tenant with Landlord's consent, then the Leased Premises shall be returned in such altered condition), reasonable wear and tear and damage by fire or other unavoidable casualty excepted (excluding burglary, attempted burglary and vandalism). Tenant shall remove all inventory, furniture and other personal property which does not become a part of the Leased Premises, and all alterations and improvements which Landlord designates to be removed pursuant to Section 11.2 above, and shall restore the Leased Premises to the condition it was in prior to the installation of such items. Tenant's obligations under this Section 12 shall survive the expiration or termination of this Lease.

13. ACCEPTANCE OF THE LEASED PREMISES.

Except as otherwise provided in this Section 13, and subject to Landlord's completion of the Premises Improvements in accordance with Section 11.1 above, Tenant has inspected the Leased Premises and accepts the same in their current condition and waives the right to make any claim against Landlord for any matter directly or indirectly arising out of the condition of the Leased Premises, appurtenances thereto, the improvements thereon and the equipment thereof. **LANDLORD MAKES NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR HABITABILITY.**

14. DEFAULT BY LANDLORD.

Landlord shall not be in default under this Lease unless Landlord fails to perform the obligations required of Landlord within a reasonable time, but in no event less than thirty (30) days after written notice by Tenant to Landlord and to the holder of all mortgages and deeds of trust covering the Leased Premises whose names and addresses shall have been furnished to Tenant in writing. The notice shall specify wherein Landlord has failed to perform such obligation; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Tenant further agrees not to invoke any of its remedies under this Lease and which Tenant otherwise may have until such thirty (30) days have elapsed. In no event shall Tenant have the right to terminate this Lease as a result of Landlord's default and, subject to Section 30, Tenant's remedies shall be limited to damages.

15. ACCESS.

15.1 Right of Entry.

Tenant shall permit Landlord and its employees, agents and contractors to enter into and upon the Leased Premises at any time during normal business hours (8:00 a.m. to 6:00 p.m.) for the purpose of inspecting the same or for the purpose of cleaning, repairing, altering or improving the Leased Premises or the Bank of America Building. If Tenant is not personally present to permit entry, in case of emergency or urgent necessity Landlord may forcibly enter the same at any hour without rendering Landlord liable therefor. Nothing contained in this Section shall be deemed to impose any obligation upon Landlord not expressly stated elsewhere in this Lease. When reasonably necessary Landlord may temporarily close entrances, doors, corridors, elevators or other facilities without liability to Tenant by reason of such closure and without such action by Landlord being construed as an eviction of Tenant or release of Tenant from the duty of observing and performing any of the provisions of this Lease. Landlord shall have the right to enter the Leased Premises for the purpose of showing the Leased Premises to prospective tenants within the period of one hundred eighty (180) days prior to the expiration or sooner termination of this Lease.

15.2 Excavation.

If an excavation is made of property adjacent to the Leased Premises, Tenant shall and does hereby afford to the person causing or authorized to cause such excavation, an irrevocable license to enter upon the Leased Premises for the purpose of doing such work as Landlord shall deem necessary to preserve the wall of the building of which the Leased Premises are a part from injury or damage and to support the same by proper foundations or other means, without any claim for damages against Landlord or diminution or abatement of rent.

16. DAMAGE OR DESTRUCTION.

16.1 Insured Loss.

Subject to Section 16.2, if the Leased Premises are damaged by perils covered by Landlord's insurance coverage and the proceeds therefrom are sufficient to cover the cost of repairs and are made available to Landlord for the purpose of repairing such damage, Landlord agrees to forthwith repair the same, and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of Rent and Additional Rent from the date of damage and while such repairs are in progress, provided said damage did not result from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant. Such proportionate reduction shall be based upon the extent to which the damage and making of such repairs materially interfere, if at all, with the business carried on by Tenant in the Leased Premises. If such damage resulted from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant, the Rent and Additional Rent shall abate only to the extent Landlord receives proceeds from Landlord's rental income insurance policy to compensate Landlord for the loss of such rent.

16.2 Uninsured Loss.

If the Leased Premises are damaged as a result of any cause other than the perils covered by Landlord's insurance coverage or if the insurance proceeds are not sufficient to cover the cost of repairs, Landlord shall forthwith repair the same provided the cost of repair is less than ten percent (10%) of the then replacement cost of the Leased Premises. If the Leased Premises are damaged as a result of a cause other than a peril covered by Landlord's insurance coverage, or if the insurance proceeds from Landlord's insurance are not made available to Landlord for the purpose of repairing the Leased Premises, or, if the cost of repair is equal to or greater than ten percent (10%) or more of the replacement cost of the Leased Premises, then Landlord shall have the option to (i) repair or restore such damage, in which event this Lease shall continue in full force and effect but the Rent and Additional Rent shall be proportionately reduced as provided in Section 16.1 above; or (ii) at any time within one hundred twenty (120) days after such damage give notice to Tenant of the termination of this Lease as of the date specified in such notice, which date shall not be less than thirty (30) days after the date of such notice. If such notice is given, this Lease shall terminate and all interest of Tenant in and to the Leased Premises shall end on the date so specified in such notice and the Rent and Additional Rent, reduced by a proportionate reduction, based upon the extent, if any, to which such damage materially interfered with the business carried on by Tenant in the Leased Premises, shall be paid up to date of such termination.

16.3 No Obligation.

Notwithstanding anything to the contrary contained in this Section 16, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Leased Premises when the damage resulting from any casualty occurs during the last twenty-four (24) calendar months of the Lease Term.

16.4 Partial Destruction of the Bank of America Building.

If a portion of the Bank of America Building is damaged and the insurance proceeds therefrom are not sufficient to cover the cost of repairs or are not made available to Landlord for the purpose of repairing the same, or if thirty percent (30%) or more of the Rentable Area of the Bank of America Building is damaged, notwithstanding that the Leased Premises may be unaffected, Landlord may terminate this Lease and the tenancy hereby created by giving Tenant not less than thirty (30) days' prior written notice of Landlord's election to terminate the tenancy; provided, however, that such notice shall be given, if at all, within one hundred twenty (120) days following the date of occurrence of such damage or destruction. Rent and Additional Rent shall be prorated as of the date of such termination.

16.5 Business Interruption.

No damages, compensation or claims shall be payable by Landlord for inconvenience, loss of business, or annoyance arising from any repair or restoration of any portion of the Leased Premises or of the Bank of America Building. Landlord shall use reasonable efforts to effect such repairs promptly.

17. MUTUAL RELEASE AND WAIVER OF SUBROGATION.

Landlord and Tenant hereby mutually release each other from liability, and waive all right of recovery against each other, for any injury, loss or damage to any building, structure, inventory or other tangible property and any revenues, profit and rents to be generated therefrom, whether due to negligence or any other insured cause, if such injury, loss or damage is caused by any of the perils which are covered by a first-party insurance policy benefiting the party suffering such injury, loss or damage, or if such injury, loss or damage was required to be covered by insurance pursuant to this Lease; provided that this Section shall be inapplicable if it would have the effect, but only to the extent it would have the effect, of invalidating any insurance coverage of Landlord or Tenant. This Waiver only applies to insured property losses and does not limit the ability to recover for deductibles or other uninsured losses. Landlord and Tenant acknowledge that their current insurance policies, as of the date of this Lease, will not be invalidated. In the future, if avoiding any invalidation can be effected by the payment of money to such insurer, the other party may elect to pay such amount to obtain such waiver of subrogation for its benefit. Landlord and Tenant, respectively, shall promptly notify the other if its insurance will be invalidated by the foregoing release and waiver or if any payment is required to avoid such invalidation. Notwithstanding anything to the contrary, this Section shall not apply to any claim by Landlord for any Rent, Additional Rent or Other Charges payable under this Lease. Landlord and Tenant specifically intend, however, that this Section shall apply to any potential claim that could otherwise be made by Landlord for any rents to be paid by other occupants of Bellevue Place or any claim that could potentially be made by Tenant for any lost sales, profits or revenues that could have been generated from or operating expenses related to the Leased Premises or elsewhere.

18. INDEMNITY.

18.1 Generally.

Landlord shall not be liable for the loss of or damage to any property (including property of Tenant and others) occurring in or about the Leased Premises from any cause whatsoever. Landlord shall not be liable for injury to any person occurring in or about the Leased Premises except and to the extent that such injury is caused by Landlord's negligence. Except to the extent an injury to any person is caused by Landlord's negligence, Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims, charges, liabilities, obligations,

penalties, damages, costs and expenses (including attorneys' fees) arising, claimed, charged or incurred against or by Landlord from any matter or thing arising from Tenant's use of the Leased Premises, the conduct of its business or from any activity, work or other things done, permitted or suffered by the Tenant in or about the Leased Premises, and Tenant shall further indemnify and hold Landlord harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part or to be performed under the terms of this Lease, or arising from any act or negligence of Tenant, or any officer, agent, employee, guest, or invitee of Tenant, and from all costs, attorneys' fees, and liabilities incurred in or about the defense of any such claim or any action or proceeding brought thereon. If any action or proceeding is brought against Landlord by reason of such a claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by legal counsel reasonably satisfactory to Landlord.

18.2 Concurrent Negligence of Landlord and Tenant Relating to Construction, Repair and Maintenance Activities.

Notwithstanding Section 18.1 above, in the event of concurrent negligence of Tenant, its agents, employees, sublessees, invitees, licensees or contractors on the one hand, and that of Landlord, its partners, agents, employees or contractors on the other hand, which concurrent negligence results in injury or damage to persons or property and relates to the construction, alteration, repair, addition to, subtraction from, improvement to or maintenance of the Leased Premises or Bellevue Place, Tenant's obligation to indemnify Landlord as set forth in this Section 18 shall be limited to the extent of Tenant's negligence, and that of its agents, employees, sublessees, invitees, licensees or contractors, including Tenant's proportional share of costs, and attorneys' fees and expenses incurred in connection with any claim, action or proceeding brought with respect to such injury or damage.

18.3 Waiver of Workers' Compensation Immunity.

The indemnification obligations contained in this Lease shall not be limited by any workers' compensation, benefit or disability laws, and each indemnitor hereby waives any immunity that said indemnitor may have under the Industrial Insurance Act, Title 51 RCW and similar workers' compensation, benefit or disability laws.

18.4 Provisions Specifically Negotiated.

LANDLORD AND TENANT ACKNOWLEDGE BY THEIR EXECUTION OF THIS LEASE THAT EACH OF THE INDEMNIFICATION, RELEASE AND WAIVER PROVISIONS OF THIS LEASE (SPECIFICALLY INCLUDING BUT NOT LIMITED TO THOSE RELATING TO WORKERS' COMPENSATION BENEFITS AND LAWS) WERE SPECIFICALLY NEGOTIATED AND AGREED TO BY LANDLORD AND TENANT.

19. INSURANCE.

19.1 Liability Insurance.

(a) Liability Insurance. Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, a policy of comprehensive/commercial general liability insurance insuring Tenant's activities with respect to the Leased Premises, Bank of America Building and Bellevue Place against loss, damage or liability for personal injury or death or loss or damage to property with a limit of not less than Two Million Dollars (\$2,000,000) combined single limit for policies without a general aggregate limit. For policies with a general aggregate limit, such aggregate limit shall be not less than Two Million Dollars (\$2,000,000) and include an endorsement providing that the foregoing limit shall apply per

location, including the Leased Premises, and have an occurrence limit not less than Two Million Dollars (\$2,000,000). In the event Tenant obtains a policy with a general aggregate limit, Tenant shall immediately notify Landlord if claims covered by such policy or policies at any time are made against Tenant which claims exceed fifty percent (50%) or more of the aggregate limit. Notwithstanding the foregoing, if during the Lease Term, in Landlord's reasonable judgment, the policy limits required hereunder are no longer adequate to provide reasonable protection to Landlord, Landlord may notify Tenant of such inadequacy and an appropriate level of coverage and Tenant, within thirty (30) days of receiving such a notice, shall obtain such additional amounts of insurance and provide Landlord with satisfactory evidence thereof. Reference may be made to policy amounts required by other landlords for similar space and operations in determining what is reasonable protection hereunder. The insurance required under this Section shall be with companies rated A-VII or better in Best's Insurance Guide. Landlord, Kemper Development Company, and any other parties in interest designated by Landlord, shall be named as additional insureds. The insurance policy shall bear an endorsement that the policy shall not be cancelled or the policy limits reduced by endorsement below the coverage required by this Lease for any reason other than nonpayment of premiums except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof, including applicable endorsements, showing Landlord as an additional insured and the applicable policy limits thereof. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease.

(b) Service of Alcoholic Beverages. The insurance to be carried by Tenant pursuant to Section 19.1(a) above shall not exclude liability for violation of any governmental statute, ordinance, regulation or rule pertaining to the sale, gift, distribution or use of any alcoholic beverages, or liability by reason of the selling, serving or giving of any alcoholic beverage to a minor or to a person under the influence of alcohol or any other person, or which causes or contributes to the intoxication of any persons. Accordingly, the indemnification obligations in Section 18 of this Lease shall extend, as well, to damages occurring at locations other than the Leased Premises and resulting from risks insurable by any of the following (i) so-called dram shop liability insurance, (ii) host liquor liability insurance or (iii) liquor legal liability insurance or otherwise related to the sale, gift, distribution or use of alcoholic beverages.

19.2 Property Insurance.

In addition to the insurance required by Sections 19.1 and 19.2, Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, property insurance covering Tenant's supplies, inventory and other personal property as well as all improvements, additions and modifications to or in the Leased Premises, in an amount equal to full replacement cost without co-insurance penalty. The insurance policy shall bear an endorsement that the policy shall not be canceled or the policy limits reduced below the coverage required by this Lease for any reason other than non-payment of premiums, except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice to Landlord for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof.

19.3 Failure to Maintain.

If Tenant fails or refuses to maintain any insurance required by this Section 19, Landlord, at its discretion, may obtain and maintain insurance for such items and interests to protect Landlord in such amounts as Landlord may determine to be appropriate and any and all premiums paid or payable by Landlord therefor shall be deemed to be additional rent and shall be due on the payment date of the next installment of Rent hereunder. The failure to obtain or

maintain any insurance required by this Section 19 shall constitute a material breach of this Lease.

19.4 Increase in Insurance Premium.

Notwithstanding anything in this Lease to the contrary, Tenant shall not keep, use, sell or offer for sale in or upon the Leased Premises any article, nor conduct any activities or operations, which are or may be prohibited by Landlord's insurance carriers. Tenant shall pay any increase in premiums for property or liability insurance maintained by Landlord resulting from Tenant's use or occupancy of the Leased Premises, whether or not Landlord has consented thereto. In the event of such increased insurance premiums to Landlord, Tenant also shall pay immediately to Landlord an amount equal to any additional premium on the insurance policy or policies that Landlord may carry for its protection against loss resulting from any insured event. In determining whether increased premiums are the result of Tenant's use or occupancy of the Leased Premises, the rates and premiums determined by the organization setting the insurance premiums shall be conclusive evidence of the several items and charges which make up the insurance premiums. Landlord shall deliver bills for such additional amounts to Tenant at such times as Landlord may elect, and Tenant shall immediately pay Landlord therefor.

20. ASSIGNMENT AND SUBLEASING.

20.1 Assignment or Sublease.

Tenant shall not assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise transfer this Lease or any interest therein, nor sublease the whole or any part of the Leased Premises, nor shall this Lease or any interest hereunder be assignable or transferable by any process or proceeding of any court, or otherwise, without in each case first obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld. Any such transaction undertaken without Landlord's prior written consent shall be null and void.

In determining whether to grant consent to Tenant's sublease or assignment request, Landlord may consider any factor, including but not limited to the experience and business reputation of the proposed assignee or sublessee in operating a business for the uses set forth in the Lease; whether the clientele, personnel and foot traffic generated by such proposed assignee or sublessee is satisfactory to Landlord; notwithstanding that Tenant and/or others remain liable under the Lease, whether the proposed assignee or sublessee has a net worth, and financial strength and credit record, reasonably satisfactory to Landlord; use of the Leased Premises by the proposed assignee or sublessee must be identical to the use permitted by the Lease; use of the Leased Premises by the proposed assignee or sublessee will not violate or create any potential violation of any laws; whether the quality of the business to be operated or likely to be operated by the proposed assignee or sublessee is satisfactory to Landlord; and whether Landlord's consent might result in a breach of any other lease or agreement to which Landlord is a party; and whether the product mix and target customer base of the proposed assignee or sublessee is consistent with the product mix and target customer base that Landlord is trying to maintain or achieve within Bellevue Place.

No assignment, subleasing or other transfer shall relieve Tenant of any liability under this Lease. The prohibition set forth in this Section 20 includes, without limitation (and the following shall be deemed to be "assignments"): (i) a consolidation or merger of Tenant; (ii) a change in the ownership or voting rights of more than twenty-five percent (25%) of the issued and outstanding stock of any corporate tenant; (iii) any subleasing or assignment which would otherwise occur by operation of law, merger, consolidation, reorganization, transfer or other significant change in corporate or proprietary structure; (iv) the sale, assignment or transfer of all or substantially all of the assets of Tenant, with or without the specific assignment of this Lease;

and (v) a change in control in any partnership tenant. The acceptance by Landlord of any amounts following any transaction prohibited hereunder shall not be deemed to be a consent by Landlord nor shall the same be deemed to be a waiver of any right or remedy of Landlord hereunder. Consent to any such assignment, subleasing or other transfer shall not operate as a waiver of the necessity for consent to any subsequent assignment, subleasing or transfer. If Landlord's consent is requested for an assignment or sublease of all or a portion of the Leased Premises, Landlord shall have the right to terminate this Lease with respect to that portion of the Leased Premises for which such consent is requested, at the proposed effective date of such assignment or subleasing, and enter into the relationship of Landlord and Tenant with the proposed assignee or subtenant based on the rent (and/or other compensation) and term agreed to by such assignee or subtenant and otherwise upon the terms and conditions of this Lease. In connection with any sublease or assignment, Tenant shall promptly provide Landlord with fully executed copies of all assignment, sublease and assumption instruments.

20.2 Assignee Obligations.

As a condition to Landlord's consent, any potential assignee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, Other Charges and the performance of all terms, covenants and conditions of this Lease.

20.3 Sublessee Obligations.

As a condition to Landlord's consent, any potential sublessee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under the Lease during the term of the sublease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, and Other Charges, and the performance of all terms, covenants, and conditions of this Lease.

20.4 Conditional Consents.

Any consent by Landlord to any assignment or subleasing may be subject to any terms or conditions as Landlord shall determine appropriate (including but not limited to requiring that any and all guarantors of the Lease agree to continue to guarantee the Lease obligations after the assignment) and all such terms and conditions shall be binding upon any person holding by, under or through Tenant.

20.5 Attorneys' Fees and Costs.

Tenant shall reimburse Landlord for Landlord's attorneys' fees and costs incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subleasing or encumbrance.

21. ADVERTISING.

Tenant shall not inscribe any inscription, or post, place, or in any manner display any sign, awning, canopy, marquee, decoration, graphics, notice, picture, placard or poster, or any advertising matter whatsoever, anywhere in or about the Leased Premises or the Bank of America Building at places visible (either directly or indirectly as an outline or shadow on a glass pane) from anywhere outside the Leased Premises without first obtaining Landlord's written consent thereto, such consent to be at Landlord's sole discretion. Any such consent by Landlord shall be upon the understanding and condition that Tenant shall remove the same at the expiration or sooner termination of this Lease and Tenant shall repair any damage to the Leased

Premises or the Bank of America Building caused thereby. All such signs and advertising matter shall comply with all applicable laws, governmental regulations, ordinances and orders.

22. LIENS.

No work performed by Tenant pursuant to this Lease shall be deemed to be for the immediate use and benefit of Landlord so that no mechanic's, materialmen's or other liens shall be allowed against the estate of Landlord by reason of any consent given by Landlord to Tenant to improve, alter or repair the Leased Premises. Tenant shall keep the Leased Premises, the Bank of America Building and Bellevue Place free and clear of all liens and encumbrances arising out of any work performed for, materials furnished to and obligations incurred by or on behalf of Tenant and Tenant shall indemnify and hold Landlord harmless from any liability from any and all costs, liabilities and expenses (including but not limited to attorneys' fees and Landlord's reasonable administrative costs and expenses) arising therefrom. Prior to commencing any improvement, alteration or repair work to the Leased Premises, Tenant shall provide to Landlord, at Tenant's sole cost and expense, separate payment and performance bonds for such work and materials in an amount equal to either (i) the actual contract price if the contract price is fixed, or (ii) one and one half (1-1/2) times the estimated cost of the improvements, alterations or repairs which Tenant desires to make within the Leased Premises if the contract price is not fixed. Such bonds shall cover the faithful performance of the contract and payment of all obligations arising therefrom and insure Landlord against any and all liability for mechanics' and materialmen's liens and other similar liens and insure the completion of such work. If any lien is filed against the Bank of America Building, Bellevue Place or the Leased Premises by any person claiming by, through or under Tenant, Tenant shall, at Tenant's sole cost and expense, immediately discharge the same. If Tenant shall fail to cause such lien to be immediately discharged of record, then, in addition to any other right or remedy of Landlord, Landlord may bond or discharge the same by paying the amount claimed to be due, and the amount so paid by Landlord, including any reasonable attorney's fees incurred by Landlord in defending against or responding to such lien or in procuring its discharge of record, shall be due and payable by Tenant as additional rent.

23. TENANT'S DEFAULT.

23.1 Default.

The following shall constitute defaults and breaches of this Lease by Tenant:

(a) Vacating the Leased Premises. The vacation or abandonment of the Leased Premises by Tenant or the failure of Tenant to be open for business on a fully-operational basis (except in the event of damage or destruction to the Leased Premises or when due to some other cause beyond Tenant's reasonable control, which prevents Tenant from conducting its business within the Leased Premises) for five (5) days or more.

(b) Failure to Pay Rent. Tenant's failure to make any payment of Rent, Additional Rent or Other Charges, or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof by Landlord to Tenant.

(c) Failure to Perform. Tenant's failure to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant where such failure continues for a period of ten (10) days (except as otherwise provided in this Lease) after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's failure is such that more than ten (10) days are required for its cure, Tenant shall not be

deemed to be in default under this Section 23.1(c) if Tenant commences such cure within such ten (10) day period and thereafter diligently prosecutes such cure to completion.

(d) Bankruptcy. The making by Tenant of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days of filing); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Leased Premises or of Tenant's interest in this Lease, where such seizure is not discharged in thirty (30) days after appointment of such trustee or receiver, or the filing of the petition for the appointment of the same, whichever shall first occur.

(e) Repeated Defaults. Tenant's failure to perform or observe any of Tenant's obligations under the Lease after Tenant has neglected or failed to perform or observe any of Tenant's obligations under the Lease at least twice previously (although Tenant shall have cured any such previous failure after notice from Landlord, and within the notice period).

23.2 Remedies in Default.

In the event of any default or breach of this Lease by Tenant (whether or not set forth in Section 23.1 above), Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach:

(a) Terminate the Lease. Terminate Tenant's right to possession of the Leased Premises by any lawful means, in which case Tenant shall immediately surrender possession of the Leased Premises to Landlord. In such event, Landlord shall be entitled to recover from the Tenant all past due Rent, Additional Rent and Other Charges and all other amounts owed under the terms of this Lease; the expense of re-leasing the Leased Premises, including but not limited to the expense of renovating and alterations to the Leased Premises and any leasing commissions; reasonable attorneys' fees and costs; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid Rent and Additional Rent called for herein for the balance of the Lease Term after the time of such award exceeds the amount of such loss for the same period that Tenant proves could be reasonably avoided (the "worth at the time of award" shall be determined by discounting such excess amount by the discount rate of the Federal Reserve Bank of San Francisco plus one percent (1%)); and any and all other damages arising from Tenant's default or breach; or,

(b) Continue the Lease. Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Leased Premises. In such event, Landlord shall be entitled to enforce all Landlord's rights and remedies under this Lease, including the right to recover damages, Rent, Additional Rent, Other Charges, and any other payments as may become due hereunder; or,

(c) Other Remedies. Pursue any other remedy or remedies now or hereafter available to Landlord under the laws or judicial decisions of the State of Washington.

23.3 Legal Expenses.

If either party is required to bring or maintain any action (including assertion of any counterclaim or cross-claim, or claim in a proceeding in bankruptcy, receivership or any other proceeding instituted by a party hereto or by others), or otherwise refers this Lease to an attorney for the enforcement of any of the covenants, agreements, terms or conditions of this Lease, the

prevailing party, in addition to all other remedies provided herein, shall receive from the other party all costs (including reasonable attorneys' fees) incurred in the enforcement of the covenants, agreements, terms and conditions of this Lease (whether or not an action is instituted) and including any such costs and fees incurred by the prevailing party on any appeal.

23.4 Bankruptcy.

(a) Assumption of Lease. In the event Tenant becomes a Debtor under Chapter 7 of the Bankruptcy Code ("Code") or a petition for reorganization or adjustment of debts is filed concerning Tenant under Chapters 11 or 13 of the Code, or a proceeding is filed under Chapter 7 of the Code and is transferred to Chapters 11 or 13 of the Code, the Trustee or Tenant, as Debtor and as Debtor-In-Possession, may not elect to assume this Lease unless, at the time of such assumption, the Trustee or Tenant has:

(1) Cured all defaults under the Lease and paid all sums due and owing under the Lease or provided Landlord with "Adequate Assurance" (as defined below) that: (A) within ten (10) days from the date of such assumption, the Trustee or Tenant will completely pay all sums due and owing under this Lease and compensate Landlord for any actual pecuniary loss resulting from any existing default or breach of this Lease, including without limitation, Landlord's reasonable costs, expenses, accrued interest, and attorneys' fees incurred as a result of the default or breach; (B) within twenty (20) days from the date of such assumption, the Trustee or Tenant will cure all non-monetary defaults and breaches under this Lease; and (C) the assumption will be subject to all of the provisions of this Lease.

(2) For purposes of this Section, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding involving Tenant, at a minimum, "Adequate Assurance" shall mean: (A) the Trustee or Tenant has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Tenant will have sufficient funds to fulfill the obligations of Tenant under this Lease; (B) the Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or Tenant shall have granted a valid and perfected first lien and security interest and/or mortgage in property of Trustee or Tenant acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Tenant to cure the monetary and/or non-monetary defaults and breaches under this Lease within the time periods set forth above; and (C) the Trustee or Tenant, at the very minimum, shall deposit a sum equal to two (2) months' Rent to be held by Landlord (without any allowance for interest thereon) to secure Tenant's future performance under the Lease.

(b) Assignment of Lease. If the Trustee or Tenant has assumed the Lease pursuant to the provisions of this Section for the purpose of assigning Tenant's interest hereunder to any other person or entity, such interest may be assigned only after the Trustee, Tenant or the proposed assignee have complied with all of the terms, covenants and conditions of this Lease, including, without limitation, those with respect to Additional Rent; Landlord and Tenant acknowledging that such terms, covenants and conditions are commercially reasonable in the context of a bankruptcy proceeding of Tenant. Any person or entity to which this Lease is assigned pursuant to the provisions of the Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon request execute and deliver to Landlord an instrument confirming such assignment.

(c) Adequate Protection. Upon the filing of a petition by or against Tenant under the Code, Tenant, as Debtor and as Debtor-In-Possession, and any Trustee who may be appointed agree to adequately protect Landlord as follows: (1) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed

by Order of the Bankruptcy Court; (2) to pay all monetary obligations required under this Lease, including without limitation, the payment of Rent and Additional Rent payable hereunder which is considered reasonable compensation for the use and occupancy of the Leased Premises; (3) provide Landlord a minimum of thirty (30) days' prior written notice, unless a shorter period is agreed to in writing by the parties, of any proceeding relating to any assumption of this Lease or any intent to abandon the Leased Premises, which abandonment shall be deemed a rejection of this Lease; and (4) to perform to the benefit of Landlord as otherwise required under the Code. The failure of Tenant to comply with the above shall result in an automatic rejection of this Lease.

23.5 Remedies Cumulative - Waiver.

Landlord's remedies hereunder are cumulative and the Landlord's exercise of or failure to exercise any right or remedy due to a default or breach by Tenant shall not be deemed a waiver of, or to alter, affect or prejudice any right or remedy which Landlord may have under this Lease or by law. Neither the acceptance of rent, nor any other act or omission of Landlord at any time or times after the happening of any breach, default or other event authorizing the cancellation or forfeiture of this Lease, shall operate as a waiver of any past or future violation, breach or failure to keep or perform any covenant, agreement, term or condition hereof or to deprive Landlord of its right to cancel or forfeit this Lease, upon the written notice provided for herein, at any time that cause for cancellation or forfeiture may exist, or be construed so as at any time to stop Landlord from promptly exercising any other option, right or remedy that it may have under any term or provision of this Lease, at law or in equity.

24. SUBORDINATION AND ATTORNMENT; MORTGAGEE PROTECTION.

24.1 Subordination - Notice to Mortgagee.

At the request of Landlord, Tenant shall promptly execute, acknowledge and deliver all instruments which may be appropriate to subordinate this Lease to any existing or future mortgages or deeds of trust on Bellevue Place, the Bank of America Building or the Leased Premises, and to any extensions, renewals or replacements thereof; provided, that the mortgagee or beneficiary, as the case may be, shall agree, in exchange for the agreement of Tenant to attorn to such mortgagee or beneficiary, to recognize this Lease in the event of foreclosure if Tenant is not in default at such time. Notwithstanding anything to the contrary in this Lease, Landlord shall not be in breach or default under any provision of this Lease unless written notice specifying such breach or default is given to Landlord and to all persons who have an interest in all or part of Bellevue Place as mortgagees and/or deed of trust beneficiaries and whose names and addresses have been given to Tenant in writing or are recorded in the records of King County, and the provisions of Section 14 have been fully complied with.

24.2 Mortgagee Protection Clause.

Tenant shall give all mortgagees and deed of trust holders, by registered or certified mail, copies of all notices of default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the addresses of such mortgagees or deed of trust holders. If Landlord fails to cure such default within the time provided in this Lease, then the mortgagees or deed of trust holders shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary, provided that within such thirty (30) days any mortgagee or deed of trust holder commences and diligently pursues the remedies necessary to cure such default (including but not limited to commencement of judicial or nonjudicial foreclosure proceedings, if necessary, to effect such cure).

25. SURRENDER OF POSSESSION.

Subject to the terms of Sections 11, 13 and 16, upon expiration of the term of this Lease, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Leased Premises to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable use and wear and tear and damage by fire or other casualty excepted.

26. REMOVAL OF PROPERTY.

Tenant shall remove all of its personal property and improvements designated to be removed pursuant to Section 11.2 at the termination of this Lease either by expiration of the term or other cause, and shall pay Landlord for any damages for injury to the Leased Premises or Bank of America Building resulting from such removal. If Tenant shall fail to remove any of its property of any nature whatsoever from the Leased Premises or the Bank of America Building at the termination of this Lease or when Landlord has the right of re-entry, Landlord may remove and store such property without liability for loss thereof or damage thereto, such storage to be for the account and at the expense of Tenant. If Tenant shall not pay the cost of storing any such property after it has been stored for a period of thirty (30) days or more, Landlord may, at its option, sell, or permit to be sold, any or all such property at public or private sale, in such manner and at such times and places as Landlord in its sole discretion may deem proper, without notice to Tenant, unless notice is required under applicable statutes, and shall apply the proceeds of such sale: first, to the cost and expense of such sale, including reasonable attorneys' fees actually incurred; second, to the payment of the costs or charges for storing any such property; third, to the payment of any other sums of money which may then be or thereafter become due to Landlord from Tenant under any of the terms hereof; and, fourth, the balance, if any, to Tenant.

27. VOLUNTARY SURRENDER.

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, but, at the option of Landlord, shall terminate all or any existing subleases and subtenancies or operate as an assignment to Landlord of any or all such subleases or subtenancies.

28. EMINENT DOMAIN.

28.1 Total Taking.

If all the Leased Premises are taken by the power of eminent domain exercised by any governmental or quasi-governmental authority, this Lease shall terminate as of the date Tenant is required to vacate the Leased Premises and all Rent, Additional Rent and Other Charges due hereunder shall be paid to that date. As used in this Section 28, the term "eminent domain" shall include the taking of property by, through or under any governmental or quasi-governmental authority, and any purchase or acquisition in lieu thereof, whether or not the damaging or taking is by the government or any other person authorized to exercise the power of eminent domain.

28.2 Constructive Taking of Entire Premises.

In the event of a taking of a material part, but less than all, of the Bank of America Building, where Landlord shall reasonably determine that the remaining portions of the Bank of America Building cannot be economically or effectively used as desired by Landlord (whether on account of physical, economic, aesthetic or other reasons), Landlord shall forward a written notice to Tenant of such determination not more than sixty (60) days after the date of taking. The

term of this Lease shall expire upon such date as Landlord shall specify in such notice but not earlier than sixty (60) days after the date of such notice.

28.3 Partial Taking.

If more than fifteen percent (15%) of the Rentable Area of the Leased Premises is taken or appropriated by the power of eminent domain, this Lease, at the option of either party, may be terminated by written notice given to the other party not more than thirty (30) days after Landlord and Tenant receive written notice of the taking or appropriation, and such termination shall be effective as of the date Tenant is required to vacate the portion of the Leased Premises so taken. If more than ten percent (10%) of the Common Area of the Bank of America Building is taken by the power of eminent domain, then Landlord, at its option, may terminate this Lease by written notice given to Tenant within sixty (60) days of the date of such taking. If this Lease is so terminated, all Rent, Additional Rent and Other Charges due hereunder shall be paid to the date of termination. Whenever any portion of the Leased Premises or Common Area is taken by the power of eminent domain and this Lease is not terminated, Landlord, at its expense, shall proceed with reasonable dispatch to restore, to the extent that it is reasonably prudent, the remainder of the Leased Premises and Common Area to their condition immediately prior to such taking, and Tenant, at its sole expense, shall proceed with reasonable dispatch to restore the fixtures and improvements installed by Tenant and Tenant's furniture, furnishings, and equipment to the same condition they were in immediately prior to such taking. From the date Tenant is required to vacate that portion of the Leased Premises so taken, the Rent and Additional Rent payable hereunder shall be reduced in the same proportion that the area taken bears to the Rentable Area of the Leased Premises prior to the taking.

28.4 Damages.

Landlord reserves all rights to the entire damages award or payment for taking by the power of eminent domain, and Tenant shall make no claim whatsoever against Landlord for damages for termination of its leasehold interest in the Leased Premises or for interference with its business. Tenant hereby grants or assigns to Landlord any right Tenant may now have or hereafter acquire to such awards and payments and agrees to execute and deliver such further instruments of assignment thereof as Landlord may from time to time request. Notwithstanding the foregoing, Tenant shall have the right to claim from the condemning authority all compensation that may be recoverable by Tenant on account of any loss incurred by Tenant in removing Tenant's merchandise, furniture and other personal property that Tenant is entitled to remove at the termination of this Lease or for damage to Tenant's business; provided, however, that Tenant may claim such damages only if they are awarded separately in the eminent domain proceeding and not as part of Landlord's damages.

29. NOTICES.

Any notices required in accordance with any of the provisions herein, if to Landlord, shall be delivered in person or mailed by an express mail service, such as Federal Express or UPS, to the address of Landlord as set forth in Section 1.2 above or at such other place as Landlord may in writing from time to time direct to Tenant, and if to Tenant, shall be delivered in person or sent by an express mail service, such as Federal Express or UPS, to Tenant at the Leased Premises. If Tenant is more than one person or entity, any notice required or permitted hereunder may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. Any notices mailed to Tenant bearing the proper address and adequate postage for delivery shall be deemed effective upon deposit in the U.S. mail.

30. LANDLORD'S LIABILITY.

Anything in this Lease to the contrary notwithstanding, the covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord, but are made and intended for the purpose of binding only the Landlord's interest in the Leased Premises and Bank of America Building, as the same may from time to time be encumbered. No personal liability or personal responsibility is assumed by, nor shall at any time be asserted or enforceable against Landlord or its partners or their respective heirs, legal representatives, successors, and assigns on account of the Lease or on account of any covenant, undertaking or agreement of Landlord in this Lease contained. Therefore, in consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

- (a) The sole and exclusive remedy of Tenant shall be against the Landlord's interest in the Leased Premises and the Bank of America Building;
- (b) No general or limited partner of Landlord, or any director, officer, agent or employee of any corporation if Landlord, or any general or limited partner of Landlord, is a corporation (collectively, for the purpose of this Section 30, referred to as "general or limited partner of Landlord") shall be sued or named as a party in any suit or action, and Landlord shall not assert therein the defense or lack of personal jurisdiction arising out of Tenant's compliance with this Section 30;
- (c) No general or limited partner of Landlord shall be required to answer or otherwise plead to any service or process;
- (d) No judgment will be taken against any general or limited partner of Landlord;
- (e) Any judgment taken against any general or limited partner of Landlord may be vacated and set aside at any time nunc pro tunc;
- (f) No writ of execution will ever be levied against the asset of Landlord or any general or limited partner of Landlord, other than Landlord's interest in the Leased Premises or the Bank of America Building;
- (g) These covenants and agreements are enforceable both by Landlord and also by any general or limited partner of Landlord.

31. TENANT'S CERTIFICATES.

Tenant shall at any time and from time to time, within ten (10) days after written notice from Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement substantially in the form of Exhibit "G" certifying, to the extent true, that (i) this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way (or specifying the date and terms of all agreements so affecting this Lease); (ii) all conditions under this Lease to be performed by the Landlord have been satisfied, if any; (iii) all required contributions by Landlord, if any, to Tenant on account of Premises Improvements or additional improvements have been received; (iv) as of the date of such certification there are no existing claims, defenses or offsets that the Tenant has against the enforcement of this Lease by the Landlord; (v) no Rent or other rent obligation has been paid more than one month in advance; and (vi) no security has been deposited with Landlord (or, if so, the amount thereof). It is intended that all statements delivered pursuant to this paragraph may be relied upon by prospective purchasers of Landlord's interest, Landlord's lenders, and other designees of Landlord and Landlord's lenders. If Tenant fails to respond within ten (10) days of Tenant's

receipt of a written request by Landlord as herein provided, such failure shall be a material default under the terms and conditions of this Lease. In addition, Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee, that this Lease is in full force and effect, that there are no uncured defaults in Landlord's performance, that the security deposit is as stated in the Lease and that no more than one month's Rent has been paid in advance.

32. RIGHT TO PERFORM.

If Tenant shall fail to pay any sum of money, other than Rent and Additional Rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from any obligations of Tenant, make any such payment or perform any such other act on Tenant's part to be made or performed as provided in this Lease. Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.

33. AUTHORITY.

Each individual executing this Lease on behalf of Tenant personally represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms and, if Tenant is a corporation, in accordance with a duly adopted resolution of the Board of Directors of Tenant and that such action and execution is in accordance with the bylaws of Tenant. If Tenant is a corporation, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of a resolution of the Board of Directors of Tenant authorizing or ratifying the execution of this Lease.

34. PARKING AND COMMON AREAS.

34.1 Parking.

Landlord shall provide Tenant with two point seven (2.7) parking permits for each one thousand (1,000) square feet in the Rentable Area of the Leased Premises, at the current rate of One Hundred Ninety-five and 00/100 Dollars (\$195.00) per parking permit per month (excluding tax), which monthly rate may increase from time to time during the Lease Term. If available, additional parking permits may be purchased by Tenant on a month to month basis at the then current rates for such parking. Tenant's employees shall not park their vehicles in the automobile parking areas of the Common Areas and Facilities which may from time to time be designated for patrons of Bellevue Place. Landlord at all times shall have the right to designate the particular parking areas to be used by Tenant's employees and any such designation may be changed from time to time. Tenant and its employees shall park their vehicles only in those portions of the Common Areas and Facilities, if any, designated for that purpose by Landlord. Tenant shall furnish Landlord with Tenant's and Tenant's employees' state vehicle license numbers within fifteen (15) days after Tenant opens for business in the Leased Premises and Tenant shall thereafter notify Landlord of any changes within two (2) days after such change occurs. If Tenant or its employees fail to park their vehicles in designated parking areas, then Landlord, without limiting any other remedy Landlord may have, may charge Tenant a minimum of Ten Dollars (\$10.00) per day for each day or partial day for each vehicle improperly parked; provided, however, Landlord shall give Tenant written notice of the first violation of this provision and Tenant shall have two (2) days thereafter within which to cause the violation to be discontinued;

and if not discontinued within such two-day period, then the vehicle fines shall commence. After notice of the first such violation, no notice of any subsequent violation shall be required prior to the imposition of any parking fine. All amounts due under the provisions of this Section shall be additional rent and due and payable by Tenant within ten (10) days after demand therefor. Tenant shall notify its employees in writing of the provisions of this Section.

34.2 Common Areas.

Landlord shall at all times have exclusive control and management of the Common Areas and Facilities of Bellevue Place. Tenant shall have the nonexclusive right in common with others to use the public areas of the Bank of America Building and the Common Areas and Facilities of Bellevue Place, subject to such nondiscriminatory rules and regulations as Landlord may adopt from time to time governing the use thereof including, but not limited to, the right to close the same from time to time to such an extent as may be legally sufficient, in Landlord's opinion, to prevent a dedication thereof or the accrual of right to any person or to the public therein. Tenant shall comply with the rules and regulations that Landlord and the owner or ground lessee of Bellevue Place may from time to time promulgate and/or modify regarding use and operation of the Common Areas of the Bank of America Building and Common Areas and Facilities of Bellevue Place. The rules and regulations shall be binding upon Tenant upon delivery of a copy thereof to Tenant. Landlord shall not be responsible to Tenant for the nonperformance of such rules and regulations by any other tenants or occupants of space in either Bellevue Place or the Bank of America Building. The term "Common Areas and Facilities of Bellevue Place" refers to all on and off-site areas and/or related facilities which are made available or are used from time to time for the general use, convenience and benefit of Landlord and other persons entitled to occupy space in Bellevue Place, including their employees, invitees, licensees and guests, which areas shall include, but not be limited to, all parking structures and parking areas (including off-site parking), driveways, sidewalks, landscaped or planted areas, pedestrian areas, lobbies, walkways, the Wintergarden Retail Center and Parking Garage. The term "Common Areas and Facilities of Bellevue Place" also refers to all on-site and off-site areas and/or related facilities which may not be accessible to Tenant and other persons entitled to occupy space in Bellevue Place, but which are used in conjunction with the operation, management, repair or maintenance of Bellevue Place, including, but not limited to janitorial closets, on and/or off-site management offices and maintenance areas. The term "Common Areas and Facilities of the Bank of America Building" refers to the Common Areas and Facilities of Bellevue Place located within the Bank of America Building.

35. TRANSPORTATION MANAGEMENT PROGRAM.

Tenant shall cooperate with Landlord and the designated Transportation Management Association in complying with the terms and conditions of the Bellevue Place Transportation Management Program, as set forth in the Bellevue Place Transportation Management Agreement, a copy of which is attached hereto as Exhibit "F" and incorporated herein, and shall become a member participant in the designated Transportation Management Association. Tenant shall designate one of its employees or agents as Tenant Transportation Coordinator, who shall represent Tenant in all matters pertaining to transportation management. Landlord shall be immediately notified of any change in the Transportation Coordinator.

36. QUIET ENJOYMENT.

Tenant, upon fully complying with and promptly performing all of the terms, covenants and conditions of this Lease to be performed on its part and upon the prompt and timely payment of all sums due hereunder, shall have and possess the Leased Premises for the Lease Term set forth herein.

37. GENERAL.

37.1 Captions.

Any section or paragraph titles or captions are for convenience only and shall not be deemed to define, limit or otherwise modify the scope and intent of this Lease or any provision thereof.

37.2 Bellevue Place Rent and Income.

All amounts to be paid hereunder, specifically including all Rent, Additional Rent and Other Charges, shall be paid as and when due, and without any setoff or deduction whatsoever. Landlord shall be entitled to all rent and other payments on all leases and tenancies at Bellevue Place on all property owned or leased by Landlord and any other payments made to Landlord or its agents for any other activities, uses or operations at Bellevue Place.

37.3 Successors or Assigns.

All the terms, conditions, covenants and agreements of this Lease shall extend to and be binding upon Landlord, Tenant, their respective heirs, administrators, executors, successors and assigns, and upon any person or persons coming into ownership or possession of any interest in the Leased Premises by operation of law or otherwise, and shall be construed as covenants running with the land.

37.4 Tenant Defined.

The word "Tenant" as used herein shall mean each and every person, partnership, limited liability company or corporation who is mentioned as a Tenant herein or who executes this Lease as Tenant.

37.5 Lost Security or Access Key Card.

Tenant shall reimburse Landlord for any and all losses and expenses incurred or suffered by Landlord as a result of Tenant or any of Tenant's agents, employees, licensees or contractors losing any security or access key card or similar device issued to Tenant, which losses or expenses are incurred or suffered by Landlord prior to Tenant notifying Landlord of the loss of such card or similar device.

37.6 Landlord's Consent.

Unless otherwise specifically stated herein, whenever Landlord's consent or approval is required, Landlord's consent or approval may be withheld in Landlord's sole subjective discretion.

37.7 Broker's Commission.

Tenant represents and warrants to Landlord it has incurred no liabilities or claims for brokerage commissions or finder's fees in connection with the execution of this Lease and it has not dealt with or has any knowledge of any real estate broker, agent or salesperson in connection with this Lease except Broderick Group, Inc., which represents both Landlord and Tenant. Each party agrees to indemnify and hold the other parties harmless from all such liabilities or claims (including, without limitation, attorneys' fees) by anyone other than Broderick Group, Inc.

37.8 Partial Invalidity.

If any term, covenant, or condition of this Lease or the application thereof to any person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Lease, and the application of the terms, covenants or conditions to persons or circumstances other than those which are held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

37.9 Recording.

Tenant shall not record this Lease. Tenant also shall not record any memorandum of lease. However, upon the request of Landlord, Tenant shall execute and deliver to Landlord a memorandum in the form provided by Landlord. The memorandum shall describe the parties, the Leased Premises, the Lease Term and Tenant's obligation to comply with the Transportation Management Agreement and City of Bellevue Land Use Code Paragraph 20.25A.030.C. 1, or any similar or successor law, regulation, code or rule, if applicable.

37.10 Joint Obligation.

If there is more than one Tenant, the obligations hereunder imposed shall be joint and several.

37.11 Time.

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

37.12 Prior Agreements.

It is understood that there are no oral or written agreements or representations between Landlord and Tenant affecting this Lease and that this Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements and understandings, if any, made by or between Landlord and Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret, construe, supplement, or contradict this Lease. This Lease, and all mutually-executed written amendments thereto, is and shall be considered to be the only agreement between Landlord and Tenant and their representatives and agents. All negotiations and oral agreements acceptable to Landlord and Tenant have been merged into and are included in this Lease. There are no other representations, covenants or warranties between Landlord and Tenant and all reliance with respect to representations is solely upon the express representations, covenants and warranties contained in this Lease. Although the printed provisions of this Lease were drawn by Landlord, Landlord and Tenant agree that this circumstance shall not create any presumption, canon of construction, or implication favoring the position of either Landlord or Tenant. Landlord and Tenant agree that the interlineation, obliteration, or deletion of language from this Lease prior to its mutual execution by Landlord and Tenant shall not be construed to have any particular meaning or to raise any presumption, canon of construction, or implication, including, without limitation, any implication that Landlord or Tenant intended thereby to state the converse, obverse or opposite of the deleted language. This Lease shall be read as if the obliterated or deleted language had never existed and the interlineated language had always existed.

37.13 Inability to Perform.

The obligations of Landlord or Tenant hereunder shall be excused for a period equal to the time by which such performance is prevented or delayed due to acts of God or any other causes beyond the reasonable control of such party, financial inability or negligence excepted.

The provisions of Section 37.13 shall not apply to any payment of Rent, Additional Rent or Other Charges.

37.14 Transfer of Landlord's Interest.

In the event of any transfer or transfers of Landlord's interest in the Leased Premises or Bellevue Place, other than a transfer for security purposes only, the transferor shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing from and after the date of such transfer and Tenant agrees to attorn to such transferee.

37.15 No Light, Air or View Easement.

Any diminution or shutting off of light, air or view by any structure which may be erected on land on or adjacent to Bellevue Place shall in no way affect this Lease or the obligation of Tenant hereunder nor impose any liability on Landlord.

37.16 Reciprocal Easement Agreements.

This Lease shall be subordinate to any and all operating, maintenance and reciprocal easement agreements ("REAs") entered into by and among Landlord and any other parties, including any amendments or modifications thereto. Tenant shall execute and return to Landlord within ten (10) days after written request therefor by Landlord, agreements in recordable form, substantially in the form of Exhibit "H", subordinating this Lease to any such REAs.

37.17 Waiver.

The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent, Additional Rent, Other Charges or any other sum hereunder by Landlord shall not be deemed to be a waiver of any preceding default by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular sum so accepted, regardless of Landlord's knowledge of such preceding default at the time of the acceptance of such sum. In addition, no endorsement or statement on any check or any letter accompanying any payment shall be deemed an accord and satisfaction, and Landlord's right to recover the balance of such rent or pursue any other remedy provided herein or otherwise shall not be affected by such endorsement or statement or by the acceptance of such payment.

37.18 Name.

Tenant shall not, without the prior written consent of Landlord, use the name of the building or project for any purpose other than as the address of the Leased Premises, and in any event, Tenant shall not acquire any rights in or to such names.

37.19 Choice of Law- Venue.

This Lease shall be governed by the laws of the State of Washington. The venue for any action to enforce the terms of this Lease or collect any amounts owing by Tenant to Landlord shall be in the Superior Court for King County, Washington.

37.20 OFAC Certification.

- (a) Certification. Tenant certifies that:

(i) It is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and

(ii) It is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity, or nation.

(b) Indemnification. Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney's fees and costs) arising from or related to any breach of the foregoing certification.

IN WITNESS WHEREOF this Lease has been executed the day and year first above set forth.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company

By: KEMPER DEVELOPMENT
COMPANY, a Washington corporation;
Its Manager

By: /s/ James E. Melby
James E. Melby
President

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Jennifer Ceran
Jennifer Ceran
Chief Financial Officer

OFFICE LEASE EXHIBITS

Exhibit "A" - Legal Description of Bellevue Place

Exhibit "B" - Site Plan of Bellevue Place

Exhibit "C" Floor Plan Of The Leased Premises

Exhibit "D" Tenant Design & Construction Manual

Exhibit "E" Rules and Regulations

Exhibit "F" - Bellevue Place Transportation Management

Exhibit "G" – Form of Tenant Estoppel Certificate

Exhibit "H" – Form of Subordination Agreement to Reciprocal Easement Agreement

EXHIBIT A
LEGAL DESCRIPTION OF BELLEVUE PLACE

EXHIBIT B
SITE PLAN OF BELLEVUE PLACE

EXHIBIT C
FLOOR PLAN OF THE LEASED PREMISES

EXHIBIT D
TENANT DESIGN & CONSTRUCTION MANUAL

EXHIBIT E
RULES AND REGULATIONS

EXHIBIT F

BELLEVUE PLACE TRANSPORTATION MANAGEMENT AGREEMENT

EXHIBIT G
FORM OF TENANT ESTOPPEL CERTIFICATE

EXHIBIT H
FORM OF SUBORDINATION AGREEMENT TO
RECIPROCAL EASEMENT AGREEMENT

FIRST LEASE ADDENDUM

THIS FIRST LEASE ADDENDUM (this "Addendum") is made this 18th day of August, 2020, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into a nonresidential Lease dated June 21, 2017 (the "Lease"), for Suite 500 in the Bank of America Building at Bellevue Place, Bellevue, Washington, which leased space is more specifically described in the Lease.

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects which shall include providing a letter of credit for the Security Deposit.

C. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. Section I. BASIC LEASE DATA, TERMS AND EXHIBITS. The following sentence is added to the end of paragraph 1.14 of Section I of the Lease:

At Tenant's option, the Security Deposit may be in the form of a letter of credit, in accordance with Section 37.24 below.

2. Letter of Credit. The following is added as Section 37.24 of the Lease:

(a) Landlord and Tenant acknowledge that Tenant will occupy space in the Bank of America Building pursuant to this Lease and, as consideration for Landlord's willingness to enter into this Lease, Tenant shall deliver or cause to be delivered to Landlord, and shall cause to be maintained at all times in effect without expiration or termination, one or more irrevocable standby letters of credit complying with the terms of this Section 37.24. Any failure by Tenant to perform or observe any term, covenant or agreement set forth in this Section 37.24 shall constitute a material default under this Lease.

(b) Tenant shall deliver or cause to be delivered to Landlord an irrevocable standby letter of credit in a form acceptable to or provided by Landlord (the "Letter of Credit"), issued by a national banking association reasonably acceptable to Landlord, for the account of Tenant in favor of Landlord in the initial amount determined in accordance with Section 8 of the Lease, having an expiry date not earlier than the Expiration Date, and stating by its terms that it shall be automatically extended annually, without written amendment or modification, to the date that is one (1) year after the then current expiry date unless the issuer of the Letter of Credit gives Landlord, at least sixty (60) days prior to the then current expiry date, written notice that the issuer elects not to extend the Letter of Credit. If the issuer of the Letter of Credit at any times gives to Landlord notice that the issuer elects not to extend the Letter of Credit, then, not less than thirty (30) days prior to the then current expiry date of the Letter of Credit, Tenant shall deliver or cause to be delivered to Landlord a substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an

amount required by Section 8 of the Lease. Not less than thirty (30) days prior to the expiry date of any substitute letter of credit delivered pursuant to this Section, Tenant shall deliver or cause to be delivered to Landlord a further substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by Section 8 of the Lease. Each substitute letter of credit delivered pursuant to this Section 37.24 shall have a term of not less than one (1) year and shall be in a form acceptable to or provided by Landlord. Additionally, if Tenant is entitled to a reduction in the amount of the cash Security Deposit and/or the Additional Security Deposit as provided in Section 8 of this Lease, Tenant shall exchange the original Letter of Credit for a substitute in the reduced amount, or shall deliver to the Landlord the amendment, endorsement or other modification of the Letter of Credit that reduces the amount thereof as permitted in Section 8.

(c) Upon the occurrence of any breach or default under this Lease including, but not limited to, any failure by Tenant timely to deliver or cause to be delivered to Landlord any substitute letter of credit required pursuant to this Section 37.24, Landlord, at its option, may draw against the Letter of Credit and any substitute letter of credit delivered pursuant to this Section 37.24 in an amount reasonably necessary to cure such breach or default and/or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach or default. The Letter of Credit and each substitute letter of credit (also referred to as a "Letter of Credit") delivered pursuant to this Section 37.24 shall provide for payment against Landlord's (or any transferee's) draft at sight accompanied by a certificate stating substantially as follows: "Drawn under _____ Bank, N.A.'s Irrevocable Standby Letter of Credit No. _____ dated _____, 2018, as a result of the occurrence of a default under the Lease dated _____, 2018, between Bellevue Place Office, LLC, a Washington limited liability company, and SMARTSHEET, INC., a Washington corporation. If Landlord draws against the Letter of Credit, Tenant shall, within ten (10) days of the date of such draw, restore the Letter of Credit or provide additional irrevocable standby letters of credit so that, at all times, there shall be an amount required by Section 8 of the Lease available for Landlord to draw against in the event of any further breach or default under this Lease.

(d) If the Letter of Credit is not renewed or Tenant does not provide a substitute irrevocable standby letter of credit on or before the date that is thirty (30) days prior to the expiry date of the then current Letter of Credit, or in the event Landlord draws against the Letter of Credit, if Tenant does not restore the Letter of Credit or provide additional letters of credit so that an amount required by Section 8 of the Lease is available to Landlord to draw upon in the event of any further breach or default under this Lease, then in such event the amount of the draw against the Letter of Credit may be equal to the entire amount of the Letter of Credit. The proceeds of any draw against the Letter of Credit pursuant to the immediately preceding sentence shall be held by Landlord as an additional security deposit pursuant to the provisions of Section 8 of this Lease.

3. Remaining Lease Provisions. Except as expressly modified in this Addendum, all other provisions of the Lease remain in full force and effect. In the event of a conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

DATED as of the day and year first above written.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company

By: KEMPER DEVELOPMENT
COMPANY, a Washington corporation;
Its Manager

By: /s/ James E. Melby
James E. Melby
President

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Mark Mader
Mark Mader
President and CEO

BANK OF AMERICA BUILDING OFFICE LEASE

BETWEEN

**BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company**

(Landlord)

AND

**SMARTSHEET.COM, INC.,
a Washington corporation**

(Tenant)

SUITES 300 and 350

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BANK OF AMERICA BUILDING OFFICE LEASE

THIS LEASE is made this 3rd day of February, 2017, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET.COM, INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord owns certain rights and interests in and to certain real property and improvements thereon in the City of Bellevue, King County, Washington, which real property is described in Exhibit "A," attached hereto, and shown on the site plan attached hereto as Exhibit "B." Said property and the improvements thereon are part of a first-class multi-use development commonly known and referred to herein as "Bellevue Place." Bellevue Place currently consists of the Bank of America Building, Hotel Building, Corner Building, and Wintergarden Retail Center, as shown on Exhibit "B," as well as a Parking Garage currently located beneath the foregoing.

B. Tenant desires to lease from Landlord a portion of the Bank of America Building and Landlord is willing to do so on certain terms and conditions, which are set forth herein.

NOW THEREFORE, for and in consideration of the promises, covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. BASIC LEASE DATA, TERMS AND EXHIBITS.

- 1.1 Landlord: Bellevue Place Office, LLC, a Washington limited liability company.
- 1.2 Address of Landlord: P. O. Box 4186, Bellevue, Washington 98009.
- 1.3 Tenant: Smartsheet.com, Inc., a Washington corporation.
- 1.4 Principal Business Address of Tenant: 10500 NE 8th Street, Suite 1300, Bellevue, WA 98004.
- 1.5 Tenant's Permitted Trade Name: Smartsheet.com.
- 1.6 Leased Premises: That portion of the third (3rd) floor of the Bank of America Building; as and where shown on Exhibit "C" attached hereto.
- 1.7 Rentable Area of the Leased Premises:

From and including the Leased Premises 300 Commencement Date: Leased Premises 300 shall be comprised of Suite 300, consisting of Twelve Thousand Six Hundred Ninety-four (12,694) square feet.

From and including the Leased Premises 350 Commencement Date: Leased Premises 350 shall be comprised of Suite 350, consisting of Three Thousand Two Hundred Forty-six (3,246) square feet.

1.8 Breakdown of Rentable Area at Bellevue Place:

- (a) The total Rentable Area of the Bank of America Building and the Corner Building is Four Hundred Sixty-three Thousand Five Hundred Ninety-nine (463,599) square feet.
- (b) The total Rentable Area of Bellevue Place is Five Hundred Nineteen Thousand Five Hundred Forty-nine (519,549) square feet.

1.9 Tenant's Share:

Because Bellevue Place is a multi-use development containing a variety of different office, retail, and common area facilities within its various elements, Tenant's Share appropriately comprises two components: (i) Operating, Repair and Maintenance Expenses specific to the Bank of America Building and the Corner Building, as set forth in Section 1.9(a); and (ii) Operating, Repair and Maintenance Expenses for Bellevue Place generally, as set forth in Section 1.9(b).

[Leased Premises 300 - based on 12,694 rentable square feet]

From and including the Leased Premises 300 Commencement Date:

- (a) Operating, Repair and Maintenance Expenses for the Bank of America Building and the Corner Building: two point seven four percent (2.74%) based on 463,599 rentable square feet pursuant to Section 1.8(a).
- (b) Operating, Repair and Maintenance Expenses for Bellevue Place: two point four four percent (2.44%) based on 519,549 rentable square feet pursuant to Section 1.8(b).

[Leased Premises 350- based on 3,246 rentable square feet]

From and including the Leased Premises 350 Commencement Date:

- (a) Operating, Repair and Maintenance Expenses for the Bank of America Building and the Corner Building: point seven zero percent (.70%) based on 463,599 rentable square feet pursuant to Section 1.8(a).
- (b) Operating, Repair and Maintenance Expenses for Bellevue Place: point six two percent (.62%) based on 519,549 rentable square feet pursuant to Section 1.8(b).

1.10 Rent:

[Leased Premises 300 - based on 12,694 rentable square feet]

From and including the Leased Premises 300 Commencement Date to and including April 30, 2018, the Rent shall be Thirty-seven and 00/100 Dollars (\$37.00), per square foot of the Rentable Area of the Leased Premises per annum or Thirty-nine Thousand One Hundred Thirty-nine and 83/100 Dollars (\$39,139.83) per month.

From and including the first day of May, 2018, to and including April 30, 2019, the Rent shall be Thirty-eight and 11/100 Dollars (\$38.11) per square foot of the

Rentable Area of the Leased Premises per annum or Forty Thousand Three Hundred Fourteen and 03/100 Dollars (\$40,314.03) per month.

From and including the first day of May, 2019, to and including April 30, 2020, the Rent shall be Thirty-nine and 25/100 Dollars (\$39.25) per square foot of the Rentable Area of the Leased Premises per annum or Forty-one Thousand Five Hundred Nineteen and 96/100 Dollars (\$41,519.96) per month.

From and including the first day of May, 2020, to and including April 30, 2021, the Rent shall be Forty and 43/100 Dollars (\$40.43) per square foot of the Rentable Area of the Leased Premises per annum or Forty-two Thousand Seven Hundred Sixty-eight and 20/100 Dollars (\$42,768.20) per month.

From and including the first day of May, 2021, to and including April 30, 2022, the Rent shall be Forty-one and 64/100 Dollars (\$41.64) per square foot of the Rentable Area of the Leased Premises per annum or Forty-four Thousand Forty-eight and 18/100 Dollars (\$44,048.18) per month.

From and including the first day of May, 2022, to and including the Expiration Date, the Rent shall be Forty-two and 89/100 Dollars (\$42.89) per square foot of the Rentable Area of the Leased Premises per annum or Forty-five Thousand Three Hundred Seventy and 47/100 Dollars (\$45,370.47) per month.

[Leased Premises 350 - based on 3,246 rentable square feet]

From and including the Leased Premises 350 Commencement Date, through and including April 30, 2018, the Rent shall be Thirty-seven and 00/100 Dollars (\$37.00), per square foot of the Rentable Area of the Leased Premises per annum or Ten Thousand Eight and 50/100 Dollars (\$10,008.50) per month.

From and including the first day of May, 2018, to and including April 30, 2019, the Rent shall be Thirty-eight and 11/100 Dollars (\$38.11), per square foot of the Rentable Area of the Leased Premises per annum or Ten Thousand Three Hundred Eight and 76/100 Dollars (\$10,308.76) per month.

From and including the first day of May, 2019, to and including April 30, 2020, the Rent shall be Thirty-nine and 25/100 Dollars (\$39.25) per square foot of the Rentable Area of the Leased Premises per annum or Ten Thousand Six Hundred Seventeen and 13/100 Dollars (\$10,617.13) per month.

From and including the first day of May, 2020, to and including April 30, 2021, the Rent shall be Forty and 43/100 Dollars (\$40.43) per square foot of the Rentable Area of the Leased Premises per annum or Ten Thousand Nine Hundred Thirty-six and 32/100 Dollars (\$10,936.32) per month.

From and including the first day of May, 2021, to and including April 30, 2022, the Rent shall be Forty-one and 64/100 Dollars (\$41.64) per square foot of the Rentable Area of the Leased Premises per annum or Eleven Thousand Two Hundred Sixty-three and 62/100 Dollars (\$11,263.62) per month.

From and including the first day of May, 2022, to and including the Expiration Date, the Rent shall be Forty-two and 89/100 Dollars (\$42.89) per square foot of the Rentable Area of the Leased Premises per annum or Eleven Thousand Six Hundred One and 75/100 Dollars (\$11,601.75) per month.

- 1.11 Lease Term: Approximately seventy-one (71) calendar months, plus that portion of a calendar month necessary, if at all, for the Expiration Date to occur on the last day of such calendar month.
- 1.12 Commencement Date:
- Leased Premises 300: From and including the earlier of (i) five (5) days following substantial completion of the Premises Improvements (defined in Section 11.1(a) below), but no later than May 1, 2017, or (ii) the date Tenant first occupies the Leased Premises for business purposes.
- Leased Premises 350: From and including the earlier of (i) five (5) days following substantial completion of the Premises Improvements (defined in Section 11.1(a) below), but no later than June 1, 2017, or (ii) the date Tenant first occupies the Leased Premises for business purposes.
- 1.13 Expiration Date: March 31, 2023.
- 1.14 Security Deposit: Upon execution of this Lease, Tenant shall pay Landlord Two Hundred Fourteen Thousand Six Hundred Thirteen and 23/100 Dollars (\$214,613.23), of which Sixty-six Thousand Two Hundred Four and 13/100 Dollars (\$66,204.13) shall be applied to Rent and Additional Rent due for the first (1st) month of the Lease Term, and One Hundred Forty-eight Thousand Four Hundred Nine and 10/100 Dollars (\$148,409.10) representing Rent and Additional Rent due for the last month of the Lease Term, shall be held as a security deposit.
- 1.15 Deadline for Submission to Landlord of Premises Plans for Premises Improvements: N/A.
- 1.16 Contingency: THIS LEASE IS CONTINGENT UPON ITS ACCEPTANCE AND APPROVAL BY LANDLORD'S LENDERS. If this Lease is acceptable to Landlord's lenders, this contingency will be waived by Landlord.
- 1.17 Project Architect: JPC Architects, or as otherwise designated by Landlord.
- 1.18 Exhibits Incorporated by Reference:
- Exhibit "A" - Legal Description of Bellevue Place.
 - Exhibit "B" - Site Plan of Bellevue Place.
 - Exhibit "C" - Floor Plan of the Leased Premises.
 - Exhibit "D" - Tenant Design & Construction Manual (including Base Building Finish Condition).
 - Exhibit "E" - Rules and Regulations.
 - Exhibit "F" - Bellevue Place Transportation Management Agreement.
 - Exhibit "G" - Form of Tenant Estoppel Certificate.
 - Exhibit "H" - Form of Subordination Agreement to Reciprocal Easement Agreement.

2. PREMISES.

2.1 Generally.

Landlord does hereby lease and demise to Tenant, and Tenant hereby accepts from Landlord, upon the terms and conditions herein set forth, the Leased Premises described in Section 1.6 above and depicted in Exhibit "C," together with rights of ingress and egress over and across the Common Areas and Facilities of the Bank of America Building and Bellevue Place.

2.2 Reserved to Landlord.

Landlord reserves the right, from time to time, to change the size and dimensions of Bellevue Place; add additional buildings and improvements to Bellevue Place; relocate, alter, and change the number of buildings and other improvements in, on and under Bellevue Place; change any building dimensions and the number of floors in any of the buildings and parking areas in Bellevue Place; change the identity and type of stores and tenancies in Bellevue Place; change the name and address of the buildings and other improvements in Bellevue Place; and change the Common Areas and Facilities in Bellevue Place. Landlord further reserves the use of, and all rights in and to, the exterior walls and roof, and the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through the Leased Premises in locations which will not materially interfere with Tenant's use thereof and serving other parts of Bellevue Place. Landlord shall reasonably attempt to locate such items under the floor, above the ceiling, or adjacent to an interior wall. Such use shall not exceed one percent (1%) of the Useable Area of the Leased Premises unless otherwise agreed. If Landlord's use hereunder exceeds one percent (1%) of the Useable Area of the Leased Premises, Tenant shall be entitled, as its sole and exclusive remedy, to a reduction in the stated Rentable Area for the Leased Premises, as set forth in Section 1.7 above, and a proportional reduction in Rent and Additional Rent (as defined in Sections 5 and 6 below) due hereunder. The Leased Premises shall not include the space above the suspended ceiling. Landlord shall retain the right to use the area immediately below the floor surface and the space above the suspended ceiling in any manner which does not permanently and materially interfere with Tenant's use of the Leased Premises.

2.3 Intentionally Omitted.

2.4 Right of First Opportunity.

(a) If Landlord provides a written proposal, or is provided with a written proposal that Landlord is prepared to accept, to lease Suite 301 on the third (3rd) floor of the Bank of America Building (the "First Opportunity Space"), to a prospective tenant, including Tenant, Landlord will notify Tenant in writing ("Landlord's First Opportunity Notice") and, except as otherwise set forth herein, Tenant shall have the right ("Right of First Opportunity") to lease such First Opportunity Space on the terms and conditions as outlined in Landlord's First Opportunity Notice, by notifying Landlord of its exercise of such right in accordance with Section (b) below.

(b) In the event Tenant desires to exercise its right to lease the First Opportunity Space, Tenant shall give Landlord unequivocal written notice thereof ("Tenant's First Opportunity Notice") within five (5) business days after receipt of Landlord's First Opportunity Notice. Time is of the essence. If, for any reason, Tenant declines or does not so notify Landlord, then Tenant's rights with respect to the First Opportunity Space which is the subject of Landlord's First Opportunity Notice shall be deemed to be waived, and thereafter, after expiration of such five (5) business day period, Landlord may lease such space to any other party.

(c) The provisions of Section 37.22(a) shall apply with respect to any existing tenant(s) in the First Opportunity Space who desire to extend or renew their leases, or enter into a new lease for the First Opportunity Space. Landlord shall, however, have the express right to extend or renew leases with existing tenant(s) in the First Opportunity Space or enter into new leases with existing First Opportunity Space tenant(s), if the leases of such tenants provide for such right.

(d) Notwithstanding anything in the foregoing to the contrary, Tenant's rights with respect to the First Opportunity Space shall not be exercisable during any period in which Tenant is in default (beyond any applicable cure period) under any provision of the Lease. Time is of the essence. The period of time within which the Right of First Opportunity for the First Opportunity Space may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise such rights because of the foregoing provisions. At Landlord's sole option, all rights of Tenant to the First Opportunity Space shall terminate and be of no further force or effect, even after Tenant's due and timely exercise thereof, if, after such exercise, but prior to the commencement date of the First Opportunity Space: (i) Tenant is in default under the Lease due to a failure to pay a monetary obligation to Landlord beyond the applicable notice and cure period; (ii) Landlord has given Tenant ten (10) days' written notice of any other failure to perform (which notice specifically stated that the failure to perform as required by the Lease may result in the loss of Tenant's Right of First Opportunity) and such failure is not fully cured within said ten (10) day period; provided, however, that if the nature of Tenant's failure is such that more than ten (10) days are reasonably required for its cure, then Landlord shall not have the right to terminate the Right of First Opportunity for said failure if Tenant begins to cure the failure within the ten (10) day period described above and, thereafter, diligently prosecutes such cure to completion; or (iii) Landlord gives Tenant a notice of default under the Lease (and Tenant is in fact in default) and Landlord has previously given to Tenant three (3) or more notices of default under the Lease (and Tenant was in fact in default in such instances), whether or not such default were ultimately cured, provided the notice that was issued prior to the notice establishing in Landlord the right to terminate the Right of First Opportunity hereunder specifically stated that the issuance of another notice of default may result in the loss of Tenant's Right of First Opportunity. As used herein, the terms "default," "failure to perform," or "breach" shall mean a default as defined in Section 23.1 of this Lease.

(e) The foregoing rights with respect to the right of first opportunity for the First Opportunity Space shall not be assignable separate and apart from the Lease.

3. LEASE TERM.

3.1 Generally.

The term of this Lease (the "Term" or "Lease Term") shall be the period of time set forth in Section 1.11 above and shall commence on the Commencement Date as provided in Section 4.1 below and shall end at 11:59 p.m. on the Expiration Date, as provided in Section 4.2 below.

3.2 Termination.

The Lease shall terminate on the Expiration Date, unless sooner terminated hereunder or by operation of law, without the necessity for any notice from either Landlord or Tenant. If Tenant fails to surrender the Leased Premises at the end of the Lease Term, Tenant shall be liable for, and shall indemnify Landlord against, all claims and demands made by any succeeding tenants against Landlord founded upon delay by Landlord in delivering possession of the Leased Premises to such succeeding tenant.

3.3 Holding Over.

Any holding over by Tenant after the expiration of the Lease Term shall be construed to be a tenancy from month-to-month. During such tenancy, Tenant shall pay to Landlord a monthly rental of one hundred fifty percent (150%) of the Rent payable during the last month of the Lease Term in addition to the Additional Rent and Other Charges set forth herein. Except as set forth herein, such month-to-month tenancy also shall be subject to all of the terms, covenants, and conditions of this Lease.

3.4 Option to Extend Lease Term.

(a) Tenant is granted an option. (the "Extension Option") to extend the Lease Term for five (5) years, to and including March 31, 2028. The period of time shall be referred to herein as the "Option Period". To exercise the Extension Option, Tenant must give Landlord unequivocal written notice of Tenant's election to exercise the Extension Option at least ten (10) calendar months (but not earlier than twelve (12) calendar months) prior to the Expiration Date.

(b) If Tenant elects to exercise the Extension Option, the Rent for the Option Period ("New Rent") shall be the Fair Market Rent (as defined below) for comparable space in the Bank of America Building ("Comparable Space"), but in no event shall the New Rent be less than the Rent payable during the last month of the Lease Term. If there is no Comparable Space in the Bank of America Building at the time, Tenant shall pay, as New Rent, whatever the fair market rent in the Bank of America Building would be if there was such Comparable Space in the Bank of America Building. The term "Fair Market Rent" shall mean the rent that would be paid by a willing tenant renewing its lease for Comparable Space for a term of five (5) years. Tenant concessions shall be included in the determination of fair market rent with respect to tenants who are renewing their leases in the Bank of America Building. The term "tenant concessions" shall include, without limitation, such inducements as tenant improvements and free rent.

(c) In the event Landlord and Tenant cannot agree on the New Rent, the matter shall be submitted for decision to a panel of three (3) arbitrators. Landlord and Tenant shall each appoint one (1) arbitrator, who shall by profession be a licensed commercial real estate broker or an MAI real estate appraiser and who shall be familiar with Bellevue Place and have been active (over the three (3) year period ending on the date of such appointment) in the brokering or appraisal of Comparable Space. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's proposed New Rent is the closest to the Fair Market Rent. Each such arbitrator shall be appointed within fifteen (15) days after Tenant's or Landlord's notice to the other of its election to have the New Rent be determined by this arbitration procedure. The two arbitrators so appointed shall, within fifteen (15) days of the date of the appointment of the last appointed arbitrator, agree upon and appoint a third arbitrator, who shall be qualified under the same criteria set forth above for qualification of the initial two arbitrators. Failing such agreement, either Landlord or Tenant shall have the right to petition for the appointment of the third arbitrator by the Presiding Judge of the Superior Court of the County of King. The three (3) arbitrators shall, within thirty (30) days of the appointment of the third arbitrator, reach a decision as to whether the parties shall use Landlord's or Tenant's proposed New Rent and shall notify Landlord and Tenant thereof. The decision of the majority of the three (3) arbitrators shall be binding upon both Landlord and Tenant. The cost of the arbitration shall be paid by Landlord and Tenant equally. The arbitration procedure shall not take more than thirty (30) days. However, if the arbitrators have not determined the New Rent prior to the beginning of the Option Period, Tenant shall pay the Rent previously in effect under the Lease plus a ten percent (10%) increase until such time as the arbitrators determine the New Rent. If the arbitration procedure results in a higher Rent, Tenant shall pay the difference with the next monthly rental payment due under the Lease. If the arbitration procedure results in a lower Rent,

Tenant shall receive a credit against its next monthly Rent payments under the Lease, and any succeeding monthly rental payments, if necessary, in an amount equal to the overpayment.

(d) Notwithstanding anything in the foregoing to the contrary, the Extension Option may not be exercised during any period in which Tenant is in default under any provision of the Lease until said default has been fully cured. Time is of the essence. If Tenant fails to exercise the Extension Option in any instance when such right is in effect, prior to the expiration of the applicable time period for the exercise of such right, the Extension Option shall thereafter be deemed null and void and of no further force or effect. The period of time within which the Extension Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise such rights because of the foregoing provisions. All rights of Tenant to the Extension Option shall terminate and be of no further force or effect, even after Tenant's due and timely exercise thereof, if, after such exercise, but prior to the commencement date of the Option Period, Tenant defaults under the terms of the Lease which default is not cured within any applicable cure period.

(e) The Extension Option shall be personal to Tenant and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant, nor shall the Extension Option be assignable separate and apart from this Lease.

4. COMMENCEMENT AND EXPIRATION DATES; LEASE YEAR.

4.1 Commencement Date.

The Commencement Date shall be the date set forth in Section 1.12 above.

4.2 Expiration Date.

This Lease shall expire at 11:59 p.m. on the date set forth in Section 1.13 above.

4.3 Confirmation of Commencement and Expiration.

Within five (5) business days after Tenant's occupancy of the Leased Premises, or upon Landlord's request, Landlord and Tenant shall confirm the specific Commencement and Expiration Dates in writing, as well as the "as built" Rentable Area of the Leased Premises, as defined in Section 6.2(f), and the Rent payable hereunder, which shall be appended to and incorporated into this Lease.

4.4 Lease Year.

A "Lease Year" shall mean a calendar year commencing on January 1 and ending the following December 31. If the Commencement Date is a date other than January 1, the initial Lease Year shall be from and including the Commencement Date to and including December 31 of that calendar year. If the Expiration Date is a date other than December 31, the final Lease Year shall be from and including January 1 of the calendar year of the Final Lease Year to and including the Expiration Date.

5. RENT.

Tenant shall pay to Landlord, without notice or demand and without setoff or deduction whatsoever, the sums stated in Section 1.10 above (the "Rent"), which shall be paid to Landlord in advance in lawful money of the United States, on or before the first day of each calendar month at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. Rent and

Additional Rent (as defined in Section 6.1 below) for any partial month at the beginning or end of the Lease Term shall be prorated, based upon a thirty (30) day month. All amounts payable hereunder, other than Rent and Additional Rent, may be sometimes referred to as "Other Charges." Landlord may (but shall not be required to) make available to Tenant procedures for the payment to Landlord by electronic funds transfer of any or all amounts required by the terms of this Lease to be paid by Tenant.

6. ADDITIONAL RENT.

6.1 Generally.

In addition to the Rent provided for in Section 5 above, commencing on (i) the Leased Premises 300 Commencement Date with regard to Leased Premises 300; and (ii) the Leased Premises 350 Commencement Date with regard to Leased Premises 350, Tenant shall pay to Landlord, without notice (other than notice advising Tenant of its share of the Additional Rent) or demand and without setoff or deduction, Tenant's Share (as defined in Section 6.2(a) below) of the Operating Expenses (as defined in Section 6.2(b) below), which expenses include, but are not limited to, (i) Operating, Repair, and Maintenance Expenses for the Bank of America Building and the Corner Building; and (ii) Operating, Repair, and Maintenance Expenses for Bellevue Place during the Lease Term (the "Additional Rent").

6.2 Definitions.

The following terms shall have the meanings hereinafter specified, unless the context otherwise specifies or clearly requires:

(a) Tenant's Share. Tenant's Share shall be equal to the percentages set forth in Section 1.9 above.

(b) Operating Expenses Generally. The Operating Expenses shall include (i) all Operating, Repair and Maintenance Expenses (defined in Section 6.2(c) below), and (ii) all Taxes (defined in Section 6.2(d) below).

(c) Operating, Repair and Maintenance Expenses. Operating, Repair and Maintenance Expenses shall include the actual costs and expenses that are paid or payable by Landlord in connection with the operation, repair and maintenance of Bellevue Place and its constituent parts, which include without limitation, the Bank of America Building, the Corner Building and the Wintergarden Retail Center, less all contributions for such costs received from the owner of the Hotel Tract as defined in and pursuant to the terms of that certain Construction, Operation and Reciprocal Easement Agreement recorded under King County Recorder's File No. 8709160449, as amended from time to time (the "REA"), and shall include, but not be limited to, those costs and expenses that are paid or payable to the Transportation Management Association. Without limiting the generality of the foregoing and by way of illustration, Operating, Repair and Maintenance Expenses shall include costs and expenses of all utility, heating, air conditioning and ventilation costs and expenses; license, permit and inspection fees; planting and landscaping costs and expenses; janitorial services; direct physical damage insurance (including but not limited to loss of income insurance), liability and excess liability insurance, and other appropriate insurance policies, as determined solely by Landlord or Landlord's lender, including but not limited to garage keeper's legal liability, boiler and machinery and auto insurance; taxes and assessments on equipment; the cost and expense of repairs including, but not limited to, those of a capital nature necessary or appropriate to fulfill Landlord's obligations to its tenants; the cost and expense of removing trash and other refuse; the cost and expense of supplies, tools and equipment; the cost and expense of cleaning, maintaining, repairing and replacing machinery and equipment, including but not limited to automatic door openers, lights and lighting fixtures,

heating, air conditioning and ventilation equipment, fire and sprinkler systems and security systems; depreciation allowance on machinery and equipment (depreciation to be over the useful life of any such machinery and equipment in accordance with the guidelines and regulations established by the Internal Revenue Service, if any); the cost and expense of personnel to implement such services, including but not limited to security and traffic control; legal and accounting costs and expenses; customary management fees; the cost of any capital improvements necessary or appropriate to fulfill Landlord's repair or maintenance obligations, required by any applicable governmental law or regulation not in effect at the time Tenant is required to take occupancy of the Leased Premises or made for the purpose of reducing operating, repair or maintenance costs (the cost of any such capital improvements shall be amortized over the useful life of such item (in accordance with the guidelines and regulations established by the Internal Revenue Service, if any, from time to time) as Landlord shall determine with a return on capital at the current market rate per annum on the unamortized balance or at such higher rate as may have been paid by Landlord on funds borrowed for the purpose of purchasing or constructing such improvements).

(d) Taxes. Taxes shall include all real estate taxes, personal property taxes and all other taxes, surcharges and assessments that are or may be levied upon, assessed against or attributable to Bellevue Place and all improvements, fixtures, equipment and other property of Landlord, real and personal, located on, in or under Bellevue Place and used in connection with the operation thereof, including the Bank of America Building, the Corner Building and land underlying the Bank of America Building and the Corner Building and including, although not limited to, the land, improvements, equipment, fixtures and other property used in connection with the operation of and comprising the Parking Garage and Wintergarden Retail Center and any rental, excise, sales, transaction or other privilege tax or levy, however denominated (excepting federal, state and local net income taxes) paid or payable during the Lease Term and taxes on all tenant improvements in the Wintergarden Retail Center owned by Landlord but excluding the Hotel Building and the land underlying the Hotel Building. Taxes also shall include any amounts paid or payable to any third party or incurred by Landlord for the purpose of obtaining a reduction in the Taxes as above defined.

(e) Rentable Area of the Leased Premises. For purposes of this Lease, the Rentable Area of the Leased Premises shall mean the Useable Area of the Leased Premises, as that term is defined and computed according to the *Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA z65.1-2010*, otherwise known as the "BOMA Standard," multiplied by a load factor of one point two five four six percent (1.2546%). The "as built" Rentable Area of the Leased Premises shall be the true Rentable Area of the Leased Premises at the time Landlord tenders possession of the Leased Premises to Tenant.

(f) Rentable Area of Bellevue Place. For purposes of this Section 6, the Rentable Area of Bellevue Place shall include the total of all areas and spaces in (i) the Bank of America Building, (ii) the Corner Building, and (iii) all areas and spaces in and opening into the Wintergarden Retail Center (whether or not such areas or spaces in the Bank of America Building, the Corner Building, and the Wintergarden Retail Center are actually leased by Landlord) that are available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests and shall include, but not be limited to, all rest rooms, mezzanines, warehousing and storage areas, clerical and office areas, and employee areas within the leased premises of any tenant of Landlord in the Wintergarden Retail Center, Bank of America Building and Corner Building, but shall exclude all areas and spaces in the Hotel Building (other than those areas and spaces in or opening into the Wintergarden Retail Center and available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests) and the Common Areas and Facilities of Bellevue Place. If at any time, Landlord believes the Rentable Area of Bellevue Place is materially different than the Rentable Area of Bellevue Place set forth in Section 1.8 above because of an error in calculation

or additions, modifications or alterations to Bellevue Place and Landlord desires to amend this Lease to reflect the actual or changed Rentable Area of Bellevue Place, Landlord shall so notify Tenant in writing. If Tenant does not object in writing to Landlord's notice within ten (10) days following receipt of Landlord's notice, this Lease shall be deemed to be amended to incorporate the Rentable Area of Bellevue Place as set forth in Landlord's notice to Tenant. If Tenant does object in writing to Landlord's notice within said ten (10) days, and Landlord and Tenant are unable to agree upon the Rentable Area of Bellevue Place within ten (10) days following receipt of Tenant's notice of objection, the matter shall be submitted for determination to the Project Architect for Bellevue Place. The decision of the Project Architect shall be final and binding on both Landlord and Tenant and this Lease shall be deemed to be amended to reflect the Rentable Area of Bellevue Place as and when decided by the Project Architect. The cost and expense of the Project Architect's consideration of the matter, if any, shall be shared equally among Landlord and all tenants objecting to Landlord's notice.

(g) Notwithstanding anything in this Section 6.2 to the contrary, the following costs shall not be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease:

Leasing commissions, advertising expenses, fees and costs incurred in procuring new tenants for portions of Bellevue Place.

Except as permitted in Section 6.2(c) of the Lease, interest or amortization payments on mortgages.

Rental on ground leases or other underlying leases.

Any costs or expenses associated with or incurred in connection with required environmental testing, removal, enclosure, encapsulation or other handling of asbestos or other hazardous or toxic materials or substances.

Costs of any item for which Landlord is or is entitled to be paid or reimbursed by insurance.

Charges for electricity, water, or other utilities and applicable taxes for which Landlord is entitled to reimbursement from any other tenant.

Cost of correcting major defects in the design, construction or equipment of, or substantial latent defects in, the Bank of America Building or Bellevue Place (a defect, for the purposes of this subsection (g), is defined as a substantial condition that occurred because of negligence in the initial construction of Bellevue Place).

Any costs incurred in constructing any future material expansion of the Bank of America Building (as opposed to the costs of operating and maintaining the expanded Bank of America Building, which may be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease).

Costs of a capital nature, except for costs (a) reasonably necessary or appropriate to fulfill Landlord's repair or maintenance obligations; (b) incurred as a result of any applicable governmental law or regulation enacted and enforced after the date of the Lease; and/or (c) made for the purpose of reducing operating, repair or maintenance costs.

Interest and penalties incurred as a result of Landlord's delinquent payment of any obligation of Landlord.

Notwithstanding any reference in Section 6.2 to the contrary, the cost of any capital item shall not be expensed in a single year but shall be depreciated over the useful life of such item in a manner consistent with other Bellevue Class "A" office buildings.

Notwithstanding anything in this Lease to the contrary, there shall be no duplication of any particular cost, charge or expense in any operating costs and maintenance expenses set forth in this Section 6.2 of the Lease, provided Landlord reserves the right to include a customary administrative fee and a customary management fee within operating costs and maintenance expenses.

6.3 Payment.

Landlord shall provide to Tenant, at or before the Commencement Date, an estimate of the annual Operating Expenses for the Lease Year in which the Commencement Date occurs. Within ninety (90) days after the expiration of each succeeding Lease Year of the Lease Term, or as soon thereafter as such information becomes available, Landlord shall give Tenant a written estimate of Tenant's Share of the Operating Expenses for the then current Lease Year ("Tenant's Estimated Share"). Tenant shall pay Tenant's Estimated Share, in advance, in equal monthly installments on or before the first (1st) day of each calendar month of such Lease Year at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. During the period of time following the expiration of a Lease Year and Tenant's receipt of Landlord's estimate of Tenant's Estimated Share, Tenant shall continue to pay Landlord Tenant's Estimated Share from the prior Lease Year. Within ninety (90) days after the expiration of each Lease Year of the Lease Term (or as soon thereafter as such information becomes available), Landlord shall furnish to Tenant a written statement summarizing the actual amount of Tenant's Share of the Operating Expenses for the prior Lease Year (hereinafter sometimes referred to as the "Annual Reconciliation Statement"). If Tenant's Share of the Operating Expenses exceeds the amount paid by Tenant, Tenant shall pay the deficiency to Landlord promptly upon receipt of a written notice of the amount thereof. If such statement shows Tenant's Share of the Operating Expenses to be less than the amount paid by Tenant, the amount of overpayment by Tenant shall be credited by Landlord to the next payment or payments of Additional Rent due hereunder, if Tenant has otherwise complied with all of the terms and provisions of this Lease. If the Lease Term has expired and Tenant has vacated the Leased Premises and no amounts are or may become payable by Tenant, then any overpayment shall be returned to Tenant, or at Landlord's option, to the last assignee of Tenant's interest in the Leased Premises. If this Lease commences at a time other than the beginning of a calendar year, Tenant shall pay the Additional Rent for the remaining portion of the Lease Year based upon the number of days from the Commencement Date. If this Lease expires at a time other than the last day of a calendar year, Tenant shall be obligated to pay immediately any deficiencies which shall be computed at the expiration of that Lease Year. If at any time during a Lease Year it appears to Landlord that any of the Operating Expenses payable for that Lease Year will vary from Landlord's estimate by more than five percent (5%) on an individual or aggregate basis, Landlord may, at its election, adjust Tenant's Estimated Share for the balance of that Lease Year to compensate for such increase. Any increased payments required to be made pursuant to this Section shall be made within thirty (30) days after Landlord has notified Tenant thereof. Tenant's obligations under this Section shall survive the expiration or termination of this Lease.

6.4 Nonpayment.

In the event of nonpayment of any item of Additional Rent or any Other Charge due hereunder, Landlord shall have the same rights and remedies as for failure to pay Rent.

6.5 Future Development of Bellevue Place.

Tenant is aware that Landlord, by itself or in combination with other persons, intends to further expand and develop Bellevue Place in one or more additional phases and Tenant has reviewed plans and other documents describing the intended expansion and development of Bellevue Place or has been provided with opportunities to review such plans and documents. In the event one or more such phases of the Bellevue Place project are completed during the Lease Term, any additional operating, repair or maintenance expenses and real estate and other taxes attributable to such other phases may be included in the Operating Expenses at Landlord's discretion; provided that the denominator used to calculate Tenant's proportionate share of such expenses is reasonably adjusted with respect to such phases.

6.6 Disputes Relating to Additional Rent.

If Tenant desires to contest any calculation by Landlord of Tenant's Share or the amount of any Bellevue Place Operating Expense payable by Tenant, Tenant must give Landlord a written notice (an "Objection Notice") stating that Tenant disputes the calculation or amount. The Objection Notice must be received by Landlord within ninety (90) days after Tenant receives Landlord's Annual Reconciliation Statement regarding Bellevue Place Operating Expenses, and set forth with particularity the reason why Tenant disputes Landlord's calculation or the amount. If Tenant fails to give Landlord such an Objection Notice within such time, Tenant shall be deemed to have waived and released any and all rights it may have to contest the calculation and amount. Promptly after receiving any such Objection Notice from Tenant, Landlord shall meet with Tenant and both Tenant and Landlord shall attempt in good faith to reconcile the matters described in the Objection Notice; provided, however, if Tenant refuses to meet with Landlord within thirty (30) days after the date Landlord received the Objection Notice from Tenant, Tenant shall be deemed to have waived and released any and all rights it may have to contest Landlord's calculation and the inclusion and amount of any Bellevue Place Operating Expense. If Landlord and Tenant are unable to resolve the dispute within a reasonable time, Landlord shall cause its accounting firm to undertake an investigation and analysis of the matter and prepare a written report, a copy of which shall be provided to Tenant. The cost of the investigation, analysis and report shall be paid for by Tenant unless the investigation and analysis discloses a material error favoring Landlord, in which event Landlord shall bear the cost of the investigation, analysis and report. If the report discloses that the amount or calculation used by Landlord was incorrect, Landlord shall provide a credit to Tenant against future obligations under this Section 6 equal to the amount of any overpayment paid by Tenant during the Lease Year to which Tenant's Objection Notice relates. Notwithstanding the pendency of any dispute hereunder, Tenant shall continue to pay all amounts owed hereunder based upon Landlord's determination and calculation or until such calculation or amount has been established hereunder to be incorrect.

7. LATE CHARGES.

If Tenant fails to pay, when the same is due and payable, any Rent, Additional Rent or Other Charges, such unpaid amounts shall bear interest at the rate of two percent (2%) per month from the date due to the date of payment, unless such amount would violate any applicable usury law, in which event such unpaid amounts shall bear interest at the highest rate then allowed by law. In addition to such interest, Tenant acknowledges that the late payment by Tenant of any installment of Rent, Additional Rent or Other Charges will cause Landlord to incur certain costs

and expenses not contemplated under this Lease, the exact amount of such costs being extremely difficult or impractical to fix. Such costs and expenses will include, without limitation, administrative and collection costs, and processing and accounting expenses. Therefore, if any Rent, Additional Rent or Other Charge installment is not received by Landlord from Tenant by the fifth (5th) day after such installment is due, Tenant shall immediately pay to Landlord, in addition to the installment due, a late charge equal to twelve percent (12%) of such installment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for its loss and expense suffered by such nonpayment by Tenant. Acceptance of this late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising all other rights and remedies available to Landlord under this Lease. Landlord shall apply payments made by Tenant first to accrued charges, interest and rent in the following order: (a) Late Charges; (b) interest; (c) Rent; Other Charges and Additional Rent; and (d) any balance remaining to current Rent, Other Charges, and Additional Rent. Notwithstanding anything in this Section 7 to the contrary, provided Tenant pays all sums due hereunder by electronic funds transfer, Landlord shall waive the first (1st) late charge that may be incurred by Tenant during any twelve (12) month period during the Lease Term, provided the unpaid amount is in fact paid in full by Tenant on or before the fifteenth (15th) day of the month in which any such payment is due.

8. SECURITY DEPOSIT.

As additional consideration for this Lease, Tenant has delivered to Landlord as a security deposit the sum shown in Section 1.14 above. Such sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of this Lease to be kept and performed by Tenant during the entire Lease Term. If Tenant is in breach under any provision of this Lease, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any unpaid obligation or sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's breach, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach. In the event Landlord elects to so use, apply or retain all or any part of the security deposit, Tenant shall deposit with Landlord, within ten (10) days of demand therefor, cash sufficient to restore the security deposit to the amount set forth in Section 1.14. Landlord shall not be required to keep the security deposit separate from its general funds and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease, the security deposit or any balance thereof after deductions hereunder by Landlord shall be returned to Tenant (or at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder) within thirty (30) days following expiration of the Lease Term or Tenant's return of the Leased Premises to Landlord in the condition required hereunder, whichever shall last occur. No trust relationship is created hereby between Landlord and Tenant with respect to the security deposit.

9. USES.

9.1 Permitted Uses.

Tenant shall use and occupy the Premises only for general office purposes consistent with a first class office building (the "Permitted Use") under the trade name set forth in Section 1.5 above, and for no other business or purpose or under any other trade name without the prior written consent of Landlord, which consent may be withheld if Landlord, in its sole discretion, determines that any proposed use or trade name is inconsistent with or detrimental to the maintenance and operation of the Building as a first-class office building. Landlord makes no representation or warranty as to the availability of Tenant's Permitted Trade Name or that it will not infringe on any other person's trademark, service mark or other rights or privileges.

9.2 Prohibited Uses.

Tenant shall not do or permit or suffer anything to be done in or about the Leased Premises, Bank of America Building or Bellevue Place which will in any way obstruct or interfere with the rights of other tenants or occupants of the Bank of America Building or Bellevue Place or injure or annoy them, their customers or clients, nor shall Tenant use or allow the Leased Premises to be used for any purpose which is objectionable or offensive in Landlord's reasonable judgment or which is unlawful, nor shall Tenant do or permit or suffer anything to be done in or about the Leased Premises, the Bank of America Building or Bellevue Place which would cause Landlord to be in violation of any of its agreements with others. If Tenant permits or engages in any activity which, in Landlord's reasonable judgment, is objectionable, offensive or otherwise constitutes a nuisance to Landlord, the other tenants of the Bank of America Building or Bellevue Place, or their employees, customers, guests or invitees, Tenant shall immediately discontinue such activity or take action to cause the activity to be discontinued with all due diligence if it cannot be immediately discontinued. Tenant's failure to comply with this Section shall constitute a material default of this Lease and entitle Landlord to pursue its remedies for such a breach or, in the alternative, undertake such work as may be appropriate to prevent such activity and recover, as additional rent, the cost thereof plus interest thereon at two percent (2%) over the prime rate of interest charged or published by Bank of America on the first day of each month, commencing on the date due through the date of payment.

9.3 Compliance with Laws, Rules and Regulations.

Tenant shall, at its sole cost and expense, promptly comply with all local, state and federal laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force relating to Tenant's use and occupancy of the Leased Premises and Tenant's business conducted therein.

9.4 Hazardous Material.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Leased Premises by Tenant, its agents, employees, contractors or invitees. If Tenant breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Leased Premises caused or permitted by Tenant results in contamination of the Leased Premises or any part of Bellevue Place or any other property, or if contamination of the Leased Premises or any part of Bellevue Place or any other property by Hazardous Material otherwise occurs for which Tenant may be legally liable for damage resulting therefrom, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the property, damages for the loss or restriction on use of rentable or useable space or of any amenity of Bellevue Place or the Leased Premises or elsewhere, damages arising from any adverse impact on marketing of space at Bellevue Place or elsewhere, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Lease Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under Bellevue Place. Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Leased Premises or Bellevue Place by Tenant, its agents, employees, contractors or invitees, results in any contamination of the Leased Premises or any part of Bellevue Place or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Leased Premises, Bellevue Place or any other property to the condition existing prior to the introduction of any such Hazardous Material; provided that Landlord's approval of such actions shall first be

obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Leased Premises, Bellevue Place or other property. As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government.

10. SERVICES AND UTILITIES.

10.1 Standard Services.

As long as Tenant is not in default under any of the provisions of this Lease, Landlord shall cause the Leased Premises (in accordance with Section 12.3) and the public and common areas of the Building, including the lobbies, elevators, stairs, corridors and rest rooms, to be maintained in reasonably good order and condition consistent with the operation and maintenance of the Bank of America Building as a first-class office and retail building in downtown Bellevue, except for damage occasioned by any act or omission of Tenant or Tenant's officers, contractors, agents, invitees, licensees or employees, the repair of which shall be paid for by Tenant. From 7:00 a.m. to 6:00 p.m. on weekdays, excluding legal holidays ("Regular Business Hours"), Landlord shall furnish the Leased Premises with electricity for lighting and operation of low power usage office machines, water, heat, air conditioning and elevator service (the "Standard Services"). During all other hours, Landlord shall furnish the Standard Services, including elevator service as reasonably required to provide access to the Leased Premises, except for heat and air conditioning and lighting. If requested by Tenant, Landlord shall furnish heat and air conditioning and lighting at times other than Regular Business Hours and the cost of such services, as established by Landlord, shall be paid by Tenant in the same manner as provided in Section 5 above. Landlord also shall provide lamp replacement service for Building Standard fluorescent light fixtures, toilet room supplies, window washing at reasonable intervals and customary building janitorial service as part of the Standard Services, although no janitorial service shall be provided for Saturdays, Sundays or legal holidays. The cost and expense of any janitorial or other services provided or caused to be provided by Landlord to Tenant in addition to the services ordinarily provided Bank of America Building tenants shall be paid by Tenant in the same manner as provided for payment in Section 5 above.

10.2 Interruption of Services.

Landlord shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption or failure of the Standard Services due to any cause whatsoever. No temporary interruption or failure of the Standard Services incident to the making of repairs, alterations, or improvements, or due to accident, strike or conditions or events beyond Landlord's reasonable control shall be deemed an eviction of Tenant or relieve Tenant from any of Tenant's obligations hereunder.

10.3 Additional Services.

Tenant shall not install lights and equipment in the Leased Premises with heating loads which in the aggregate exceed the Bank of America Building standard mechanical system. Landlord shall not arbitrarily withhold consent to Tenant's installation of lights and equipment exceeding such amount but may condition its consent on Tenant's payment of the costs incurred by Landlord for the installation, operation, repair and maintenance of supplementary air conditioning capacity or electrical systems as necessitated by such equipment or lights. In addition, Tenant shall pay to Landlord, in advance, on the first day of each month during the Lease Term, such amount estimated by Landlord to be the cost of furnishing electricity to Tenant for the operation of such equipment or lights and such amount estimated by Landlord to be the

cost of operating and maintaining the supplementary air conditioning units as necessitated by Tenant's use of such equipment or lights. Such costs shall be paid by Tenant in the same manner as provided in Section 5 above. In the event of nonpayment of amounts due for any of the above-described additional services, Landlord shall have the same rights and remedies as it has with respect to the nonpayment of rent hereunder. Landlord shall be entitled to install and operate, at Tenant's sole cost and expense, a monitoring or metering system in the Leased Premises to measure the added demands on electricity, heating, ventilation, and air conditioning systems resulting from such equipment and lights and from Tenant's after-hours heating, ventilation and air conditioning service requirements. Tenant shall comply with Landlord's instructions for the use of drapes, blinds and thermostats in the Bank of America Building.

11. IMPROVEMENTS, ALTERATIONS AND ADDITIONS.

11.1 Premises Improvements.

(a) Prior to the Leased Premises 300 Commencement Date and Leased Premises 350 Commencement Date, Leased Premises 300 and Leased Premises 350 shall be improved by Landlord (the "Premises Improvements"), which Premises Improvements shall be in accordance with mutually agreed upon plans and specifications for such improvements (the "Premises Plans"). The Premises Improvements shall be performed and installed by design professionals and contractors selected by Landlord in the exercise of Landlord's subjective discretion, and shall be performed in accordance with the requirements set forth in Exhibit "D". Landlord shall contract directly with the contractors constructing the Premises Improvements. Landlord shall contract directly with the Project Architect for architectural services related to the Premises Improvements. Landlord shall pay certain amounts toward the cost of the Premises Improvements ("Landlord's Improvement Allowance"). Landlord's Improvement Allowance is limited to Two Hundred Thirty-nine Thousand One Hundred and 00/100 Dollars (\$239,100.00). Landlord's Improvement Allowance shall be used exclusively for the Premises Improvements (including all sales and other applicable taxes but **not** including furniture, trade fixtures, equipment, inventory, or personal property, which shall be Tenant's sole cost and responsibility); provided, however, Tenant has the right to use up to Thirty-one Thousand Eight Hundred Eighty and 00/100 Dollars (\$31,880.00) of Landlord's Improvement Allowance to offset data, telephone, and similar communication cabling costs. In addition to Landlord's Improvement Allowance, Landlord agrees to contribute the amount of Two Thousand Three Hundred Ninety-one and 00/100 Dollars (\$2,391.00) for an initial space plan prepared by the Project Architect.

(b) Any and all costs for the construction and installation of the Premises Improvements (including but not limited to the cost of all working drawings, space plans, and engineering, architectural, design and consulting fees) in excess of Landlord's Improvement Allowance ("Excess Improvement Costs") shall be Tenant's sole responsibility and shall be paid by Tenant promptly when due. Tenant's failure or refusal to pay any such Excess Improvement Costs shall be a material breach of this Lease and a default hereunder. If it should appear to Landlord at any time that Tenant is or may be obligated to pay for any Excess Improvement Costs, in addition to any and all other rights and remedies to which Landlord may be entitled, Landlord shall have the right, but not the obligation, to immediately stop or prevent any and all further design, construction and installation work until Landlord has received satisfactory assurances that Tenant can and will promptly pay all Excess Improvement Costs.

(c) Prior to the Leased Premises 300 Commencement Date and Leased Premises 350 Commencement Date, the Project Architect shall certify that the Premises Improvements are substantially complete in accordance with the Premises Plans. If substantial completion of the Premises Improvements is delayed by Tenant's acts or omissions, change in design decisions, revisions or additional work, or those of Tenant's agents, then the Commencement Date shall be the date substantial completion of the Premises Improvements

would have been achieved but for the Tenant delay, as determined by the Project Architect. The terms “substantial completion” or “substantially complete”, as used herein, means that stage of construction where the Premises Improvements are usable for their principal intended purpose, as determined in good faith by the Project Architect, and the applicable governmental authorities deem the Leased Premises approved for occupancy, notwithstanding the possible need to complete, finish or install non-critical improvement features and fixtures. The existence of repairs or defects of a nature commonly found on a “punch list,” (meaning minor items that do not materially impact Tenant’s use of the Leased Premises), after turnover to Tenant, shall not postpone the Commencement Date or result in a delay or abatement of Tenant’s obligation to pay rent or give rise to a damage claim against Landlord, provided Landlord shall use commercially reasonable efforts to complete such punch list items within sixty (60) days after Landlord’s receipt of Tenant’s punch list, referred to below. Tenant’s occupancy of the Leased Premises shall be deemed an acknowledgement that the Leased Premises is in good condition and repair and that Landlord has caused the Bank of America Building and all of the Premises Improvements to be constructed as required by this Lease, subject to those items, if any, specified in any punch list to be delivered by Tenant within thirty (30) days following substantial completion.

(d) All improvements and fixtures made or installed in or to the Leased Premises, including all Premises Improvements, are the property of Landlord. The Premises Improvements shall not include, and Tenant shall be solely responsible for all costs associated with (i) the interior design of the Leased Premises, (ii) security and access control to the Leased Premises, (iii) data, telephone, and similar communications cabling in excess of Thirty-one Thousand Eight Hundred Eighty and 00/100 Dollars (\$31,880.00), as set forth in paragraph 11.1(a) above, and (iv) furniture, fixtures and equipment. The foregoing shall be deemed to be a financial accommodation of the type referenced in 11 USC §365(c)(2) and a material and substantial part of this Lease transaction, as amended.

11.2 Alterations by Tenant

After completion of Premises Improvements, Tenant shall not make any subsequent alterations, additions or improvements in, on, or to the Leased Premises without the prior written consent of Landlord, which consent may be subject to such conditions as Landlord may deem appropriate. Tenant shall submit complete sets of final plans and specifications for all such alterations, additions or improvements to Landlord for approval. Any such alterations, additions or improvements consented to by Landlord shall be made at Tenant’s sole cost and expense. Prior to the commencement of any such work, Tenant shall notify Landlord of the contractors that will be retained by Tenant to perform the work. Landlord shall have the right to approve or disapprove in advance any or all contractors to be retained by Tenant for such work. Landlord shall promptly be provided with complete “as built” drawings and specifications for all alterations, additions and improvements made by Tenant. Tenant shall secure all governmental permits, approvals or authorizations required for such work. All alterations, additions and improvements (including but not limited to all light fixtures and floor coverings but excluding any inventory, furniture and similar personal property which does not become a part of the Leased Premises) shall immediately become the property of Landlord, without any obligation on the part of Landlord to pay therefor, upon installation in the Leased Premises. Upon the expiration or sooner termination of the Lease Term, Tenant shall forthwith remove (at Tenant’s sole cost and expense) all alterations, additions or improvements made by Tenant (except original leasehold improvements constructed as part of Premises Improvements) designated by Landlord to be removed and Tenant shall repair (at its sole cost and expense) any damage to the Leased Premises caused by such removal. Notwithstanding anything herein or elsewhere in this Lease to the contrary, Tenant shall remove all voice and data cabling and other telecommunications equipment installed by Tenant, and shall restore the Leased Premises to the condition they were in prior to the installation of such items. Tenant’s obligations hereunder shall

survive the expiration or termination of this Lease. Tenant shall be permitted to install card readers on the stairwell doors adjacent to floors 3, 4, 9, 13 and 20 of the Bank of America Building, subject to approval by Landlord and the City of Bellevue.

11.3 Disability Laws.

Notwithstanding anything in this Lease to the contrary, if Tenant constructs, makes or installs or causes to be constructed, made or installed any improvement or alteration in or to the Leased Premises, Tenant shall be solely responsible for ensuring that such improvements and/or alterations do not violate any provision in any local, state or federal law or regulation relating to accessibility for handicapped persons or the removal of architectural or communication barriers to accessibility (“Disability Law”), including but not limited to RCW Chapter 70.92 and The Americans with Disabilities Act. Any approval by Landlord of Tenant’s plans or specifications for any such improvements or alterations shall not be a representation or warranty, express or implied, by Landlord that such plans will comply with any Disability Law. If any claim is asserted against Landlord under any Disability Law which claim relates directly or indirectly to any alterations or improvements installed, made or constructed, directly or indirect, by or for Tenant in or to the Leased Premises or any trade fixture or personal property item used by Tenant in the Leased Premises, Tenant shall defend, indemnify and hold Landlord harmless from and against the claim and any and all charges, liabilities, obligations, penalties, damages, judgments, costs and expenses (including attorneys’ fees) arising or incurred against or suffered, directly or indirectly, by Landlord relating thereto. If it should be determined that any improvement or alteration constructed, made or installed in or to the Leased Premises, directly or indirectly, by or for Tenant or any trade fixture or personal property item used by Tenant in the Leased Premises is an illegal architectural or communication barrier under any Disability Law, Tenant shall immediately, at its sole cost and expense, remove the barrier or, to the extent allowed by the Disability Law, provide alternatives to the barrier so as to make the Leased Premises accessible to handicapped persons. No alteration or improvement in the Leased Premises will be approved by Landlord if it will require that barriers outside the Leased Premises be removed under any Disability Law. Tenant shall not have any basis for objecting to Landlord’s judgment regarding the probable application of any Disability Law provided Landlord does not act arbitrarily.

12. MAINTENANCE OF THE PREMISES.

12.1 Maintenance and Repair by Tenant.

Tenant shall at all times throughout the Lease Term, at its sole cost and expense, keep the Leased Premises (including all exterior doors and entrances, windows and moldings and trim on all doors and windows) and all partitions, door surfaces, fixtures, equipment and appurtenances thereof in good order, condition and repair consistent with a first-class office building, damage by unavoidable casualty excepted (but not excluding any damage caused by burglary, attempted burglary or vandalism of the Leased Premises).

12.2 Failure to Maintain.

If, after five (5) days’ prior written notice (except in emergencies) from Landlord, Tenant fails to keep, preserve and maintain the Leased Premises as set forth in Section 12.1 above, Landlord may, at its option, put or cause the same to be put in the condition and state of repair agreed upon, and in such case, upon receipt of written statements from Landlord, Tenant shall promptly pay the entire cost thereof as additional rent. Landlord shall have the right to enter the Leased Premises for the purpose of undertaking such work upon the failure of Tenant to do so.

12.3 Repair by Landlord.

Landlord shall keep the roof, exterior walls, exterior building windows, public corridors, equipment used in common with other tenants (such as elevators, plumbing, heating, air-conditioning and similar equipment) and building structure of the Leased Premises in a good state of repair, and shall accomplish such repairs as may be needed promptly after receipt of written notice from Tenant. If repairs are required by reason of Tenant's acts or negligent failure to act, Tenant shall promptly pay Landlord, as additional rent, for the cost thereof. Except as otherwise specifically provided in Sections 16 or 28, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Leased Premises or building of which the Leased Premises are a part, or in or to fixtures, appurtenances and equipment therein. In no event shall Landlord be liable to Tenant for any damage to the Leased Premises or for any loss, damage or injury to any property therein or thereon resulting from acts by other third parties or occasioned by fire; explosion; falling plaster; the breaking, bursting, stoppage or leaking of water, gas, sewer, electrical cables, wires or steam pipes; or from water, rain, or other substances leaking or coming from the roof, street, subsurface or from any other place or from dampness or from any similar risks or causes. Landlord shall not be liable for any loss or damage to any person or property sustained by Tenant or any other persons, which may be caused by theft, or by any act or neglect of any tenant or occupant of Bellevue Place, or of any other third parties.

12.4 Surrender of Leased Premises and Restoration Fee.

(a) Surrender. At the expiration or sooner termination of this Lease, Tenant shall return the Leased Premises to Landlord in the same condition in which it was initially received (or, if altered by Landlord or by Tenant with Landlord's consent, then the Leased Premises shall be returned in such altered condition), reasonable wear and tear and damage by fire or other unavoidable casualty excepted (excluding burglary, attempted burglary and vandalism). Tenant shall remove all inventory, furniture and other personal property which does not become a part of the Leased Premises, and all alterations and improvements which Landlord designates to be removed pursuant to Section 11.2 above, and shall restore the Leased Premises to the condition it was in prior to the installation of such items. Tenant's obligations under this Section 12 shall survive the expiration or termination of this Lease.

(b) Restoration Fee. If not later than thirty (30) days prior to the Expiration Date, Tenant and Landlord have not entered into an agreement to extend the Lease Term for an additional term of a minimum of three (3) years on terms that are mutual acceptable to both parties, then Tenant shall pay to Landlord Thirty Thousand and 00/100 Dollars (\$30,000.00) ("Restoration Fee") for Landlord's removal of certain leasehold improvements and related costs to restore the Leased Premises. The Restoration Fee shall be paid by Tenant on the Expiration Date.

13. ACCEPTANCE OF THE LEASED PREMISES.

Except as otherwise provided in this Section 13, and subject to Landlord's completion of the Premises Improvements in accordance with Section 11.1 above, Tenant has inspected the Leased Premises and accepts the same in their current condition and waives the right to make any claim against Landlord for any matter directly or indirectly arising out of the condition of the Leased Premises, appurtenances thereto, the improvements thereon and the equipment thereof. **LANDLORD MAKES NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR HABITABILITY.** Notwithstanding the above, Landlord shall

remove all of the furniture from Leased Premises 300 prior to Tenant's occupancy of Leased Premises 300.

14. DEFAULT BY LANDLORD.

Landlord shall not be in default under this Lease unless Landlord fails to perform the obligations required of Landlord within a reasonable time, but in no event less than thirty (30) days after written notice by Tenant to Landlord and to the holder of all mortgages and deeds of trust covering the Leased Premises whose names and addresses shall have been furnished to Tenant in writing. The notice shall specify wherein Landlord has failed to perform such obligation; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Tenant further agrees not to invoke any of its remedies under this Lease and which Tenant otherwise may have until such thirty (30) days have elapsed. In no event shall Tenant have the right to terminate this Lease as a result of Landlord's default and, subject to Section 30, Tenant's remedies shall be limited to damages.

15. ACCESS.

15.1 Right of Entry.

Tenant shall permit Landlord and its employees, agents and contractors to enter into and upon the Leased Premises at any time during normal business hours (8:00 a.m. to 6:00 p.m.) for the purpose of inspecting the same or for the purpose of cleaning, repairing, altering or improving the Leased Premises or the Bank of America Building. If Tenant is not personally present to permit entry, in case of emergency or urgent necessity Landlord may forcibly enter the same at any hour without rendering Landlord liable therefor. Nothing contained in this Section shall be deemed to impose any obligation upon Landlord not expressly stated elsewhere in this Lease. When reasonably necessary Landlord may temporarily close entrances, doors, corridors, elevators or other facilities without liability to Tenant by reason of such closure and without such action by Landlord being construed as an eviction of Tenant or release of Tenant from the duty of observing and performing any of the provisions of this Lease. Landlord shall have the right to enter the Leased Premises for the purpose of showing the Leased Premises to prospective tenants within the period of one hundred eighty (180) days prior to the expiration or sooner termination of this Lease.

15.2 Excavation.

If an excavation is made of property adjacent to the Leased Premises, Tenant shall and does hereby afford to the person causing or authorized to cause such excavation, an irrevocable license to enter upon the Leased Premises for the purpose of doing such work as Landlord shall deem necessary to preserve the wall of the building of which the Leased Premises are a part from injury or damage and to support the same by proper foundations or other means, without any claim for damages against Landlord or diminution or abatement of rent.

16. DAMAGE OR DESTRUCTION.

16.1 Insured Loss.

Subject to Section 16.2, if the Leased Premises are damaged by perils covered by Landlord's insurance coverage and the proceeds therefrom are sufficient to cover the cost of repairs and are made available to Landlord for the purpose of repairing such damage, Landlord agrees to forthwith repair the same, and this Lease shall remain in full force and effect, except

that Tenant shall be entitled to a proportionate reduction of Rent and Additional Rent from the date of damage and while such repairs are in progress, provided said damage did not result from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant. Such proportionate reduction shall be based upon the extent to which the damage and making of such repairs materially interfere, if at all, with the business carried on by Tenant in the Leased Premises. If such damage resulted from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant, the Rent and Additional Rent shall abate only to the extent Landlord receives proceeds from Landlord's rental income insurance policy to compensate Landlord for the loss of such rent.

16.2 Uninsured Loss.

If the Leased Premises are damaged as a result of any cause other than the perils covered by Landlord's insurance coverage or if the insurance proceeds are not sufficient to cover the cost of repairs, Landlord shall forthwith repair the same provided the cost of repair is less than ten percent (10%) of the then replacement cost of the Leased Premises. If the Leased Premises are damaged as a result of a cause other than a peril covered by Landlord's insurance coverage, or if the insurance proceeds from Landlord's insurance are not made available to Landlord for the purpose of repairing the Leased Premises, or, if the cost of repair is equal to or greater than ten percent (10%) or more of the replacement cost of the Leased Premises, then Landlord shall have the option to (i) repair or restore such damage, in which event this Lease shall continue in full force and effect but the Rent and Additional Rent shall be proportionately reduced as provided in Section 16.1 above; or (ii) at any time within one hundred twenty (120) days after such damage give notice to Tenant of the termination of this Lease as of the date specified in such notice, which date shall not be less than thirty (30) days after the date of such notice. If such notice is given, this Lease shall terminate and all interest of Tenant in and to the Leased Premises shall end on the date so specified in such notice and the Rent and Additional Rent, reduced by a proportionate reduction, based upon the extent, if any, to which such damage materially interfered with the business carried on by Tenant in the Leased Premises, shall be paid up to date of such termination.

16.3 No Obligation.

Notwithstanding anything to the contrary contained in this Section 16, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Leased Premises when the damage resulting from any casualty occurs during the last twenty-four (24) calendar months of the Lease Term.

16.4 Partial Destruction of the Bank of America Building.

If a portion of the Bank of America Building is damaged and the insurance proceeds therefrom are not sufficient to cover the cost of repairs or are not made available to Landlord for the purpose of repairing the same, or if thirty percent (30%) or more of the Rentable Area of the Bank of America Building is damaged, notwithstanding that the Leased Premises may be unaffected, Landlord may terminate this Lease and the tenancy hereby created by giving Tenant not less than thirty (30) days' prior written notice of Landlord's election to terminate the tenancy; provided, however, that such notice shall be given, if at all, within one hundred twenty (120) days following the date of occurrence of such damage or destruction. Rent and Additional Rent shall be prorated as of the date of such termination.

16.5 Business Interruption.

No damages, compensation or claims shall be payable by Landlord for inconvenience, loss of business, or annoyance arising from any repair or restoration of any portion of the Leased

Premises or of the Bank of America Building. Landlord shall use reasonable efforts to effect such repairs promptly.

17. MUTUAL RELEASE AND WAIVER OF SUBROGATION.

Landlord and Tenant hereby mutually release each other from liability, and waive all right of recovery against each other, for any injury, loss or damage to any building, structure, inventory or other tangible property and any revenues, profit and rents to be generated therefrom, whether due to negligence or any other insured cause, if such injury, loss or damage is caused by any of the perils which are covered by a first-party insurance policy benefiting the party suffering such injury, loss or damage, or if such injury, loss or damage was required to be covered by insurance pursuant to this Lease; provided that this Section shall be inapplicable if it would have the effect, but only to the extent it would have the effect, of invalidating any insurance coverage of Landlord or Tenant. This Waiver only applies to insured property losses and does not limit the ability to recover for deductibles or other uninsured losses. Landlord and Tenant acknowledge that their current insurance policies, as of the date of this Lease, will not be invalidated. In the future, if avoiding any invalidation can be effected by the payment of money to such insurer, the other party may elect to pay such amount to obtain such waiver of subrogation for its benefit. Landlord and Tenant, respectively, shall promptly notify the other if its insurance will be invalidated by the foregoing release and waiver or if any payment is required to avoid such invalidation. Notwithstanding anything to the contrary, this Section shall not apply to any claim by Landlord for any Rent, Additional Rent or Other Charges payable under this Lease. Landlord and Tenant specifically intend, however, that this Section shall apply to any potential claim that could otherwise be made by Landlord for any rents to be paid by other occupants of Bellevue Place or any claim that could potentially be made by Tenant for any lost sales, profits or revenues that could have been generated from or operating expenses related to the Leased Premises or elsewhere.

18. INDEMNITY.

18.1 Generally.

Landlord shall not be liable for the loss of or damage to any property (including property of Tenant and others) occurring in or about the Leased Premises from any cause whatsoever. Landlord shall not be liable for injury to any person occurring in or about the Leased Premises except and to the extent that such injury is caused by Landlord's negligence. Except to the extent an injury to any person is caused by Landlord's negligence, Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims, charges, liabilities, obligations, penalties, damages, costs and expenses (including attorneys' fees) arising, claimed, charged or incurred against or by Landlord from any matter or thing arising from Tenant's use of the Leased Premises, the conduct of its business or from any activity, work or other things done, permitted or suffered by the Tenant in or about the Leased Premises, and Tenant shall further indemnify and hold Landlord harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part or to be performed under the terms of this Lease, or arising from any act or negligence of Tenant, or any officer, agent, employee, guest, or invitee of Tenant, and from all costs, attorneys' fees, and liabilities incurred in or about the defense of any such claim or any action or proceeding brought thereon. If any action or proceeding is brought against Landlord by reason of such a claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by legal counsel reasonably satisfactory to Landlord.

18.2 Concurrent Negligence of Landlord and Tenant Relating to Construction, Repair and Maintenance Activities.

Notwithstanding Section 18.1 above, in the event of concurrent negligence of Tenant, its agents, employees, sublessees, invitees, licensees or contractors on the one hand, and that of Landlord, its partners, agents, employees or contractors on the other hand, which concurrent negligence results in injury or damage to persons or property and relates to the construction, alteration, repair, addition to, subtraction from, improvement to or maintenance of the Leased Premises or Bellevue Place, Tenant's obligation to indemnify Landlord as set forth in this Section 18 shall be limited to the extent of Tenant's negligence, and that of its agents, employees, sublessees, invitees, licensees or contractors, including Tenant's proportional share of costs, and attorneys' fees and expenses incurred in connection with any claim, action or proceeding brought with respect to such injury or damage.

18.3 Waiver of Workers' Compensation Immunity.

The indemnification obligations contained in this Lease shall not be limited by any workers' compensation, benefit or disability laws, and each indemnitor hereby waives any immunity that said indemnitor may have under the Industrial Insurance Act, Title 51 RCW and similar workers' compensation, benefit or disability laws.

18.4 Provisions Specifically Negotiated.

LANDLORD AND TENANT ACKNOWLEDGE BY THEIR EXECUTION OF THIS LEASE THAT EACH OF THE INDEMNIFICATION, RELEASE AND WAIVER PROVISIONS OF THIS LEASE (SPECIFICALLY INCLUDING BUT NOT LIMITED TO THOSE RELATING TO WORKERS' COMPENSATION BENEFITS AND LAWS) WERE SPECIFICALLY NEGOTIATED AND AGREED TO BY LANDLORD AND TENANT.

19. INSURANCE.

19.1 Liability Insurance.

(a) Liability Insurance. Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, a policy of comprehensive/commercial general liability insurance insuring Tenant's activities with respect to the Leased Premises, Bank of America Building and Bellevue Place against loss, damage or liability for personal injury or death or loss or damage to property with a limit of not less than Two Million Dollars (\$2,000,000) combined single limit for policies without a general aggregate limit. For policies with a general aggregate limit, such aggregate limit shall be not less than Two Million Dollars (\$2,000,000) and include an endorsement providing that the foregoing limit shall apply per location, including the Leased Premises, and have an occurrence limit not less than Two Million Dollars (\$2,000,000). In the event Tenant obtains a policy with a general aggregate limit, Tenant shall immediately notify Landlord if claims covered by such policy or policies at any time are made against Tenant which claims exceed fifty percent (50%) or more of the aggregate limit. Notwithstanding the foregoing, if during the Lease Term, in Landlord's reasonable judgment, the policy limits required hereunder are no longer adequate to provide reasonable protection to Landlord, Landlord may notify Tenant of such inadequacy and an appropriate level of coverage and Tenant, within thirty (30) days of receiving such a notice, shall obtain such additional amounts of insurance and provide Landlord with satisfactory evidence thereof. Reference may be made to policy amounts required by other landlords for similar space and operations in determining what is reasonable protection hereunder. The insurance required under this Section shall be with companies rated A-VII or better in Best's Insurance Guide. Landlord, Kemper Development Company, and any other parties in interest designated by Landlord, shall be named

as additional insureds. The insurance policy shall bear an endorsement that the policy shall not be cancelled or the policy limits reduced by endorsement below the coverage required by this Lease for any reason other than nonpayment of premiums except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof, including applicable endorsements, showing Landlord as an additional insured and the applicable policy limits thereof. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease.

(b) Service of Alcoholic Beverages. The insurance to be carried by Tenant pursuant to Section 19.1(a) above shall not exclude liability for violation of any governmental statute, ordinance, regulation or rule pertaining to the sale, gift, distribution or use of any alcoholic beverages, or liability by reason of the selling, serving or giving of any alcoholic beverage to a minor or to a person under the influence of alcohol or any other person, or which causes or contributes to the intoxication of any persons. Accordingly, the indemnification obligations in Section 18 of this Lease shall extend, as well, to damages occurring at locations other than the Leased Premises and resulting from risks insurable by any of the following (i) so-called dram shop liability insurance, (ii) host liquor liability insurance or (iii) liquor legal liability insurance or otherwise related to the sale, gift, distribution or use of alcoholic beverages.

19.2 Property Insurance.

In addition to the insurance required by Sections 19.1 and 19.2, Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, property insurance covering Tenant's supplies, inventory and other personal property as well as all improvements, additions and modifications to or in the Leased Premises, in an amount equal to full replacement cost without co-insurance penalty. The insurance policy shall bear an endorsement that the policy shall not be canceled or the policy limits reduced below the coverage required by this Lease for any reason other than non-payment of premiums, except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice to Landlord for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof.

19.3 Failure to Maintain.

If Tenant fails or refuses to maintain any insurance required by this Section 19, Landlord, at its discretion, may obtain and maintain insurance for such items and interests to protect Landlord in such amounts as Landlord may determine to be appropriate and any and all premiums paid or payable by Landlord therefor shall be deemed to be additional rent and shall be due on the payment date of the next installment of Rent hereunder. The failure to obtain or maintain any insurance required by this Section 19 shall constitute a material breach of this Lease.

19.4 Increase in Insurance Premium.

Notwithstanding anything in this Lease to the contrary, Tenant shall not keep, use, sell or offer for sale in or upon the Leased Premises any article, nor conduct any activities or operations, which are or may be prohibited by Landlord's insurance carriers. Tenant shall pay any increase in premiums for property or liability insurance maintained by Landlord resulting from Tenant's use or occupancy of the Leased Premises, whether or not Landlord has consented thereto. In the event of such increased insurance premiums to Landlord, Tenant also shall pay immediately to Landlord an amount equal to any additional premium on the insurance policy or policies that

Landlord may carry for its protection against loss resulting from any insured event. In determining whether increased premiums are the result of Tenant's use or occupancy of the Leased Premises, the rates and premiums determined by the organization setting the insurance premiums shall be conclusive evidence of the several items and charges which make up the insurance premiums. Landlord shall deliver bills for such additional amounts to Tenant at such times as Landlord may elect, and Tenant shall immediately pay Landlord therefor.

20. ASSIGNMENT AND SUBLEASING.

20.1 Assignment or Sublease.

Tenant shall not assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise transfer this Lease or any interest therein, nor sublease the whole or any part of the Leased Premises, nor shall this Lease or any interest hereunder be assignable or transferable by any process or proceeding of any court, or otherwise, without in each case first obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld. Any such transaction undertaken without Landlord's prior written consent shall be null and void.

In determining whether to grant consent to Tenant's sublease or assignment request, Landlord may consider any factor, including but not limited to the experience and business reputation of the proposed assignee or sublessee in operating a business for the uses set forth in the Lease; whether the clientele, personnel and foot traffic generated by such proposed assignee or sublessee is satisfactory to Landlord; notwithstanding that Tenant and/or others remain liable under the Lease, whether the proposed assignee or sublessee has a net worth, and financial strength and credit record, reasonably satisfactory to Landlord; use of the Leased Premises by the proposed assignee or sublessee must be identical to the use permitted by the Lease; use of the Leased Premises by the proposed assignee or sublessee will not violate or create any potential violation of any laws; whether the quality of the business to be operated or likely to be operated by the proposed assignee or sublessee is satisfactory to Landlord; and whether Landlord's consent might result in a breach of any other lease or agreement to which Landlord is a party; and whether the product mix and target customer base of the proposed assignee or sublessee is consistent with the product mix and target customer base that Landlord is trying to maintain or achieve within Bellevue Place.

No assignment, subleasing or other transfer shall relieve Tenant of any liability under this Lease. The prohibition set forth in this Section 20 includes, without limitation (and the following shall be deemed to be "assignments"): (i) a consolidation or merger of Tenant; (ii) a change in the ownership or voting rights of more than twenty-five percent (25%) of the issued and outstanding stock of any corporate tenant; (iii) any subleasing or assignment which would otherwise occur by operation of law, merger, consolidation, reorganization, transfer or other significant change in corporate or proprietary structure; (iv) the sale, assignment or transfer of all or substantially all of the assets of Tenant, with or without the specific assignment of this Lease; and (v) a change in control in any partnership tenant. The acceptance by Landlord of any amounts following any transaction prohibited hereunder shall not be deemed to be a consent by Landlord nor shall the same be deemed to be a waiver of any right or remedy of Landlord hereunder. Consent to any such assignment, subleasing or other transfer shall not operate as a waiver of the necessity for consent to any subsequent assignment, subleasing or transfer. If Landlord's consent is requested for an assignment or sublease of all or a portion of the Leased Premises, Landlord shall have the right to terminate this Lease with respect to that portion of the Leased Premises for which such consent is requested, at the proposed effective date of such assignment or subleasing, and enter into the relationship of Landlord and Tenant with the proposed assignee or subtenant based on the rent (and/or other compensation) and term agreed to by such assignee or subtenant and otherwise upon the terms and conditions of this Lease. In

connection with any sublease or assignment, Tenant shall promptly provide Landlord with fully executed copies of all assignment, sublease and assumption instruments.

20.2 Assignee Obligations.

As a condition to Landlord's consent, any potential assignee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, Other Charges and the performance of all terms, covenants and conditions of this Lease.

20.3 Sublessee Obligations.

As a condition to Landlord's consent, any potential sublessee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under the Lease during the term of the sublease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, and Other Charges, and the performance of all terms, covenants, and conditions of this Lease.

20.4 Conditional Consents.

Any consent by Landlord to any assignment or subleasing may be subject to any terms or conditions as Landlord shall determine appropriate (including but not limited to requiring that any and all guarantors of the Lease agree to continue to guarantee the Lease obligations after the assignment) and all such terms and conditions shall be binding upon any person holding by, under or through Tenant.

20.5 Attorneys' Fees and Costs.

Tenant shall reimburse Landlord for Landlord's attorneys' fees and costs incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subleasing or encumbrance.

21. ADVERTISING.

Tenant shall not inscribe any inscription, or post, place, or in any manner display any sign, awning, canopy, marquee, decoration, graphics, notice, picture, placard or poster, or any advertising matter whatsoever, anywhere in or about the Leased Premises or the Bank of America Building at places visible (either directly or indirectly as an outline or shadow on a glass pane) from anywhere outside the Leased Premises without first obtaining Landlord's written consent thereto, such consent to be at Landlord's sole discretion. Any such consent by Landlord shall be upon the understanding and condition that Tenant shall remove the same at the expiration or sooner termination of this Lease and Tenant shall repair any damage to the Leased Premises or the Bank of America Building caused thereby. All such signs and advertising matter shall comply with all applicable laws, governmental regulations, ordinances and orders.

22. LIENS.

No work performed by Tenant pursuant to this Lease shall be deemed to be for the immediate use and benefit of Landlord so that no mechanic's, materialmen's or other liens shall be allowed against the estate of Landlord by reason of any consent given by Landlord to Tenant to improve, alter or repair the Leased Premises. Tenant shall keep the Leased Premises, the Bank of America Building and Bellevue Place free and clear of all liens and encumbrances arising out of any work performed for, materials furnished to and obligations incurred by or on behalf of Tenant and Tenant shall indemnify and hold Landlord harmless from any liability from any and

all costs, liabilities and expenses (including but not limited to attorneys' fees and Landlord's reasonable administrative costs and expenses) arising therefrom. Prior to commencing any improvement, alteration or repair work to the Leased Premises, Tenant shall provide to Landlord, at Tenant's sole cost and expense, separate payment and performance bonds for such work and materials in an amount equal to either (i) the actual contract price if the contract price is fixed, or (ii) one and one-half (1-1/2) times the estimated cost of the improvements, alterations or repairs which Tenant desires to make within the Leased Premises if the contract price is not fixed. Such bonds shall cover the faithful performance of the contract and payment of all obligations arising therefrom and insure Landlord against any and all liability for mechanics' and materialmen's liens and other similar liens and insure the completion of such work. If any lien is filed against the Bank of America Building, Bellevue Place or the Leased Premises by any person claiming by, through or under Tenant, Tenant shall, at Tenant's sole cost and expense, immediately discharge the same. If Tenant shall fail to cause such lien to be immediately discharged of record, then, in addition to any other right or remedy of Landlord, Landlord may bond or discharge the same by paying the amount claimed to be due, and the amount so paid by Landlord, including any reasonable attorney's fees incurred by Landlord in defending against or responding to such lien or in procuring its discharge of record, shall be due and payable by Tenant as additional rent.

23. TENANT'S DEFAULT.

23.1 Default.

The following shall constitute defaults and breaches of this Lease by Tenant:

- (a) Vacating the Leased Premises. The vacation or abandonment of the Leased Premises by Tenant or the failure of Tenant to be open for business on a fully-operational basis (except in the event of damage or destruction to the Leased Premises or when due to some other cause beyond Tenant's reasonable control, which prevents Tenant from conducting its business within the Leased Premises) for five (5) days or more.
- (b) Failure to Pay Rent. Tenant's failure to make any payment of Rent, Additional Rent or Other Charges, or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof by Landlord to Tenant.
- (c) Failure to Perform. Tenant's failure to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant where such failure continues for a period of ten (10) days (except as otherwise provided in this Lease) after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's failure is such that more than ten (10) days are required for its cure, Tenant shall not be deemed to be in default under this Section 23.1(c) if Tenant commences such cure within such ten (10) day period and thereafter diligently prosecutes such cure to completion.
- (d) Bankruptcy. The making by Tenant of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days of filing); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Leased Premises or of Tenant's interest in this Lease, where such seizure is not discharged in thirty (30) days after appointment of such trustee or receiver, or the filing of the petition for the appointment of the same, whichever shall first occur.

(e) Repeated Defaults. Tenant's failure to perform or observe any of Tenant's obligations under the Lease after Tenant has neglected or failed to perform or observe any of Tenant's obligations under the Lease at least twice previously (although Tenant shall have cured any such previous failure after notice from Landlord, and within the notice period).

23.2 Remedies in Default.

In the event of any default or breach of this Lease by Tenant (whether or not set forth in Section 23.1 above), Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach:

(a) Terminate the Lease. Terminate Tenant's right to possession of the Leased Premises by any lawful means, in which case Tenant shall immediately surrender possession of the Leased Premises to Landlord. In such event, Landlord shall be entitled to recover from the Tenant all past due Rent, Additional Rent and Other Charges and all other amounts owed under the terms of this Lease; the expense of re-leasing the Leased Premises, including but not limited to the expense of renovating and alterations to the Leased Premises and any leasing commissions; reasonable attorneys' fees and costs; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid Rent and Additional Rent called for herein for the balance of the Lease Term after the time of such award exceeds the amount of such loss for the same period that Tenant proves could be reasonably avoided (the "worth at the time of award" shall be determined by discounting such excess amount by the discount rate of the Federal Reserve Bank of San Francisco plus one percent (1%)); and any and all other damages arising from Tenant's default or breach; or,

(b) Continue the Lease. Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Leased Premises. In such event, Landlord shall be entitled to enforce all Landlord's rights and remedies under this Lease, including the right to recover damages, Rent, Additional Rent, Other Charges, and any other payments as may become due hereunder; or,

(c) Other Remedies. Pursue any other remedy or remedies now or hereafter available to Landlord under the laws or judicial decisions of the State of Washington.

23.3 Legal Expenses.

If either party is required to bring or maintain any action (including assertion of any counterclaim or cross-claim, or claim in a proceeding in bankruptcy, receivership or any other proceeding instituted by a party hereto or by others), or otherwise refers this Lease to an attorney for the enforcement of any of the covenants, agreements, terms or conditions of this Lease, the prevailing party, in addition to all other remedies provided herein, shall receive from the other party all costs (including reasonable attorneys' fees) incurred in the enforcement of the covenants, agreements, terms and conditions of this Lease (whether or not an action is instituted) and including any such costs and fees incurred by the prevailing party on any appeal.

23.4 Bankruptcy.

(a) Assumption of Lease. In the event Tenant becomes a Debtor under Chapter 7 of the Bankruptcy Code ("Code") or a petition for reorganization or adjustment of debts is filed concerning Tenant under Chapters 11 or 13 of the Code, or a proceeding is filed under Chapter 7 of the Code and is transferred to Chapters 11 or 13 of the Code, the Trustee or Tenant, as Debtor and as Debtor-In-Possession, may not elect to assume this Lease unless, at the time of such assumption, the Trustee or Tenant has:

(1) Cured all defaults under the Lease and paid all sums due and owing under the Lease or provided Landlord with “Adequate Assurance” (as defined below) that: (A) within ten (10) days from the date of such assumption, the Trustee or Tenant will completely pay all sums due and owing under this Lease and compensate Landlord for any actual pecuniary loss resulting from any existing default or breach of this Lease, including without limitation, Landlord’s reasonable costs, expenses, accrued interest, and attorneys’ fees incurred as a result of the default or breach; (B) within twenty (20) days from the date of such assumption, the Trustee or Tenant will cure all non-monetary defaults and breaches under this Lease; and (C) the assumption will be subject to all of the provisions of this Lease.

(2) For purposes of this Section, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding involving Tenant, at a minimum, “Adequate Assurance” shall mean: (A) the Trustee or Tenant has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Tenant will have sufficient funds to fulfill the obligations of Tenant under this Lease; (B) the Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or Tenant shall have granted a valid and perfected first lien and security interest and/or mortgage in property of Trustee or Tenant acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Tenant to cure the monetary and/or non-monetary defaults and breaches under this Lease within the time periods set forth above; and (C) the Trustee or Tenant, at the very minimum, shall deposit a sum equal to two (2) months’ Rent to be held by Landlord (without any allowance for interest thereon) to secure Tenant’s future performance under the Lease.

(b) Assignment of Lease. If the Trustee or Tenant has assumed the Lease pursuant to the provisions of this Section for the purpose of assigning Tenant’s interest hereunder to any other person or entity, such interest may be assigned only after the Trustee, Tenant or the proposed assignee have complied with all of the terms, covenants and conditions of this Lease, including, without limitation, those with respect to Additional Rent; Landlord and Tenant acknowledging that such terms, covenants and conditions are commercially reasonable in the context of a bankruptcy proceeding of Tenant. Any person or entity to which this Lease is assigned pursuant to the provisions of the Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon request execute and deliver to Landlord an instrument confirming such assignment.

(c) Adequate Protection. Upon the filing of a petition by or against Tenant under the Code, Tenant, as Debtor and as Debtor-In-Possession, and any Trustee who may be appointed agree to adequately protect Landlord as follows: (1) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed by Order of the Bankruptcy Court; (2) to pay all monetary obligations required under this Lease, including without limitation, the payment of Rent and Additional Rent payable hereunder which is considered reasonable compensation for the use and occupancy of the Leased Premises; (3) provide Landlord a minimum of thirty (30) days’ prior written notice, unless a shorter period is agreed to in writing by the parties, of any proceeding relating to any assumption of this Lease or any intent to abandon the Leased Premises, which abandonment shall be deemed a rejection of this Lease; and (4) to perform to the benefit of Landlord as otherwise required under the Code. The failure of Tenant to comply with the above shall result in an automatic rejection of this Lease.

23.5 Remedies Cumulative - Waiver.

Landlord’s remedies hereunder are cumulative and the Landlord’s exercise of or failure to exercise any right or remedy due to a default or breach by Tenant shall not be deemed a

waiver of, or to alter, affect or prejudice any right or remedy which Landlord may have under this Lease or by law. Neither the acceptance of rent, nor any other act or omission of Landlord at any time or times after the happening of any breach, default or other event authorizing the cancellation or forfeiture of this Lease, shall operate as a waiver of any past or future violation, breach or failure to keep or perform any covenant, agreement, term or condition hereof or to deprive Landlord of its right to cancel or forfeit this Lease, upon the written notice provided for herein, at any time that cause for cancellation or forfeiture may exist, or be construed so as at any time to stop Landlord from promptly exercising any other option, right or remedy that it may have under any term or provision of this Lease, at law or in equity.

24. SUBORDINATION AND ATTORNMENT; MORTGAGEE PROTECTION.

24.1 Subordination - Notice to Mortgagee.

At the request of Landlord, Tenant shall promptly execute, acknowledge and deliver all instruments which may be appropriate to subordinate this Lease to any existing or future mortgages or deeds of trust on Bellevue Place, the Bank of America Building or the Leased Premises, and to any extensions, renewals or replacements thereof; provided, that the mortgagee or beneficiary, as the case may be, shall agree, in exchange for the agreement of Tenant to attorn to such mortgagee or beneficiary, to recognize this Lease in the event of foreclosure if Tenant is not in default at such time. Notwithstanding anything to the contrary in this Lease, Landlord shall not be in breach or default under any provision of this Lease unless written notice specifying such breach or default is given to Landlord and to all persons who have an interest in all or part of Bellevue Place as mortgagees and/or deed of trust beneficiaries and whose names and addresses have been given to Tenant in writing or are recorded in the records of King County, and the provisions of Section 14 have been fully complied with.

24.2 Mortgagee Protection Clause.

Tenant shall give all mortgagees and deed of trust holders, by registered or certified mail, copies of all notices of default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the addresses of such mortgagees or deed of trust holders. If Landlord fails to cure such default within the time provided in this Lease, then the mortgagees or deed of trust holders shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary, provided that within such thirty (30) days any mortgagee or deed of trust holder commences and diligently pursues the remedies necessary to cure such default (including but not limited to commencement of judicial or nonjudicial foreclosure proceedings, if necessary, to effect such cure).

25. SURRENDER OF POSSESSION.

Subject to the terms of Sections 11, 13 and 16, upon expiration of the term of this Lease, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Leased Premises to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable use and wear and tear and damage by fire or other casualty excepted.

26. REMOVAL OF PROPERTY.

Tenant shall remove all of its personal property and improvements designated to be removed pursuant to Section 11.2 at the termination of this Lease either by expiration of the term or other cause, and shall pay Landlord for any damages for injury to the Leased Premises or Bank of America Building resulting from such removal. If Tenant shall fail to remove any of its

property of any nature whatsoever from the Leased Premises or the Bank of America Building at the termination of this Lease or when Landlord has the right of re-entry, Landlord may remove and store such property without liability for loss thereof or damage thereto, such storage to be for the account and at the expense of Tenant. If Tenant shall not pay the cost of storing any such property after it has been stored for a period of thirty (30) days or more, Landlord may, at its option, sell, or permit to be sold, any or all such property at public or private sale, in such manner and at such times and places as Landlord in its sole discretion may deem proper, without notice to Tenant, unless notice is required under applicable statutes, and shall apply the proceeds of such sale: first, to the cost and expense of such sale, including reasonable attorneys' fees actually incurred; second, to the payment of the costs or charges for storing any such property; third, to the payment of any other sums of money which may then be or thereafter become due to Landlord from Tenant under any of the terms hereof; and, fourth, the balance, if any, to Tenant.

27. VOLUNTARY SURRENDER.

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, but, at the option of Landlord, shall terminate all or any existing subleases and subtenancies or operate as an assignment to Landlord of any or all such subleases or subtenancies.

28. EMINENT DOMAIN.

28.1 Total Taking.

If all the Leased Premises are taken by the power of eminent domain exercised by any governmental or quasi-governmental authority, this Lease shall terminate as of the date Tenant is required to vacate the Leased Premises and all Rent, Additional Rent and Other Charges due hereunder shall be paid to that date. As used in this Section 28, the term "eminent domain" shall include the taking of property by, through or under any governmental or quasi-governmental authority, and any purchase or acquisition in lieu thereof, whether or not the damaging or taking is by the government or any other person authorized to exercise the power of eminent domain.

28.2 Constructive Taking of Entire Premises.

In the event of a taking of a material part, but less than all, of the Bank of America Building, where Landlord shall reasonably determine that the remaining portions of the Bank of America Building cannot be economically or effectively used as desired by Landlord (whether on account of physical, economic, aesthetic or other reasons), Landlord shall forward a written notice to Tenant of such determination not more than sixty (60) days after the date of taking. The term of this Lease shall expire upon such (late as Landlord shall specify in such notice but not earlier than sixty (60) days after the date of such notice.

28.3 Partial Taking.

If more than fifteen percent (15%) of the Rentable Area of the Leased Premises is taken or appropriated by the power of eminent domain, this Lease, at the option of either party, may be terminated by written notice given to the other party not more than thirty (30) days after Landlord and Tenant receive written notice of the taking or appropriation, and such termination shall be effective as of the date Tenant is required to vacate the portion of the Leased Premises so taken. If more than ten percent (10%) of the Common Area of the Bank of America Building is taken by the power of eminent domain, then Landlord, at its option, may terminate this Lease by written notice given to Tenant within sixty (60) days of the date of such taking. If this Lease is so terminated, all Rent, Additional Rent and Other Charges due hereunder shall be paid to the date of termination. Whenever any portion of the Leased Premises or Common Area is taken by the

power of eminent domain and this Lease is not terminated, Landlord, at its expense, shall proceed with reasonable dispatch to restore, to the extent that it is reasonably prudent, the remainder of the Leased Premises and Common Area to their condition immediately prior to such taking, and Tenant, at its sole expense, shall proceed with reasonable dispatch to restore the fixtures and improvements installed by Tenant and Tenant's furniture, furnishings, and equipment to the same condition they were in immediately prior to such taking. From the date Tenant is required to vacate that portion of the Leased Premises so taken, the Rent and Additional Rent payable hereunder shall be reduced in the same proportion that the area taken bears to the Rentable Area of the Leased Premises prior to the taking.

28.4 Damages.

Landlord reserves all rights to the entire damages award or payment for taking by the power of eminent domain, and Tenant shall make no claim whatsoever against Landlord for damages for termination of its leasehold interest in the Leased Premises or for interference with its business. Tenant hereby grants or assigns to Landlord any right Tenant may now have or hereafter acquire to such awards and payments and agrees to execute and deliver such further instruments of assignment thereof as Landlord may from time to time request. Notwithstanding the foregoing, Tenant shall have the right to claim from the condemning authority all compensation that may be recoverable by Tenant on account of any loss incurred by Tenant in removing Tenant's merchandise, furniture and other personal property that Tenant is entitled to remove at the termination of this Lease or for damage to Tenant's business; provided, however, that Tenant may claim such damages only if they are awarded separately in the eminent domain proceeding and not as part of Landlord's damages.

29. NOTICES.

Any notices required in accordance with any of the provisions herein, if to Landlord, shall be delivered in person or mailed by an express mail service, such as Federal Express or UPS, to the address of Landlord as set forth in Section 1.2 above or at such other place as Landlord may in writing from time to time direct to Tenant, and if to Tenant, shall be delivered in person or sent by an express mail service, such as Federal Express or UPS, to Tenant at the Leased Premises. If Tenant is more than one person or entity, any notice required or permitted hereunder may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. Any notices mailed to Tenant bearing the proper address and adequate postage for delivery shall be deemed effective upon deposit in the U.S. mail.

30. LANDLORD'S LIABILITY.

Anything in this Lease to the contrary notwithstanding, the covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord, but are made and intended for the purpose of binding only the Landlord's interest in the Leased Premises and Bank of America Building, as the same may from time to time be encumbered. No personal liability or personal responsibility is assumed by, nor shall at any time be asserted or enforceable against Landlord or its partners or their respective heirs, legal representatives, successors, and assigns on account of the Lease or on account of any covenant, undertaking or agreement of Landlord in this Lease contained. Therefore, in consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

- (a) The sole and exclusive remedy of Tenant shall be against the Landlord's interest in the Leased Premises and the Bank of America Building;

- (b) No general or limited partner of Landlord, or any director, officer, agent or employee of any corporation if Landlord, or any general or limited partner of Landlord, is a corporation (collectively, for the purpose of this Section 30, referred to as "general or limited partner of Landlord") shall be sued or named as a party in any suit or action, and Landlord shall not assert therein the defense or lack of personal jurisdiction arising out of Tenant's compliance with this Section 30;
- (c) No general or limited partner of Landlord shall be required to answer or otherwise plead to any service or process;
- (d) No judgment will be taken against any general or limited partner of Landlord;
- (e) Any judgment taken against any general or limited partner of Landlord may be vacated and set aside at any time nunc pro tunc;
- (f) No writ of execution will ever be levied against the asset of Landlord or any general or limited partner of Landlord, other than Landlord's interest in the Leased Premises or the Bank of America Building;
- (g) These covenants and agreements are enforceable both by Landlord and also by any general or limited partner of Landlord.

31. TENANT'S CERTIFICATES.

Tenant shall at any time and from time to time, within ten (10) days after written notice from Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement substantially in the form of Exhibit "G" certifying, to the extent true, that (i) this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way (or specifying the date and terms of all agreements so affecting this Lease); (ii) all conditions under this Lease to be performed by the Landlord have been satisfied, if any; (iii) all required contributions by Landlord, if any, to Tenant on account of Premises Improvements or additional improvements have been received; (iv) as of the date of such certification there are no existing claims, defenses or offsets that the Tenant has against the enforcement of this Lease by the Landlord; (v) no Rent or other rent obligation has been paid more than one month in advance; and (vi) no security has been deposited with Landlord (or, if so, the amount thereof). It is intended that all statements delivered pursuant to this paragraph may be relied upon by prospective purchasers of Landlord's interest, Landlord's lenders, and other designees of Landlord and Landlord's lenders. If Tenant fails to respond within ten (10) days of Tenant's receipt of a written request by Landlord as herein provided, such failure shall be a material default under the terms and conditions of this Lease. In addition, Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee, that this Lease is in full force and effect, that there are no uncured defaults in Landlord's performance, that the security deposit is as stated in the Lease and that no more than one month's Rent has been paid in advance.

32. RIGHT TO PERFORM.

If Tenant shall fail to pay any sum of money, other than Rent and Additional Rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from any obligations of Tenant, make any such payment or perform any such other act on

Tenant's part to be made or performed as provided in this Lease. Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.

33. AUTHORITY.

Each individual executing this Lease on behalf of Tenant personally represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms and, if Tenant is a corporation, in accordance with a duly adopted resolution of the Board of Directors of Tenant and that such action and execution is in accordance with the bylaws of Tenant. If Tenant is a corporation, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of a resolution of the Board of Directors of Tenant authorizing or ratifying the execution of this Lease.

34. PARKING AND COMMON AREAS.

34.1 Parking.

Landlord shall provide Tenant with two point seven (2.7) parking permits for each one thousand (1,000) square feet in the Rentable Area of the Leased Premises, at the current rate of One Hundred Ninety-one and 78/100 Dollars (\$191.78) per parking permit per month (excluding tax), which monthly rate may increase from time to time during the Lease Term. If available, additional parking permits may be purchased by Tenant on a month to month basis at the rates set forth above. Tenant's employees shall not park their vehicles in the automobile parking areas of the Common Areas and Facilities which may from time to time be designated for patrons of Bellevue Place. Landlord at all times shall have the right to designate the particular parking areas to be used by Tenant's employees and any such designation may be changed from time to time. Tenant and its employees shall park their vehicles only in those portions of the Common Areas and Facilities, if any, designated for that purpose by Landlord. Tenant shall furnish Landlord with Tenant's and Tenant's employees' state vehicle license numbers within fifteen (15) days after Tenant opens for business in the Leased Premises and Tenant shall thereafter notify Landlord of any changes within two (2) days after such change occurs. If Tenant or its employees fail to park their vehicles in designated parking areas, then Landlord, without limiting any other remedy Landlord may have, may charge Tenant a minimum of Ten Dollars (\$10.00) per day for each day or partial day for each vehicle improperly parked; provided, however, Landlord shall give Tenant written notice of the first violation of this provision and Tenant shall have two (2) days thereafter within which to cause the violation to be discontinued; and if not discontinued within such two-day period, then the vehicle fines shall commence. After notice of the first such violation, no notice of any subsequent violation shall be required prior to the imposition of any parking fine. All amounts due under the provisions of this Section shall be additional rent and due and payable by Tenant within ten (10) days after demand therefor. Tenant shall notify its employees in writing of the provisions of this Section.

34.2 Common Areas.

Landlord shall at all times have exclusive control and management of the Common Areas and Facilities of Bellevue Place. Tenant shall have the nonexclusive right in common with others to use the public areas of the Bank of America Building and the Common Areas and Facilities of Bellevue Place, subject to such nondiscriminatory rules and regulations as Landlord may adopt from time to time governing the use thereof including, but not limited to, the right to close the same from time to time to such an extent as may be legally sufficient, in Landlord's opinion, to prevent a dedication thereof or the accrual of right to any person or to the public therein. Tenant

shall comply with the rules and regulations that Landlord and the owner or ground lessee of Bellevue Place may from time to time promulgate and/or modify regarding use and operation of the Common Areas of the Bank of America Building and Common Areas and Facilities of Bellevue Place. The rules and regulations shall be binding upon Tenant upon delivery of a copy thereof to Tenant. Landlord shall not be responsible to Tenant for the nonperformance of such rules and regulations by any other tenants or occupants of space in either Bellevue Place or the Bank of America Building. The term "Common Areas and Facilities of Bellevue Place" refers to all on and off-site areas and/or related facilities which are made available or are used from time to time for the general use, convenience and benefit of Landlord and other persons entitled to occupy space in Bellevue Place, including their employees, invitees, licensees and guests, which areas shall include, but not be limited to, all parking structures and parking areas (including off-site parking), driveways, sidewalks, landscaped or planted areas, pedestrian areas, lobbies, walkways, the Wintergarden Retail Center and Parking Garage. The term "Common Areas and Facilities of Bellevue Place" also refers to all on-site and off-site areas and/or related facilities which may not be accessible to Tenant and other persons entitled to occupy space in Bellevue Place, but which are used in conjunction with the operation, management, repair or maintenance of Bellevue Place, including, but not limited to janitorial closets, on and/or off-site management offices and maintenance areas. The term "Common Areas and Facilities of the Bank of America Building" refers to the Common Areas and Facilities of Bellevue Place located within the Bank of America Building.

35. TRANSPORTATION MANAGEMENT PROGRAM.

Tenant shall cooperate with Landlord and the designated Transportation Management Association in complying with the terms and conditions of the Bellevue Place Transportation Management Program, as set forth in the Bellevue Place Transportation Management Agreement, a copy of which is attached hereto as Exhibit "F" and incorporated herein, and shall become a member participant in the designated Transportation Management Association. Tenant shall designate one of its employees or agents as Tenant Transportation Coordinator, who shall represent Tenant in all matters pertaining to transportation management. Landlord shall be immediately notified of any change in the Transportation Coordinator.

36. QUIET ENJOYMENT.

Tenant, upon fully complying with and promptly performing all of the terms, covenants and conditions of this Lease to be performed on its part and upon the prompt and timely payment of all sums due hereunder, shall have and possess the Leased Premises for the Lease Term set forth herein.

37. GENERAL.

37.1 Captions.

Any section or paragraph titles or captions are for convenience only and shall not be deemed to define, limit or otherwise modify the scope and intent of this Lease or any provision thereof.

37.2 Bellevue Place Rent and Income.

All amounts to be paid hereunder, specifically including all Rent, Additional Rent and Other Charges, shall be paid as and when due, and without any setoff or deduction whatsoever. Landlord shall be entitled to all rent and other payments on all leases and tenancies at Bellevue Place on all property owned or leased by Landlord and any other payments made to Landlord or its agents for any other activities, uses or operations at Bellevue Place.

37.3 Successors or Assigns.

All the terms, conditions, covenants and agreements of this Lease shall extend to and be binding upon Landlord, Tenant, their respective heirs, administrators, executors, successors and assigns, and upon any person or persons coming into ownership or possession of any interest in the Leased Premises by operation of law or otherwise, and shall be construed as covenants running with the land.

37.4 Tenant Defined.

The word "Tenant" as used herein shall mean each and every person, partnership, limited liability company or corporation who is mentioned as a Tenant herein or who executes this Lease as Tenant.

37.5 Lost Security or Access Key Card.

Tenant shall reimburse Landlord for any and all losses and expenses incurred or suffered by Landlord as a result of Tenant or any of Tenant's agents, employees, licensees or contractors losing any security or access key card or similar device issued to Tenant, which losses or expenses are incurred or suffered by Landlord prior to Tenant notifying Landlord of the loss of such card or similar device.

37.6 Landlord's Consent.

Unless otherwise specifically stated herein, whenever Landlord's consent or approval is required, Landlord's consent or approval may be withheld in Landlord's sole subjective discretion.

37.7 Broker's Commission.

Tenant represents and warrants to Landlord it has incurred no liabilities or claims for brokerage commissions or finder's fees in connection with the execution of this Lease and it has not dealt with or has any knowledge of any real estate broker, agent or salesperson in connection with this Lease except Broderick Group, Inc., which represents both Landlord and Tenant. Each party agrees to indemnify and hold the other parties harmless from all such liabilities or claims (including, without limitation, attorneys' fees) by anyone other than Broderick Group, Inc.

37.8 Partial Invalidity.

If any term, covenant, or condition of this Lease or the application thereof to any person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Lease, and the application of the terms, covenants or conditions to persons or circumstances other than those which are held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

37.9 Recording.

Tenant shall not record this Lease. Tenant also shall not record any memorandum of lease. However, upon the request of Landlord, Tenant shall execute and deliver to Landlord a memorandum in the form provided by Landlord. The memorandum shall describe the parties, the Leased Premises, the Lease Term and Tenant's obligation to comply with the Transportation Management Agreement and City of Bellevue Land Use Code Paragraph 20.25A.030.C.1, or any similar or successor law, regulation, code or rule, if applicable.

37.10 Joint Obligation.

If there is more than one Tenant, the obligations hereunder imposed shall be joint and several.

37.11 Time.

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

37.12 Prior Agreements.

It is understood that there are no oral or written agreements or representations between Landlord and Tenant affecting this Lease and that this Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements and understandings, if any, made by or between Landlord and Tenant with respect to the subject matter thereof; and none thereof shall be used to interpret, construe, supplement, or contradict this Lease. This Lease, and all mutually-executed written amendments thereto, is and shall be considered to be the only agreement between Landlord and Tenant and their representatives and agents. All negotiations and oral agreements acceptable to Landlord and Tenant have been merged into and are included in this Lease. There are no other representations, covenants or warranties between Landlord and Tenant and all reliance with respect to representations is solely upon the express representations, covenants and warranties contained in this Lease. Although the printed provisions of this Lease were drawn by Landlord, Landlord and Tenant agree that this circumstance shall not create any presumption, canon of construction, or implication favoring the position of either Landlord or Tenant. Landlord and Tenant agree that the interlineation, obliteration, or deletion of language from this Lease prior to its mutual execution by Landlord and Tenant shall not be construed to have any particular meaning or to raise any presumption, canon of construction, or implication, including, without limitation, any implication that Landlord or Tenant intended thereby to state the converse, obverse or opposite of the deleted language. This Lease shall be read as if the obliterated or deleted language had never existed and the interlineated language had always existed.

37.13 Inability to Perform.

The obligations of Landlord or Tenant hereunder shall be excused for a period equal to the time by which such performance is prevented or delayed due to acts of God or any other causes beyond the reasonable control of such party, financial inability or negligence excepted. The provisions of Section 37.13 shall not apply to any payment of Rent, Additional Rent or Other Charges.

37.14 Transfer of Landlord's Interest.

In the event of any transfer or transfers of Landlord's interest in the Leased Premises or Bellevue Place, other than a transfer for security purposes only, the transferor shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing from and after the date of such transfer and Tenant agrees to attorn to such transferee.

37.15 No Light, Air or View Easement.

Any diminution or shutting off of light, air or view by any structure which may be erected on land on or adjacent to Bellevue Place shall in no way affect this Lease or the obligation of Tenant hereunder nor impose any liability on Landlord.

37.16 Reciprocal Easement Agreements.

This Lease shall be subordinate to any and all operating, maintenance and reciprocal easement agreements (“REAs”) entered into by and among Landlord and any other parties, including any amendments or modifications thereto. Tenant shall execute and return to Landlord within ten (10) days after written request therefor by Landlord, agreements in recordable form, substantially in the form of Exhibit “H”, subordinating this Lease to any such REAs.

37.17 Waiver.

The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent, Additional Rent, Other Charges or any other sum hereunder by Landlord shall not be deemed to be a waiver of any preceding default by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular sum so accepted, regardless of Landlord’s knowledge of such preceding default at the time of the acceptance of such sum. In addition, no endorsement or statement on any check or any letter accompanying any payment shall be deemed an accord and satisfaction, and Landlord’s right to recover the balance of such rent or pursue any other remedy provided herein or otherwise shall not be affected by such endorsement or statement or by the acceptance of such payment.

37.18 Name.

Tenant shall not, without the prior written consent of Landlord, use the name of the building or project for any purpose other than as the address of the Leased Premises, and in any event, Tenant shall not acquire any rights in or to such names.

37.19 Choice of Law - Venue.

This Lease shall be governed by the laws of the State of Washington. The venue for any action to enforce the terms of this Lease or collect any amounts owing by Tenant to Landlord shall be in the Superior Court for King County, Washington.

37.20 OFAC Certification.

(a) Certification. Tenant certifies that:

(i) It is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, “Specially Designated National and Blocked Person,” or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and

(ii) It is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity, or nation.

(b) Indemnification. Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney’s fees and costs) arising from or related to any breach of the foregoing certification.

37.21 Current Tenant.

Tenant is aware that Leased Premises 350 is currently occupied by another tenant or tenants (the "Current Tenant") and the Current Tenant may fail or refuse to vacate Leased Premises 350 and relinquish all claims to Leased Premises 350 prior to the Leased Premises 350 Commencement Date. Landlord shall have no responsibility under this Lease to take any action to remove the Current Tenant and shall not be liable for any damages, injuries or claims that may be suffered by Tenant relating to or arising out of, directly or indirectly, the Current Tenant's failure or refusal to vacate and release all interest in Leased Premises 350.

37.22 Interior Signage and Privacy Window Bands.

(a) Interior Signage. At Tenant's sole expense, Landlord shall provide interior signage displaying Tenant's logo, the design and location of such signage to be mutually agreed to by Landlord and Tenant.

(b) Privacy Window Bands. At Tenant's sole expense, and subject to Landlord's prior written approval, Tenant shall install privacy window bands on the exterior windows of the Leased Premises that face the Wintergarden Retail Center.

IN WITNESS WHEREOF this Lease has been executed the day and year first above set forth.

LANDLORD:
BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company

By: KEMPER DEVELOPMENT
COMPANY, a Washington
corporation; Its Manager

By: /s/ James E. Melby
James E. Melby
Its President

TENANT:
SMARTSHEET.COM, INC.,
a Washington corporation

By: /s/ Jennifer Ceran
Jennifer Ceran
Its: CFO

OFFICE LEASE EXHIBITS

- Exhibit "A" - Legal Description of Bellevue Place.
- Exhibit "B" - Site Plan of Bellevue Place.
- Exhibit "C" - Floor Plan of the Leased Premises.
- Exhibit "D" - Tenant Design & Construction Manual (including Base Building Finish Condition).
- Exhibit "E" - Rules and Regulations.
- Exhibit "F" - Bellevue Place Transportation Management Agreement.
- Exhibit "G" - Form of Tenant Estoppel Certificate.
- Exhibit "H" - Form of Subordination Agreement to Reciprocal Easement Agreement.

EXHIBIT A

LEGAL DESCRIPTION OF BELLEVUE PLACE

EXHIBIT B
SITE PLAN OF BELLEVUE PLACE

EXHIBIT C
FLOOR PLAN OF THE LEASED PREMISES

EXHIBIT D

TENANT DESIGN & CONSTRUCTION MANUAL
(including Base Building Finish Condition)

EXHIBIT E
RULES AND REGULATIONS

EXHIBIT F

BELLEVUE PLACE TRANSPORTATION MANAGEMENT AGREEMENT

EXHIBIT G
FORM OF TENANT ESTOPPEL CERTIFICATE

EXHIBIT H

**FORM OF SUBORDINATION AGREEMENT TO
RECIPROCAL EASEMENT AGREEMENT**

FIRST LEASE ADDENDUM

THIS FIRST LEASE ADDENDUM (this "Addendum") is made this 21st day of June, 2017, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation (formerly known as Smartsheet.com, Inc.) ("Tenant").

RECITALS

A. Landlord and Tenant entered into a nonresidential Lease dated February 3, 2017 (the "Lease"), for Suites 300 and 350 in the Bank of America Building at Bellevue Place, Bellevue, Washington, which leased space is more specifically described in the Lease.

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects which shall include (i) extending the Lease Term and adding Rent for the extended Lease Term; and (ii) revising the duration of Tenant's Extension Option.

C. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. Section 1. BASIC LEASE DATA, TERMS AND EXHIBITS. The following paragraphs of Section 1 of the Lease are hereby amended in their entirety and/or added to read as follows:

1.3 Tenant: Smartsheet, Inc., a Washington corporation

1.5 Tenant's Permitted Trade Name: Smartsheet

1.10 Rent:

[Leased Premises 300 - based on 12,694 rentable square feet]

(a) The reference to "the Expiration Date" in the last paragraph is hereby amended to read "March 31, 2023."

(b) The following paragraph is hereby added at the end of Section 1.10 of the Lease to read as follows:

From and including the first day of April, 2023, to and including the Expiration Date, Rent shall be Forty-three and 96/100 Dollars (\$43.96) per rentable square foot of Rentable Area of the Leased Premises per annum or Forty-six Thousand Five Hundred Two and 35/100 Dollars (\$46,502.35) per month.

[Leased Premises 350 - based on 3,246 rentable square feet]

(a) The reference to "the Expiration Date" in the last paragraph is hereby amended to read "March 31, 2023."

(b) The following paragraph is hereby added at the end of Section 1.10 of the Lease to read as follows:

From and including the first day of April, 2023, to and including the Expiration Date, Rent shall be Forty-three and 96/100 Dollars (\$43.96) per rentable square foot of Rentable Area of the Leased Premises per annum or Eleven Thousand Eight Hundred Ninety-one and 18/100 Dollars (\$11,891.18) per month.

1.11 Lease Term: The Lease Term is hereby extended to expire on the Expiration Date below.

1.13 Expiration Date: March 31, 2024.

2. Section 3.4(a) - Option to Extend. The first sentence of Section 3.4(a) of the Lease is amended to read as follows:

Tenant is granted an option (the "Extension Option") to extend the Lease Term for five (5) years, to and including March 31, 2029.

3. Remaining Lease Provisions. Except as expressly modified in this Addendum, all other provisions of the Lease remain in full force and effect. In the event of a conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

DATED as of the day and year first above written.

LANDLORD:
BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company
By: KEMPER DEVELOPMENT
COMPANY, a Washington corporation,
Its Manager

TENANT:
SMARTSHEET, INC.,
a Washington corporation
By: /s/ Jennifer Ceran
Jennifer Ceran, Chief Financial Officer

By: /s/ James E. Melby
James E. Melby
President

SECOND LEASE ADDENDUM

THIS SECOND LEASE ADDENDUM (this "Addendum") is made this 18th day of August, 2020, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET INC., a Washington corporation (formerly known as Smartsheet.com, Inc.) ("Tenant").

RECITALS

A. Landlord and Tenant entered into a nonresidential Lease dated February 3, 2017 and a First Lease Addendum dated June 21, 2017 (collectively the "Lease"), for Suites 300 and 350 in the Bank of America Building at Bellevue Place, Bellevue, Washington, which leased space is more specifically described in the Lease.

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects which shall include providing for the Security Deposit to be in the form of a letter of credit.

C. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. Section 1. BASIC LEASE DATA, TERMS AND EXHIBITS. The following sentence is added to the end of paragraph 1.14 of Section 1 of the Lease:

At Tenant's option, the Security Deposit may be in the form of a letter of credit, in accordance with Section 37.23 below.

2. Section 8. SECURITY DEPOSIT. The first sentence of Section 8 is hereby deleted in its entirety and replaced with the following:

As additional consideration for this Lease, Tenant has delivered to Landlord as a Security Deposit the sum shown in Section 1.14 above, provided that, at Tenant's option, Tenant may provide said Security Deposit in the form of a letter of credit pursuant and subject to Sections 1.14, 8, and 37.23 of the Lease.

3. Letter of Credit. The following is added as Section 37.23 of the Lease:

(a) The terms set forth in this Section 37.21 shall only apply if Tenant, pursuant to Section 1.14 and Section 8 herein, chooses to provide the Security Deposit in the form of a letter of credit.

(b) Landlord and Tenant acknowledge that Tenant will occupy space in the Bank of America Building pursuant to this Lease and, as consideration for Landlord's willingness to enter into this Lease, Tenant shall deliver or cause to be delivered to Landlord, and shall cause to be maintained at all times in effect, one or more irrevocable standby letters of credit complying with the terms of this Section 37.21. Any failure by Tenant to perform or observe any term, covenant or agreement set forth in this Section 37.21 shall constitute a material default under this Lease.

(c) Tenant shall deliver or cause to be delivered to Landlord, or Landlord's advising bank as directed by Landlord, an irrevocable standby letter of credit in a form acceptable to or provided by Landlord (acceptance not to be unreasonably withheld) (the "Letter of Credit"), issued by a national banking association reasonably acceptable to Landlord (the Silicon Valley Bank being acceptable to Landlord), for the account of Tenant in favor of Landlord in the initial amount determined in accordance with Section 8 of the Lease, having an expiry date not earlier than the Expiration Date, and stating by its terms that it shall be automatically extended annually, without written amendment or modification, to the date that is the earlier of (i) the date one (1) year after the then current expiry date or (ii) the Expiration Date unless the issuer of the Letter of Credit gives Landlord, at least sixty (60) days prior to the then current expiry date, written notice that the issuer elects not to extend the Letter of Credit. If the issuer of the Letter of Credit at any times gives to Landlord notice that the issuer elects not to extend the Letter of Credit, then, not less than thirty (30) days prior to the then current expiry date of the Letter of Credit, Tenant shall deliver or cause to be delivered to Landlord (or Landlord's advising bank) a substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by Section 8 of the Lease. Not less than thirty (30) days prior to the expiry date of any substitute letter of credit delivered pursuant to this Section, Tenant shall deliver or cause to be delivered to Landlord (or Landlord's advising bank) a further substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by Section 8 of the Lease. Each substitute letter of credit delivered pursuant to this Section 37.21 shall have a term of not less than one (1) year and shall be in a form acceptable to or provided by Landlord.

(d) Upon the occurrence of any breach or default under this Lease including, but not limited to, any failure by Tenant timely to deliver or cause to be delivered to Landlord (or Landlord's advising bank) any substitute letter of credit required pursuant to this Section 37.21, Landlord, at its option, may, following expiration of any applicable notice or cure period, draw against the Letter of Credit and any substitute letter of credit delivered pursuant to this Section 37.21 in an amount reasonably necessary to cure such breach or default and/or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach or default. The Letter of Credit and each substitute letter of credit (also referred to as a "Letter of Credit") delivered pursuant to this Section 37.21 shall provide for payment against Landlord's (or any transferee's) draft at sight, by facsimile presentation, or by courier, accompanied by a certificate stating substantially as follows: "Drawn under _____ Bank, N.A.'s Irrevocable Standby Letter of Credit No. _____, dated _____, 2020, as a result of the occurrence of a default under the Lease dated _____, 2020, between Bellevue Place Office, LLC, a Washington limited liability company, and SMARTSHEET INC., a Washington corporation." If Landlord draws against the Letter of Credit, Tenant shall, within ten (10) days of the date of such draw, restore the Letter of Credit or provide additional irrevocable standby letters of credit so that, at all times, there shall be an amount required by Section 8 of the Lease available for Landlord to draw against in the event of any further breach or default under this Lease.

(e) If the Letter of Credit is not renewed or Tenant does not provide a substitute irrevocable standby letter of credit on or before the date that is thirty (30) days prior to the expiry date of the then current Letter of Credit, or in the event Landlord draws against the Letter of Credit, if Tenant does not restore the Letter of Credit or provide additional letters of credit so that an amount required by Section 8 of the Lease is available to Landlord to draw upon in the event of any further breach or default under this Lease, then in such event the amount of the draw against the Letter of Credit may be equal to the entire amount of the Letter of Credit. The proceeds of any draw against the Letter of Credit pursuant to the immediately preceding sentence shall be held by Landlord as an additional security deposit pursuant to the provisions of Section 8 of this Lease.

4. Attorney's Fees and Costs. Tenant shall pay to Landlord upon demand, Landlord's reasonable outside counsel attorneys' fees and costs incurred in connection with its review and execution of this Addendum.

5. Remaining Lease Provisions. Except as expressly modified in this Addendum, all other provisions of the Lease remain in full force and effect. In the event of a conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

[Signatures on Next Page]

DATED as of the day and year first above written.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company

By: KEMPER DEVELOPMENT
COMPANY, a Washington corporation,
Its Manager

By: /s/ James E. Melby
James E. Melby
President

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Mark Mader
Mark Mader, President and CEO

BANK OF AMERICA BUILDING OFFICE LEASE

BETWEEN

**BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company**

(Landlord)

AND

**SMARTSHEET.COM, INC.,
a Washington corporation**

(Tenant)

SUITES 400, 425 AND 450

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BANK OF AMERICA BUILDING OFFICE LEASE

THIS LEASE is made this 12th day of September, 2016, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET.COM, INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord owns certain rights and interests in and to certain real property and improvements thereon in the City of Bellevue, King County, Washington, which real property is described in Exhibit "A," attached hereto, and shown on the site plan attached hereto as Exhibit "B." Said property and the improvements thereon are part of a first-class multi-use development commonly known and referred to herein as "Bellevue Place." Bellevue Place currently consists of the Bank of America Building, Hotel Building, Corner Building, and Wintergarden Retail Center, as shown on Exhibit "B," as well as a Parking Garage currently located beneath the foregoing.

B. Tenant desires to lease from Landlord a portion of the Bank of America Building and Landlord is willing to do so on certain terms and conditions, which are set forth herein.

NOW THEREFORE, for and in consideration of the promises, covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. BASIC LEASE DATA, TERMS AND EXHIBITS.

1.1 Landlord: Bellevue Place Office, LLC, a Washington limited liability company.

1.2 Address of Landlord: P.O. Box 4186, Bellevue, Washington 98009.

1.3 Tenant: Smmtsheel.com, Inc., a Washington corporation.

1.4 Principal Business Address of Tenant: 10500 NE 8th Street, Suite 1300, Bellevue, WA 98004.

1.5 Tenant's Permitted Trade Name: Smartsheet.com.

1.6 Leased Premises: That portion of the fourth (4th) floor of the Bank of America Building; as and where shown on Exhibit "C" attached hereto.

1.7 Rentable Area of the Leased Premises: Leased Premises 450 shall be comprised of Suite 450, consisting of Seven Thousand Three Hundred Twenty (7,320) square feet, and; effective April 1, 2019, Leased Premises 450 shall be comprised of Suite 450, consisting of Seven Thousand Three Eighty-four (7,384) square feet.

From and including the Leased Premises 400 Commencement Date: Leased Premises 400 shall be comprised of Suite 400, consisting of Ten Thousand Three Hundred Thirty-four (10,334) square feet.

From and including the Leased Premises 425 Commencement Date: Leased Premises 425 shall be comprised of Suite 425, consisting of Two Thousand Six Hundred Thirty-two (2,632) square feet.

1.8 Breakdown of Rentable Area at Bellevue Place:

- (a) The total Rentable Area of the Bank of America Building and the Corner Building is Four Hundred Sixty-three Thousand Five Hundred Ninety-nine (463,599) square feet.
- (b) The total Rentable Area of Bellevue Place is Five Hundred Nineteen Thousand Five Hundred Forty-nine (519,549) square feet.

1.9 Tenant's Share: Because Bellevue Place is a multi-use development containing a variety of different office, retail, and common area facilities within its various elements, Tenant's Share appropriately comprises two components: (i) Operating, Repair and Maintenance Expenses specific to the Bank of America Building and the Corner Building, as set forth in Section 1.9(a); and (ii) Operating, Repair and Maintenance Expenses for Bellevue Place generally, as set forth in Section 1.9(b).

[Leased Premises 450 - based on 7,320 rentable square feet]

- (a) Operating, Repair and Maintenance Expenses for the Bank of America Building and the Corner Building: one point five eight percent (1.58%) based on 463,599 rentable square feet pursuant to Section 1.8(a), and: effective April 1, 2019, one point five nine percent (1.59%).
- (b) Operating, Repair and Maintenance Expenses for Bellevue Place: one point four one percent (1.41%) based on 519,549 rentable square feet pursuant to Section 1.8(b), and: effective April 1, 2019, one point four two percent (1.42%).

[Leased Premises 400 - based on 10,334 rentable square feet]

From and including the Leased Premises 400 Commencement Date:

- (a) Operating, Repair and Maintenance Expenses for the Bank of America Building and the Comer Building: two point two three percent (2.23%) based on 463,599 rentable square feet pursuant to Section 1.8(a).
- (b) Operating, Repair and Maintenance Expenses for Bellevue Place: one point nine nine percent (1.99%) based on 519,549 rentable square feet pursuant to Section 1.8(b).

[Leased Premises 425 - based on 2,632 rentable square feet]

From and including the Leased Premises 425 Commencement Date:

- (a) Operating, Repair and Maintenance Expenses for the Bank of America Building and the Corner Building: point five seven percent (.57%) based on 463,599 rentable square feet pursuant to Section 1.8(a).
- (b) Operating, Repair and Maintenance Expenses for Bellevue Place: point five one percent (.51%) based on 519,549 rentable square feet pursuant to Section 1.8(b).

1.10 Rent:

[Leased Premises 450 - based on 7,320 rentable square feet and, effective April 1, 2019, based on 7,384 rentable square feet]

From and including the Leased Premises 450 Commencement Date to and including June 30, 2017, the Rent shall be Thirty-four and 25/100 Dollars (\$34.25), per square foot of the Rentable Area of the Leased Premises per annum or Twenty Thousand Eight Hundred Ninety-two and 50/100 Dollars (\$20,892.50) per month.

From and including the first day of July, 2017 to and including June 30, 2018, the Rent shall be Thirty-five and 25/100 Dollars (\$35.25) per square foot of the Rentable Area of the Leased Premises per annum or Twenty-one Thousand Five Hundred Two and 50/100 Dollars (\$21,502.50) per month.

From and including the first day of July, 2018 to and including March 31, 2019, the Rent shall be Thirty-six and 25/100 Dollars (\$36.25) per square foot of the Rentable Area of the Leased Premises per annum or Twenty-two Thousand One Hundred Twelve and 50/100 Dollars (\$22,112.50) per month.

From and including the first day of April, 2019 to and including March 31, 2020, the Rent shall be Thirty-seven and 35/100 Dollars (\$37.35) per square foot of the Rentable Area of the Leased Premises per annum or Twenty-two Thousand Nine Hundred Eighty-two and 70/100 Dollars (\$22,982.70) per month.

From and including the first day of April, 2020 to and including March 31, 2021, the Rent shall be Thirty-eight and 47/100 Dollars (\$38.47) per square foot of the Rentable Area of the Leased Premises per annum or Twenty-three Thousand Six Hundred Seventy-one and 87/100 Dollars (\$23,671.87) per month.

From and including the first day of April, 2021 to and including the Expiration Date, the Rent shall be Thirty-nine and 62/100 Dollars (\$39.62) per square foot of the Rentable Area of the Leased Premises per annum or Twenty-four Thousand Three Hundred Seventy-nine and 51/100 Dollars (\$24,379.51) per month.

[Leased Premises 400 - based on 10,334 rentable square feet]

From and including the Leased Premises 400 Commencement Date, through and including December 31, 2017, the Rent shall be Thirty-six and 50/100 Dollars (\$36.50), per square foot of the Rentable Area of the Leased Premises per annum or Thirty-one Thousand Four Hundred Thirty-two and 58/100 Dollars (\$31,432.58) per month.

From and including the first day of January, 2018, to and including December 31, 2018, the Rent shall be Thirty-seven and 60/100 Dollars (\$37.60), per square foot of the Rentable Area of the Leased Premises per annum or Thirty-two Thousand Three Hundred Seventy-nine and 87/100 Dollars (\$32,379.87) per month.

From and including the first day of January, 2019, to and including December 31, 2019, the Rent shall be Thirty-eight and 73/100 Dollars (\$38.73) per square foot of the Rentable Area of the Leased Premises per annum or Thirty-three Thousand Three Hundred Fifty-two and 99/100 Dollars (\$33,352.99) per month.

From and including the first day of January, 2020, to and including December 31, 2020, the Rent shall be Thirty-nine and 89/100 Dollars (\$39.89) per square foot of the Rentable Area of the Leased Premises per annum or Thirty-four Thousand Three Hundred Fifty-one and 94/100 Dollars (\$34,351.94) per month.

From and including the first day of January, 2021, to and including December 31, 2021, the Rent shall be Forty-one and 09/100 Dollars (\$41.09) per square foot of the Rentable Area of

the Leased Premises per annum or Thirty-five Thousand Three Hundred Eighty-five and 34/100 Dollars (\$35,385.34) per month.

From and including the first day of January, 2022, to and including the Expiration Date, the Rent shall be Forty-two and 32/100 Dollars (\$42.32) per square foot of the Rentable Area of the Leased Premises per annum or Thirty-six Thousand Four Hundred Fifty-four and 57/100 Dollars (\$36,444.57) per month.

[Leased Premises 425 - based on 2,632 rentable square feet]

From and including the Leased Premises 425 Commencement Date, through and including December 31, 2017, the Rent shall be Thirty-six and 50/100 Dollars (\$36.50), per square foot of the Rentable Area of the Leased Premises per annum or Eight Thousand Five and 67/100 Dollars (\$8,005.67) per month.

From and including the first day of January, 2018, to and including December 31, 2018, the Rent shall be Thirty-seven and 60/100 Dollars (\$37.60), per square foot of the Rentable Area of the Leased Premises per annum or Eight Thousand Two Hundred Forty-six and 93/100 Dollars (\$8,246.93) per month.

From and including the first day of January, 2019, to and including December 31, 2019, the Rent shall be Thirty-eight and 73/100 Dollars (\$38.73) per square foot of the Rentable Area of the Leased Premises per annum or Eight Thousand Four Hundred Ninety-four and 78/100 Dollars (\$8,494.78) per month.

From and including the first day of January, 2020, to and including December 31, 2020, the Rent shall be Thirty-nine and 89/100 Dollars (\$39.89) per square foot of the Rentable Area of the Leased Premises per annum or Eight Thousand Seven Hundred Forty-nine and 21/100 Dollars (\$8,749.21) per month.

From and including the first day of January, 2021, to and including December 31, 2021, the Rent shall be Forty-one and 09/100 Dollars (\$41.09) per square foot of the Rentable Area of the Leased Premises per annum or Nine Thousand Twelve and 41/100 Dollars (\$9,012.41) per month.

From and including the first day of January, 2022, to and including the Expiration Date, the Rent shall be Forty-two and 32/100 Dollars (\$42.32) per square foot of the Rentable Area of the Leased Premises per annum or Nine Thousand Two Hundred Eighty-two and 19/100 Dollars (\$9,282.19) per month.

1.11 Lease Term: Approximately sixty-seven (67) calendar months, plus that portion of a calendar month necessary, if at all, for the Expiration Date to occur on the last day of such calendar month.

1.12 Commencement Date: Leased Premises 450: Upon the date of this Lease.

Leased Premises 400: From and including the earlier of (i) five (5) days following substantial completion of the Premises Improvements (defined in Section 11.1(a) below), estimated to be January 1, 2017, or (ii) the date Tenant first occupies the Leased Premises for business purposes.

Leased Premises 425: From and including the earlier of (i) five (5) days following substantial completion of the Premises Improvements (defined in Section 11.1(a) below),

estimated to be June 1, 2017, or (ii) the date Tenant first occupies the Leased Premises for business purposes.

1.13 Expiration Date: March 31, 2022.

1.14 Security Deposit: Within ten (10) business days of execution and delivery of this Lease to Landlord, Tenant will provide Landlord with a Letter of Credit in the initial amount of Six Hundred Twelve Thousand Six Hundred Forty-three and 00/100 Dollars (\$612,643.00), which Letter of Credit is further described in Section 37.21 below.

1.15 Deadline for Submission to Landlord of Premises Plans for Tenant's Improvements: September 15, 2016.

1.16 Contingency: THIS LEASE IS CONTINGENT UPON ITS ACCEPTANCE AND APPROVAL BY LANDLORD'S LENDERS. If this Lease is acceptable to Landlord's lenders, this contingency will be waived by Landlord.

1.17 Project Architect: JPC Architects, or as otherwise designated by Landlord.

1.18 Exhibits Incorporated by Reference:

- Exhibit "A" - Legal Description of Bellevue Place.
- Exhibit "B" - Site Plan of Bellevue Place.
- Exhibit "C" - Floor Plan of the Leased Premises.
- Exhibit "D" - Tenant Design & Construction Manual (including Base Building Finish Condition).
- Exhibit "E" - Rules and Regulations.
- Exhibit "F" - Bellevue Place Transportation Management Agreement.
- Exhibit "G" - Form of Tenant Estoppel Certificate.
- Exhibit "H" - Form of Subordination Agreement to Reciprocal Easement Agreement.

2. PREMISES.

2.1 Generally. Landlord does hereby lease and demise to Tenant, and Tenant hereby accepts from Landlord, upon the terms and conditions herein set forth, the Leased Premises described in Section 1.6 above and depicted in Exhibit "C," together with rights of ingress and egress over and across the Common Areas and Facilities of the Bank of America Building and Bellevue Place.

2.2 Reserved to Landlord. Landlord reserves the right, from time to time, to change the size and dimensions of Bellevue Place; add additional buildings and improvements to Bellevue Place; relocate, alter, and change the number of buildings and other improvements in, on and under Bellevue Place; change any building dimensions and the number of floors in any of the buildings and parking areas in Bellevue Place; change the identity and type of stores and tenancies in Bellevue Place; change the name and address of the buildings and other improvements in Bellevue Place; and change the Common Areas and Facilities in Bellevue Place. Landlord further reserves the use of, and all rights in and to, the exterior walls and roof, and the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through the Leased Premises in locations which will not materially interfere with Tenant's use thereof and serving other parts of Bellevue Place. Landlord shall reasonably attempt to locate such items under the floor, above the ceiling, or adjacent to an interior wall. Such use shall not exceed one percent (1%) of the Useable Area of the Leased Premises unless otherwise agreed. If Landlord's use hereunder exceeds one percent (1%) of the Useable Area of the Leased Premises,

Tenant shall be entitled, as its sole and exclusive remedy, to a reduction in the stated Rentable Area for the Leased Premises, as set forth in Section 1.7 above, and a proportional reduction in Rent and Additional Rent (as defined in Sections 5 and 6 below) due hereunder. The Leased Premises shall not include the space above the suspended ceiling. Landlord shall retain the right to use the area immediately below the floor surface and the space above the suspended ceiling in any manner which does not permanently and materially interfere with Tenant's use of the Leased Premises.

2.3 Intentionally Omitted.

3. LEASE TERM.

3.1 Generally. The term of this Lease (the "Term" or "Lease Term") shall be the period of time set forth in Section 1.11 above and shall commence on the Commencement Date as provided in Section 4.1 below and shall end at 11:59 p.m. on the Expiration Date, as provided in Section 4.2 below.

3.2 Termination. The Lease shall terminate on the Expiration Date, unless sooner terminated hereunder or by operation of law, without the necessity for any notice from either Landlord or Tenant. If Tenant fails to surrender the Leased Premises at the end of the Lease Term, Tenant shall be liable for, and shall indemnify Landlord against, all claims and demands made by any succeeding tenants against Landlord founded upon delay by Landlord in delivering possession of the Leased Premises to such succeeding tenant.

3.3 Holding Over. Any holding over by Tenant after the expiration of the Lease Term shall be construed to be a tenancy from month-to-month. During such tenancy, Tenant shall pay to Landlord a monthly rental of one hundred fifty percent (150%) of the Rent payable during the last month of the Lease Term in addition to the Additional Rent and Other Charges set forth herein. Except as set forth herein, such month-to-month tenancy also shall be subject to all of the terms, covenants, and conditions of this Lease.

3.4 Option to Extend Lease Term.

(a) Tenant is granted an option (the "Extension Option") to extend the Lease Term for five (5) years, to and including March 31, 2027. The period of time shall be referred to herein as the "Option Period". To exercise the Extension Option, Tenant must give Landlord unequivocal written notice of Tenant's election to exercise the Extension Option at least ten (10) calendar months (but not earlier than twelve (12) calendar months) prior to the Expiration Date.

(b) If Tenant elects to exercise the Extension Option, the Rent for the Option Period ("New Rent") shall be the Fair Market Rent (as defined below) for comparable space in the Bank of America Building ("Comparable Space"), but in no event shall the New Rent be less than the Rent payable during the last month of the Lease Term. If there is no Comparable Space in the Bank of America Building at the time, Tenant shall pay, as New Rent, whatever the fair market rent in the Bank of America Building would be if there was such Comparable Space in the Bank of America Building. The term "Fair Market Rent" shall mean the rent that would be paid by a willing tenant renewing its lease for Comparable Space for a term of five (5) years. Tenant concessions shall be included in the determination of fair market rent with respect to tenants who are renewing their leases in the Bank of America Building. The term "tenant concessions" shall include, without limitation, such inducements as tenant improvements and free rent.

(c) In the event Landlord and Tenant cannot agree on the New Rent, the matter shall be submitted for decision to a panel of three (3) arbitrators. Landlord and Tenant

shall each appoint one (1) arbitrator, who shall by profession be a licensed commercial real estate broker or an MAI real estate appraiser and who shall be familiar with Bellevue Place and have been active (over the three (3) year period ending on the date of such appointment) in the brokering or appraisal of Comparable Space. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's proposed New Rent is the closest to the Fair Market Rent. Each such arbitrator shall be appointed within fifteen (15) days after Tenant's or Landlord's notice to the other of its election to have the New Rent be determined by this arbitration procedure. The two arbitrators so appointed shall, within fifteen (15) days of the date of the appointment of the last appointed arbitrator, agree upon and appoint a third arbitrator, who shall be qualified under the same criteria set forth above for qualification of the initial two arbitrators. Failing such agreement, either Landlord or Tenant shall have the right to petition for the appointment of the third arbitrator by the Presiding Judge of the Superior Court of the County of King. The three (3) arbitrators shall, within thirty (30) days of the appointment of the third arbitrator, reach a decision as to whether the parties shall use Landlord's or Tenant's proposed New Rent and shall notify Landlord and Tenant thereof. The decision of the majority of the three (3) arbitrators shall be binding upon both Landlord and Tenant. The cost of the arbitration shall be paid by Landlord and Tenant equally. The arbitration procedure shall not take more than thirty (30) days. However, if the arbitrators have not determined the New Rent prior to the beginning of the Option Period, Tenant shall pay the Rent previously in effect under the Lease plus a ten percent (10%) increase until such time as the arbitrators determine the New Rent. If the arbitration procedure results in a higher Rent, Tenant shall pay the difference with the next monthly rental payment due under the Lease. If the arbitration procedure results in a lower Rent, Tenant shall receive a credit against its next monthly Rent payments under the Lease, and any succeeding monthly rental payments, if necessary, in an amount equal to the overpayment.

(d) Notwithstanding anything in the foregoing to the contrary, the Extension Option may not be exercised during any period in which Tenant is in default under any provision of the Lease until said default has been fully cured. Time is of the essence. If Tenant fails to exercise the Extension Option in any instance when such right is in effect, prior to the expiration of the applicable time period for the exercise of such right, the Extension Option shall thereafter be deemed null and void and of no further force or effect. The period of time within which the Extension Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise such rights because of the foregoing provisions. All rights of Tenant to the Extension Option shall terminate and be of no further force or effect, even after Tenant's due and timely exercise thereof, if, after such exercise, but prior to the commencement date of the Option Period, Tenant defaults under the terms of the Lease which default is not cured within any applicable cure period.

(e) The Extension Option shall be personal to Tenant and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant, nor shall the Extension Option be assignable separate and apart from this Lease.

(f) Notwithstanding anything herein to the contrary, if Tenant exercises its Extension Option, the Rentable Area of the Leased Premises for the Option Period shall be 20,350 (i.e., Suites 400, 425 and 450) and the load factor for the Option Period shall be as set forth in Section 6.2(e) below.

4. COMMENCEMENT AND EXPIRATION DATES; LEASE YEAR.

4.1 Commencement Date. The Commencement Date shall be the date set forth in Section 1.12 above.

4.2 Expiration Date. This Lease shall expire at 11:59 p.m. on the date set forth in Section 1.13 above.

4.3 Confirmation of Commencement and Expiration. Within five (5) business days after Tenant's occupancy of the Leased Premises, or upon Landlord's request, Landlord and Tenant shall confirm the specific Commencement and Expiration Dates in writing, as well as the "as built" Rentable Area of the Leased Premises, as defined in Section 6.2(f), and the Rent payable hereunder, which shall be appended to and incorporated into this Lease.

4.4 Lease Year. A "Lease Year" shall mean a calendar year commencing on January 1 and ending the following December 31. If the Commencement Date is a date other than January 1, the initial Lease Year shall be from and including the Commencement Date to and including December 31 of that calendar year. If the Expiration Date is a date other than December 31, the final Lease Year shall be from and including January 1 of the calendar year of the Final Lease Year to and including the Expiration Date.

5. RENT.

Tenant shall pay to Landlord, without notice or demand and without setoff or deduction whatsoever, the sums stated in Section 1.10 above (the "Rent"), which shall be paid to Landlord in advance in lawful money of the United States, on or before the first day of each calendar month at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. Rent and Additional Rent (as defined in Section 6.1 below) for any partial month at the beginning or end of the Lease Term shall be prorated, based upon a thirty (30) day month. All amounts payable hereunder, other than Rent and Additional Rent, may be sometimes referred to as "Other Charges." Landlord may (but shall not be required to) make available to Tenant procedures for the payment to Landlord by electronic funds transfer of any or all amounts required by the terms of this Lease to be paid by Tenant.

6. ADDITIONAL RENT.

6.1 Generally. In addition to the Rent provided for in Section 5 above, commencing on (i) the date of mutual execution of this Lease with regard to Leased Premises 450; (ii) the Leased Premises 400 Commencement Date with regard to Leased Premises 400; and (iii) the Leased Premises 425 Commencement Date with regard to Leased Premises 425, , Tenant shall pay to Landlord, without notice (other than notice advising Tenant of its share of the Additional Rent) or demand and without setoff or deduction, Tenant's Share (as defined in Section 6.2(a) below) of the Operating Expenses (as defined in Section 6.2(b) below), which expenses include, but are not limited to, (i) Operating, Repair, and Maintenance Expenses for the Bank of America Building and the Corner Building; and (ii) Operating, Repair, and Maintenance Expenses for Bellevue Place during the Lease Term (the "Additional Rent").

6.2 Definitions. The following terms shall have the meanings hereinafter specified, unless the context otherwise specifies or clearly requires:

(a) Tenant's Share. Tenant's Share shall be equal to the percentages set forth in Section 1.9 above.

(b) Operating Expenses Generally. The Operating Expenses shall include (i) all Operating, Repair and Maintenance Expenses (defined in Section 6.2(c) below), and (ii) all Taxes (defined in Section 6.2(d) below).

(c) Operating, Repair and Maintenance Expenses. Operating, Repair and Maintenance Expenses shall include the actual costs and expenses that are paid or payable by Landlord in connection with the operation, repair and maintenance of Bellevue Place and its constituent parts, which include without limitation, the Bank of America Building, the Corner

Building and the Wintergarden Retail Center, less all contributions for such costs received from the owner of the Hotel Tract as defined in and pursuant to the terms of that certain Construction, Operation and Reciprocal Easement Agreement recorded under King County Recorder's File No. 8709160449, as amended from time to time (the "REA"), and shall include, but not be limited to, those costs and expenses that are paid or payable to the Transportation Management Association. Without limiting the generality of the foregoing and by way of illustration, Operating, Repair and Maintenance Expenses shall include costs and expenses of all utility, heating, air conditioning and ventilation costs and expenses; license, permit and inspection fees; planting and landscaping costs and expenses; janitorial services; direct physical damage insurance (including but not limited to Joss of income insurance), liability and excess liability insurance, and other appropriate insurance policies, as determined solely by Landlord or Landlord's lender, including but not limited to garage keeper's legal liability, boiler and machinery and auto insurance; taxes and assessments on equipment; the cost and expense of repairs including, but not limited to, those of a capital nature necessary or appropriate to fulfill Landlord's obligations to its tenants; the cost and expense of removing trash and other refuse; the cost and expense of supplies, tools and equipment; the cost and expense of cleaning, maintaining, repairing and replacing machinery and equipment, including but not limited to automatic door openers, lights and lighting fixtures, heating, air conditioning and ventilation equipment, fire and sprinkler systems and security systems; depreciation allowance on machinery and equipment (depreciation to be over the useful life of any such machinery and equipment in accordance with the guidelines and regulations established by the Internal Revenue Service, if any); the cost and expense of personnel to implement such services, including but not limited to security and traffic control; legal and accounting costs and expenses; customary management fees; the cost of any capital improvements necessary or appropriate to fulfill Landlord's repair or maintenance obligations, required by any applicable governmental law or regulation not in effect at the time Tenant is required to take occupancy of the Leased Premises or made for the purpose of reducing operating, repair or maintenance costs (the cost of any such capital improvements shall be amortized over the useful life of such item (in accordance with the guidelines and regulations established by the Internal Revenue Service, if any, from time to time) as Landlord shall determine with a return on capital at the current market rate per annum on the unamortized balance or at such higher rate as may have been paid by Landlord on funds borrowed for the purpose of purchasing or constructing such improvements).

(d) Taxes. Taxes shall include all real estate taxes, personal property taxes and all other taxes, surcharges and assessments that are or may be levied upon, assessed against or attributable to Bellevue Place and all improvements, fixtures, equipment and other property of Landlord, real and personal, located on, in or under Bellevue Place and used in connection with the operation thereof, including the Bank of America Building, the Corner Building and land underlying the Bank of America Building and the Corner Building and including, although not limited to, the land, improvements, equipment, fixtures and other property used in connection with the operation of and comprising the Parking Garage and Wintergarden Retail Center and any rental, excise, sales, transaction or other privilege tax or levy, however denominated (excepting federal, state and local net income taxes) paid or payable during the Lease Term and taxes on all tenant improvements in the Wintergarden Retail Center owned by Landlord but excluding the Hotel Building and the land underlying the Hotel Building. Taxes also shall include any amounts paid or payable to any third party or incurred by Landlord for the purpose of obtaining a reduction in the Taxes as above defined.

(e) Rentable Area of the Leased Premises. For purposes of this Lease, the Rentable Area of the Leased Premises shall mean the Useable Area of the Leased Premises, as that term is defined and computed according to the *Standard Method for Measuring Floor Area in Office Buildings, ANSIBOMA z65.1-2010*, otherwise known as the "BOMA Standard," multiplied by a load factor of as follows:

Leased Premises 450: one point two three three zero percent (1.2330%); and, effective April 1, 2019, the load factor for Leased Premises 450 shall be one point two four three seven percent (1.2437%),

Leased Premises 400 and 425: one point two four three seven percent (1.2437%).

If Tenant exercises its Extension Option as provided in Section 3.4 above, Rentable Area of the Leased Premises shall mean the Useable Area of the Leased Premises, as that term is defined and computed according to the *Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA z65.1-2010*, otherwise known as the "BOMA Standard," multiplied by a load factor of one point six seven three percent (1.673%) (for the entire Leased Premises, i.e., Suites, 400, 425, and 450).

The "as built" Rentable Area of the Leased Premises shall be the true Rentable Area of the Leased Premises at the time Landlord tenders possession of the Leased Premises to Tenant.

(f) Rentable Area of Bellevue Place. For purposes of this Section 6, the Rentable Area of Bellevue Place shall include the total of all areas and spaces in (i) the Bank of America Building, (ii) the Corner Building, and (iii) all areas and spaces in and opening into the Wintergarden Retail Center (whether or not such areas or spaces in the Bank of America Building, the Corner Building, and the Wintergarden Retail Center are actually leased by Landlord) that are available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests and shall include, but not be limited to, all rest rooms, mezzanines, warehousing and storage areas, clerical and office areas, and employee areas within the leased premises of any tenant of Landlord in the Wintergarden Retail Center, Bank of America Building and Corner Building, but shall exclude all areas and spaces in the Hotel Building (other than those areas and spaces in or opening into the Wintergarden Retail Center and available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests) and the Common Areas and Facilities of Bellevue Place. If at any time, Landlord believes the Rentable Area of Bellevue Place is materially different than the Rentable Area of Bellevue Place set forth in Section 1.8 above because of an error in calculation or additions, modifications or alterations to Bellevue Place and Landlord desires to amend this Lease to reflect the actual or changed Rentable Area of Bellevue Place, Landlord shall so notify Tenant in writing. If Tenant does not object in writing to Landlord's notice within ten (10) days following receipt of Landlord's notice, this Lease shall be deemed to be amended to incorporate the Rentable Area of Bellevue Place as set forth in Landlord's notice to Tenant. If Tenant does object in writing to Landlord's notice within said ten (10) days, and Landlord and Tenant are unable to agree upon the Rentable Area of Bellevue Place within ten (10) days following receipt of Tenant's notice of objection, the matter shall be submitted for determination to the Project Architect for Bellevue Place. The decision of the Project Architect shall be final and binding on both Landlord and Tenant and this Lease shall be deemed to be amended to reflect the Rentable Area of Bellevue Place as and when decided by the Project Architect. The cost and expense of the Project Architect's consideration of the matter, if any, shall be shared equally among Landlord and all tenants objecting to Landlord's notice.

(g) Notwithstanding anything in this Section 6.2 to the contrary, the following costs shall not be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease:

Leasing commissions, advertising expenses, fees and costs incurred in procuring new tenants for portions of Bellevue Place.

Except as permitted in Section 6.2(c) of the Lease, interest or amortization payments on mortgages.

Rental on ground leases or other underlying leases.

Any costs or expenses associated with or incurred in connection with required environmental testing, removal, enclosure, encapsulation or other handling of asbestos or other hazardous or toxic materials or substances.

Costs of any item for which Landlord is or is entitled to be paid or reimbursed by insurance.

Charges for electricity, water, or other utilities and applicable taxes for which Landlord is entitled to reimbursement from any other tenant.

Cost of correcting major defects in the design, construction or equipment of, or substantial latent defects in, the Bank of America Building or Bellevue Place (a defect, for the purposes of this subsection (g), is defined as a substantial condition that occurred because of negligence in the initial construction of Bellevue Place).

Any costs incurred in constructing any future material expansion of the Bank of America Building (as opposed to the costs of operating and maintaining the expanded Bank of America Building, which may be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease).

Costs of a capital nature, except for costs (a) reasonably necessary or appropriate to fulfill Landlord's repair or maintenance obligations; (b) incurred as a result of any applicable governmental law or regulation enacted and enforced after the date of the Lease; and/or (c) made for the purpose of reducing operating, repair or maintenance costs.

Interest and penalties incurred as a result of Landlord's delinquent payment of any obligation of Landlord.

Notwithstanding any reference in Section 6.2 to the contrary, the cost of any capital item shall not be expensed in a single year but shall be depreciated over the useful life of such item in a manner consistent with other Bellevue Class "A" office buildings.

Notwithstanding anything in this Lease to the contrary, there shall be no duplication of any particular cost, charge or expense in any operating costs and maintenance expenses set forth in this Section 6.2 of the Lease, provided Landlord reserves the right to include a customary administrative fee and a customary management fee within operating costs and maintenance expenses.

6.3 Payment. Landlord shall provide to Tenant, at or before the Commencement Date, an estimate of the annual Operating Expenses for the Lease Year in which the Commencement Date occurs. Within ninety (90) days after the expiration of each succeeding Lease Year of the Lease Term, or as soon thereafter as such information becomes available, Landlord shall give Tenant a written estimate of Tenant's Share of the Operating Expenses for the then current Lease Year ("Tenant's Estimated Share"). Tenant shall pay Tenant's Estimated Share, in advance, in equal monthly installments on or before the first (1st) day of each calendar month of such Lease Year at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. During the period of time following the expiration of a Lease Year and Tenant's receipt of Landlord's estimate of Tenant's Estimated Share, Tenant shall continue to pay Landlord Tenant's Estimated Share from the prior Lease Year. Within ninety (90) days after the expiration of each Lease Year of the Lease Term (or as soon thereafter as such information becomes available), Landlord shall furnish to Tenant a written statement summarizing the actual

amount of Tenant's Share of the Operating Expenses for the prior Lease Year (hereinafter sometimes referred to as the "Annual Reconciliation Statement"). If Tenant's Share of the Operating Expenses exceeds the amount paid by Tenant, Tenant shall pay the deficiency to Landlord promptly upon receipt of a written notice of the amount thereof. If such statement shows Tenant's Share of the Operating Expenses to be less than the amount paid by Tenant, the amount of overpayment by Tenant shall be credited by Landlord to the next payment or payments of Additional Rent due hereunder, if Tenant has otherwise complied with all of the terms and provisions of this Lease. If the Lease Term has expired and Tenant has vacated the Leased Premises and no amounts are or may become payable by Tenant, then any overpayment shall be returned to Tenant, or at Landlord's option, to the last assignee of Tenant's interest in the Leased Premises. If this Lease commences at a time other than the beginning of a calendar year, Tenant shall pay the Additional Rent for the remaining portion of the Lease Year based upon the number of days from the Commencement Date. If this Lease expires at a time other than the last day of a calendar year, Tenant shall be obligated to pay immediately any deficiencies which shall be computed at the expiration of that Lease Year. If at any time during a Lease Year it appears to Landlord that any of the Operating Expenses payable for that Lease Year will vary from Landlord's estimate by more than five percent (5%) on an individual or aggregate basis, Landlord may, at its election, adjust Tenant's Estimated Share for the balance of that Lease Year to compensate for such increase. Any increased payments required to be made pursuant to this Section shall be made within thirty (30) days after Landlord has notified Tenant thereof. Tenant's obligations under this Section shall survive the expiration or termination of this Lease.

6.4 Nonpayment. In the event of nonpayment of any item of Additional Rent or any Other Charge due hereunder, Landlord shall have the same rights and remedies as for failure to pay Rent.

6.5 Future Development of Bellevue Place. Tenant is aware that Landlord, by itself or in combination with other persons, intends to further expand and develop Bellevue Place in one or more additional phases and Tenant has reviewed plans and other documents describing the intended expansion and development of Bellevue Place or has been provided with opportunities to review such plans and documents. In the event one or more such phases of the Bellevue Place project are completed during the Lease Term, any additional operating, repair or maintenance expenses and real estate and other taxes attributable to such other phases may be included in the Operating Expenses at Landlord's discretion; provided that the denominator used to calculate Tenant's proportionate share of such expenses is reasonably adjusted with respect to such phases.

6.6 Disputes Relating to Additional Rent. If Tenant desires to contest any calculation by Landlord of Tenant's Share or the amount of any Bellevue Place Operating Expense payable by Tenant, Tenant must give Landlord a written notice (an "Objection Notice") stating that Tenant disputes the calculation or amount. The Objection Notice must be received by Landlord within ninety (90) days after Tenant receives Landlord's Annual Reconciliation Statement regarding Bellevue Place Operating Expenses, and set forth with particularity the reason why Tenant disputes Landlord's calculation or the amount. If Tenant fails to give Landlord such an Objection Notice within such time, Tenant shall be deemed to have waived and released any and all rights it may have to contest the calculation and amount. Promptly after receiving any such Objection Notice from Tenant, Landlord shall meet with Tenant and both Tenant and Landlord shall attempt in good faith to reconcile the matters described in the Objection Notice; provided, however, if Tenant refuses to meet with Landlord within thirty (30) days after the date Landlord received the Objection Notice from Tenant, Tenant shall be deemed to have waived and released any and all rights it may have to contest Landlord's calculation and the inclusion and amount of any Bellevue Place Operating Expense. If Landlord and Tenant are unable to resolve the dispute within a reasonable time, Landlord shall cause its accounting firm to undertake an investigation and analysis of the matter and prepare a written report, a copy of

which shall be provided to Tenant. The cost of the investigation, analysis and report shall be paid for by Tenant unless the investigation and analysis discloses a material error favoring Landlord, in which event Landlord shall bear the cost of the investigation, analysis and report. If the report discloses that the amount or calculation used by Landlord was incorrect, Landlord shall provide a credit to Tenant against future obligations under this Section 6 equal to the amount of any overpayment paid by Tenant during the Lease Year to which Tenant's Objection Notice relates. Notwithstanding the pendency of any dispute hereunder, Tenant shall continue to pay all amounts owed hereunder based upon Landlord's determination and calculation or until such calculation or amount has been established hereunder to be incorrect.

7. LATE CHARGES.

If Tenant fails to pay, when the same is due and payable, any Rent, Additional Rent or Other Charges, such unpaid amounts shall bear interest at the rate of two percent (2%) per month from the date due to the date of payment, unless such amount would violate any applicable usury law, in which event such unpaid amounts shall bear interest at the highest rate then allowed by law. In addition to such interest, Tenant acknowledges that the late payment by Tenant of any installment of Rent, Additional Rent or Other Charges will cause Landlord to incur certain costs and expenses not contemplated under this Lease, the exact amount of such costs being extremely difficult or impractical to fix. Such costs and expenses will include, without limitation, administrative and collection costs, and processing and accounting expenses. Therefore, if any Rent, Additional Rent or Other Charge installment is not received by Landlord from Tenant by the fifth (5th) day after such installment is due, Tenant shall immediately pay to Landlord, in addition to the installment due, a late charge equal to twelve percent (12%) of such installment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for its loss and expense suffered by such nonpayment by Tenant. Acceptance of this late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising all other rights and remedies available to Landlord under this Lease. Landlord shall apply payments made by Tenant first to accrued charges, interest and rent in the following order: (a) Late Charges; (b) interest; (c) Rent; Other Charges and Additional Rent; and (d) any balance remaining to current Rent, Other Charges, and Additional Rent. Notwithstanding anything in this Section 7 to the contrary, provided Tenant pays all sums due hereunder by electronic funds transfer, Landlord shall waive the first (1st) late charge that may be incurred by Tenant during any twelve (12) month period during the Lease Term, provided the unpaid amount is in fact paid in full by Tenant on or before the fifteenth (15th) day of the month in which any such payment is due.

8. SECURITY DEPOSIT.

As additional consideration for this Lease, Tenant has delivered to Landlord as a security deposit the sum shown in Section 1.14 above. Such sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of this Lease to be kept and performed by Tenant during the entire Lease Term. If Tenant is in breach under any provision of this Lease, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any unpaid obligation or sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's breach, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach. In the event Landlord elects to so use, apply or retain all or any part of the security deposit, Tenant shall deposit with Landlord, within ten (10) days of demand therefor, cash sufficient to restore the security deposit to the amount set forth in Section 1.14. Landlord shall not be required to keep the security deposit separate from its general funds and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease, the security deposit or any balance thereof

after deductions hereunder by Landlord shall be returned to Tenant (or at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder) within thirty (30) days following expiration of the Lease Term or Tenant's return of the Leased Premises to Landlord in the condition required hereunder, whichever shall last occur. No trust relationship is created hereby between Landlord and Tenant with respect to the security deposit.

9. USES.

9.1 Permitted Uses. Tenant shall use and occupy the Premises only for general office purposes consistent with a first class office building (the "Permitted Use") under the trade name set forth in Section 1.5 above, and for no other business or purpose or under any other trade name without the prior written consent of Landlord, which consent may be withheld if Landlord, in its sole discretion, determines that any proposed use or trade name is inconsistent with or detrimental to the maintenance and operation of the Building as a first-class office building. Landlord makes no representation or warranty as to the availability of Tenant's Permitted Trade Name or that it will not infringe on any other person's trademark, service mark or other rights or privileges.

9.2 Prohibited Uses. Tenant shall not do or permit or suffer anything to be done in or about the Leased Premises, Bank of America Building or Bellevue Place which will in any way obstruct or interfere with the rights of other tenants or occupants of the Bank of America Building or Bellevue Place or injure or annoy them, their customers or clients, nor shall Tenant use or allow the Leased Premises to be used for any purpose which is objectionable or offensive in Landlord's reasonable judgment or which is unlawful, nor shall Tenant do or permit or suffer anything to be done in or about the Leased Premises, the Bank of America Building or Bellevue Place which would cause Landlord to be in violation of any of its agreements with others. If Tenant permits or engages in any activity which, in Landlord's reasonable judgment, is objectionable, offensive or otherwise constitutes a nuisance to Landlord, the other tenants of the Bank of America Building or Bellevue Place, or their employees, customers, guests or invitees, Tenant shall immediately discontinue such activity or take action to cause the activity to be discontinued with all due diligence if it cannot be immediately discontinued. Tenant's failure to comply with this Section shall constitute a material default of this Lease and entitle Landlord to pursue its remedies for such a breach or, in the alternative, undertake such work as may be appropriate to prevent such activity and recover, as additional rent, the cost thereof plus interest thereon at two percent (2%) over the prime rate of interest charged or published by Bank of America on the first day of each month, commencing on the date due through the date of payment.

9.3 Compliance with Laws, Rules and Regulations. Tenant shall, at its sole cost and expense, promptly comply with all local, state and federal laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force relating to Tenant's use and occupancy of the Leased Premises and Tenant's business conducted therein.

9.4 Hazardous Material. Tenant shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Leased Premises by Tenant, its agents, employees, contractors or invitees. If Tenant breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Leased Premises caused or permitted by Tenant results in contamination of the Leased Premises or any part of Bellevue Place or any other property, or if contamination of the Leased Premises or any part of Bellevue Place or any other property by Hazardous Material otherwise occurs for which Tenant may be legally liable for damage resulting therefrom, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the property, damages for the loss or

restriction on use of rentable or useable space or of any amenity of Bellevue Place or the Leased Premises or elsewhere, damages arising from any adverse impact on marketing of space at Bellevue Place or elsewhere, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Lease Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under Bellevue Place. Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Leased Premises or Bellevue Place by Tenant, its agents, employees, contractors or invitees, results in any contamination of the Leased Premises or any part of Bellevue Place or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Leased Premises, Bellevue Place or any other property to the condition existing prior to the introduction of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Leased Premises, Bellevue Place or other property. As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government.

10. SERVICES AND UTILITIES.

10.1 Standard Services. As long as Tenant is not in default under any of the provisions of this Lease, Landlord shall cause the Leased Premises (in accordance with Section 12.3) and the public and common areas of the Building, including the lobbies, elevators, stairs, corridors and rest rooms, to be maintained in reasonably good order and condition consistent with the operation and maintenance of the Bank of America Building as a first-class office and retail building in downtown Bellevue, except for damage occasioned by any act or omission of Tenant or Tenant's officers, contractors, agents, invitees, licensees or employees, the repair of which shall be paid for by Tenant. From 7:00 a.m. to 6:00 p.m. on weekdays, excluding legal holidays ("Regular Business Hours"), Landlord shall furnish the Leased Premises with electricity for lighting and operation of low power usage office machines, water, heat, air conditioning and elevator service (the "Standard Services"). During all other hours, Landlord shall furnish the Standard Services, including elevator service as reasonably required to provide access to the Leased Premises, except for heat and air conditioning and lighting. If requested by Tenant, Landlord shall furnish heat and air conditioning and lighting at times other than Regular Business Hours and the cost of such services, as established by Landlord, shall be paid by Tenant in the same manner as provided in Section 5 above. Landlord also shall provide lamp replacement service for Building Standard fluorescent light fixtures, toilet room supplies, window washing at reasonable intervals and customary building janitorial service as part of the Standard Services, although no janitorial service shall be provided for Saturdays, Sundays or legal holidays. The cost and expense of any janitorial or other services provided or caused to be provided by Landlord to Tenant in addition to the services ordinarily provided Bank of America Building tenants shall be paid by Tenant in the same manner as provided for payment in Section 5 above.

10.2 Interruption of Services. Landlord shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption or failure of the Standard Services due to any cause whatsoever. No temporary interruption or failure of the Standard Service incident to the making of repairs, alterations, or improvements, or due to accident, strike or conditions or events beyond Landlord's reasonable control shall be deemed an eviction of Tenant or relieve Tenant from any of Tenant's obligations hereunder.

10.3 Additional Services. Tenant shall not install lights and equipment in the Leased Premises with heating loads which in the aggregate exceed the Bank of America Building standard mechanical system. Landlord shall not arbitrarily withhold consent to Tenant's installation of lights and equipment exceeding such amount but may condition its consent on Tenant's payment of the costs incurred by Landlord for the installation, operation, repair and maintenance of supplementary air conditioning capacity or electrical systems as necessitated by such equipment or lights. In addition, Tenant shall pay to Landlord, in advance, on the first day of each month during the Lease Term, such amount estimated by Landlord to be the cost of furnishing electricity to Tenant for the operation of such equipment or lights and such amount estimated by Landlord to be the cost of operating and maintaining the supplementary air conditioning units as necessitated by Tenant's use of such equipment or lights. Such costs shall be paid by Tenant in the same manner as provided in Section 5 above. In the event of nonpayment of amounts due for any of the above-described additional services, Landlord shall have the same rights and remedies as it has with respect to the nonpayment of rent hereunder. Landlord shall be entitled to install and operate, at Tenant's sole cost and expense, a monitoring or metering system in the Leased Premises to measure the added demands on electricity, heating, ventilation, and air conditioning systems resulting from such equipment and lights and from Tenant's after-hours heating, ventilation and air conditioning service requirements. Tenant shall comply with Landlord's instructions for the use of drapes, blinds and thermostats in the Bank of America Building.

11. IMPROVEMENTS, ALTERATIONS AND ADDITIONS.

11.1 Premises Improvements.

(a) Prior to the Leased Premises 400 Commencement Date and Leased Premises 425 Commencement Date, Leased Premises 400 and Leased Premises 425 shall be improved by Landlord (the "Premises Improvements"), which Premises Improvements shall be in accordance with mutually agreed upon plans and specifications for such improvements (the "Premises Plans"). The Premises Improvements shall be performed and installed by design professionals and contractors selected by Landlord in the exercise of Landlord's subjective discretion, and shall be performed in accordance with the requirements set forth in Exhibit "D". Landlord shall contract directly with the contractors constructing the Premises Improvements. Landlord shall contract directly with the Project Architect for architectural services related to the Premises Improvements. Landlord shall pay certain amounts toward the cost of the Premises Improvements ("Landlord's Improvement Allowance"). Landlord's Improvement Allowance is limited to Six Hundred Eighty Thousand Seven Hundred Fifteen and 00/100 Dollars (\$680,715.00). Landlord's Improvement Allowance shall be used exclusively for the Premises Improvements (including all sales and other applicable taxes but not including furniture, trade fixtures, equipment, inventory, or personal property, which shall be Tenant's sole cost and responsibility); provided, however, Tenant has the right to use up to Twenty-five Thousand Nine Hundred Thirty-two and 00/100 Dollars (\$25,932.00) of Landlord's Improvement Allowance to offset data, telephone, and similar communication cabling costs. In addition to Landlord's Improvement Allowance, Landlord agrees to contribute the amount of One Thousand Nine Hundred Forty-four and 90/100 Dollars (\$1,944.90) for an initial space plan prepared by the Project Architect.

(b) Any and all costs for the construction and installation of the Premises Improvements (including but not limited to the cost of all working drawings, space plans, and engineering, architectural, design and consulting fees) in excess of Landlord's Improvement Allowance ("Excess Improvement Costs") shall be Tenant's sole responsibility and shall be paid by Tenant promptly when due. Tenant's failure or refusal to pay any such Excess Improvement Costs shall be a material breach of this Lease and a default hereunder. If it should appear to Landlord at any time that Tenant is or may be obligated to pay for any Excess Improvement

Costs, in addition to any and all other rights and remedies to which Landlord may be entitled, Landlord shall have the right, but not the obligation, to immediately stop or prevent any and all further design, construction and installation work until Landlord has received satisfactory assurances that Tenant can and will promptly pay all Excess Improvement Costs.

(c) Prior to the Leased Premises 400 Commencement Date and Leased Premises 425 Commencement Date, the Project Architect shall certify that the Premises Improvements are substantially complete in accordance with the Premises Plans. If substantial completion of the Premises Improvements is delayed by Tenant's acts or omissions, change in design decisions, revisions or additional work, or those of Tenant's agents, then the Commencement Date shall be the date substantial completion of the Premises Improvements would have been achieved but for the Tenant delay, as determined by the Project Architect. The terms "substantial completion" or "substantially complete", as used herein, means that stage of construction where the Premises Improvements are usable for their principal intended purpose, as determined in good faith by the Project Architect, and the applicable governmental authorities deem the Leased Premises approved for occupancy, notwithstanding the possible need to complete, finish or install non-critical improvement features and fixtures. The existence of repairs or defects of a nature commonly found on a "punch list," (meaning minor items that do not materially impact Tenant's use of the Leased Premises), after turnover to Tenant, shall not postpone the Commencement Date or result in a delay or abatement of Tenant's obligation to pay rent or give rise to a damage claim against Landlord, provided Landlord shall use commercially reasonable efforts to complete such punch list items within sixty (60) days after Landlord's receipt of Tenant's punch list, referred to below. Tenant's occupancy of the Leased Premises shall be deemed an acknowledgement that the Leased Premises is in good condition and repair and that Landlord has caused the Bank of America Building and all of the Premises Improvements to be constructed as required by this Lease, subject to those items, if any, specified in any punch list to be delivered by Tenant within thirty (30) days following substantial completion.

(d) All improvements and fixtures made or installed in or to the Leased Premises, including all Premises Improvements, are the property of Landlord. The Premises Improvements shall not include, and Tenant shall be solely responsible for all costs associated with (i) the interior design of the Leased Premises, (ii) security and access control to the Leased Premises, (iii) data, telephone, and similar communications cabling in excess of Twenty-five Thousand Nine Hundred Thirty-two and 00/100 Dollars (\$25,932.00), as set forth in paragraph 11.1(a) above, and (iv) furniture, fixtures and equipment. The foregoing shall be deemed to be a financial accommodation of the type referenced in 11 USC §365(c)(2) and a material and substantial part of this Lease transaction, as amended.

11.2 Alterations by Tenant. After completion of Tenant's Improvements, Tenant shall not make any subsequent alterations, additions or improvements in, on, or to the Leased Premises without the prior written consent of Landlord, which consent may be subject to such conditions as Landlord may deem appropriate. Tenant shall submit complete sets of final plans and specifications for all such alterations, additions or improvements to Landlord for approval. Any such alterations, additions or improvements consented to by Landlord shall be made at Tenant's sole cost and expense. Prior to the commencement of any such work, Tenant shall notify Landlord of the contractors that will be retained by Tenant to perform the work. Landlord shall have the right to approve or disapprove in advance any or all contractors to be retained by Tenant for such work. Landlord shall promptly be provided with complete "as built" drawings and specifications for all alterations, additions and improvements made by Tenant. Tenant shall secure all governmental permits, approvals or authorizations required for such work. All alterations, additions and improvements (including but not limited to all light fixtures and floor coverings but excluding any inventory, furniture and similar personal property which does not become a part of the Leased Premises) shall immediately become the property of Landlord,

without any obligation on the part of Landlord to pay therefor, upon installation in the Leased Premises. Upon the expiration or sooner termination of the Lease Term, Tenant shall forthwith remove (at Tenant's sole cost and expense) all alterations, additions or improvements made by Tenant (except original leasehold improvements constructed as part of Tenant's Improvements) designated by Landlord to be removed and Tenant shall repair (at its sole cost and expense) any damage to the Leased Premises caused by such removal. Notwithstanding anything herein or elsewhere in this Lease to the contrary, Tenant shall remove all voice and data cabling and other telecommunications equipment installed by Tenant, and shall restore the Leased Premises to the condition they were in prior to the installation of such items. Tenant's obligations hereunder shall survive the expiration or termination of this Lease. Tenant shall be permitted to install card readers on the stairwell doors adjacent to floors 4, 9, 13 and 20 of the Bank of America Building, subject to approval by Landlord and the City of Bellevue.

11.3 Disability Laws. Notwithstanding anything in this Lease to the contrary, if Tenant constructs, makes or installs or causes to be constructed, made or installed any improvement or alteration in or to the Leased Premises, Tenant shall be solely responsible for ensuring that such improvements and/or alterations do not violate any provision in any local, state or federal law or regulation relating to accessibility for handicapped persons or the removal of architectural or communication barriers to accessibility ("Disability Law"), including but not limited to RCW Chapter 70.92 and The Americans with Disabilities Act. Any approval by Landlord of Tenant's plans or specifications for any such improvements or alterations shall not be a representation or warranty, express or implied, by Landlord that such plans will comply with any Disability Law. If any claim is asserted against Landlord under any Disability Law which claim relates directly or indirectly to any alterations or improvements installed, made or constructed, directly or indirect, by or for Tenant in or to the Leased Premises or any trade fixture or personal property item used by Tenant in the Leased Premises, Tenant shall defend, indemnify and hold Landlord harmless from and against the claim and any and all charges, liabilities, obligations, penalties, damages, judgments, costs and expenses (including attorneys' fees) arising or incurred against or suffered, directly or indirectly, by Landlord relating thereto. If it should be determined that any improvement or alteration constructed, made or installed in or to the Leased Premises, directly or indirectly, by or for Tenant or any trade fixture or personal property item used by Tenant in the Leased Premises is an illegal architectural or communication barrier under any Disability Law, Tenant shall immediately, at its sole cost and expense, remove the barrier or, to the extent allowed by the Disability Law, provide alternatives to the barrier so as to make the Leased Premises accessible to handicapped persons. No alteration or improvement in the Leased Premises will be approved by Landlord if it will require that barriers outside the Leased Premises be removed under any Disability Law. Tenant shall not have any basis for objecting to Landlord's judgment regarding the probable application of any Disability Law provided Landlord does not act arbitrarily.

12. MAINTENANCE OF THE PREMISES.

12.1 Maintenance and Repair by Tenant. Tenant shall at all times throughout the Lease Term, at its sole cost and expense, keep the Leased Premises (including all exterior doors and entrances, windows and moldings and trim on all doors and windows) and all partitions, door surfaces, fixtures, equipment and appurtenances thereof in good order, condition and repair consistent with a first-class office building, damage by unavoidable casualty excepted (but not excluding any damage caused by burglary, attempted burglary or vandalism of the Leased Premises).

12.2 Failure to Maintain. If, after five (5) days' prior written notice (except in emergencies) from Landlord, Tenant fails to keep, preserve and maintain the Leased Premises as set forth in Section 12.1 above, Landlord may, at its option, put or cause the same to be put in the condition and state of repair agreed upon, and in such case, upon receipt of written statements

from Landlord, Tenant shall promptly pay the entire cost thereof as additional rent. Landlord shall have the right to enter the Leased Premises for the purpose of undertaking such work upon the failure of Tenant to do so.

12.3 Repair by Landlord. Landlord shall keep the roof, exterior walls, exterior building windows, public corridors, equipment used in common with other tenants (such as elevators, plumbing, heating, airconditioning and similar equipment) and building structure of the Leased Premises in a good state of repair, and shall accomplish such repairs as may be needed promptly after receipt of written notice from Tenant. If repairs are required by reason of Tenant's acts or negligent failure to act, Tenant shall promptly pay Landlord, as additional rent, for the cost thereof. Except as otherwise specifically provided in Sections 16 or 28, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Leased Premises or building of which the Leased Premises are a part, or in or to fixtures, appurtenances and equipment therein. In no event shall Landlord be liable to Tenant for any damage to the Leased Premises or for any loss, damage or injury to any property therein or thereon resulting from acts by other third parties or occasioned by fire; explosion; falling plaster; the breaking, bursting, stoppage or leaking of water, gas, sewer, electrical cables, wires or steam pipes; or from water, rain, or other substances leaking or coming from the roof, street, subsurface or from any other place or from dampness or from any similar risks or causes. Landlord shall not be liable for any loss or damage to any person or property sustained by Tenant or any other persons, which may be caused by theft, or by any act or neglect of any tenant or occupant of Bellevue Place, or of any other third parties.

12.4 Surrender of Leased Premises. At the expiration or sooner termination of this Lease, Tenant shall return the Leased Premises to Landlord in the same condition in which it was initially received (or, if altered by Landlord or by Tenant with Landlord's consent, then the Leased Premises shall be returned in such altered condition), reasonable wear and tear and damage by fire or other unavoidable casualty excepted (excluding burglary, attempted burglary and vandalism). Tenant shall remove all inventory, furniture and other personal property which does not become a part of the Leased Premises, and all alterations and improvements which Landlord designates to be removed pursuant to Section 11.2 above, and shall restore the Leased Premises to the condition it was in prior to the installation of such items. Tenant's obligations under this Section 12 shall survive the expiration or termination of this Lease.

13. ACCEPTANCE OF THE LEASED PREMISES.

Except as otherwise provided in this Section 13, and subject to Landlord's completion of the Premises Improvements in accordance with Section 11.1 above, Tenant has inspected the Leased Premises and accepts the same in their current condition and waives the right to make any claim against Landlord for any matter directly or indirectly arising out of the condition of the Leased Premises, appurtenances thereto, the improvements thereon and the equipment thereof. **LANDLORD MAKES NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR HABITABILITY.**

14. DEFAULT BY LANDLORD.

Landlord shall not be in default under this Lease unless Landlord fails to perform the obligations required of Landlord within a reasonable time, but in no event less than thirty (30) days after written notice by Tenant to Landlord and to the holder of all mortgages and deeds of trust covering the Leased Premises whose names and addresses shall have been furnished to Tenant in writing. The notice shall specify wherein Landlord has failed to perform such obligation; provided, however, if the nature of Landlord's obligation is such that more than thirty

(30 days are required for performance then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Tenant further agrees not to invoke any of its remedies under this Lease and which Tenant otherwise may have until such thirty (30) days have elapsed. In no event shall Tenant have the right to terminate this Lease as a result of Landlord's default and, subject to Section 30, Tenant's remedies shall be limited to damages.

15. ACCESS.

15.1 Right of Entry. Tenant shall permit Landlord and its employees, agents and contractors to enter into and upon the Leased Premises at any time during normal business hours (8:00 a.m. to 6:00 p.m.) for the purpose of inspecting the same or for the purpose of cleaning, repairing, altering or improving the Leased Premises or the Bank of America Building. If Tenant is not personally present to permit entry, in case of emergency or urgent necessity Landlord may forcibly enter the same at any hour without rendering Landlord liable therefor. Nothing contained in this Section shall be deemed to impose any obligation upon Landlord not expressly stated elsewhere in this Lease. When reasonably necessary Landlord may temporarily close entrances, doors, corridors, elevators or other facilities without liability to Tenant by reason of such closure and without such action by Landlord being construed as an eviction of Tenant or release of Tenant from the duty of observing and performing any of the provisions of this Lease. Landlord shall have the right to enter the Leased Premises for the purpose of showing the Leased Premises to prospective tenants within the period of one hundred eighty (180) days prior to the expiration or sooner termination of this Lease.

15.2 Excavation. If an excavation is made of property adjacent to the Leased Premises, Tenant shall and does hereby afford to the person causing or authorized to cause such excavation, an irrevocable license to enter upon the Leased Premises for the purpose of doing such work as Landlord shall deem necessary to preserve the wall of the building of which the Leased Premises are a part from injury or damage and to support the same by proper foundations or other means, without any claim for damages against Landlord or diminution or abatement of rent.

16. DAMAGE OR DESTRUCTION.

16.1 Insured Loss. Subject to Section 16.2, if the Leased Premises are damaged by perils covered by Landlord's insurance coverage and the proceeds therefrom are sufficient to cover the cost of repairs and are made available to Landlord for the purpose of repairing such damage, Landlord agrees to forthwith repair the same, and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of Rent and Additional Rent from the date of damage and while such repairs are in progress, provided said damage did not result from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant. Such proportionate reduction shall be based upon the extent to which the damage and making of such repairs materially interfere, if at all, with the business carried on by Tenant in the Leased Premises. If such damage resulted from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant, the Rent and Additional Rent shall abate only to the extent Landlord receives proceeds from Landlord's rental income insurance policy to compensate Landlord for the loss of such rent.

16.2 Uninsured Loss. If the Leased Premises are damaged as a result of any cause other than the perils covered by Landlord's insurance coverage or if the insurance proceeds are not sufficient to cover the cost of repairs, Landlord shall forthwith repair the same provided the cost of repair is less than ten percent (10%) of the then replacement cost of the Leased Premises. If the Leased Premises are damaged as a result of a cause other than a peril covered by Landlord's insurance coverage, or if the insurance proceeds from Landlord's insurance are not

made available to Landlord for the purpose of repairing the Leased Premises, or, if the cost of repair is equal to or greater than ten percent (10%) or more of the replacement cost of the Leased Premises, then Landlord shall have the option to (i) repair or restore such damage, in which event this Lease shall continue in full force and effect but the Rent and Additional Rent shall be proportionately reduced as provided in Section 16.1 above; or (ii) at any time within one hundred twenty (120) days after such damage give notice to Tenant of the termination of this Lease as of the date specified in such notice, which date shall not be less than thirty (30) days after the date of such notice. If such notice is given, this Lease shall terminate and all interest of Tenant in and to the Leased Premises shall end on the date so specified in such notice and the Rent and Additional Rent, reduced by a proportionate reduction, based upon the extent, if any, to which such damage materially interfered with the business carried on by Tenant in the Leased Premises, shall be paid up to date of such termination.

16.3 No Obligation. Notwithstanding anything to the contrary contained in this Section 16, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Leased Premises when the damage resulting from any casualty occurs during the last twenty-four (24) calendar months of the Lease Term.

16.4 Partial Destruction of the Bank of America Building. If a portion of the Bank of America Building is damaged and the insurance proceeds therefrom are not sufficient to cover the cost of repairs or are not made available to Landlord for the purpose of repairing the same, or if thirty percent (30%) or more of the Rentable Area of the Bank of America Building is damaged, notwithstanding that the Leased Premises may be unaffected, Landlord may terminate this Lease and the tenancy hereby created by giving Tenant not less than thirty (30) days' prior written notice of Landlord's election to terminate the tenancy; provided, however, that such notice shall be given, if at all, within one hundred twenty (120) days following the date of occurrence of such damage or destruction. Rent and Additional Rent shall be prorated as of the date of such termination.

16.5 Business Interruption. No damages, compensation or claims shall be payable by Landlord for inconvenience, loss of business, or annoyance arising from any repair or restoration of any portion of the Leased Premises or of the Bank of America Building. Landlord shall use reasonable efforts to effect such repairs promptly.

17. MUTUAL RELEASE AND WAIVER OF SUBROGATION.

Landlord and Tenant hereby mutually release each other from liability, and waive all right of recovery against each other, for any injury, loss or damage to any building, structure, inventory or other tangible property and any revenues, profit and rents to be generated therefrom, whether due to negligence or any other insured cause, if such injury, loss or damage is caused by any of the perils which are covered by a first-party insurance policy benefiting the party suffering such injury, loss or damage, or if such injury, loss or damage was required to be covered by insurance pursuant to this Lease; provided that this Section shall be inapplicable if it would have the effect, but only to the extent it would have the effect, of invalidating any insurance coverage of Landlord or Tenant. This Waiver only applies to insured property losses and does not limit the ability to recover for deductibles or other uninsured losses. Landlord and Tenant acknowledge that their current insurance policies, as of the date of this Lease, will not be invalidated. In the future, if avoiding any invalidation can be effected by the payment of money to such insurer, the other party may elect to pay such amount to obtain such waiver of subrogation for its benefit. Landlord and Tenant, respectively, shall promptly notify the other if its insurance will be invalidated by the foregoing release and waiver or if any payment is required to avoid such invalidation. Notwithstanding anything to the contrary, this Section shall not apply to any claim by Landlord for any Rent, Additional Rent or Other Charges payable under this Lease. Landlord and Tenant specifically intend, however, that this Section shall apply

to any potential claim that could otherwise be made by Landlord for any rents to be paid by other occupants of Bellevue Place or any claim that could potentially be made by Tenant for any lost sales, profits or revenues that could have been generated from or operating expenses related to the Leased Premises or elsewhere.

18. INDEMNITY.

18.1 Generally. Landlord shall not be liable for the loss of or damage to any property (including property of Tenant and others) occurring in or about the Leased Premises from any cause whatsoever. Landlord shall not be liable for injury to any person occurring in or about the Leased Premises except and to the extent that such injury is caused by Landlord's negligence. Except to the extent an injury to any person is caused by Landlord's negligence, Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims, charges, liabilities, obligations, penalties, damages, costs and expenses (including attorneys' fees) arising, claimed, charged or incurred against or by Landlord from any matter or thing arising from Tenant's use of the Leased Premises, the conduct of its business or from any activity, work or other things done, permitted or suffered by the Tenant in or about the Leased Premises, and Tenant shall further indemnify and hold Landlord harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part or to be performed under the terms of this Lease, or arising from any act or negligence of Tenant, or any officer, agent, employee, guest, or invitee of Tenant, and from all costs, attorneys' fees, and liabilities incurred in or about the defense of any such claim or any action or proceeding brought thereon. If any action or proceeding is brought against Landlord by reason of such a claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by legal counsel reasonably satisfactory to Landlord.

18.2 Concurrent Negligence of Landlord and Tenant Relating to Construction, Repair and Maintenance Activities. Notwithstanding Section 18.1 above, in the event of concurrent negligence of Tenant, its agents, employees, sublessees, invitees, licensees or contractors on the one hand, and that of Landlord, its partners, agents, employees or contractors on the other hand, which concurrent negligence results in injury or damage to persons or property and relates to the construction, alteration, repair, addition to, subtraction from, improvement to or maintenance of the Leased Premises or Bellevue Place, Tenant's obligation to indemnify Landlord as set forth in this Section 18 shall be limited to the extent of Tenant's negligence, and that of its agents, employees, sublessees, invitees, licensees or contractors, including Tenant's proportional share of costs, and attorneys' fees and expenses incurred in connection with any claim, action or proceeding brought with respect to such injury or damage.

18.3 Waiver of Workers' Compensation Immunity. The indemnification obligations contained in this Lease shall not be limited by any workers' compensation, benefit or disability laws, and each indemnitor hereby waives any immunity that said indemnitor may have under the Industrial Insurance Act, Title 51 RCW and similar workers' compensation, benefit or disability laws.

18.4 Provisions Specifically Negotiated. LANDLORD AND TENANT ACKNOWLEDGE BY THEIR EXECUTION OF THIS LEASE THAT EACH OF THE INDEMNIFICATION, RELEASE AND WAIVER PROVISIONS OF THIS LEASE (SPECIFICALLY INCLUDING BUT NOT LIMITED TO THOSE RELATING TO WORKERS' COMPENSATION BENEFITS AND LAWS) WERE SPECIFICALLY NEGOTIATED AND AGREED TO BY LANDLORD AND TENANT.

19. INSURANCE.

19.1 Liability Insurance.

(a) **Liability Insurance.** Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, a policy of comprehensive/commercial general liability insurance insuring Tenant's activities with respect to the Leased Premises, Bank of America Building and Bellevue Place against loss, damage or liability for personal injury or death or loss or damage to property with a limit of not less than Two Million Dollars (\$2,000,000) combined single limit for policies without a general aggregate limit. For policies with a general aggregate limit, such aggregate limit shall be not less than Two Million Dollars (\$2,000,000) and include an endorsement providing that the foregoing limit shall apply per location, including the Leased Premises, and have an occurrence limit not less than Two Million Dollars (\$2,000,000). In the event Tenant obtains a policy with a general aggregate limit, Tenant shall immediately notify Landlord if claims covered by such policy or policies at any time are made against Tenant which claims exceed fifty percent (50%) or more of the aggregate limit. Notwithstanding the foregoing, if during the Lease Term, in Landlord's reasonable judgment, the policy limits required hereunder are no longer adequate to provide reasonable protection to Landlord, Landlord may notify Tenant of such inadequacy and an appropriate level of coverage and Tenant, within thirty (30) days of receiving such a notice, shall obtain such additional amounts of insurance and provide Landlord with satisfactory evidence thereof. Reference may be made to policy amounts required by other landlords for similar space and operations in determining what is reasonable protection hereunder. The insurance required under this Section shall be with companies rated A-VII or better in Best's Insurance Guide. Landlord, Kemper Development Company, and any other parties in interest designated by Landlord, shall be named as additional insureds. The insurance policy shall bear an endorsement that the policy shall not be cancelled or the policy limits reduced by endorsement below the coverage required by this Lease for any reason other than nonpayment of premiums except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof, including applicable endorsements, showing Landlord as an additional insured and the applicable policy limits thereof. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease.

(b) **Service of Alcoholic Beverages.** The insurance to be carried by Tenant pursuant to Section 19.1(a) above shall not exclude liability for violation of any governmental statute, ordinance, regulation or rule pertaining to the sale, gift, distribution or use of any alcoholic beverages, or liability by reason of the selling, serving or giving of any alcoholic beverage to a minor or to a person under the influence of alcohol or any other person, or which causes or contributes to the intoxication of any persons. Accordingly, the indemnification obligations in Section 18 of this Lease shall extend, as well, to damages occurring at locations other than the Leased Premises and resulting from risks insurable by any of the following (i) so-called dram shop liability insurance, (ii) host liquor liability insurance or (iii) liquor legal liability insurance or otherwise related to the sale, gift, distribution or use of alcoholic beverages.

19.2 Property Insurance. In addition to the insurance required by Sections 19.1 and 19.2, Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, property insurance covering Tenant's supplies, inventory and other personal property as well as all improvements, additions and modifications to or in the Leased Premises, in an amount equal to full replacement cost without co-insurance penalty. The insurance policy shall bear an endorsement that the policy shall not be canceled or the policy limits reduced below the coverage required by this Lease for any reason other than non-payment of premiums, except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice to Landlord for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof.

19.3 Failure to Maintain. If Tenant fails or refuses to maintain any insurance required by this Section 19, Landlord, at its discretion, may obtain and maintain insurance for such items and interests to protect Landlord in such amounts as Landlord may determine to be appropriate and any and all premiums paid or payable by Landlord therefor shall be deemed to be additional rent and shall be due on the payment date of the next installment of Rent hereunder. The failure to obtain or maintain any insurance required by this Section 19 shall constitute a material breach of this Lease.

19.4 Increase in Insurance Premium. Notwithstanding anything in this Lease to the contrary, Tenant shall not keep, use, sell or offer for sale in or upon the Leased Premises any article, nor conduct any activities or operations, which are or may be prohibited by Landlord's insurance carriers. Tenant shall pay any increase in premiums for property or liability insurance maintained by Landlord resulting from Tenant's use or occupancy of the Leased Premises, whether or not Landlord has consented thereto. In the event of such increased insurance premiums to Landlord, Tenant also shall pay immediately to Landlord an amount equal to any additional premium on the insurance policy or policies that Landlord may carry for its protection against loss resulting from any insured event. In determining whether increased premiums are the result of Tenant's use or occupancy of the Leased Premises, the rates and premiums determined by the organization setting the insurance premiums shall be conclusive evidence of the several items and charges which make up the insurance premiums. Landlord shall deliver bills for such additional amounts to Tenant at such times as Landlord may elect, and Tenant shall immediately pay Landlord therefor.

20. ASSIGNMENT AND SUBLEASING.

20.1 Assignment or Sublease. Tenant shall not assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise transfer this Lease or any interest therein, nor sublease the whole or any part of the Leased Premises, nor shall this Lease or any interest hereunder be assignable or transferable by any process or proceeding of any court, or otherwise, without in each case first obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld. Any such transaction undertaken without Landlord's prior written consent shall be null and void.

In determining whether to grant consent to Tenant's sublease or assignment request, Landlord may consider any factor, including but not limited to the experience and business reputation of the proposed assignee or sublessee in operating a business for the uses set forth in the Lease; whether the clientele, personnel and foot traffic generated by such proposed assignee or sublessee is satisfactory to Landlord; notwithstanding that Tenant and/or others remain liable under the Lease, whether the proposed assignee or sublessee has a net worth, and financial strength and credit record, reasonably satisfactory to Landlord; use of the Leased Premises by the proposed assignee or sublessee must be identical to the use permitted by the Lease; use of the Leased Premises by the proposed assignee or sublessee will not violate or create any potential violation of any laws; whether the quality of the business to be operated or likely to be operated by the proposed assignee or sublessee is satisfactory to Landlord; and whether Landlord's consent might result in a breach of any other lease or agreement to which Landlord is a party; and whether the product mix and target customer base of the proposed assignee or sublessee is consistent with the product mix and target customer base that Landlord is trying to maintain or achieve within Bellevue Place.

No assignment, subleasing or other transfer shall relieve Tenant of any liability under this Lease. The prohibition set forth in this Section 20 includes, without limitation (and the following shall be deemed to be "assignments"): (i) a consolidation or merger of Tenant; (ii) a change in the ownership or voting rights of more than twenty-five percent (25%) of the issued and outstanding stock of any corporate tenant; (iii) any subleasing or assignment which would

otherwise occur by operation of law, merger, consolidation, reorganization, transfer or other significant change in corporate or proprietary structure; (iv) the sale, assignment or transfer of all or substantially all of the assets of Tenant, with or without the specific assignment of this Lease; and (v) a change in control in any partnership tenant. The acceptance by Landlord of any amounts following any transaction prohibited hereunder shall not be deemed to be a consent by Landlord nor shall the same be deemed to be a waiver of any right or remedy of Landlord hereunder. Consent to any such assignment, subleasing or other transfer shall not operate as a waiver of the necessity for consent to any subsequent assignment, subleasing or transfer. If Landlord's consent is requested for an assignment or sublease of all or a portion of the Leased Premises, Landlord shall have the right to terminate this Lease with respect to that portion of the Leased Premises for which such consent is requested, at the proposed effective date of such assignment or subleasing, and enter into the relationship of Landlord and Tenant with the proposed assignee or subtenant based on the rent (and/or other compensation) and term agreed to by such assignee or subtenant and otherwise upon the terms and conditions of this Lease. In connection with any sublease or assignment, Tenant shall promptly provide Landlord with fully executed copies of all assignment, sublease and assumption instruments.

20.2 Assignee Obligations. As a condition to Landlord's consent, any potential assignee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, Other Charges and the performance of all terms, covenants and conditions of this Lease.

20.3 Sublessee Obligations. As a condition to Landlord's consent, any potential sublessee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under the Lease during the term of the sublease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, and Other Charges, and the performance of all terms, covenants, and conditions of this Lease.

20.4 Conditional Consents. Any consent by Landlord to any assignment or subleasing may be subject to any terms or conditions as Landlord shall determine appropriate (including but not limited to requiring that any and all guarantors of the Lease agree to continue to guarantee the Lease obligations after the assignment) and all such terms and conditions shall be binding upon any person holding by, under or through Tenant.

20.5 Attorneys' Fees and Costs. Tenant shall reimburse Landlord for Landlord's attorneys' fees and costs incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subleasing or encumbrance.

21. ADVERTISING.

Tenant shall not inscribe any inscription, or post, place, or in any manner display any sign, awning, canopy, marquee, decoration, graphics, notice, picture, placard or poster, or any advertising matter whatsoever, anywhere in or about the Leased Premises or the Bank of America Building at places visible (either directly or indirectly as an outline or shadow on a glass pane) from anywhere outside the Leased Premises without first obtaining Landlord's written consent thereto, such consent to be at Landlord's sole discretion. Any such consent by Landlord shall be upon the understanding and condition that Tenant shall remove the same at the expiration or sooner termination of this Lease and Tenant shall repair any damage to the Leased Premises or the Bank of America Building caused thereby. All such signs and advertising matter shall comply with all applicable laws, governmental regulations, ordinances and orders.

22. LIENS.

No work performed by Tenant pursuant to this Lease shall be deemed to be for the immediate use and benefit of Landlord so that no mechanic's, materialmen's or other liens shall be allowed against the estate of Landlord by reason of any consent given by Landlord to Tenant to improve, alter or repair the Leased Premises. Tenant shall keep the Leased Premises, the Bank of America Building and Bellevue Place free and clear of all liens and encumbrances arising out of any work performed for, materials furnished to and obligations incurred by or on behalf of Tenant and Tenant shall indemnify and hold Landlord harmless from any liability from any and all costs, liabilities and expenses (including but not limited to attorneys' fees and Landlord's reasonable administrative costs and expenses) arising therefrom. Prior to commencing any improvement, alteration or repair work to the Leased Premises, Tenant shall provide to Landlord, at Tenant's sole cost and expense, separate payment and performance bonds for such work and materials in an amount equal to either (i) the actual contract price if the contract price is fixed, or (ii) one and one-half (1-1/2) times the estimated cost of the improvements, alterations or repairs which Tenant desires to make within the Leased Premises if the contract price is not fixed. Such bonds shall cover the faithful performance of the contract and payment of all obligations arising therefrom and insure Landlord against any and all liability for mechanics' and materialmen's liens and other similar liens and insure the completion of such work. If any lien is filed against the Bank of America Building, Bellevue Place or the Leased Premises by any person claiming by, through or under Tenant, Tenant shall, at Tenant's sole cost and expense, immediately discharge the same. If Tenant shall fail to cause such lien to be immediately discharged of record, then, in addition to any other right or remedy of Landlord, Landlord may bond or discharge the same by paying the amount claimed to be due, and the amount so paid by Landlord, including any reasonable attorney's fees incurred by Landlord in defending against or responding to such lien or in procuring its discharge of record, shall be due and payable by Tenant as additional rent.

23. TENANT'S DEFAULT.

23.1 Default. The following shall constitute defaults and breaches of this Lease by Tenant:

- (a) Vacating the Leased Premises. The vacation or abandonment of the Leased Premises by Tenant or the failure of Tenant to be open for business on a fully-operational basis (except in the event of damage or destruction to the Leased Premises or when due to some other cause beyond Tenant's reasonable control, which prevents Tenant from conducting its business within the Leased Premises) for five (5) days or more.
- (b) Failure to Pay Rent. Tenant's failure to make any payment of Rent, Additional Rent or Other Charges, or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof by Landlord to Tenant.
- (c) Failure to Perform. Tenant's failure to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant where such failure continues for a period of ten (10) days (except as otherwise provided in this Lease) after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's failure is such that more than ten (10) days are required for its cure, Tenant shall not be deemed to be in default under this Section 23.1(c) if Tenant commences such cure within such ten (10) day period and thereafter diligently prosecutes such cure to completion.
- (d) Bankruptcy. The making by Tenant of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Tenant of a petition to have

Tenant adjudged a bankrupt, or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days of filing); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Leased Premises or of Tenant's interest in this Lease, where such seizure is not discharged in Thirty (30) days after appointment of such trustee or receiver, or the filing of the petition for the appointment of the same, whichever shall first occur.

(e) **Repeated Defaults.** Tenant's failure to perform or observe any of Tenant's obligations under the Lease after Tenant has neglected or failed to perform or observe any of Tenant's obligations under the Lease at least twice previously (although Tenant shall have cured any such previous failure after notice from Landlord, and within the notice period).

23.2 Remedies in Default. In the event of any default or breach of this Lease by Tenant (whether or not set forth in Section 23.1 above), Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach:

(a) **Terminate the Lease.** Terminate Tenant's right to possession of the Leased Premises by any lawful means, in which case Tenant shall immediately surrender possession of the Leased Premises to Landlord. In such event, Landlord shall be entitled to recover from the Tenant all past due Rent, Additional Rent and Other Charges and all other amounts owed under the terms of this Lease; the expense of re-leasing the Leased Premises, including but not limited to the expense of renovating and alterations to the Leased Premises and any leasing commissions; reasonable attorneys' fees and costs; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid Rent and Additional Rent called for herein for the balance of the Lease Term after the time of such award exceeds the amount of such loss for the same period that Tenant proves could be reasonably avoided (the "worth at the time of award" shall be determined by discounting such excess amount by the discount rate of the Federal Reserve Bank of San Francisco plus one percent (1%)); and any and all other damages arising from Tenant's default or breach; or,

(b) **Continue the Lease.** Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Leased Premises. In such event, Landlord shall be entitled to enforce all Landlord's rights and remedies under this Lease, including the right to recover damages, Rent, Additional Rent, Other Charges, and any other payments as may become due hereunder; or,

(c) **Other Remedies.** Pursue any other remedy or remedies now or hereafter available to Landlord under the laws or judicial decisions of the State of Washington.

23.3 Legal Expenses. If either party is required to bring or maintain any action (including assertion of any counterclaim or cross-claim, or claim in a proceeding in bankruptcy, receivership or any other proceeding instituted by a party hereto or by others), or otherwise refers this Lease to an attorney for the enforcement of any of the covenants, agreements, terms or conditions of this Lease, the prevailing party, in addition to all other remedies provided herein, shall receive from the other party all costs (including reasonable attorneys' fees) incurred in the enforcement of the covenants, agreements, terms and conditions of this Lease (whether or not an action is instituted) and including any such costs and fees incurred by the prevailing party on any appeal.

23.4 Bankruptcy.

(a) Assumption of Lease. In the event Tenant becomes a Debtor under Chapter 7 of the Bankruptcy Code (“Code”) or a petition for reorganization or adjustment of debts is filed concerning Tenant under Chapters 11 or 13 of the Code, or a proceeding is filed under Chapter 7 of the Code and is transferred to Chapters 11 or 13 of the Code, the Trustee or Tenant, as Debtor and as Debtor-In-Possession, may not elect to assume this Lease unless, at the time of such assumption, the Trustee or Tenant has:

(1) Cured all defaults under the Lease and paid all sums due and owing under the Lease or provided Landlord with “Adequate Assurance” (as defined below) that: (A) within ten (10) days from the date of such assumption, the Trustee or Tenant will completely pay all sums due and owing under this Lease and compensate Landlord for any actual pecuniary loss resulting from any existing default or breach of this Lease, including without limitation, Landlord’s reasonable costs, expenses, accrued interest, and attorneys’ fees incurred as a result of the default or breach; (B) within twenty (20) days from the date of such assumption, the Trustee or Tenant will cure all non-monetary defaults and breaches under this Lease; and (C) the assumption will be subject to all of the provisions of this Lease.

(2) For purposes of this Section, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding involving Tenant, at a minimum, “Adequate Assurance” shall mean: (A) the Trustee or Tenant has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Tenant will have sufficient funds to fulfill the obligations of Tenant under this Lease; (B) the Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or Tenant shall have granted a valid and perfected first lien and security interest and/or mortgage in property of Trustee or Tenant acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Tenant to cure the monetary and/or non-monetary defaults and breaches under this Lease within the time periods set forth above; and (C) the Trustee or Tenant, at the very minimum, shall deposit a sum equal to two (2) months’ Rent to be held by Landlord (without any allowance for interest thereon) to secure Tenant’s future performance under the Lease.

(b) Assignment of Lease. If the Trustee or Tenant has assumed the Lease pursuant to the provisions of this Section for the purpose of assigning Tenant’s interest hereunder to any other person or entity, such interest may be assigned only after the Trustee, Tenant or the proposed assignee have complied with all of the terms, covenants and conditions of this Lease, including, without limitation, those with respect to Additional Rent; Landlord and Tenant acknowledging that such terms, covenants and conditions are commercially reasonable in the context of a bankruptcy proceeding of Tenant. Any person or entity to which this Lease is assigned pursuant to the provisions of the Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon request execute and deliver to Landlord an instrument confirming such assignment.

(c) Adequate Protection. Upon the filing of a petition by or against Tenant under the Code, Tenant, as Debtor and as Debtor-In-Possession, and any Trustee who may be appointed agree to adequately protect Landlord as follows: (1) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed by Order of the Bankruptcy Court; (2) to pay all monetary obligations required under this Lease, including without limitation, the payment of Rent and Additional Rent payable hereunder which is considered reasonable compensation for the use and occupancy of the Leased Premises; (3) provide Landlord a minimum of thirty (30) days’ prior written notice, unless a shorter period is agreed to in writing by the parties, of any proceeding relating to any assumption of this Lease or any intent to abandon the Leased Premises, which abandonment shall be deemed a rejection of this Lease; and (4) to perform to the benefit of Landlord as otherwise required under the Code.

The failure of Tenant to comply with the above shall result in an automatic rejection of this Lease.

23.5 Remedies Cumulative - Waiver. Landlord's remedies hereunder are cumulative and the Landlord's exercise of or failure to exercise any right or remedy due to a default or breach by Tenant shall not be deemed a waiver of, or to alter, affect or prejudice any right or remedy which Landlord may have under this Lease or by law. Neither the acceptance of rent, nor any other act or omission of Landlord at any time or times after the happening of any breach, default or other event authorizing the cancellation or forfeiture of this Lease, shall operate as a waiver of any past or future violation, breach or failure to keep or perform any covenant, agreement, term or condition hereof or to deprive Landlord of its right to cancel or forfeit this Lease, upon the written notice provided for herein, at any time that cause for cancellation or forfeiture may exist, or be construed so as at any time to stop Landlord from promptly exercising any other option, right or remedy that it may have under any term or provision of this Lease, at law or in equity.

24. SUBORDINATION AND ATTORNTMENT; MORTGAGEE PROTECTION.

24.1 Subordination - Notice to Mortgagee. At the request of Landlord, Tenant shall promptly execute, acknowledge and deliver all instruments which may be appropriate to subordinate this Lease to any existing or future mortgages or deeds of trust on Bellevue Place, the Bank of America Building or the Leased Premises, and to any extensions, renewals or replacements thereof; provided, that the mortgagee or beneficiary, as the case may be, shall agree, in exchange for the agreement of Tenant to attorn to such mortgagee or beneficiary, to recognize this Lease in the event of foreclosure if Tenant is not in default at such time. Notwithstanding anything to the contrary in this Lease, Landlord shall not be in breach or default under any provision of this Lease unless written notice specifying such breach or default is given to Landlord and to all persons who have an interest in all or part of Bellevue Place as mortgagees and/or deed of trust beneficiaries and whose names and addresses have been given to Tenant in writing or are recorded in the records of King County, and the provisions of Section 14 have been fully complied with.

24.2 Mortgagee Protection Clause. Tenant shall give all mortgagees and deed of trust holders, by registered or certified mail, copies of all notices of default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the addresses of such mortgagees or deed of trust holders. If Landlord fails to cure such default within the time provided in this Lease, then the mortgagees or deed of trust holders shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary, provided that within such thirty (30) days any mortgagee or deed of trust holder commences and diligently pursues the remedies necessary to cure such default (including but not limited to commencement of judicial or nonjudicial foreclosure proceedings, if necessary, to effect such cure).

25. SURRENDER OF POSSESSION.

Subject to the terms of Sections 11, 13 and 16, upon expiration of the term of this Lease, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Leased Premises to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable use and wear and tear and damage by fire or other casualty excepted.

26. REMOVAL OF PROPERTY.

Tenant shall remove all of its personal property and improvements designated to be removed pursuant to Section 11.2 at the termination of this Lease either by expiration of the term or other cause, and shall pay Landlord for any damages for injury to the Leased Premises or Bank of America Building resulting from such removal. If Tenant shall fail to remove any of its property of any nature whatsoever from the Leased Premises or the Bank of America Building at the termination of this Lease or when Landlord has the right of re-entry, Landlord may remove and store such property without liability for loss thereof or damage thereto, such storage to be for the account and at the expense of Tenant. If Tenant shall not pay the cost of storing any such property after it has been stored for a period of Thirty (30) days or more, Landlord may, at its option, sell, or permit to be sold, any or all such property at public or private sale, in such manner and at such times and places as Landlord in its sole discretion may deem proper, without notice to Tenant, unless notice is required under applicable statutes, and shall apply the proceeds of such sale: first, to the cost and expense of such sale, including reasonable attorneys' fees actually incurred; second, to the payment of the costs or charges for storing any such property; third, to the payment of any other sums of money which may then be or thereafter become due to Landlord from Tenant under any of the terms hereof; and, fourth, the balance, if any, to Tenant.

27. VOLUNTARY SURRENDER.

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, but, at the option of Landlord, shall terminate all or any existing subleases and subtenancies or operate as an assignment to Landlord of any or all such subleases or subtenancies.

28. EMINENT DOMAIN.

28.1 Total Taking. If all the Leased Premises are taken by the power of eminent domain exercised by any governmental or quasi-governmental authority, this Lease shall terminate as of the date Tenant is required to vacate the Leased Premises and all Rent, Additional Rent and Other Charges due hereunder shall be paid to that date. As used in this Section 28, the term "eminent domain" shall include the taking of property by, through or under any governmental or quasi-governmental authority, and any purchase or acquisition in lieu thereof, whether or not the damaging or taking is by the government or any other person authorized to exercise the power of eminent domain.

28.2 Constructive Taking of Entire Premises. In the event of a taking of a material part, but less than all, of the Bank of America Building, where Landlord shall reasonably determine that the remaining portions of the Bank of America Building cannot be economically or effectively used as desired by Landlord (whether on account of physical, economic, aesthetic or other reasons), Landlord shall forward a written notice to Tenant of such determination not more than sixty (60) days after the date of taking. The term of this Lease shall expire upon such date as Landlord shall specify in such notice but not earlier than sixty (60) days after the date of such notice.

28.3 Partial Taking. If more than fifteen percent (15%) of the Rentable Area of the Leased Premises is taken or appropriated by the power of eminent domain, this Lease, at the option of either party, may be terminated by written notice given to the other party not more than thirty (30) days after Landlord and Tenant receive written notice of the taking or appropriation, and such termination shall be effective as of the date Tenant is required to vacate the portion of the Leased Premises so taken. If more than ten percent (10%) of the Common Area of the Bank of America Building is taken by the power of eminent domain, then Landlord, at its option, may terminate this Lease by written notice given to Tenant within sixty (60) days of the date of such

taking. If this Lease is so terminated, all Rent, Additional Rent and Other Charges due hereunder shall be paid to the date of termination. Whenever any portion of the Leased Premises or Common Area is taken by the power of eminent domain and this Lease is not terminated, Landlord, at its expense, shall proceed with reasonable dispatch to restore, to the extent that it is reasonably prudent, the remainder of the Leased Premises and Common Area to their condition immediately prior to such taking, and Tenant, at its sole expense, shall proceed with reasonable dispatch to restore the fixtures and improvements installed by Tenant and Tenant's furniture, furnishings, and equipment to the same condition they were in immediately prior to such taking. From the date Tenant is required to vacate that portion of the Leased Premises so taken, the Rent and Additional Rent payable hereunder shall be reduced in the same proportion that the area taken bears to the Rentable Area of the Leased Premises prior to the taking.

28.4 Damages. Landlord reserves all rights to the entire damages award or payment for taking by the power of eminent domain, and Tenant shall make no claim whatsoever against Landlord for damages for termination of its leasehold interest in the Leased Premises or for interference with its business. Tenant hereby grants or assigns to Landlord any right Tenant may now have or hereafter acquire to such awards and payments and agrees to execute and deliver such further instruments of assignment thereof as Landlord may from time to time request. Notwithstanding the foregoing, Tenant shall have the right to claim from the condemning authority all compensation that may be recoverable by Tenant on account of any loss incurred by Tenant in removing Tenant's merchandise, furniture and other personal property that Tenant is entitled to remove at the termination of this Lease or for damage to Tenant's business; provided, however, that Tenant may claim such damages only if they are awarded separately in the eminent domain proceeding and not as part of Landlord's damages.

29. NOTICES.

Any notices required in accordance with any of the provisions herein, if to Landlord, shall be delivered in person or mailed by an express mail service, such as Federal Express or UPS, to the address of Landlord as set forth in Section 1.2 above or at such other place as Landlord may in writing from time to time direct to Tenant, and if to Tenant, shall be delivered in person or sent by an express mail service, such as Federal Express or UPS, to Tenant at the Leased Premises. If Tenant is more than one person or entity, any notice required or permitted hereunder may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. Any notices mailed to Tenant bearing the proper address and adequate postage for delivery shall be deemed effective upon deposit in the U.S. mail.

30. LANDLORD'S LIABILITY.

Anything in this Lease to the contrary notwithstanding, the covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord, but are made and intended for the purpose of binding only the Landlord's interest in the Leased Premises and Bank of America Building, as the same may from time to time be encumbered. No personal liability or personal responsibility is assumed by, nor shall at any time be asserted or enforceable against Landlord or its partners or their respective heirs, legal representatives, successors, and assigns on account of the Lease or on account of any covenant, undertaking or agreement of Landlord in this Lease contained. Therefore, in consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

- (a) The sole and exclusive remedy of Tenant shall be against the Landlord's interest in the Leased Premises and the Bank of America Building;

- (b) No general or limited partner of Landlord, or any director, officer, agent or employee of any corporation if Landlord, or any general or limited partner of Landlord, is a corporation (collectively, for the purpose of this Section 30, referred to as "general or limited partner of Landlord") shall be sued or named as a party in any suit or action, and Landlord shall not assert therein the defense or lack of personal jurisdiction arising out of Tenant's compliance with this Section 30;
- (c) No general or limited partner of Landlord shall be required to answer or otherwise plead to any service or process;
- (d) No judgment will be taken against any general or limited partner of Landlord;
- (e) Any judgment taken against any general or limited partner of Landlord may be vacated and set aside at any time nunc pro tunc;
- (f) No writ of execution will ever be levied against the asset of Landlord or any general or limited partner of Landlord, other than Landlord's interest in the Leased Premises or the Bank of America Building.
- (g) These covenants and agreements are enforceable both by Landlord and also by any general or limited partner of Landlord.

31. TENANT'S CERTIFICATES.

Tenant shall at any time and from time to time, within ten (10) days after written notice from Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement substantially in the form of Exhibit "G" certifying, to the extent true, that (i) this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way (or specifying the date and terms of all agreements so affecting this Lease); (ii) all conditions under this Lease to be performed by the Landlord have been satisfied, if any; (iii) all required contributions by Landlord, if any, to Tenant on account of Tenant's Improvements or additional improvements have been received; (iv) as of the date of such certification there are no existing claims, defenses or offsets that the Tenant has against the enforcement of this Lease by the Landlord; (v) no Rent or other rent obligation has been paid more than one month in advance; and (vi) no security has been deposited with Landlord (or, if so, the amount thereof). It is intended that all statements delivered pursuant to this paragraph may be relied upon by prospective purchasers of Landlord's interest, Landlord's lenders, and other designees of Landlord and Landlord's lenders. If Tenant fails to respond within ten (10) days of Tenant's receipt of a written request by Landlord as herein provided, such failure shall be a material default under the terms and conditions of this Lease. In addition, Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee, that this Lease is in full force and effect, that there are no uncured defaults in Landlord's performance, that the security deposit is as stated in the Lease and that no more than one month's Rent has been paid in advance.

32. RIGHT TO PERFORM.

If Tenant shall fail to pay any sum of money, other than Rent and Additional Rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from any obligations of Tenant, make any such payment or perform any such other act on

Tenant's part to be made or performed as provided in this Lease. Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.

33. AUTHORITY.

Each individual executing this Lease on behalf of Tenant personally represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms and, if Tenant is a corporation, in accordance with a duly adopted resolution of the Board of Directors of Tenant and that such action and execution is in accordance with the bylaws of Tenant. If Tenant is a corporation, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of a resolution of the Board of Directors of Tenant authorizing or ratifying the execution of this Lease.

34. PARKING AND COMMON AREAS.

34.1 Parking. Landlord shall provide Tenant with two point seven (2.7) parking permits for each one thousand (1,000) square feet in the Rentable Area of the Leased Premises, at the current rate of One Hundred Ninety-one and 78/100 Dollars (\$191.78) per parking permit per month (excluding tax), which monthly rate may increase from time to time during the Lease Term. If available, additional parking permits may be purchased by Tenant on a month to month basis at the rates set forth above. Tenant's employees shall not park their vehicles in the automobile parking areas of the Common Areas and Facilities which may from time to time be designated for patrons of Bellevue Place. Landlord at all times shall have the right to designate the particular parking areas to be used by Tenant's employees and any such designation may be changed from time to time. Tenant and its employees shall park their vehicles only in those portions of the Common Areas and Facilities, if any, designated for that purpose by Landlord. Tenant shall furnish Landlord with Tenant's and Tenant's employees' state vehicle license numbers within fifteen (15) days after Tenant opens for business in the Leased Premises and Tenant shall thereafter notify Landlord of any changes within two (2) days after such change occurs. If Tenant or its employees fail to park their vehicles in designated parking areas, then Landlord, without limiting any other remedy Landlord may have, may charge Tenant a minimum of Ten Dollars (\$10.00) per day for each day or partial day for each vehicle improperly parked; provided, however, Landlord shall give Tenant written notice of the first violation of this provision and Tenant shall have two (2) days thereafter within which to cause the violation to be discontinued; and if not discontinued within such two-day period, then the vehicle fines shall commence. After notice of the first such violation, no notice of any subsequent violation shall be required prior to the imposition of any parking fine. All amounts due under the provisions of this Section shall be additional rent and due and payable by Tenant within ten (10) days after demand therefor. Tenant shall notify its employees in writing of the provisions of this Section.

34.2 Common Areas. Landlord shall at all times have exclusive control and management of the Common Areas and Facilities of Bellevue Place. Tenant shall have the nonexclusive right in common with others to use the public areas of the Bank of America Building and the Common Areas and Facilities of Bellevue Place, subject to such nondiscriminatory rules and regulations as Landlord may adopt from time to time governing the use thereof including, but not limited to, the right to close the same from time to time to such an extent as may be legally sufficient, in Landlord's opinion, to prevent a dedication thereof or the accrual of right to any person or to the public therein. Tenant shall comply with the rules and regulations that Landlord and the owner or ground lessee of Bellevue Place may from time to time promulgate and/or modify regarding use and operation of the Common Areas of the Bank of America Building and Common Areas and Facilities of Bellevue Place. The rules and

regulations shall be binding upon Tenant upon delivery of a copy thereof to Tenant. Landlord shall not be responsible to Tenant for the nonperformance of such rules and regulations by any other tenants or occupants of space in either Bellevue Place or the Bank of America Building. The term "Common Areas and Facilities of Bellevue Place" refers to all on and off-site areas and/or related facilities which are made available or are used from time to time for the general use, convenience and benefit of Landlord and other persons entitled to occupy space in Bellevue Place, including their employees, invitees, licensees and guests, which areas shall include, but not be limited to, all parking structures and parking areas (including off-site parking), driveways, sidewalks, landscaped or planted areas, pedestrian areas, lobbies, walkways, the Wintergarden Retail Center and Parking Garage. The term "Common Areas and Facilities of Bellevue Place" also refers to all on-site and off-site areas and/or related facilities which may not be accessible to Tenant and other persons entitled to occupy space in Bellevue Place, but which are used in conjunction with the operation, management, repair or maintenance of Bellevue Place, including, but not limited to janitorial closets, on and/or off-site management offices and maintenance areas. The term "Common Areas and Facilities of the Bank of America Building" refers to the Common Areas and Facilities of Bellevue Place located within the Bank of America Building.

35. TRANSPORTATION MANAGEMENT PROGRAM.

Tenant shall cooperate with Landlord and the designated Transportation Management Association in complying with the terms and conditions of the Bellevue Place Transportation Management Program, as set forth in the Bellevue Place Transportation Management Agreement, a copy of which is attached hereto as Exhibit "F" and incorporated herein, and shall become a member participant in the designated Transportation Management Association. Tenant shall designate one of its employees or agents as Tenant Transportation Coordinator, who shall represent Tenant in all matters pertaining to transportation management. Landlord shall be immediately notified of any change in the Transportation Coordinator.

36. QUIET ENJOYMENT.

Tenant, upon fully complying with and promptly performing all of the terms, covenants and conditions of this Lease to be performed on its part and upon the prompt and timely payment of all sums due hereunder, shall have and possess the Leased Premises for the Lease Term set forth herein.

37. GENERAL.

37.1 Captions. Any section or paragraph titles or captions are for convenience only and shall not be deemed to define, limit or otherwise modify the scope and intent of this Lease or any provision thereof.

37.2 Bellevue Place Rent and Income. All amounts to be paid hereunder, specifically including all Rent, Additional Rent and Other Charges, shall be paid as and when due, and without any setoff or deduction whatsoever. Landlord shall be entitled to all rent and other payments on all leases and tenancies at Bellevue Place on all property owned or leased by Landlord and any other payments made to Landlord or its agents for any other activities, uses or operations at Bellevue Place.

37.3 Successors or Assigns. All the terms, conditions, covenants and agreements of this Lease shall extend to and be binding upon Landlord, Tenant, their respective heirs, administrators, executors, successors and assigns, and upon any person or persons coming into ownership or possession of any interest in the Leased Premises by operation of law or otherwise, and shall be construed as covenants running with the land.

37.4 Tenant Defined. The word "Tenant" as used herein shall mean each and every person, partnership, limited liability company or corporation who is mentioned as a Tenant herein or who executes this Lease as Tenant.

37.5 Lost Security or Access Key Card. Tenant shall reimburse Landlord for any and all losses and expenses incurred or suffered by Landlord as a result of Tenant or any of Tenant's agents, employees, licensees or contractors losing any security or access key card or similar device issued to Tenant, which losses or expenses are incurred or suffered by Landlord prior to Tenant notifying Landlord of the loss of such card or similar device.

37.6 Landlord's Consent. Unless otherwise specifically stated herein, whenever Landlord's consent or approval is required, Landlord's consent or approval may be withheld in Landlord's sole subjective discretion.

37.7 Broker's Commission. Tenant represents and warrants to Landlord it has incurred no liabilities or claims for brokerage commissions or finder's fees in connection with the execution of this Lease and it has not dealt with or has any knowledge of any real estate broker, agent or salesperson in connection with this Lease except Broderick Group, Inc., which represents both Landlord and Tenant. Each party agrees to indemnify and hold the other parties harmless from all such liabilities or claims (including, without limitation, attorneys' fees) by anyone other than Broderick Group, Inc.

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

37.9 Recording. Tenant shall not record this Lease. Tenant also shall not record any memorandum of lease. However, upon the request of Landlord, Tenant shall execute and deliver to Landlord a memorandum in the form provided by Landlord. The memorandum shall describe the parties, the Leased Premises, the Lease Term and Tenant's obligation to comply with the Transportation Management Agreement and City of Bellevue Land Use Code Paragraph 20.25A.030.C.1, or any similar or successor law, regulation, code or rule, if applicable.

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

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

37.12 Prior Agreements. It is understood that there are no oral or written agreements or representations between Landlord and Tenant affecting this Lease and that this Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements and understandings, if any, made by or between Landlord and Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret, construe, supplement, or contradict this Lease. This Lease, and all mutually-executed written amendments thereto, is and shall be considered to be the only agreement between Landlord and Tenant and their representatives and agents. All negotiations and oral agreements acceptable to Landlord and Tenant have been merged into and are included in this Lease. There are no other representations, covenants or warranties between Landlord and Tenant and all reliance with respect to representations is solely upon the express representations, covenants and warranties contained in this Lease. Although the printed provisions of this Lease

were drawn by Landlord, Landlord and Tenant agree that this circumstance shall not create any presumption, canon of construction, or implication favoring the position of either Landlord or Tenant. Landlord and Tenant agree that the interlineation, obliteration, or deletion of language from this Lease prior to its mutual execution by Landlord and Tenant shall not be construed to have any particular meaning or to raise any presumption, canon of construction, or implication, including, without limitation, any implication that Landlord or Tenant intended thereby to state the converse, obverse or opposite of the deleted language. This Lease shall be read as if the obliterated or deleted language had never existed and the interlineated language had always existed.

37.13 Inability to Perform. The obligations of Landlord or Tenant hereunder shall be excused for a period equal to the time by which such performance is prevented or delayed due to acts of God or any other causes beyond the reasonable control of such party, financial inability or negligence excepted. The provisions of Section 37.13 shall not apply to any payment of Rent, Additional Rent or Other Charges.

37.14 Transfer of Landlord's Interest. In the event of any transfer or transfers of Landlord's interest in the Leased Premises or Bellevue Place, other than a transfer for security purposes only, the transferor shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing from and after the date of such transfer and Tenant agrees to attorn to such transferee.

37.15 No Light, Air or View Easement. Any diminution or shutting off of light, air or view by any structure which may be erected on land on or adjacent to Bellevue Place shall in no way affect this Lease or the obligation of Tenant hereunder nor impose any liability on Landlord.

37.16 Reciprocal Easement Agreements. This Lease shall be subordinate to any and all operating, maintenance and reciprocal easement agreements ("REAs") entered into by and among Landlord and any other parties, including any amendments or modifications thereto. Tenant shall execute and return to Landlord within ten (10) days after written request therefor by Landlord, agreements in recordable form, substantially in the form of Exhibit "H", subordinating this Lease to any such REAs.

37.17 Waiver. The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent, Additional Rent, Other Charges or any other sum hereunder by Landlord shall not be deemed to be a waiver of any preceding default by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular sum so accepted, regardless of Landlord's knowledge of such preceding default at the time of the acceptance of such sum. In addition, no endorsement or statement on any check or any letter accompanying any payment shall be deemed an accord and satisfaction, and Landlord's right to recover the balance of such rent or pursue any other remedy provided herein or otherwise shall not be affected by such endorsement or statement or by the acceptance of such payment.

37.18 Name. Tenant shall not, without the prior written consent of Landlord, use the name of the building or project for any purpose other than as the address of the Leased Premises, and in any event, Tenant shall not acquire any rights in or to such names.

37.19 Choice of Law - Venue. This Lease shall be governed by the laws of the State of Washington. The venue for any action to enforce the terms of this Lease or collect any amounts owing by Tenant to Landlord shall be in the Superior Court for King County, Washington.

37.20 OFAC Certification.

(a) Certification. Tenant certifies that:

(i) It is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and

(ii) It is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity, or nation.

(b) Indemnification. Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney's fees and costs) arising from or related to any breach of the foregoing certification.

37.21 Letter of Credit. Landlord and Tenant acknowledge that Tenant will occupy space in the Bank of America Building pursuant to the Lease and, as consideration for Landlord's willingness to enter into this Lease, Tenant shall deliver or cause to be delivered to Landlord, and shall cause to be maintained at all times in effect without expiration or termination, one or more irrevocable standby letters of credit complying with the terms of this Section 37.21. Any failure by Tenant to perform or observe any term, covenant or agreement set forth in this Section 37.21 shall constitute a material default under the Lease.

Within ten (10) business days of execution of this Lease, Tenant shall deliver or cause to be delivered to Landlord an irrevocable standby letter of credit in a form acceptable to or provided by Landlord (the "Letter of Credit"), issued by a national banking association reasonably acceptable to Landlord, for the account of Tenant in favor of Landlord in the initial amount of Six Hundred Twelve Thousand Six Hundred Fifty-three and 00/100 Dollars (\$612,643.00), having an expiry date not earlier than the Expiration Date, and stating by its terms that it shall be automatically extended annually, without written amendment or modification, to the date that is one (1) year after the then current expiry date unless the issuer of the Letter of Credit gives Landlord, at least sixty (60) days prior to the then current expiry date, written notice that the issuer elects not to extend the Letter of Credit. If the issuer of the Letter of Credit at any times gives to Landlord notice that the issuer elects not to extend the Letter of Credit, then, not less than thirty (30) days prior to the then current expiry date of the Letter of Credit, Tenant shall deliver or cause to be delivered to Landlord a substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by this Section 37.21. Not less than Thirty (30) days prior to the expiry date of any substitute letter of credit delivered pursuant to this Section, Tenant shall deliver or cause to be delivered to Landlord a further substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by this Section 37.21. Each substitute letter of credit delivered pursuant to this Section shall have a term of not less than one (1) year and shall be in a form acceptable to or provided by Landlord.

Notwithstanding the foregoing, the initial amount of the Letter of Credit shall be reduced as follows during the Lease Term, provided Tenant has not defaulted under this Lease beyond the applicable notice and cure period:

- From and including January 1, 2019, through and including December 31, 2019 - \$459,482.00;

- From and including January 1, 2020, through and including December 31, 2020 - \$306,321.00;
- From and including January 1, 2021, through and including December 31, 2021 - \$214,425.00; and
- From and including January 1, 2022, through and including the Expiration Date - \$91,896.00.

Upon the occurrence of any breach or default under the Lease including, but not limited to, any failure by Tenant timely to deliver or cause to be delivered to Landlord any substitute letter of credit required pursuant to this Section 37.21, Landlord, at its option, may draw against the Letter of Credit and any substitute letter of credit delivered pursuant to this Section 37.21 in an amount reasonably necessary to cure such breach or default and/or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach or default. The Letter of Credit and each substitute letter of credit (also referred to as a "Letter of Credit") delivered pursuant to this Section 37.21 shall provide for payment against Landlord's (or any transferee's) draft at sight accompanied by a certificate stating substantially as follows: "Drawn under _____ Bank, N.A.'s Irrevocable Standby Letter of Credit No. _____, dated _____, 201____, as a result of the occurrence of a default under the Lease dated _____, 201____, between Bellevue Place Office, LLC, a Washington limited liability company, and SMARTSHEET.COM, INC., a Washington corporation. If Landlord draws against the Letter of Credit, Tenant shall, within ten (10) days of the date of such draw, restore the Letter of Credit or provide additional irrevocable standby letters of credit so that, at all times, there shall be an amount required by this Section 37.21 available for Landlord to draw against in the event of any further breach or default under the Lease.

If the Letter of Credit is not renewed or Tenant does not provide a substitute irrevocable standby letter of credit on or before the date that is thirty (30) days prior to the expiry date of the then current Letter of Credit, or in the event Landlord draws against the Letter of Credit, if Tenant does not restore the Letter of Credit or provide additional letters of credit so that an amount required by this Section 37.21 is available to Landlord to draw upon in the event of any further breach or default under the Lease, then in such event the amount of the draw against the Letter of Credit may be equal to the entire amount of the Letter of Credit. The proceeds of any draw against the Letter of Credit pursuant to the immediately preceding sentence shall be held by Landlord as an additional security deposit pursuant to the provisions of Section 8 of this Lease.

37.22 Current Tenant. Tenant is aware that Leased Premises 425 is currently occupied by another tenant or tenants (the "Current Tenant") and the Current Tenant may fail or refuse to vacate Leased Premises 425 and relinquish all claims to Leased Premises 425 prior to the Leased Premises 425 Commencement Date. Landlord shall have no responsibility under this Lease to take any action to remove the Current Tenant and shall not be liable for any damages, injuries or claims that may be suffered by Tenant relating to or arising out of, directly or indirectly, the Current Tenant's failure or refusal to vacate and release all interest in Leased Premises 425.

IN WITNESS WHEREOF this Lease has been executed the day and year first above set forth.

LANDLORD: TENANT:

BELLEVUE PLACE OFFICE, LLC, a SMARTSHEET.COM, INC.,
Washington limited liability company a Washington corporation

By: KEMPER DEVELOPMENT COMPANY, a Washington corporation; Its Manager By: /s/ Mark Mader
Mark Mader, CEO

By: /s/ James E. Melby
James E. Melby
Its: President

OFFICE LEASE EXHIBITS

Exhibit "A" - Legal Description of Bellevue Place.

Exhibit "B" - Site Plan of Bellevue Place.

Exhibit "C" - Floor Plan of the Leased Premises.

Exhibit "D" - Tenant Design & Construction Manual (including Base Building Finish Condition).

Exhibit "E" - Rules and Regulations.

Exhibit "F" - Bellevue Place Transportation Management Agreement.

Exhibit "G" - Form of Tenant Estoppel Certificate.

Exhibit "H" - Form of Subordination Agreement to Reciprocal Easement Agreement.

EXHIBIT A

LEGAL DESCRIPTION OF BELLEVUE PLACE

EXHIBIT B
SITE PLAN OF BELLEVUE PLACE

EXHIBIT C
FLOOR PLAN OF THE LEASED PREMISES

EXHIBIT D
TENANT DESIGN & CONSTRUCTION MANUAL
(including Base Building Finish Condition)

EXHIBIT E
RULES AND REGULATIONS

EXHIBIT F

BELLEVUE PLACE TRANSPORTATION MANAGEMENT AGREEMENT

EXHIBIT G
FORM OF TENANT ESTOPPEL CERTIFICATE

EXHIBIT H

FORM OF SUBORDINATION AGREEMENT TO RECIPROCAL EASEMENT AGREEMENT

FIRST LEASE ADDENDUM

THIS FIRST LEASE ADDENDUM (this "Addendum") is made this 21st, day of June, 2017, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation (formerly known as Smartsheet.com, Inc.) ("Tenant").

RECITALS

A. Landlord and Tenant entered into a nonresidential Lease dated September 12, 2016 (the "Lease"), for Suites 400, 425 and 450 in the Bank of America Building at Bellevue Place, Bellevue, Washington, which leased space is more specifically described in the Lease.

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects which shall include (i) extending the Lease Term and adding Rent for the extended Lease Term; and (ii) revising the duration of Tenant's Extension Option.

C. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. Section I. BASIC LEASE DATA, TERMS AND EXHIBITS. The following paragraphs of Section 1 of the Lease are hereby amended in their entirety and/or added to read as follows:

1.3 Tenant: Smartsheet, Inc., a Washington corporation

1.5 Tenant's Permitted Trade Name: Smartsheet

1.10 Rent:

[Leased Premises 450 - based on 7,320 rentable square feet and, effective April 1, 2019, based on 7,384 rentable square feet]

(a) The reference to "the Expiration Date" in the last paragraph is hereby amended to read "March 31, 2022."

(b) The following paragraphs are hereby added at the end of Section 1.10 of the Lease to read as follows:

From and including the first day of April, 2022, to and including March 31, 2023, Rent shall be Forty and 61/100 Dollars (\$40.61) per rentable square foot of Rentable Area of the Leased Premises per annum or Twenty-Four Thousand Nine Hundred Eighty-eight and 69/100 Dollars (\$24,988.69) per month.

From and including the first day of April, 2023, to and including the Expiration Date, Rent shall be Forty-one and 63/100 Dollars (\$41.63) per rentable square foot of Rentable Area of the Leased Premises per annum or Twenty-five Thousand Six Hundred Sixteen and 33/100 Dollars (\$25,616.33) per month.

[Leased Premises 400 - based on 10,334 rentable square feet]

- (a) The reference to “the Expiration Date” in the last paragraph is hereby amended to read “March 31, 2022.”
- (b) The following paragraphs are hereby added at the end of Section 1.10 of the Lease to read as follows:

From and including the first day of April 2022, to and including March 31, 2023, Rent shall be Forty-three and 38/100 Dollars (\$43.38) per rentable square foot of Rentable Area of the Leased Premises per annum or Thirty-seven Thousand Three Hundred Fifty-seven and 41/100 Dollars (\$37,357.41) per month.

From and including the first day of April 2023, and including the Expiration Date, Rent shall be Forty-four and 46/100 Dollars (\$44.46) per rentable square foot of Rentable Area of the Leased Premises per annum or Thirty-eight Thousand Two Hundred Eighty-seven and 47/100 Dollars (\$38,287.47) per month.

[Leased Premises 425 - based on 2,632 rentable square feet]

- (a) The reference to “the Expiration Date” in the last paragraph is hereby amended to read “March 31, 2022.”
- (b) The following paragraphs are hereby added at the end of Section 1.10 of the Lease to read as follows:

From and including the first day of April 2022, to and including March 31, 2023, Rent shall be Forty-three and 38/100 Dollars (\$43.38) per rentable square foot of Rentable Area of the Leased Premises per annum or Nine Thousand Five Hundred Fourteen and 68/100 Dollars (\$9,514.68) per month.

From and including the first day of April 2023, and including the Expiration Date, Rent shall be Forty-four and 46/100 Dollars (\$44.46) per rentable square foot of Rentable Area of the Leased Premises per annum or Nine Thousand Seven Hundred Fifty-one and 56/100 Dollars (\$9,751.56) per month.

1.11 Lease Term: The Lease Term is hereby extended to expire on the Expiration Date below.

1.13 Expiration Date: March 31, 2024.

2. Section 3.4(a) - Option to Extend. The first sentence of Section 3.4(a) of the Lease is amended to read as follows:

Tenant is granted an option (the "Extension Option") to extend the Lease Term for five (5) years, to and including March 31, 2029.

3. Remaining Lease Provisions. Except as expressly modified in this Addendum, all other provisions of the Lease remain in full force and effect. In the event of a conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

DATED as of the day and year first above written.

LANDLORD: TENANT:

BELLEVUE PLACE OFFICE, LLC, SMARTSHEET, INC.,
a Washington limited liability company a Washington corporation

By KEMPER DEVELOPMENT
COMPANY, a Washington corporation, By: /s/ Jennifer Ceran
Its Manager Jennifer Ceran, Chief Financial Officer

By /s/ James E. Melby
James E. Melby
President

BANK OF AMERICA BUILDING OFFICE LEASE

BETWEEN

BELLEVUE PLACE OFFICE, LLC,

a Washington limited liability company

(Landlord)

AND

SMARTSHEET INC.,

a Washington corporation

(Tenant)

SUITE 500

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BANK OF AMERICA BUILDING OFFICE LEASE

THIS LEASE is made this 21st day of June, 2017, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord owns certain rights and interests in and to certain real property and improvements thereon in the City of Bellevue, King County, Washington, which real property is described in Exhibit "A," attached hereto, and shown on the site plan attached hereto as Exhibit "B." Said property and the improvements thereon are part of a first-class multi-use development commonly known and referred to herein as "Bellevue Place." Bellevue Place currently consists of the Bank of America Building, Hotel Building, Comer Building, and Wintergarden Retail Center, as shown on Exhibit "B," as well as a Parking Garage currently located beneath the foregoing.

B. Tenant desires to lease from Landlord a portion of the Bank of America Building and Landlord is willing to do so on certain terms and conditions, which are set forth herein.

NOW THEREFORE, for and in consideration of the promises, covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. BASIC LEASE DATA, TERMS AND EXHIBITS.

1.1 Landlord: Bellevue Place Office, LLC, a Washington limited liability company.

1.2 Address of Landlord: P. O. Box 4186, Bellevue, Washington 98009.

1.3 Tenant: Smartsheet Inc., a Washington corporation.

1.4 Principal Business Address of Tenant: 10500 NE 8th Street, Suite 1300, Bellevue, WA 98004.

1.5 Tenant's Permitted Trade Name: Smartsheet

1.6 Leased Premises: That portion of the fifth (5th) floor of the Bank of America Building; as and where shown on Exhibit "C" attached hereto.

1.7 Rentable Area of the Leased Premises: Nineteen Thousand Eight Hundred Seventy-eight (19,878) square feet.

1.8 Breakdown of Rentable Area at Bellevue Place

(a) The total Rentable Area of the Bank of America Building and the Comer Building is Four Hundred Sixty-three Thousand Five Hundred Ninety-nine (463,599) square feet.

(b) The total Rentable Area of Bellevue Place is Five Hundred Nineteen Thousand Five Hundred Forty-nine (519,549) square feet.

1.9 Tenant's Share:

(a) Because Bellevue Place is a multi-use development containing a variety of different office, retail, and common area facilities within its various elements, Tenant's Share appropriately comprises two components: (i) Operating, Repair and Maintenance Expenses specific to the Bank of America Building and the Corner Building, as set forth in Section 1.9(b); and (ii) Operating, Repair and Maintenance Expenses for Bellevue Place generally, as set forth in Section 1.9(c).

(b) Operating, Repair and Maintenance Expenses for the Bank of America Building and the Corner Building: four point two eight eight percent (4.288%) based on 463,599 rentable square feet pursuant to Section 1.8(a).

(c) Operating, Repair and Maintenance Expenses for Bellevue Place: three point eight two six percent (3.826%) based on 519,549 rentable square feet pursuant to Section 1.8(b).

1.10 Rent:

[Based on 19,878 square feet of Rentable Areal

From and including the Commencement Date to and including the last day of the twelfth (12th) month of the Lease Term, the Rent shall be Thirty-seven and 40/100 Dollars (\$37.40), per square foot of the Rentable Area of the Leased Premises per annum or Sixty-one Thousand Nine Hundred Fifty-three and 10/100 Dollars (\$61,953.10) per month.

From and including the first day of the thirteenth (13th) month of the Lease Term to and including the last day of the twenty-fourth (24th) month of the Lease Term, the Rent shall be Thirty-eight and 52/100 Dollars (\$38.52) per square foot of the Rentable Area of the Leased Premises per annum or Sixty-three Thousand Eight Hundred Eight and 38/100 Dollars (\$63,808.38) per month.

From and including the first day of the twenty-fifth (25th) month of the Lease Term to and including the last day of the thirty-sixth (36th) month of the Lease Term, the Rent shall be Thirty-nine and 68/100 Dollars (\$39.68) per square foot of the Rentable Area of the Leased Premises per annum or Sixty-five Thousand Seven Hundred Twenty-nine and 92/100 Dollars (\$65,729.92) per month.

From and including the first day of the thirty-seventh (37th) month of the Lease Term to and including the last day of the forty-eighth (48th) month of the Lease Term, the Rent shall be Forty and 87/100 Dollars (\$40.87) per square foot of the Rentable Area of the Leased Premises per annum or Sixty-seven Thousand Seven Hundred One and 16/100 Dollars (\$67,701.16) per month.

From and including the first day of the forty-ninth (49th) month of the Lease Term to and including the last day of the sixtieth (60th) month of the Lease Term, the Rent shall be Forty-two and 10/100 Dollars (\$42.10) per square foot of the Rentable Area of the Leased Premises per annum or Sixty-nine Thousand Seven Hundred Thirty-eight and 65/100 Dollars (\$69,738.65) per month.

From and including the first day of the sixty-first (61st) month of the Lease Term to and including the Expiration Date, the Rent shall be Forty-three and 36/100 Dollars (\$43.36) per square foot of the Rentable Area of the Leased Premises per annum or Seventy-one Thousand Eight Hundred Twenty-five and 84/100 Dollars (\$71,825.84) per month.

1.11 Lease Term: Approximately sixty-nine (69) calendar months, plus that portion of a calendar month necessary, if at all, for the Expiration Date to occur on the last day of such calendar month.

1.12 Commencement Date:

The earlier of (i) five (5) days following substantial completion of the Premises Improvements (defined in Section 11.1(a) below), or (ii) the date Tenant first occupies the Leased Premises for business purposes.

1.13 Expiration Date: March 31, 2024.

1.14 Security Deposit: Tenant shall pay Landlord Eighty-five Thousand Twenty-eight and 1⁵/₁₀₀ Dollars (\$85,028.15), which shall be applied to Rent and Additional Rent due for the first (1st) month of the Lease Term. Ninety (90) days prior to the commencement of the Premises Improvements (defined in Section 11.1 below), Tenant shall pay Landlord One Million Seventy-three Thousand Four Hundred Twelve and 00/100 Dollars (\$1,073,412.00), which sum shall be held as a security deposit, subject to and as further described in Section 8 below.

1.15 Deadline for Submission to Landlord of Premises Plans for Premises Improvements. January 1, 2018.

1.16 Contingency: THIS LEASE IS CONTINGENT UPON ITS ACCEPTANCE AND APPROVAL BY LANDLORD'S LENDERS. If this Lease is acceptable to Landlord's lenders, this contingency will be waived by Landlord.

1.17 Project Architect: JPC Architects, or as otherwise designated by Landlord.

1.18 Exhibits Incorporated by Reference:

- Exhibit "A" - Legal Description of Bellevue Place.
- Exhibit "B" - Site Plan of Bellevue Place.
- Exhibit "C" - Floor Plan of the Leased Premises.
- Exhibit "D" - Tenant Design & Construction Manual.
- Exhibit "E" - Rules and Regulations.
- Exhibit "F" - Bellevue Place Transportation Management Agreement.
- Exhibit "G" - Form of Tenant Estoppel Certificate.
- Exhibit "H" - Form of Subordination Agreement to Reciprocal Easement Agreement.

2. PREMISES.

2.1 Generally.

Landlord does hereby lease and demise to Tenant, and Tenant hereby accepts from Landlord, upon the terms and conditions herein set forth, the Leased Premises described in Section 1.6 above and depicted in Exhibit "C," together with rights of ingress and egress over and across the Common Areas and Facilities of the Bank of America Building and Bellevue Place.

2.2 Reserved to Landlord.

Landlord reserves the right, from time to time, to change the size and dimensions of Bellevue Place; add additional buildings and improvements to Bellevue Place; relocate, alter, and

change the number of buildings and other improvements in, on and under Bellevue Place; change any building dimensions and the number of floors in any of the buildings and parking areas in Bellevue Place; change the identity and type of stores and tenancies in Bellevue Place; change the name and address of the buildings and other improvements in Bellevue Place; and change the Common Areas and Facilities in Bellevue Place. Landlord further reserves the use of, and all rights in and to, the exterior walls and roof, and the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through the Leased Premises in locations which will not materially interfere with Tenant's use thereof and serving other parts of Bellevue Place. Landlord shall reasonably attempt to locate such items under the floor, above the ceiling, or adjacent to an interior wall. Such use shall not exceed one percent (1%) of the Useable Area of the Leased Premises unless otherwise agreed. If Landlord's use hereunder exceeds one percent (1%) of the Useable Area of the Leased Premises, Tenant shall be entitled, as its sole and exclusive remedy, to a reduction in the stated Rentable Area for the Leased Premises, as set forth in Section 1.7 above, and a proportional reduction in Rent and Additional Rent (as defined in Sections 5 and 6 below) due hereunder. The Leased Premises shall not include the space above the suspended ceiling. Landlord shall retain the right to use the area immediately below the floor surface and the space above the suspended ceiling in any manner which does not permanently and materially interfere with Tenant's use of the Leased Premises.

3. LEASE TERM.

3.1 Generally.

The term of this Lease (the "Term" or "Lease Term") shall be the period of time set forth in Section 1.11 above and shall commence on the Commencement Date as provided in Section 4.1 below and shall end at 11:59 p.m. on the Expiration Date, as provided in Section 4.2 below.

3.2 Termination.

The Lease shall terminate on the Expiration Date, unless sooner terminated hereunder or by operation of law, without the necessity for any notice from either Landlord or Tenant. If Tenant fails to surrender the Leased Premises at the end of the Lease Term, Tenant shall be liable for, and shall indemnify Landlord against, all claims and demands made by any succeeding tenants against Landlord founded upon delay by Landlord in delivering possession of the Leased Premises to such succeeding tenant.

3.3 Holding Over.

Any holding over by Tenant after the expiration of the Lease Term shall be construed to be a tenancy from month-to-month. During such tenancy, Tenant shall pay to Landlord a monthly rental of one hundred fifty percent (150%) of the Rent payable during the last month of the Lease Term in addition to the Additional Rent and Other Charges set forth herein. Except as set forth herein, such month-to-month tenancy also shall be subject to all of the terms, covenants, and conditions of this Lease.

3.4 Option to Extend Lease Term.

(a) Tenant is granted an option (the "Extension Option") to extend the Lease Term for five (5) years, to and including March 31, 2029. The period of time shall be referred to herein as the "Option Period". To exercise the Extension Option, Tenant must give Landlord unequivocal written notice of Tenant's election to exercise the Extension Option at least ten (10) calendar months (but not earlier than twelve (12) calendar months) prior to the Expiration Date.

(b) If Tenant elects to exercise the Extension Option, the Rent for the Option Period (“New Rent”) shall be the Fair Market Rent (as defined below) for comparable space in the Bank of America Building (“Comparable Space”), but in no event shall the New Rent be less than the Rent payable during the last month of the Lease Term. If there is no Comparable Space in the Bank of America Building at the time, Tenant shall pay, as New Rent, whatever the fair market rent in the Bank of America Building would be if there was such Comparable Space in the Bank of America Building. The term “Fair Market Rent” shall mean the rent that would be paid by a willing tenant renewing its lease for Comparable Space for a term of five (5) years. Tenant concessions shall be included in the determination of fair market rent with respect to tenants who are renewing their leases in the Bank of America Building. The term “tenant concessions” shall include, without limitation, such inducements as tenant improvements and free rent.

(c) In the event Landlord and Tenant cannot agree on the New Rent, the matter shall be submitted for decision to a panel of three (3) arbitrators. Landlord and Tenant shall each appoint one (1) arbitrator, who shall by profession be a licensed commercial real estate broker or an MAI real estate appraiser and who shall be familiar with Bellevue Place and have been active (over the three (3) year period ending on the date of such appointment) in the brokering or appraisal of Comparable Space. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's proposed New Rent is the closest to the Fair Market Rent. Each such arbitrator shall be appointed within fifteen (15) days after Tenant's or Landlord's notice to the other of its election to have the New Rent be determined by this arbitration procedure. The two arbitrators so appointed shall, within fifteen (15) days of the date of the appointment of the last appointed arbitrator, agree upon and appoint a third arbitrator, who shall be qualified under the same criteria set forth above for qualification of the initial two arbitrators. Failing such agreement, either Landlord or Tenant shall have the right to petition for the appointment of the third arbitrator by the Presiding Judge of the Superior Court of the County of King. The three (3) arbitrators shall, within thirty (30) days of the appointment of the third arbitrator, reach a decision as to whether the parties shall use Landlord's or Tenant's proposed New Rent and shall notify Landlord and Tenant thereof. The decision of the majority of the three (3) arbitrators shall be binding upon both Landlord and Tenant. The cost of the arbitration shall be paid by Landlord and Tenant equally. The arbitration procedure shall not take more than thirty (30) days. However, if the arbitrators have not determined the New Rent prior to the beginning of the Option Period, Tenant shall pay the Rent previously in effect under the Lease plus a ten percent (10%) increase until such time as the arbitrators determine the New Rent. If the arbitration procedure results in a higher Rent, Tenant shall pay the difference with the next monthly rental payment due under the Lease. If the arbitration procedure results in a lower Rent, Tenant shall receive a credit against its next monthly Rent payments under the Lease, and any succeeding monthly rental payments, if necessary, in an amount equal to the overpayment.

(d) Notwithstanding anything in the foregoing to the contrary, the Extension Option may not be exercised during any period in which Tenant is in default under any provision of the Lease until said default has been fully cured. Time is of the essence. If Tenant fails to exercise the Extension Option in any instance when such right is in effect, prior to the expiration of the applicable time period for the exercise of such right, the Extension Option shall thereafter be deemed null and void and of no further force or effect. The period of time within which the Extension Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise such rights because of the foregoing provisions. All rights of Tenant to the Extension Option shall terminate and be of no further force or effect, even after Tenant's due and timely exercise thereof, if, after such exercise, but prior to the commencement date of the Option Period, Tenant defaults under the terms of the Lease which default is not cured within any applicable cure period.

(e) The Extension Option shall be personal to Tenant and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant, nor shall the Extension Option be assignable separate and apart from this Lease.

4. COMMENCEMENT AND EXPIRATION DATES; LEASE YEAR.

4.1 Commencement Date.

The Commencement Date shall be the date set forth in Section 1.12 above.

4.2 Expiration Date.

This Lease shall expire at 11:59 p.m. on the date set forth in Section 1.13 above.

4.3 Confirmation of Commencement and Expiration.

Within five (5) business days after Tenants occupancy of the Leased Premises, or upon Landlord's request, Landlord and Tenant shall confirm the specific Commencement and Expiration Dates in writing, as well as the "as built" Rentable Area of the Leased Premises, as defined in Section 6.2(f), and the Rent payable hereunder, which shall be appended to and incorporated into this Lease.

4.4 Lease Year.

A "Lease Year" shall mean a calendar year commencing on January 1 and ending the following December 31. If the Commencement Date is a date other than January 1, the initial Lease Year shall be from and including the Commencement Date to and including December 31 of that calendar year. If the Expiration Date is a date other than December 31, the final Lease Year shall be from and including January 1 of the calendar year of the Final Lease Year to and including the Expiration Date.

5. RENT.

Tenant shall pay to Landlord, without notice or demand and without setoff or deduction whatsoever, the sums stated in Section 1.10 above (the "Rent"), which shall be paid to Landlord in advance in lawful money of the United States, on or before the first day of each calendar month at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. Rent and Additional Rent (as defined in Section 6.1 below) for any partial month at the beginning or end of the Lease Term shall be prorated, based upon a thirty (30) day month. All amounts payable hereunder, other than Rent and Additional Rent, may be sometimes referred to as "Other Charges." Landlord may (but shall not be required to) make available to Tenant procedures for the payment to Landlord by electronic funds transfer of any or all amounts required by the terms of this Lease to be paid by Tenant.

6. ADDITIONAL RENT.

6.1 Generally.

In addition to the Rent provided for in Section 5 above, Tenant shall pay to Landlord, without notice (other than notice advising Tenant of its share of the Additional Rent) or demand and without setoff or deduction, Tenant's Share (as defined in Section 6.2(a) below) of the Operating Expenses (as defined in Section 6.2(b) below), which expenses include, but are not limited to, (1) Operating, Repair, and Maintenance Expenses for the Bank of America Building

and the Coiner Building; and (ii) Operating, Repair, and Maintenance Expenses for Bellevue Place during the Lease Term (the "Additional Rent").

6.2 Definitions.

The following terms shall have the meanings hereinafter specified, unless the context otherwise specifies or clearly requires:

- (a) Tenant's Share. Tenant's Share shall be equal to the percentages set forth in Section 1.9 above.
- (b) Operating Expenses Generally. The Operating Expenses shall include (i) all Operating, Repair and Maintenance Expenses (defined in Section 6.2(c) below), and (ii) all Taxes (defined in Section 6.2(d) below).
- (c) Operating, Repair and Maintenance Expenses. Operating, Repair and Maintenance Expenses shall include the actual costs and expenses that are paid or payable by Landlord in connection with the operation, repair and maintenance of Bellevue Place and its constituent parts, which include without limitation, the Bank of America Building, the Corner Building and the Wintergarden Retail Center, less all contributions for such costs received from the owner of the Hotel Tract as defined in and pursuant to the terms of that certain Construction, Operation and Reciprocal Easement Agreement recorded under King County Recorder's File No. 8709160449, as amended from time to time (the "REA"), and shall include, but not be limited to, those costs and expenses that are paid or payable to the Transportation Management Association. Without limiting the generality of the foregoing and by way of illustration, Operating, Repair and Maintenance Expenses shall include costs and expenses of all utility, heating, air conditioning and ventilation costs and expenses; license, permit and inspection fees; planting and landscaping costs and expenses; janitorial services; direct physical damage insurance (including but not limited to loss of income insurance), liability and excess liability insurance, and other appropriate insurance policies, as determined solely by Landlord or Landlord's lender, including but not limited to garage keeper's legal liability, boiler and machinery and auto insurance; taxes and assessments on equipment; the cost and expense of repairs including, but not limited to, those of a capital nature necessary or appropriate to fulfill Landlord's obligations to its tenants; the cost and expense of removing trash and other refuse; the cost and expense of supplies, tools and equipment; the cost and expense of cleaning, maintaining, repairing and replacing machinery and equipment, including but not limited to automatic door openers, lights and lighting fixtures, heating, air conditioning and ventilation equipment, fire and sprinkler systems and security systems; depreciation allowance on machinery and equipment (depreciation to be over the useful life of any such machinery and equipment in accordance with the guidelines and regulations established by the Internal Revenue Service, if any); the cost and expense of personnel to implement such services, including but not limited to security and traffic control; legal and accounting costs and expenses; customary management fees; the cost of any capital improvements necessary or appropriate to fulfill Landlord's repair or maintenance obligations, required by any applicable governmental law or regulation not in effect at the time Tenant is required to take occupancy of the Leased Premises or made for the purpose of reducing operating, repair or maintenance costs (the cost of any such capital improvements shall be amortized over the useful life of such item (in accordance with the guidelines and regulations established by the Internal Revenue Service, if any, from time to time) as Landlord shall determine with a return on capital at the current market rate per annum on the unamortized balance or at such higher rate as may have been paid by Landlord on funds borrowed for the purpose of purchasing or constructing such improvements).
- (d) Taxes. Taxes shall include all real estate taxes, personal property taxes and all other taxes, surcharges and assessments that are or may be levied upon, assessed against or

attributable to Bellevue Place and all improvements, fixtures, equipment and other property of Landlord, real and personal, located on, in or under Bellevue Place and used in connection with the operation thereof, including the Bank of America Building, the Corner Building and land underlying the Bank of America Building and the Corner Building and including, although not limited to, the land, improvements, equipment, fixtures and other property used in connection with the operation of and comprising the Parking Garage and Wintergarden Retail Center and any rental, excise, sales, transaction or other privilege tax or levy, however denominated (excepting federal, state and local net income taxes) paid or payable during the Lease Term and taxes on all tenant improvements in the Wintergarden Retail Center owned by Landlord but excluding the Hotel Building and the land underlying the Hotel Building. Taxes also shall include any amounts paid or payable to any third party or incurred by Landlord for the purpose of obtaining a reduction in the Taxes as above defined.

(e) Rentable Area of the Leased Premises. For purposes of this Lease, the Rentable Area of the Leased Premises shall mean the Useable Area of the Leased Premises, as that term is defined and computed according to the *Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA z65.1-20.10*, otherwise known as the "BOMA Standard," multiplied by a load factor of sixteen point eighty-three percent (16.83%). The "as built" Rentable Area of the Leased Premises shall be the true Rentable Area of the Leased Premises at the time Landlord tenders possession of the Leased Premises to Tenant.

(f) Rentable Area of Bellevue Place. For purposes of this Section 6, the Rentable Area of Bellevue Place shall include the total of all areas and spaces in (i) the Bank of America Building, (ii) the Corner Building, and (iii) all areas and spaces in and opening into the Wintergarden Retail Center (whether or not such areas or spaces in the Bank of America Building, the Corner Building, and the Wintergarden Retail Center are actually leased by Landlord) that are available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests and shall include, but not be limited to, all rest rooms, mezzanines, warehousing and storage areas, clerical and office areas, and employee areas within the leased premises of any tenant of Landlord in the Wintergarden Retail Center, Bank of America Building and Corner Building, but shall exclude all areas and spaces in the Hotel Building (other than those areas and spaces in or opening into the Wintergarden Retail Center and available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests) and the Common Areas and Facilities of Bellevue Place. If at any time, Landlord believes the Rentable Area of Bellevue Place is materially different than the Rentable Area of Bellevue Place set forth in Section 1.8 above because of an error in calculation or additions, modifications or alterations to Bellevue Place and Landlord desires to amend this Lease to reflect the actual or changed Rentable Area of Bellevue Place, Landlord shall so notify Tenant in writing. If Tenant does not object in writing to Landlord's notice within ten (10) days following receipt of Landlord's notice, this Lease shall be deemed to be amended to incorporate the Rentable Area of Bellevue Place as set forth in Landlord's notice to Tenant. If Tenant does object in writing to Landlord's notice within said ten (10) days, and Landlord and Tenant are unable to agree upon the Rentable Area of Bellevue Place within ten (10) days following receipt of Tenant's notice of objection, the matter shall be submitted for determination to the Project Architect for Bellevue Place. The decision of the Project Architect shall be final and binding on both Landlord and Tenant and this Lease shall be deemed to be amended to reflect the Rentable Area of Bellevue Place as and when decided by the Project Architect. The cost and expense of the Project Architect's consideration of the matter, if any, shall be shared equally among Landlord and all tenants objecting to Landlord's notice.

(g) Notwithstanding anything in this Section 6.2 to the contrary, the following costs shall not be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease:

Leasing commissions, advertising expenses, fees and costs incurred in procuring new tenants for portions of Bellevue Place.

Except as permitted in Section 6.2(c) of the Lease, interest or amortization payments on mortgages.

Rental on ground leases or other underlying leases.

Any costs or expenses associated with or incurred in connection with required environmental testing, removal, enclosure, encapsulation or other handling of asbestos or other hazardous or toxic materials or substances.

Costs of any item for which Landlord is or is entitled to be paid or reimbursed by insurance.

Charges for electricity, water, or other utilities and applicable taxes for which Landlord is entitled to reimbursement from any other tenant.

Cost of correcting major defects in the design, construction or equipment of, or substantial latent defects in, the Bank of America Building or Bellevue Place (a defect, for the purposes of this subsection (g), is defined as a substantial condition that occurred because of negligence in the initial construction of Bellevue Place).

Any costs incurred in constructing any future material expansion of the Bank of America Building (as opposed to the costs of operating and maintaining the expanded Bank of America Building, which may be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease).

Costs of a capital nature, except for costs (a) reasonably necessary or appropriate to fulfill Landlord's repair or maintenance obligations; (b) incurred as a result of any applicable governmental law or regulation enacted and enforced after the date of the Lease; and/or (c) made for the purpose of reducing operating, repair or maintenance costs.

Interest and penalties incurred as a result of Landlord's delinquent payment of any obligation of Landlord.

Notwithstanding any reference in Section 6.2 to the contrary, the cost of any capital item shall not be expensed in a single year but shall be depreciated over the useful life of such item in a manner consistent with other Bellevue Class "A" office buildings.

Notwithstanding anything in this Lease to the contrary, there shall be no duplication of any particular cost, charge or expense in any operating costs and maintenance expenses set forth in this Section 6.2 of the Lease, provided Landlord reserves the right to include a customary administrative fee and a customary management fee within operating costs and maintenance expenses.

6.3 Payment.

Landlord shall provide to Tenant, at or before the Commencement Date, an estimate of the annual Operating Expenses for the Lease Year in which the Commencement Date occurs. Within ninety (90) days after the expiration of each succeeding Lease Year of the Lease Term, or

as soon thereafter as such information becomes available, Landlord shall give Tenant a written estimate of Tenant's Share of the Operating Expenses for the then current Lease Year ("Tenant's Estimated Share"). Tenant shall pay Tenant's Estimated Share, in advance, in equal monthly installments on or before the first (1st) day of each calendar month of such Lease Year at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. During the period of time following the expiration of a Lease Year and Tenant's receipt of Landlord's estimate of Tenant's Estimated Share, Tenant shall continue to pay Landlord Tenant's Estimated Share from the prior Lease Year. Within ninety (90) days after the expiration of each Lease Year of the Lease Term (or as soon thereafter as such information becomes available), Landlord shall furnish to Tenant a written statement summarizing the actual amount of Tenant's Share of the Operating Expenses for the prior Lease Year (hereinafter sometimes referred to as the "Annual Reconciliation Statement"). If Tenant's Share of the Operating Expenses exceeds the amount paid by Tenant, Tenant shall pay the deficiency to Landlord promptly upon receipt of a written notice of the amount thereof. If such statement shows Tenant's Share of the Operating Expenses to be less than the amount paid by Tenant, the amount of overpayment by Tenant shall be credited by Landlord to the next payment or payments of Additional Rent due hereunder, if Tenant has otherwise complied with all of the terms and provisions of this Lease. If the Lease Term has expired and Tenant has vacated the Leased Premises and no amounts are or may become payable by Tenant, then any overpayment shall be returned to Tenant, or at Landlord's option, to the last assignee of Tenant's interest in the Leased Premises. If this Lease commences at a time other than the beginning of a calendar year, Tenant shall pay the Additional Rent for the remaining portion of the Lease Year based upon the number of days from the Commencement Date. If this Lease expires at a time other than the last day of a calendar year, Tenant shall be obligated to pay immediately any deficiencies which shall be computed at the expiration of that Lease Year. If at any time during a Lease Year it appears to Landlord that any of the Operating Expenses payable for that Lease Year will vary from Landlord's estimate by more than five percent (5%) on an individual or aggregate basis, Landlord may, at its election, adjust Tenant's Estimated Share for the balance of that Lease Year to compensate for such increase. Any increased payments required to be made pursuant to this Section shall be made within thirty (30) days after Landlord has notified Tenant thereof, Tenant's obligations under this Section shall survive the expiration or termination of this Lease.

6.4 Nonpayment.

In the event of nonpayment of any item of Additional Rent or any Other Charge due hereunder, Landlord shall have the same rights and remedies as for failure to pay Rent.

6.5 Future Development of Bellevue Place.

Tenant is aware that Landlord, by itself or in combination with other persons, intends to further expand and develop Bellevue Place in one or more additional phases and Tenant has reviewed plans and other documents describing the intended expansion and development of Bellevue Place or has been provided with opportunities to review such plans and documents. In the event one or more such phases of the Bellevue Place project are completed during the Lease Term, any additional operating, repair or maintenance expenses and real estate and other taxes attributable to such other phases may be included in the Operating Expenses at Landlord's discretion; provided that the denominator used to calculate Tenant's proportionate share of such expenses is reasonably adjusted with respect to such phases.

6.6 Disputes Relating to Additional Rent.

If Tenant desires to contest any calculation by Landlord of Tenant's Share or the amount of any Bellevue Place Operating Expense payable by Tenant, Tenant must give Landlord a

written notice (an "Objection Notice") stating that Tenant disputes the calculation or amount. The Objection Notice must be received by Landlord within ninety (90) days after Tenant receives Landlord's Annual Reconciliation Statement regarding Bellevue Place Operating Expenses, and set forth with particularity the reason why Tenant disputes Landlord's calculation or the amount. If Tenant fails to give Landlord such an Objection Notice within such time, Tenant shall be deemed to have waived and released any and all rights it may have to contest the calculation and amount. Promptly after receiving any such Objection Notice from Tenant, Landlord shall meet with Tenant and both Tenant and Landlord shall attempt in good faith to reconcile the matters described in the Objection Notice; provided, however, if Tenant refuses to meet with Landlord within thirty (30) days after the date Landlord received the Objection Notice from Tenant, Tenant shall be deemed to have waived and released any and all rights it may have to contest Landlord's calculation and the inclusion and amount of any Bellevue Place Operating Expense. If Landlord and Tenant are unable to resolve the dispute within a reasonable time, Landlord shall cause its accounting firm to undertake an investigation and analysis of the matter and prepare a written report, a copy of which shall be provided to Tenant. The cost of the investigation, analysis and report shall be paid for by Tenant unless the investigation and analysis discloses a material error favoring Landlord, in which event Landlord shall bear the cost of the investigation, analysis and report. If the report discloses that the amount or calculation used by Landlord was incorrect, Landlord shall provide a credit to Tenant against future obligations under this Section 6 equal to the amount of any overpayment paid by Tenant during the Lease Year to which Tenant's Objection Notice relates. Notwithstanding the pendency of any dispute hereunder, Tenant shall continue to pay all amounts owed hereunder based upon Landlord's determination and calculation or until such calculation or amount has been established hereunder to be incorrect.

7. LATE CHARGES.

If Tenant fails to pay, when the same is due and payable, any Rent, Additional Rent or Other Charges, such unpaid amounts shall bear interest at the rate of two percent (2%) per month from the date due to the date of payment, unless such amount would violate any applicable usury law, in which event such unpaid amounts shall bear interest at the highest rate then allowed by law. In addition to such interest, Tenant acknowledges that the late payment by Tenant of any installment of Rent, Additional Rent or Other Charges will cause Landlord to incur certain costs and expenses not contemplated under this Lease, the exact amount of such costs being extremely difficult or impractical to fix. Such costs and expenses will include, without limitation, administrative and collection costs, and processing and accounting expenses. Therefore, if any Rent, Additional Rent or Other Charge installment is not received by Landlord from Tenant by the fifth (5th) day after such installment is due, Tenant shall immediately pay to Landlord, in addition to the installment due, a late charge equal to twelve percent (12%) of such installment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for its loss and expense suffered by such nonpayment by Tenant. Acceptance of this late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising all other rights and remedies available to Landlord under this Lease. Landlord shall apply payments made by Tenant first to accrued charges, interest and rent in the following order: (a) Late Charges; (b) interest; (c) Rent; Other Charges and Additional Rent; and (d) any balance remaining to current Rent, Other Charges, and Additional Rent. Notwithstanding anything in this Section 7 to the contrary, provided Tenant pays all sums due hereunder by electronic funds transfer, Landlord shall waive the first (1st) late charge that may be incurred by Tenant during any twelve (12) month period during the Lease Term, provided the unpaid amount is in fact paid in full by Tenant on or before the fifteenth (15th) day of the month in which any such payment is due.

8. SECURITY DEPOSIT.

(a) As additional consideration for this Lease, Tenant has delivered to Landlord as a security deposit the sum shown in Section 1.14 above. Such sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of this Lease to be kept and performed by Tenant during the entire Lease Term. If Tenant is in breach under any provision of this Lease, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any unpaid obligation or sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's breach, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach. In the event Landlord elects to so use, apply or retain all or any part of the security deposit, Tenant shall deposit with Landlord, within ten (10) days of demand therefor, cash sufficient to restore the security deposit to the amount set forth in Section 1.14. Landlord shall not be required to keep the security deposit separate from its general funds and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease, the security deposit or any balance thereof after deductions hereunder by Landlord shall be returned to Tenant (or at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder) within thirty (30) days following expiration of the Lease Term or Tenant's return of the Leased Premises to Landlord in the condition required hereunder, whichever shall last occur. No trust relationship is created hereby between Landlord and Tenant with respect to the security deposit.

(b) Ninety (90) days prior to the commencement of the Premises Improvements, Tenant shall pay Landlord a security deposit in the initial amount of One Million Seventy-three Thousand Four Hundred Twelve and 00/100 Dollars (\$1,073,412.00) ("Additional Security Deposit").

(c) Provided Tenant has not defaulted under this Lease beyond the applicable notice and cure period, the Additional Security Deposit shall be reduced as follows during the Lease Term:

- For the period commencing on April 1, 2020, through and including March 31, 2021, the Additional Security Deposit shall be \$805,059.00;
- For the period commencing on April 1, 2021, through and including March 31, 2022, the Additional Security Deposit shall be \$536,706.00;
- For the period commencing on April 1, 2022, through and including March 31, 2023, the Additional Security Deposit shall be \$375,694.00; and
- For the period commencing on April 1, 2023, through and including the Expiration Date, the Additional Security Deposit shall be \$161,011.00.

(d) Notwithstanding the foregoing, if Tenant delivers to Landlord information reasonably satisfactory to Landlord showing that Tenant has readily available cash or cash equivalents totaling not less than \$40,000,000, then the amount of the Additional Security Deposit shall be reduced as provided in this subsection (d) below. No later than thirty (30) days prior to each scheduled reduction, and within three (3) business days of Landlord's written request made not more than once during each Lease Year during the Lease Term, Tenant shall deliver to Landlord information reasonably satisfactory to Landlord showing that Tenant has readily available cash or cash equivalents totaling not less than \$40,000,000. If Tenant fails to deliver such information, or if such information does not reflect readily available cash or cash equivalents totaling at least \$40,000,000, then the reduction shall not occur and Tenant shall immediately restore the Additional Security Deposit to an amount determined in accordance with the schedule set forth in subsection (c) above.

Provided Tenant has not defaulted under this Lease beyond the applicable notice and cure period and has satisfied the criteria set forth in this subsection (d) above, the Additional Security Deposit shall be reduced as follows:

- From and including ninety (90) days prior to the commencement of the Premises Improvements through and including March 31, 2020, the Additional Security Deposit shall be \$596,340.00;
- For the period commencing on April 1, 2020, through and including March 31, 2021, the Additional Security Deposit shall be \$447,255.00;
- For the period commencing on April 1, 2021, through and including March 31, 2022, the Additional Security Deposit shall be \$298,170.00;
- For the period commencing on April 1, 2022, through and including March 31, 2023, the Additional Security Deposit shall be \$208,719.00; and
- For the period commencing on April 1, 2023, through and including the Expiration Date, the Additional Security Deposit shall be \$89,451.00.

(e) Notwithstanding the foregoing, if Tenant delivers to Landlord information reasonably satisfactory to Landlord showing that Tenant has readily available cash or cash equivalents totaling not less than \$100,000,000, then the Additional Security Deposit shall be reduced to \$119,268.00 provided Tenant has not defaulted under this Lease beyond the applicable notice and cure period. No later than thirty (30) days prior to the end of each Lease Year, and within three (3) business days of Landlord's written request made not more than once during each Lease Year during the Lease Term, Tenant shall deliver to Landlord information reasonably satisfactory to Landlord showing that Tenant has readily available cash or cash equivalents totaling not less than \$100,000,000. If Tenant fails to deliver such information, or if such information does not reflect readily available cash or cash equivalents totaling at least \$100,000,000, then Tenant shall immediately restore the Additional Security Deposit to an amount determined in accordance with the above schedules.

9. USES.

9.1 Permitted Uses.

Tenant shall use and occupy the Premises only for general office purposes consistent with a first class office building (the "Permitted Use") under the trade name set forth in Section 1.5 above, and for no other business or purpose or under any other trade name without the prior written consent of Landlord, which consent may be withheld if Landlord, in its sole discretion, determines that any proposed use or trade name is inconsistent with or detrimental to the maintenance and operation of the Building as a first-class office building. Landlord makes no representation or warranty as to the availability of Tenant's Permitted Trade Name or that it will not infringe on any other person's trademark, service mark or other rights or privileges.

9.2 Prohibited Uses.

Tenant shall not do or permit or suffer anything to be done in or about the Leased Premises, Bank of America Building or Bellevue Place which will in any way obstruct or interfere with the rights of other tenants or occupants of the Bank of America Building or Bellevue Place or injure or annoy them, their customers or clients, nor shall Tenant use or allow the Leased Premises to be used for any purpose which is objectionable or offensive in Landlord's reasonable judgment or which is unlawful, nor shall Tenant do or permit or suffer anything to be done in or about the Leased Premises, the Bank of America Building or Bellevue Place which would cause Landlord to be in violation of any of its agreements with others. If Tenant permits or engages in any activity which, in Landlord's reasonable judgment, is objectionable, offensive or otherwise constitutes a nuisance to Landlord, the other tenants of the Bank of America Building or Bellevue Place, or their employees, customers, guests or invitees, Tenant shall immediately discontinue such activity or take action to cause the activity to be discontinued with all due diligence if it cannot be immediately discontinued. Tenant's failure to comply with this Section shall constitute a material default of this Lease and entitle Landlord to pursue its

remedies for such a breach or, in the alternative, undertake such work as may be appropriate to prevent such activity and recover, as additional rent, the cost thereof plus interest thereon at two percent (2%) over the prime rate of interest charged or published by Bank of America on the first day of each month, commencing on the date due through the date of payment.

9.3 Compliance with Laws, Rules and Regulations.

Tenant shall, at its sole cost and expense, promptly comply with all local, state and federal laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force relating to Tenant's use and occupancy of the Leased Premises and Tenant's business conducted therein.

9.4 Hazardous Material.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Leased Premises by Tenant, its agents, employees, contractors or invitees. If Tenant breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Leased Premises caused or permitted by Tenant results in contamination of the Leased Premises or any part of Bellevue Place or any other property, or if contamination of the Leased Premises or any part of Bellevue Place or any other property by Hazardous Material otherwise occurs for which Tenant may be legally liable for damage resulting therefrom, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the property, damages for the loss or restriction on use of rentable or useable space or of any amenity of Bellevue Place or the Leased Premises or elsewhere, damages arising from any adverse impact on marketing of space at Bellevue Place or elsewhere, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Lease Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under Bellevue Place. Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Leased Premises or Bellevue Place by Tenant, its agents, employees, contractors or invitees, results in any contamination of the Leased Premises or any part of Bellevue Place or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Leased Premises, Bellevue Place or any other property to the condition existing prior to the introduction of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Leased Premises, Bellevue Place or other property. As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government.

10. SERVICES AND UTILITIES.

10.1 Standard Services.

As long as Tenant is not in default under any of the provisions of this Lease, Landlord shall cause the Leased Premises (in accordance with Section 12.3) and the public and common areas of the Building, including the lobbies, elevators, stairs, corridors and rest rooms, to be maintained in reasonably good order and condition consistent with the operation and maintenance of the Bank of America Building as a first-class office and retail building in

downtown Bellevue, except for damage occasioned by any act or omission of Tenant or Tenant's officers, contractors, agents, invitees, licensees or employees, the repair of which shall be paid for by Tenant. From 7:00 a.m. to 6:00 p.m. on weekdays, excluding legal holidays ("Regular Business Hours"), Landlord shall furnish the Leased Premises with electricity for lighting and operation of low power usage office machines, water, heat, air conditioning and elevator service (the "Standard Services"). During all other hours, Landlord shall furnish the Standard Services, including elevator service as reasonably required to provide access to the Leased Premises, except for heat and air conditioning and lighting. If requested by Tenant, Landlord shall furnish heat and air conditioning and lighting at times other than Regular Business Hours and the cost of such services, as established by Landlord, shall be paid by Tenant in the same manner as provided in Section 5 above. Landlord also shall provide lamp replacement service for Building Standard fluorescent light fixtures, toilet room supplies, window washing at reasonable intervals and customary building janitorial service as part of the Standard Services, although no janitorial service shall be provided for Saturdays, Sundays or legal holidays. The cost and expense of any janitorial or other services provided or caused to be provided by Landlord to Tenant in addition to the services ordinarily provided Bank of America Building tenants shall be paid by Tenant in the same manner as provided for payment in Section 5 above.

10.2 Interruption of Services.

Landlord shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption or failure of the Standard Services due to any cause whatsoever. No temporary interruption or failure of the Standard Services incident to the making of repairs, alterations, or improvements, or due to accident, strike or conditions or events beyond Landlord's reasonable control shall be deemed an eviction of Tenant or relieve Tenant from any of Tenant's obligations hereunder.

10.3 Additional Services.

Tenant shall not install lights and equipment in the Leased Premises with heating loads which in the aggregate exceed the Bank of America Building standard mechanical system. Landlord shall not arbitrarily withhold consent to Tenant's installation of lights and equipment exceeding such amount but may condition its consent on Tenant's payment of the costs incurred by Landlord for the installation, operation, repair and maintenance of supplementary air conditioning capacity or electrical systems as necessitated by such equipment or lights. In addition, Tenant shall pay to Landlord, in advance, on the first day of each month during the Lease Term, such amount estimated by Landlord to be the cost of furnishing electricity to Tenant for the operation of such equipment or lights and such amount estimated by Landlord to be the cost of operating and maintaining the supplementary air conditioning units as necessitated by Tenant's use of such equipment or lights. Such costs shall be paid by Tenant in the same manner as provided in Section 5 above. In the event of nonpayment of amounts due for any of the above-described additional services, Landlord shall have the same lights and remedies as it has with respect to the nonpayment of rent hereunder. Landlord shall be entitled to install and operate, at Tenant's sole cost and expense, a monitoring or metering system in the Leased Premises to measure the added demands on electricity, heating, ventilation, and air conditioning systems resulting from such equipment and lights and from Tenant's after-hours heating, ventilation and air conditioning service requirements. Tenant shall comply with Landlord's instructions for the use of drapes, blinds and thermostats in the Bank of America Building.

11. IMPROVEMENTS, ALTERATIONS AND ADDITIONS.

11.1 Premises Improvements.

(a) Prior to the Commencement Date, the Leased Premises shall be improved by Landlord (the "Premises Improvements"), which Premises Improvements shall be in accordance with mutually agreed upon plans and specifications for such improvements (the "Premises Plans"). The Premises Improvements shall be performed and installed by design professionals and contractors selected by Landlord in the exercise of Landlord's subjective discretion, and shall be performed in accordance with the requirements set forth in Exhibit "D". Landlord shall contract directly with the contractors constructing the Premises Improvements. Landlord shall contract directly with the Project Architect for architectural services related to the Premises Improvements. Landlord shall pay certain amounts toward the cost of the Premises Improvements ("Landlord's Improvement Allowance"). Landlord's Improvement Allowance is limited to Sixty and 00/100 Dollars (\$60.00) per rentable square foot or One Million One Hundred Ninety-two Thousand Six Hundred Eighty and 00/100 Dollars (\$1,192,680.00). Landlord's Improvement Allowance shall be used exclusively for the Premises Improvements (including all sales and other applicable taxes but *not* including furniture, trade fixtures, equipment, inventory, or personal property, which shall be Tenant's sole cost and responsibility); provided, however, Tenant has the right to use up to Two and 00/100 Dollars (\$2.00) per rentable square foot or Thirty-nine Thousand Seven Hundred Fifty-six and 00/100 Dollars (\$39,756.00) of Landlord's Improvement Allowance to offset data, telephone, and similar communication cabling costs.

(b) Any and all costs for the construction and installation of the Premises Improvements (including but not limited to the cost of all working drawings, space plans, and engineering, architectural, design and consulting fees) in excess of Landlord's Improvement Allowance ("Excess Improvement Costs") shall be Tenant's sole responsibility and shall be paid by Tenant promptly when due. Tenant's failure or refusal to pay any such Excess Improvement Costs shall be a material breach of this Lease and a default hereunder. If it should appear to Landlord at any time that Tenant is or may be obligated to pay for any Excess Improvement Costs, in addition to any and all other rights and remedies to which Landlord may be entitled, Landlord shall have the right, but not the obligation, to immediately stop or prevent any and all further design, construction and installation work until Landlord has received satisfactory assurances that Tenant can and will promptly pay all Excess Improvement Costs.

(c) Prior to the Commencement Date, the Project Architect shall certify that the Premises Improvements are substantially complete in accordance with the Premises Plans. If substantial completion of the Premises Improvements is delayed by Tenant's acts or omissions, change in design decisions, revisions or additional work, or those of Tenant's agents, then the Commencement Date shall be the date substantial completion of the Premises Improvements would have been achieved but for the Tenant delay, as determined by the Project Architect. The terms "substantial completion" or "substantially complete", as used herein, means that stage of construction where the Premises Improvements are usable for their principal intended purpose, as determined in good faith by the Project Architect, and the applicable governmental authorities deem the Leased Premises approved for occupancy, notwithstanding the possible need to complete, finish or install non-critical improvement features and fixtures. The existence of repairs or defects of a nature commonly found on a "punch list," (meaning minor items that do not materially impact Tenant's use of the Leased Premises), after turnover to Tenant, shall not postpone the Commencement Date or result in a delay or abatement of Tenant's obligation to pay rent or give rise to a damage claim against Landlord, provided Landlord shall use commercially reasonable efforts to complete such punch list items within sixty (60) days after Landlord's receipt of Tenant's punch list, referred to below. Tenant's occupancy of the Leased Premises shall be deemed an acknowledgement that the Leased Premises is in good condition and repair and that Landlord has caused the Bank of America Building and all of the Premises Improvements to be constructed as required by this Lease, subject to those items, if any, specified in any punch list to be delivered by Tenant within thirty (30) days following substantial completion.

(d) All improvements and fixtures made or installed in or to the Leased Premises, including all Premises Improvements, are the property of Landlord. The Premises Improvements shall *not* include, and Tenant shall be solely responsible for all costs associated with (i) the interior design of the Leased Premises, (ii) security and access control to the Leased Premises, (iii) data, telephone, and similar communications cabling in excess of Two and 00/100 Dollars (\$2.00) per rentable square foot or Thirty-nine Thousand Seven Hundred Fifty-six and 00/100 Dollars (\$39,756.00), as set forth in paragraph 11.1(a) above, and (iv) furniture, fixtures and equipment. The foregoing shall be deemed to be a financial accommodation of the type referenced in 11 USC §365(c)(2) and a material and substantial part of this Lease transaction, as amended.

11.2 Alterations by Tenant

After completion of Premises Improvements, Tenant shall not make any subsequent alterations, additions or improvements in, on, or to the Leased Premises without the prior written consent of Landlord, which consent may be subject to such conditions as Landlord may deem appropriate. Tenant shall submit complete sets of final plans and specifications for all such alterations, additions or improvements to Landlord for approval. Any such alterations, additions or improvements consented to by Landlord shall be made at Tenant's sole cost and expense. Prior to the commencement of any such work, Tenant shall notify Landlord of the contractors that will be retained by Tenant to perform the work. Landlord shall have the right to approve or disapprove in advance any or all contractors to be retained by Tenant for such work. Landlord shall promptly be provided with complete "as built" drawings and specifications for all alterations, additions and improvements made by Tenant. Tenant shall secure all governmental permits, approvals or authorizations required for such work. All alterations, additions and improvements (including but not limited to all light fixtures and floor coverings but excluding any inventory, furniture and similar personal property which does not become a part of the Leased Premises) shall immediately become the property of Landlord, without any obligation on the part of Landlord to pay therefor, upon installation in the Leased Premises. Upon the expiration or sooner termination of the Lease Term, Tenant shall forthwith remove (at Tenant's sole cost and expense) all alterations, additions or improvements made by Tenant (except original leasehold improvements constructed as part of Premises Improvements) designated by Landlord to be removed and Tenant shall repair (at its sole cost and expense) any damage to the Leased Premises caused by such removal. Notwithstanding anything herein or elsewhere in this Lease to the contrary, Tenant shall remove all voice and data cabling and other telecommunications equipment installed by Tenant, and shall restore the Leased Premises to the condition they were in prior to the installation of such items. Tenant's obligations hereunder shall survive the expiration or termination of this Lease. Tenant shall be permitted to install card readers on the stairwell doors adjacent to floor 5 of the Bank of America Building, subject to approval by Landlord and the City of Bellevue.

11.3 Disability Laws.

Notwithstanding anything in this Lease to the contrary, if Tenant constructs, makes or installs or causes to be constructed, made or installed any improvement or alteration in or to the Leased Premises, Tenant shall be solely responsible for ensuring that such improvements and/or alterations do not violate any provision in any local, state or federal law or regulation relating to accessibility for handicapped persons or the removal of architectural or communication barriers to accessibility ("Disability Law"), including but not limited to RCW Chapter 70.92 and The Americans with Disabilities Act. Any approval by Landlord of Tenant's plans or specifications for any such improvements or alterations shall not be a representation or warranty, express or implied, by Landlord that such plans will comply with any Disability Law. If any claim is asserted against Landlord under any Disability Law which claim relates directly or indirectly to any alterations or improvements installed, made or constructed, directly or indirect, by or for

Tenant in or to the Leased Premises or any trade fixture or personal property item used by Tenant in the Leased Premises, Tenant shall defend, indemnify and hold Landlord harmless from and against the claim and any and all charges, liabilities, obligations, penalties, damages, judgments, costs and expenses (including attorneys' fees) arising or incurred against or suffered, directly or indirectly, by Landlord relating thereto. If it should be determined that any improvement or alteration constructed, made or installed in or to the Leased Premises, directly or indirectly, by or for Tenant or any trade fixture or personal property item used by Tenant in the Leased Premises is an illegal architectural or communication barrier under any Disability Law, Tenant shall immediately, at its sole cost and expense, remove the barrier or, to the extent allowed by the Disability Law, provide alternatives to the barrier so as to make the Leased Premises accessible to handicapped persons. No alteration or improvement in the Leased Premises will be approved by Landlord if it will require that barriers outside the Leased Premises be removed under any Disability Law. Tenant shall not have any basis for objecting to Landlord's judgment regarding the probable application of any Disability Law provided Landlord does not act arbitrarily.

12. MAINTENANCE OF THE PREMISES.

12.1 Maintenance and Repair by Tenant.

Tenant shall at all times throughout the Lease Term, at its sole cost and expense, keep the Leased Premises (including all exterior doors and entrances, windows and moldings and trim on all doors and windows) and all partitions, door surfaces, fixtures, equipment and appurtenances thereof in good order, condition and repair consistent with a first-class office building, damage by unavoidable casualty excepted (but not excluding any damage caused by burglary, attempted burglary or vandalism of the Leased Premises).

12.2 Failure to Maintain.

If, after five (5) days' prior written notice (except in emergencies) from Landlord, Tenant fails to keep, preserve and maintain the Leased Premises as set forth in Section 12.1 above, Landlord may, at its option, put or cause the same to be put in the condition and state of repair agreed upon, and in such case, upon receipt of written statements from Landlord, Tenant shall promptly pay the entire cost thereof as additional rent. Landlord shall have the right to enter the Leased Premises for the purpose of undertaking such work upon the failure of Tenant to do so.

12.3 Repair by Landlord.

Landlord shall keep the roof, exterior walls, exterior building windows, public corridors, equipment used in common with other tenants (such as elevators, plumbing, heating, air-conditioning and similar equipment) and building structure of the Leased Premises in a good state of repair, and shall accomplish such repairs as may be needed promptly after receipt of written notice from Tenant. If repairs are required by reason of Tenant's acts or negligent failure to act, Tenant shall promptly pay Landlord, as additional rent, for the cost thereof Except as otherwise specifically provided in Sections 16 or 28, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Leased Premises or building of which the Leased Premises are a part, or in or to fixtures, appurtenances and equipment therein. In no event shall Landlord be liable to Tenant for any damage to the Leased Premises or for any loss, damage or injury to any property therein or thereon resulting from acts by other third parties or occasioned by fire; explosion; falling plaster; the breaking, bursting, stoppage or leaking of water, gas, sewer, electrical cables, wires or steam pipes; or from water, rain, or other substances leaking or coming from the roof, street, subsurface or from any other place or from dampness or from any similar risks or causes. Landlord shall not be liable for any loss or damage to any person or property sustained by Tenant or any other persons, which

may be caused by theft, or by any act or neglect of any tenant or occupant of Bellevue Place, or of any other third parties.

12.4 Surrender of Leased Premises.

At the expiration or sooner termination of this Lease, Tenant shall return the Leased Premises to Landlord in the same condition in which it was initially received (or, if altered by Landlord or by Tenant with Landlord's consent, then the Leased Premises shall be returned in such altered condition), reasonable wear and tear and damage by fire or other unavoidable casualty excepted (excluding burglary, attempted burglary and vandalism). Tenant shall remove all inventory, furniture and other personal property which does not become a part of the Leased Premises, and all alterations and improvements which Landlord designates to be removed pursuant to Section 11.2 above, and shall restore the Leased Premises to the condition it was in prior to the installation of such items. Tenant's obligations under this Section 12 shall survive the expiration or termination of this Lease.

13. ACCEPTANCE OF THE LEASED PREMISES.

Except as otherwise provided in this Section 13, and subject to Landlord's completion of the Premises Improvements in accordance with Section 11.1 above, Tenant has inspected the Leased Premises and accepts the same in their current condition and waives the right to make any claim against Landlord for any matter directly or indirectly arising out of the condition of the Leased Premises, appurtenances thereto, the improvements thereon and the equipment thereof. **LANDLORD MAKES NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR HABITABILITY.**

14. DEFAULT BY LANDLORD.

Landlord shall not be in default under this Lease unless Landlord fails to perform the obligations required of Landlord within a reasonable time, but in no event less than thirty (30) days after written notice by Tenant to Landlord and to the holder of all mortgages and deeds of trust covering the Leased Premises whose names and addresses shall have been furnished to Tenant in writing. The notice shall specify wherein Landlord has failed to perform such obligation; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Tenant further agrees not to invoke any of its remedies under this Lease and which Tenant otherwise may have until such thirty (30) days have elapsed. In no event shall Tenant have the right to terminate this Lease as a result of Landlord's default and, subject to Section 30, Tenant's remedies shall be limited to damages.

15. ACCESS.

15.1 Right of Entry.

Tenant shall permit Landlord and its employees, agents and contractors to enter into and upon the Leased Premises at any time during normal business hours (8:00 a.m. to 6:00 p.m.) for the purpose of inspecting the same or for the purpose of cleaning, repairing, altering or improving the Leased Premises or the Bank of America Building. if Tenant is not personally present to permit entry, in case of emergency or urgent necessity Landlord may forcibly enter the same at any hour without rendering Landlord liable therefor. Nothing contained in this Section shall be deemed to impose any obligation upon Landlord not expressly stated elsewhere in this Lease. When reasonably necessary Landlord may temporarily close entrances, doors, corridors,

elevators or other facilities without liability to Tenant by reason of such closure and without such action by Landlord being construed as an eviction of Tenant or release of Tenant from the duty of observing and performing any of the provisions of this Lease. Landlord shall have the right to enter the Leased Premises for the purpose of showing the Leased Premises to prospective tenants within the period of one hundred eighty (180) days prior to the expiration or sooner termination of this Lease.

15.2 Excavation.

If an excavation is made of property adjacent to the Leased Premises, Tenant shall and does hereby afford to the person causing or authorized to cause such excavation, an irrevocable license to enter upon the Leased Premises for the purpose of doing such work as Landlord shall deem necessary to preserve the wall of the building of which the Leased Premises are a part from injury or damage and to support the same by proper foundations or other means, without any claim for damages against Landlord or diminution or abatement of rent.

16. DAMAGE OR DESTRUCTION.

16.1 Insured Loss.

Subject to Section 16.2, if the Leased Premises are damaged by perils covered by Landlord's insurance coverage and the proceeds therefrom are sufficient to cover the cost of repairs and are made available to Landlord for the purpose of repairing such damage, Landlord agrees to forthwith repair the same, and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of Rent and Additional Rent from the date of damage and while such repairs are in progress, provided said damage did not result from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant. Such proportionate reduction shall be based upon the extent to which the damage and making of such repairs materially interfere, if at all, with the business carried on by Tenant in the Leased Premises. If such damage resulted from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant, the Rent and Additional Rent shall abate only to the extent Landlord receives proceeds from Landlord's rental income insurance policy to compensate Landlord for the loss of such rent.

16.2 Uninsured Loss.

If the Leased Premises are damaged as a result of any cause other than the perils covered by Landlord's insurance coverage or if the insurance proceeds are not sufficient to cover the cost of repairs, Landlord shall forthwith repair the same provided the cost of repair is less than ten percent (10%) of the then replacement cost of the Leased Premises. If the Leased Premises are damaged as a result of a cause other than a peril covered by Landlord's insurance coverage, or if the insurance proceeds from Landlord's insurance are not made available to Landlord for the purpose of repairing the Leased Premises, or, if the cost of repair is equal to or greater than ten percent (10%) or more of the replacement cost of the Leased Premises, then Landlord shall have the option to (i) repair or restore such damage, in which event this Lease shall continue in full force and effect but the Rent and Additional Rent shall be proportionately reduced as provided in Section 16.1 above; or (ii) at any time within one hundred twenty (120) days after such damage give notice to Tenant of the termination of this Lease as of the date specified in such notice, which date shall not be less than thirty (30) days after the date of such notice. If such notice is given, this Lease shall terminate and all interest of Tenant in and to the Leased Premises shall end on the date so specified in such notice and the Rent and Additional Rent, reduced by a proportionate reduction, based upon the extent, if any, to which such damage materially interfered with the business carried on by Tenant in the Leased Premises, shall be paid up to date of such termination.

16.3 No Obligation.

Notwithstanding anything to the contrary contained in this Section 16, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Leased Premises when the damage resulting from any casualty occurs during the last twenty-four (24) calendar months of the Lease Term.

16.4 Partial Destruction of the Bank of America Building.

If a portion of the Bank of America Building is damaged and the insurance proceeds therefrom are not sufficient to cover the cost of repairs or are not made available to Landlord for the purpose of repairing the same, or if thirty percent (30%) or more of the Rentable Area of the Bank of America Building is damaged, notwithstanding that the Leased Premises may be unaffected, Landlord may terminate this Lease and the tenancy hereby created by giving Tenant not less than thirty (30) days' prior written notice of Landlord's election to terminate the tenancy; provided, however, that such notice shall be given, if at all, within one hundred twenty (120) days following the date of occurrence of such damage or destruction. Rent and Additional Rent shall be prorated as of the date of such termination.

16.5 Business Interruption.

No damages, compensation or claims shall be payable by Landlord for inconvenience, loss of business, or annoyance arising from any repair or restoration of any portion of the Leased Premises or of the Bank of America Building. Landlord shall use reasonable efforts to effect such repairs promptly.

17. MUTUAL RELEASE AND WAIVER OF SUBROGATION.

Landlord and Tenant hereby mutually release each other from liability, and waive all right of recovery against each other, for any injury, loss or damage to any building, structure, inventory or other tangible property and any revenues, profit and rents to be generated therefrom, whether due to negligence or any other insured cause, if such injury, loss or damage is caused by any of the perils which are covered by a first-party insurance policy benefiting the party suffering such injury, loss or damage, or if such injury, loss or damage was required to be covered by insurance pursuant to this Lease; provided that this Section shall be inapplicable if it would have the effect, but only to the extent it would have the effect, of invalidating any insurance coverage of Landlord or Tenant. This Waiver only applies to insured property losses and does not limit the ability to recover for deductibles or other uninsured losses. Landlord and Tenant acknowledge that their current insurance policies, as of the date of this Lease, will not be invalidated. In the future, if avoiding any invalidation can be effected by the payment of money to such insurer, the other party may elect to pay such amount to obtain such waiver of subrogation for its benefit. Landlord and Tenant, respectively, shall promptly notify the other if its insurance will be invalidated by the foregoing release and waiver or if any payment is required to avoid such invalidation. Notwithstanding anything to the contrary, this Section shall not apply to any claim by Landlord for any Rent, Additional Rent or Other Charges payable under this Lease. Landlord and Tenant specifically intend, however, that this Section shall apply to any potential claim that could otherwise be made by Landlord for any rents to be paid by other occupants of Bellevue Place or any claim that could potentially be made by Tenant for any lost sales, profits or revenues that could have been generated from or operating expenses related to the Leased Premises or elsewhere.

18. INDEMNITY.

18.1 Generally.

Landlord shall not be liable for the loss of or damage to any property (including property of Tenant and others) occurring in or about the Leased Premises from any cause whatsoever. Landlord shall not be liable for injury to any person occurring in or about the Leased Premises except and to the extent that such injury is caused by Landlord's negligence. Except to the extent an injury to any person is caused by Landlord's negligence, Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims, charges, liabilities, obligations, penalties, damages, costs and expenses (including attorneys' fees) arising, claimed, charged or incurred against or by Landlord from any matter or thing arising from Tenant's use of the Leased Premises, the conduct of its business or from any activity, work or other things done, permitted or suffered by the Tenant in or about the Leased Premises, and Tenant shall further indemnify and hold Landlord harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part or to be performed under the terms of this Lease, or arising from any act or negligence of Tenant, or any officer, agent, employee, guest, or invitee of Tenant, and from all costs, attorneys' fees, and liabilities incurred in or about the defense of any such claim or any action or proceeding brought thereon. If any action or proceeding is brought against Landlord by reason of such a claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by legal counsel reasonably satisfactory to Landlord.

18.2 Concurrent Negligence of Landlord and Tenant Relating to Construction, Repair and Maintenance Activities.

Notwithstanding Section 18.1 above, in the event of concurrent negligence of Tenant, its agents, employees, sublessees, invitees, licensees or contractors on the one hand, and that of Landlord, its partners, agents, employees or contractors on the other hand, which concurrent negligence results in injury or damage to persons or property and relates to the construction, alteration, repair, addition to, subtraction from, improvement to or maintenance of the Leased Premises or Bellevue Place, Tenant's obligation to indemnify Landlord as set forth in this Section 18 shall be limited to the extent of Tenant's negligence, and that of its agents, employees, sublessees, invitees, licensees or contractors, including Tenant's proportional share of costs, and attorneys' fees and expenses incurred in connection with any claim, action or proceeding brought with respect to such injury or damage.

18.3 Waiver of Workers' Compensation Immunity.

The indemnification obligations contained in this Lease shall not be limited by any workers' compensation, benefit or disability laws, and each indemnitor hereby waives any immunity that said indemnitor may have under the Industrial Insurance Act, Title 51 RCW and similar workers' compensation, benefit or disability laws.

18.4 Provisions Specifically Negotiated.

LANDLORD AND TENANT ACKNOWLEDGE BY THEIR EXECUTION OF THIS LEASE THAT EACH OF THE INDEMNIFICATION, RELEASE AND WAIVER PROVISIONS OF THIS LEASE (SPECIFICALLY INCLUDING BUT NOT LIMITED TO THOSE RELATING TO WORKERS' COMPENSATION BENEFITS AND LAWS) WERE SPECIFICALLY NEGOTIATED AND AGREED TO BY LANDLORD AND TENANT.

19. INSURANCE.

19.1 Liability Insurance.

(a) Liability Insurance. Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, a policy of comprehensive/commercial

general liability insurance insuring Tenant's activities with respect to the Leased Premises, Bank of America Building and Bellevue Place against loss, damage or liability for personal injury or death or loss or damage to property with a limit of not less than Two Million Dollars (\$2,000,000) combined single limit for policies without a general aggregate limit. For policies with a general aggregate limit, such aggregate limit shall be not less than Two Million Dollars (\$2,000,000) and include an endorsement providing that the foregoing limit shall apply per location, including the Leased Premises, and have an occurrence limit not less than Two Million Dollars (\$2,000,000). In the event Tenant obtains a policy with a general aggregate limit, Tenant shall immediately notify Landlord if claims covered by such policy or policies at any time are made against Tenant which claims exceed fifty percent (50%) or more of the aggregate limit. Notwithstanding the foregoing, if during the Lease Term, in Landlord's reasonable judgment, the policy limits required hereunder are no longer adequate to provide reasonable protection to Landlord, Landlord may notify Tenant of such inadequacy and an appropriate level of coverage and Tenant, within thirty (30) days of receiving such a notice, shall obtain such additional amounts of insurance and provide Landlord with satisfactory evidence thereof. Reference may be made to policy amounts required by other landlords for similar space and operations in determining what is reasonable protection hereunder. The insurance required under this Section shall be with companies rated A-VII or better in Best's Insurance Guide. Landlord, Kemper Development Company, and any other parties in interest designated by Landlord, shall be named as additional insureds. The insurance policy shall bear an endorsement that the policy shall not be cancelled or the policy limits reduced by endorsement below the coverage required by this Lease for any reason other than nonpayment of premiums except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof; including applicable endorsements, showing Landlord as an additional insured and the applicable policy limits thereof. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease.

(b) Service of Alcoholic Beverages. The insurance to be carried by Tenant pursuant to Section 19.1(a) above shall not exclude liability for violation of any governmental statute, ordinance, regulation or rule pertaining to the sale, gift, distribution or use of any alcoholic beverages, or liability by reason of the selling, serving or giving of any alcoholic beverage to a minor or to a person under the influence of alcohol or any other person, or which causes or contributes to the intoxication of any persons. Accordingly, the indemnification obligations in Section 18 of this Lease shall extend, as well, to damages occurring at locations other than the Leased Premises and resulting from risks insurable by any of the following (i) so-called dram shop liability insurance, (ii) host liquor liability insurance or (iii) liquor legal liability insurance or otherwise related to the sale, gift, distribution or use of alcoholic beverages.

19.2 Property Insurance.

In addition to the insurance required by Sections 19.1 and 19.2, Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, property insurance covering Tenant's supplies, inventory and other personal property as well as all improvements, additions and modifications to or in the Leased Premises, in an amount equal to full replacement cost without co-insurance penalty. The insurance policy shall bear an endorsement that the policy shall not be canceled or the policy limits reduced below the coverage required by this Lease for any reason other than non-payment of premiums, except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice to Landlord for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof.

19.3 Failure to Maintain.

If Tenant fails or refuses to maintain any insurance required by this Section 19, Landlord, at its discretion, may obtain and maintain insurance for such items and interests to protect Landlord in such amounts as Landlord may determine to be appropriate and any and all premiums paid or payable by Landlord therefor shall be deemed to be additional rent and shall be due on the payment date of the next installment of Rent hereunder. The failure to obtain or maintain any insurance required by this Section 19 shall constitute a material breach of this Lease.

19.4 Increase in Insurance Premium.

Notwithstanding anything in this Lease to the contrary, Tenant shall not keep, use, sell or offer for sale in or upon the Leased Premises any article, nor conduct any activities or operations, which are or may be prohibited by Landlord's insurance carriers. Tenant shall pay any increase in premiums for property or liability insurance maintained by Landlord resulting from Tenant's use or occupancy of the Leased Premises, whether or not Landlord has consented thereto. In the event of such increased insurance premiums to Landlord, Tenant also shall pay immediately to Landlord an amount equal to any additional premium on the insurance policy or policies that Landlord may carry for its protection against loss resulting from any insured event. In determining whether increased premiums are the result of Tenant's use or occupancy of the Leased Premises, the rates and premiums determined by the organization setting the insurance premiums shall be conclusive evidence of the several items and charges which make up the insurance premiums. Landlord shall deliver bills for such additional amounts to Tenant at such times as Landlord may elect, and Tenant shall immediately pay Landlord therefor.

20. ASSIGNMENT AND SUBLEASING.

20.1 Assignment or Sublease.

Tenant shall not assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise transfer this Lease or any interest therein, nor sublease the whole or any part of the Leased Premises, nor shall this Lease or any interest hereunder be assignable or transferable by any process or proceeding of any court, or otherwise, without in each case first obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld. Any such transaction undertaken without Landlord's prior written consent shall be null and void.

In determining whether to grant consent to Tenant's sublease or assignment request, Landlord may consider any factor, including but not limited to the experience and business reputation of the proposed assignee or sublessee in operating a business for the uses set forth in the Lease; whether the clientele, personnel and foot traffic generated by such proposed assignee or sublessee is satisfactory to Landlord; notwithstanding that Tenant and/or others remain liable under the Lease, whether the proposed assignee or sublessee has a net worth, and financial strength and credit record, reasonably satisfactory to Landlord; use of the Leased Premises by the proposed assignee or sublessee must be identical to the use permitted by the Lease; use of the Leased Premises by the proposed assignee or sublessee will not violate or create any potential violation of any laws; whether the quality of the business to be operated or likely to be operated by the proposed assignee or sublessee is satisfactory to Landlord; and whether Landlord's consent might result in a breach of any other lease or agreement to which Landlord is a party; and whether the product mix and target customer base of the proposed assignee or sublessee is consistent with the product mix and target customer base that Landlord is trying to maintain or achieve within Bellevue Place.

No assignment, subleasing or other transfer shall relieve Tenant of any liability under this Lease. The prohibition set forth in this Section 20 includes, without limitation (and the following shall be deemed to be "assignments"): (i) a consolidation or merger of Tenant; (ii) a change in the ownership or voting rights of more than twenty-five percent (25%) of the issued and outstanding stock of any corporate tenant; (iii) any subleasing or assignment which would otherwise occur by operation of law, merger, consolidation, reorganization, transfer or other significant change in corporate or proprietary structure; (iv) the sale, assignment or transfer of all or substantially all of the assets of Tenant, with or without the specific assignment of this Lease; and (v) a change in control in any partnership tenant. The acceptance by Landlord of any amounts following any transaction prohibited hereunder shall not be deemed to be a consent by Landlord nor shall the same be deemed to be a waiver of any right or remedy of Landlord hereunder. Consent to any such assignment, subleasing or other transfer shall not operate as a waiver of the necessity for consent to any subsequent assignment, subleasing or transfer. If Landlord's consent is requested for an assignment or sublease of all or a portion of the Leased Premises, Landlord shall have the right to terminate this Lease with respect to that portion of the Leased Premises for which such consent is requested, at the proposed effective date of such assignment or subleasing, and enter into the relationship of Landlord and Tenant with the proposed assignee or subtenant based on the rent (and/or other compensation) and term agreed to by such assignee or subtenant and otherwise upon the terms and conditions of this Lease. In connection with any sublease or assignment, Tenant shall promptly provide Landlord with fully executed copies of all assignment, sublease and assumption instruments.

20.2 Assignee Obligations.

As a condition to Landlord's consent, any potential assignee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, Other Charges and the performance of all terms, covenants and conditions of this Lease.

20.3 Sublessee Obligations.

As a condition to Landlord's consent, any potential sublessee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under the Lease during the term of the sublease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, and Other Charges, and the performance of all terms, covenants, and conditions of this Lease.

20.4 Conditional Consents.

Any consent by Landlord to any assignment or subleasing may be subject to any terms or conditions as Landlord shall determine appropriate (including but not limited to requiring that any and all guarantors of the Lease agree to continue to guarantee the Lease obligations after the assignment) and all such terms and conditions shall be binding upon any person holding by, under or through Tenant.

20.5 Attorneys' Fees and Costs.

Tenant shall reimburse Landlord for Landlord's attorneys' fees and costs incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subleasing or encumbrance.

21. ADVERTISING.

Tenant shall not inscribe any inscription, or post, place, or in any manner display any sign, awning, canopy, marquee, decoration, graphics, notice, picture, placard or poster, or any advertising matter whatsoever, anywhere in or about the Leased Premises or the Bank of America Building at places visible (either directly or indirectly as an outline or shadow on a glass pane) from anywhere outside the Leased Premises without first obtaining Landlord's written consent thereto, such consent to be at Landlord's sole discretion. Any such consent by Landlord shall be upon the understanding and condition that Tenant shall remove the same at the expiration or sooner termination of this Lease and Tenant shall repair any damage to the Leased Premises or the Bank of America Building caused thereby. All such signs and advertising matter shall comply with all applicable laws, governmental regulations, ordinances and orders.

22. LIENS.

No work performed by Tenant pursuant to this Lease shall be deemed to be for the immediate use and benefit of Landlord so that no mechanic's, materialmen's or other liens shall be allowed against the estate of Landlord by reason of any consent given by Landlord to Tenant to improve, alter or repair the Leased Premises. Tenant shall keep the Leased Premises, the Bank of America Building and Bellevue Place free and clear of all liens and encumbrances arising out of any work performed for, materials furnished to and obligations incurred by or on behalf of Tenant and Tenant shall indemnify and hold Landlord harmless from any liability from any and all costs, liabilities and expenses (including but not limited to attorneys' fees and Landlord's reasonable administrative costs and expenses) arising therefrom. Prior to commencing any improvement, alteration or repair work to the Leased Premises, Tenant shall provide to Landlord, at Tenant's sole cost and expense, separate payment and performance bonds for such work and materials in an amount equal to either (i) the actual contract price if the contract price is fixed, or (ii) one and one-half (1-1/2) times the estimated cost of the improvements, alterations or repairs which Tenant desires to make within the Leased Premises if the contract price is not fixed. Such bonds shall cover the faithful performance of the contract and payment of all obligations arising therefrom and insure Landlord against any and all liability for mechanics' and materialmen's liens and other similar liens and insure the completion of such work. If any lien is filed against the Bank of America Building, Bellevue Place or the Leased Premises by any person claiming by, through or under Tenant, Tenant shall, at Tenant's sole cost and expense, immediately discharge the same. If Tenant shall fail to cause such lien to be immediately discharged of record, then, in addition to any other right or remedy of Landlord, Landlord may bond or discharge the same by paying the amount claimed to be due, and the amount so paid by Landlord, including any reasonable attorney's fees incurred by Landlord in defending against or responding to such lien or in procuring its discharge of record, shall be due and payable by Tenant as additional rent.

23. TENANT'S DEFAULT.

23.1 Default.

The following shall constitute defaults and breaches of this Lease by Tenant:

(a) Vacating the Leased Premises. The vacation or abandonment of the Leased Premises by Tenant or the failure of Tenant to be open for business on a fully-operational basis (except in the event of damage or destruction to the Leased Premises or when due to some other cause beyond Tenant's reasonable control, which prevents Tenant from conducting its business within the Leased Premises) for five (5) days or more.

(b) Failure to Pay Rent. Tenant's failure to make any payment of Rent, Additional Rent or Other Charges, or any other payment required to be made by Tenant

hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof by Landlord to Tenant.

(c) Failure to Perform. Tenant's failure to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant where such failure continues for a period of ten (10) days (except as otherwise provided in this Lease) after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's failure is such that more than ten (10) days are required for its cure, Tenant shall not be deemed to be in default under this Section 23.1(c) if Tenant commences such cure within such ten (10) day period and thereafter diligently prosecutes such cure to completion.

(d) Bankruptcy. The making by Tenant of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days of filing); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Leased Premises or of Tenant's interest in this Lease, where such seizure is not discharged in thirty (30) days after appointment of such trustee or receiver, or the filing of the petition for the appointment of the same, whichever shall first occur.

(e) Repeated Defaults. Tenant's failure to perform or observe any of Tenant's obligations under the Lease after Tenant has neglected or failed to perform or observe any of Tenant's obligations under the Lease at least twice previously (although Tenant shall have cured any such previous failure after notice from Landlord, and within the notice period).

23.2 Remedies in Default.

In the event of any default or breach of this Lease by Tenant (whether or not set forth in Section 23.1 above), Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach:

(a) Terminate the Lease. Terminate Tenant's right to possession of the Leased Premises by any lawful means, in which case Tenant shall immediately surrender possession of the Leased Premises to Landlord. In such event, Landlord shall be entitled to recover from the Tenant all past due Rent, Additional Rent and Other Charges and all other amounts owed under the terms of this Lease; the expense of re-leasing the Leased Premises, including but not limited to the expense of renovating and alterations to the Leased Premises and any leasing commissions; reasonable attorneys' fees and costs; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid Rent and Additional Rent called for herein for the balance of the Lease Term after the time of such award exceeds the amount of such loss for the same period that Tenant proves could be reasonably avoided (the "worth at the time of award" shall be determined by discounting such excess amount by the discount rate of the Federal Reserve Bank of San Francisco plus one percent (1%)); and any and all other damages arising from Tenant's default or breach; or,

(b) Continue the Lease. Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Leased Premises. In such event, Landlord shall be entitled to enforce all Landlord's rights and remedies under this Lease, including the right to recover damages, Rent, Additional Rent, Other Charges, and any other payments as may become due hereunder; or,

(c) Other Remedies. Pursue any other remedy or remedies now or hereafter available to Landlord under the laws or judicial decisions of the State of Washington.

23.3 Legal Expenses.

If either party is required to bring or maintain any action (including assertion of any counterclaim or cross-claim, or claim in a proceeding in bankruptcy, receivership or any other proceeding instituted by a party hereto or by others), or otherwise refers this Lease to an attorney for the enforcement of any of the covenants, agreements, terms or conditions of this Lease, the prevailing party, in addition to all other remedies provided herein, shall receive from the other party all costs (including reasonable attorneys' fees) incurred in the enforcement of the covenants, agreements, terms and conditions of this Lease (whether or not an action is instituted) and including any such costs and fees incurred by the prevailing party on any appeal.

23.4 Bankruptcy.

(a) Assumption of Lease. In the event Tenant becomes a Debtor under Chapter 7 of the Bankruptcy Code ("Code") or a petition for reorganization or adjustment of debts is filed concerning Tenant under Chapters 11 or 13 of the Code, or a proceeding is filed under Chapter 7 of the Code and is transferred to Chapters 11 or 13 of the Code, the Trustee or Tenant, as Debtor and as Debtor-In-Possession, may not elect to assume this Lease unless, at the time of such assumption, the Trustee or Tenant has:

(1) Cured all defaults under the Lease and paid all sums due and owing under the Lease or provided Landlord with "Adequate Assurance" (as defined below) that: (A) within ten (10) days from the date of such assumption, the Trustee or Tenant will completely pay all sums due and owing under this Lease and compensate Landlord for any actual pecuniary loss resulting from any existing default or breach of this Lease, including without limitation, Landlord's reasonable costs, expenses, accrued interest, and attorneys' fees incurred as a result of the default or breach; (B) within twenty (20) days from the date of such assumption, the Trustee or Tenant will cure all non-monetary defaults and breaches under this Lease; and (C) the assumption will be subject to all of the provisions of this Lease.

(2) For purposes of this Section, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding involving Tenant, at a minimum, "Adequate Assurance" shall mean: (A) the Trustee or Tenant has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Tenant will have sufficient funds to fulfill the obligations of Tenant under this Lease; (B) the Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or Tenant shall have granted a valid and perfected first lien and security interest and/or mortgage in property of Trustee or Tenant acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Tenant to cure the monetary and/or non-monetary defaults and breaches under this Lease within the time periods set forth above; and (C) the Trustee or Tenant, at the very minimum, shall deposit a sum equal to two (2) months' Rent to be held by Landlord (without any allowance for interest thereon) to secure Tenant's future performance under the Lease.

(b) Assignment of Lease. If the Trustee or Tenant has assumed the Lease pursuant to the provisions of this Section for the purpose of assigning Tenant's interest hereunder to any other person or entity, such interest may be assigned only after the Trustee, Tenant or the proposed assignee have complied with all of the terms, covenants and conditions of this Lease, including, without limitation, those with respect to Additional Rent; Landlord and Tenant acknowledging that such terms, covenants and conditions are commercially reasonable in the context of a bankruptcy proceeding of Tenant. Any person or entity to which this Lease is

assigned pursuant to the provisions of the Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon request execute and deliver to Landlord an instrument confirming such assignment.

(c) Adequate Protection. Upon the filing of a petition by or against Tenant under the Code, Tenant, as Debtor and as Debtor-In-Possession, and any Trustee who may be appointed agree to adequately protect Landlord as follows: (1) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed by Order of the Bankruptcy Court; (2) to pay all monetary obligations required under this Lease, including without limitation, the payment of Rent and Additional Rent payable hereunder which is considered reasonable compensation for the use and occupancy of the Leased Premises; (3) provide Landlord a minimum of thirty (30) days' prior written notice, unless a shorter period is agreed to in writing by the parties, of any proceeding relating to any assumption of this Lease or any intent to abandon the Leased Premises, which abandonment shall be deemed a rejection of this Lease; and (4) to perform to the benefit of Landlord as otherwise required under the Code. The failure of Tenant to comply with the above shall result in an automatic rejection of this Lease.

23.5 Remedies Cumulative - Waiver.

Landlord's remedies hereunder are cumulative and the Landlord's exercise of or failure to exercise any right or remedy due to a default or breach by Tenant shall not be deemed a waiver of, or to alter, affect or prejudice any right or remedy which Landlord may have under this Lease or by law. Neither the acceptance of rent, nor any other act or omission of Landlord at any time or times after the happening of any breach, default or other event authorizing the cancellation or forfeiture of this Lease, shall operate as a waiver of any past or future violation, breach or failure to keep or perform any covenant, agreement, term or condition hereof or to deprive Landlord of its right to cancel or forfeit this Lease, upon the written notice provided for herein, at any time that cause for cancellation or forfeiture may exist, or be construed so as at any time to stop Landlord from promptly exercising any other option, right or remedy that it may have under any term or provision of this Lease, at law or in equity.

24. SUBORDINATION AND ATTORNMENT; MORTGAGEE PROTECTION

24.1 Subordination - Notice to Mortgagee.

At the request of Landlord, Tenant shall promptly execute, acknowledge and deliver all instruments which may be appropriate to subordinate this Lease to any existing or future mortgages or deeds of trust on Bellevue Place, the Bank of America Building or the Leased Premises, and to any extensions, renewals or replacements thereof; provided, that the mortgagee or beneficiary, as the case may be, shall agree, in exchange for the agreement of Tenant to attorn to such mortgagee or beneficiary, to recognize this Lease in the event of foreclosure if Tenant is not in default at such time. Notwithstanding anything to the contrary in this Lease, Landlord shall not be in breach or default under any provision of this Lease unless written notice specifying such breach or default is given to Landlord and to all persons who have an interest in all or part of Bellevue Place as mortgagees and/or deed of trust beneficiaries and whose names and addresses have been given to Tenant in writing or are recorded in the records of King County, and the provisions of Section 14 have been fully complied with.

24.2 Mortgagee Protection Clause.

Tenant shall give all mortgagees and deed of trust holders, by registered or certified mail, copies of all notices of default served upon the Landlord, provided that prior to such notice

Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the addresses of such mortgagees or deed of trust holders. If Landlord fails to cure such default within the time provided in this Lease, then the mortgagees or deed of trust holders shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary, provided that within such thirty (30) days any mortgagee or deed of trust holder commences and diligently pursues the remedies necessary to cure such default (including but not limited to commencement of judicial or nonjudicial foreclosure proceedings, if necessary, to effect such cure).

25. SURRENDER OF POSSESSION.

Subject to the terms of Sections 11, 13 and 16, upon expiration of the term of this Lease, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Leased Premises to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable use and wear and tear and damage by fire or other casualty excepted.

26. REMOVAL OF PROPERTY.

Tenant shall remove all of its personal property and improvements designated to be removed pursuant to Section 11.2 at the termination of this Lease either by expiration of the term or other cause, and shall pay Landlord for any damages for injury to the Leased Premises or Bank of America Building resulting from such removal. If Tenant shall fail to remove any of its property of any nature whatsoever from the Leased Premises or the Bank of America Building at the termination of this Lease or when Landlord has the right of re-entry, Landlord may remove and store such property without liability for loss thereof or damage thereto, such storage to be for the account and at the expense of Tenant. If Tenant shall not pay the cost of storing any such property after it has been stored for a period of thirty (30) days or more, Landlord may, at its option, sell, or permit to be sold, any or all such property at public or private sale, in such manner and at such times and places as Landlord in its sole discretion may deem proper, without notice to Tenant, unless notice is required under applicable statutes, and shall apply the proceeds of such sale: first, to the cost and expense of such sale, including reasonable attorneys' fees actually incurred; second, to the payment of the costs or charges for storing any such property; third, to the payment of any other sums of money which may then be or thereafter become due to Landlord from Tenant under any of the terms hereof; and, fourth, the balance, if any, to Tenant.

27. VOLUNTARY SURRENDER.

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, but, at the option of Landlord, shall terminate all or any existing subleases and subtenancies or operate as an assignment to Landlord of any or all such subleases or subtenancies.

28. EMINENT DOMAIN.

28.1 Total Taking.

If all the Leased Premises are taken by the power of eminent domain exercised by any governmental or quasi-governmental authority, this Lease shall terminate as of the date Tenant is required to vacate the Leased Premises and all Rent, Additional Rent and Other Charges due hereunder shall be paid to that date. As used in this Section 28, the term "eminent domain" shall include the taking of property by, through or under any governmental or quasi-governmental authority, and any purchase or acquisition in lieu thereof, whether or not the damaging or taking is by the government or any other person authorized to exercise the power of eminent domain.

28.2 Constructive Taking of Entire Premises.

In the event of a taking of a material part, but less than all, of the Bank of America Building, where Landlord shall reasonably determine that the remaining portions of the Bank of America Building cannot be economically or effectively used as desired by Landlord (whether on account of physical, economic, aesthetic or other reasons), Landlord shall forward a written notice to Tenant of such determination not more than sixty (60) days after the date of taking. The term of this Lease shall expire upon such date as Landlord shall specify in such notice but not earlier than sixty (60) days after the date of such notice.

28.3 Partial Taking.

If more than fifteen percent (15%) of the Rentable Area of the Leased Premises is taken or appropriated by the power of eminent domain, this Lease, at the option of either party, may be terminated by written notice given to the other party not more than thirty (30) days after Landlord and Tenant receive written notice of the taking or appropriation, and such termination shall be effective as of the date Tenant is required to vacate the portion of the Leased Premises so taken. If more than ten percent (10%) of the Common Area of the Bank of America Building is taken by the power of eminent domain, then Landlord, at its option, may terminate this Lease by written notice given to Tenant within sixty (60) days of the date of such taking. If this Lease is so terminated, all Rent, Additional Rent and Other Charges due hereunder shall be paid to the date of termination. Whenever any portion of the Leased Premises or Common Area is taken by the power of eminent domain and this Lease is not terminated, Landlord, at its expense, shall proceed with reasonable dispatch to restore, to the extent that it is reasonably prudent, the remainder of the Leased Premises and Common Area to their condition immediately prior to such taking, and Tenant, at its sole expense, shall proceed with reasonable dispatch to restore the fixtures and improvements installed by Tenant and Tenant's furniture, furnishings, and equipment to the same condition they were in immediately prior to such taking. From the date Tenant is required to vacate that portion of the Leased Premises so taken, the Rent and Additional Rent payable hereunder shall be reduced in the same proportion that the area taken bears to the Rentable Area of the Leased Premises prior to the taking.

28.4 Damages.

Landlord reserves all rights to the entire damages award or payment for taking by the power of eminent domain, and Tenant shall make no claim whatsoever against Landlord for damages for termination of its leasehold interest in the Leased Premises or for interference with its business. Tenant hereby grants or and assigns to Landlord any right Tenant may now have or hereafter acquire to such awards and payments and agrees to execute and deliver such further instruments of assignment thereof as Landlord may from time to time request. Notwithstanding the foregoing, Tenant shall have the right to claim from the condemning authority all compensation that may be recoverable by Tenant on account of any loss incurred by Tenant in removing Tenant's merchandise, furniture and other personal property that Tenant is entitled to remove at the termination of this Lease or for damage to Tenant's business; provided, however, that Tenant may claim such damages only if they are awarded separately in the eminent domain proceeding and not as part of Landlord's damages.

29. NOTICES.

Any notices required in accordance with any of the provisions herein, if to Landlord, shall be delivered in person or mailed by an express mail service, such as Federal Express or UPS, to the address of Landlord as set forth in Section 1.2 above or at such other place as Landlord may in writing from time to time direct to Tenant, and if to Tenant, shall be delivered in person or sent by an express mail service, such as Federal Express or UPS, to Tenant at the

Leased Premises. If Tenant is more than one person or entity, any notice required or permitted hereunder may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. Any notices mailed to Tenant bearing the proper address and adequate postage for delivery shall be deemed effective upon deposit in the U.S. mail.

30. LANDLORD'S LIABILITY.

Anything in this Lease to the contrary notwithstanding, the covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord, but are made and intended for the purpose of binding only the Landlord's interest in the Leased Premises and Bank of America Building, as the same may from time to time be encumbered. No personal liability or personal responsibility is assumed by, nor shall at any time be asserted or enforceable against Landlord or its partners or their respective heirs, legal representatives, successors, and assigns on account of the Lease or on account of any covenant, undertaking or agreement of Landlord in this Lease contained. Therefore, in consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

(a) The sole and exclusive remedy of Tenant shall be against the Landlord's interest in the Leased Premises and the Bank of America Building;

(b) No general or limited partner of Landlord, or any director, officer, agent or employee of any corporation if Landlord, or any general or limited partner of Landlord, is a corporation (collectively, for the purpose of this Section 30, referred to as "general or limited partner of Landlord") shall be sued or named as a party in any suit or action, and Landlord shall not assert therein the defense or lack of personal jurisdiction arising out of Tenant's compliance with this Section 30;

(c) No general or limited partner of Landlord shall be required to answer or otherwise plead to any service or process;

(d) No judgment will be taken against any general or limited partner of Landlord;

(e) Any judgment taken against any general or limited partner of Landlord may be vacated and set aside at any time nunc pro tunc;

(f) No writ of execution will ever be levied against the asset of Landlord or any general or limited partner of Landlord, other than Landlord's interest in the Leased Premises or the Bank of America Building;

(g) These covenants and agreements are enforceable both by Landlord and also by any general or limited partner of Landlord.

31. TENANT'S CERTIFICATES.

Tenant shall at any time and from time to time, within ten (10) days after written notice from Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement substantially in the form of Exhibit "G" certifying, to the extent true, that (i) this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way (or specifying the date and terms of all agreements so affecting this Lease); (ii) all conditions under this Lease to be performed by the Landlord have been satisfied, if any; (iii) all required contributions by Landlord, if any, to Tenant on account of Premises Improvements or additional improvements have

been received; (iv) as of the date of such certification there are no existing claims, defenses or offsets that the Tenant has against the enforcement of this Lease by the Landlord; (v) no Rent or other rent obligation has been paid more than one month in advance; and (vi) no security has been deposited with Landlord (or, if so, the amount thereof). It is intended that all statements delivered pursuant to this paragraph may be relied upon by prospective purchasers of Landlord's interest, Landlord's lenders, and other designees of Landlord and Landlord's lenders. If Tenant fails to respond within ten (10) days of Tenant's receipt of a written request by Landlord as herein provided, such failure shall be a material default under the terms and conditions of this Lease. In addition, Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee, that this Lease is in full force and effect, that there are no uncured defaults in Landlord's performance, that the security deposit is as stated in the Lease and that no more than one month's Rent has been paid in advance.

32. RIGHT TO PERFORM.

If Tenant shall fail to pay any sum of money, other than Rent and Additional Rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from any obligations of Tenant, make any such payment or perform any such other act on Tenant's part to be made or performed as provided in this Lease. Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.

33. AUTHORITY.

Each individual executing this Lease on behalf of Tenant personally represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms and, if Tenant is a corporation, in accordance with a duly adopted resolution of the Board of Directors of Tenant and that such action and execution is in accordance with the bylaws of Tenant. If Tenant is a corporation, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of a resolution of the Board of Directors of Tenant authorizing or ratifying the execution of this Lease.

34. PARKING AND COMMON AREAS.

34.1 Parking.

Landlord shall provide Tenant with two point seven (2.7) parking permits for each one thousand (1,000) square feet in the Rentable Area of the Leased Premises, at the current rate of One Hundred Ninety-five and 00/100 Dollars (\$195.00) per parking permit per month (excluding tax), which monthly rate may increase from time to time during the Lease Term. If available, additional parking permits may be purchased by Tenant on a month to month basis at the then current rates for such parking. Tenant's employees shall not park their vehicles in the automobile parking areas of the Common Areas and Facilities which may from time to time be designated for patrons of Bellevue Place. Landlord at all times shall have the right to designate the particular parking areas to be used by Tenant's employees and any such designation may be changed from time to time. Tenant and its employees shall park their vehicles only in those portions of the Common Areas and Facilities, if any, designated for that purpose by Landlord. Tenant shall furnish Landlord with Tenant's and Tenant's employees' state vehicle license numbers within fifteen (15) days after Tenant opens for business in the Leased Premises and Tenant shall

thereafter notify Landlord of any changes within two (2) days after such change occurs. If Tenant or its employees fail to park their vehicles in designated parking areas, then Landlord, without limiting any other remedy Landlord may have, may charge Tenant a minimum of Ten Dollars (\$10.00) per day for each day or partial day for each vehicle improperly parked; provided, however, Landlord shall give Tenant written notice of the first violation of this provision and Tenant shall have two (2) days thereafter within which to cause the violation to be discontinued; and if not discontinued within such two-day period, then the vehicle fines shall commence. After notice of the first such violation, no notice of any subsequent violation shall be required prior to the imposition of any parking fine. All amounts due under the provisions of this Section shall be additional rent and due and payable by Tenant within ten (10) days after demand therefor. Tenant shall notify its employees in writing of the provisions of this Section.

34.2 Common Areas.

Landlord shall at all times have exclusive control and management of the Common Areas and Facilities of Bellevue Place. Tenant shall have the nonexclusive right in common with others to use the public areas of the Bank of America Building and the Common Areas and Facilities of Bellevue Place, subject to such nondiscriminatory rules and regulations as Landlord may adopt from time to time governing the use thereof including, but not limited to, the right to close the same from time to time to such an extent as may be legally sufficient, in Landlord's opinion, to prevent a dedication thereof or the accrual of right to any person or to the public therein. Tenant shall comply with the rules and regulations that Landlord and the owner or ground lessee of Bellevue Place may from time to time promulgate and/or modify regarding use and operation of the Common Areas of the Bank of America Building and Common Areas and Facilities of Bellevue Place. The rules and regulations shall be binding upon Tenant upon delivery of a copy thereof to Tenant. Landlord shall not be responsible to Tenant for the nonperformance of such rules and regulations by any other tenants or occupants of space in either Bellevue Place or the Bank of America Building. The term "Common Areas and Facilities of Bellevue Place" refers to all on and off-site areas and/or related facilities which are made available or are used from time to time for the general use, convenience and benefit of Landlord and other persons entitled to occupy space in Bellevue Place, including their employees, invitees, licensees and guests, which areas shall include, but not be limited to, all parking structures and parking areas (including off-site parking), driveways, sidewalks, landscaped or planted areas, pedestrian areas, lobbies, walkways, the Wintergarden Retail Center and Parking Garage. The term "Common Areas and Facilities of Bellevue Place" also refers to all on-site and off-site areas and/or related facilities which may not be accessible to Tenant and other persons entitled to occupy space in Bellevue Place, but which are used in conjunction with the operation, management, repair or maintenance of Bellevue Place, including, but not limited to janitorial closets, on and/or off-site management offices and maintenance areas. The term "Common Areas and Facilities of the Bank of America Building" refers to the Common Areas and Facilities of Bellevue Place located within the Bank of America Building.

35. TRANSPORTATION MANAGEMENT PROGRAM.

Tenant shall cooperate with Landlord and the designated Transportation Management Association in complying with the terms and conditions of the Bellevue Place Transportation Management Program, as set forth in the Bellevue Place Transportation Management Agreement, a copy of which is attached hereto as Exhibit "F" and incorporated herein, and shall become a member participant in the designated Transportation Management Association. Tenant shall designate one of its employees or agents as Tenant Transportation Coordinator, who shall represent Tenant in all matters pertaining to transportation management. Landlord shall be immediately notified of any change in the Transportation Coordinator.

36. QUIET ENJOYMENT.

Tenant, upon fully complying with and promptly performing all of the terms, covenants and conditions of this Lease to be performed on its part and upon the prompt and timely payment of all sums due hereunder, shall have and possess the Leased Premises for the Lease Term set forth herein.

37. GENERAL.

37.1 Captions.

Any section or paragraph titles or captions are for convenience only and shall not be deemed to define, limit or otherwise modify the scope and intent of this Lease or any provision thereof.

37.2 Bellevue Place Rent and Income.

All amounts to be paid hereunder, specifically including all Rent, Additional Rent and Other Charges, shall be paid as and when due, and without any setoff or deduction whatsoever. Landlord shall be entitled to all rent and other payments on all leases and tenancies at Bellevue Place on all property owned or leased by Landlord and any other payments made to Landlord or its agents for any other activities, uses or operations at Bellevue Place.

37.3 Successors or Assigns.

All the terms, conditions, covenants and agreements of this Lease shall extend to and be binding upon Landlord, Tenant, their respective heirs, administrators, executors, successors and assigns, and upon any person or persons coming into ownership or possession of any interest in the Leased Premises by operation of law or otherwise, and shall be construed as covenants running with the land.

37.4 Tenant Defined.

The word "Tenant" as used herein shall mean each and every person, partnership, limited liability company or corporation who is mentioned as a Tenant herein or who executes this Lease as Tenant.

37.5 Lost Security or Access Key Card.

Tenant shall reimburse Landlord for any and all losses and expenses incurred or suffered by Landlord as a result of Tenant or any of Tenants agents, employees, licensees or contractors losing any security or access key card or similar device issued to Tenant, which losses or expenses are incurred or suffered by Landlord prior to Tenant notifying Landlord of the loss of such card or similar device.

37.6 Landlord's Consent.

Unless otherwise specifically stated herein, whenever Landlord's consent or approval is required, Landlord's consent or approval may be withheld in Landlord's sole subjective discretion.

37.7 Broker's Commission.

Tenant represents and warrants to Landlord it has incurred no liabilities or claims for brokerage commissions or finder's fees in connection with the execution of this Lease and it has not dealt with or has any knowledge of any real estate broker, agent or salesperson in connection

with this Lease except Broderick Group, Inc., which represents both Landlord and Tenant. Each party agrees to indemnify and hold the other parties harmless from all such liabilities or claims (including, without limitation, attorneys' fees) by anyone other than Broderick Group, Inc.

37.8 Partial Invalidity.

If any term, covenant, or condition of this Lease or the application thereof to any person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Lease, and the application of the terms, covenants or conditions to persons or circumstances other than those which are held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

37.9 Recording.

Tenant shall not record this Lease. Tenant also shall not record any memorandum of lease. However, upon the request of Landlord, Tenant shall execute and deliver to Landlord a memorandum in the form provided by Landlord. The memorandum shall describe the parties, the Leased Premises, the Lease Term and Tenant's obligation to comply with the Transportation Management Agreement and City of Bellevue Land Use Code Paragraph 20.25A.030.C.1, or any similar or successor law, regulation, code or rule, if applicable.

37.10 Joint Obligation.

If there is more than one Tenant, the obligations hereunder imposed shall be joint and several.

37.11 Time.

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

37.12 Prior Agreements.

It is understood that there are no oral or written agreements or representations between Landlord and Tenant affecting this Lease and that this Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements and understandings, if any, made by or between Landlord and Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret, construe, supplement, or contradict this Lease. This Lease, and all mutually-executed written amendments thereto, is and shall be considered to be the only agreement between Landlord and Tenant and their representatives and agents. All negotiations and oral agreements acceptable to Landlord and Tenant have been merged into and are included in this Lease. There are no other representations, covenants or warranties between Landlord and Tenant and all reliance with respect to representations is solely upon the express representations, covenants and warranties contained in this Lease. Although the printed provisions of this Lease were drawn by Landlord, Landlord and Tenant agree that this circumstance shall not create any presumption, canon of construction, or implication favoring the position of either Landlord or Tenant. Landlord and Tenant agree that the interlineation, obliteration, or deletion of language from this Lease prior to its mutual execution by Landlord and Tenant shall not be construed to have any particular meaning or to raise any presumption, canon of construction, or implication, including, without limitation, any implication that Landlord or Tenant intended thereby to state the converse, obverse or opposite of the deleted language. This Lease shall be read as if the obliterated or deleted language had never existed and the interlineated language had always existed.

37.13 Inability to Perform.

The obligations of Landlord or Tenant hereunder shall be excused for a period equal to the time by which such performance is prevented or delayed due to acts of God or any other causes beyond the reasonable control of such party, financial inability or negligence excepted. The provisions of Section 37.13 shall not apply to any payment of Rent, Additional Rent or Other Charges.

37.14 Transfer of Landlord's Interest.

In the event of any transfer or transfers of Landlord's interest in the Leased Premises or Bellevue Place, other than a transfer for security purposes only, the transferor shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing from and after the date of such transfer and Tenant agrees to attorn to such transferee.

37.15 No Light, Air or View Easement.

Any diminution or shutting off of light, air or view by any structure which may be erected on land on or adjacent to Bellevue Place shall in no way affect this Lease or the obligation of Tenant hereunder nor impose any liability on Landlord.

37.16 Reciprocal Easement Agreements.

This Lease shall be subordinate to any and all operating, maintenance and reciprocal easement agreements ("REAs") entered into by and among Landlord and any other parties, including any amendments or modifications thereto. Tenant shall execute and return to Landlord within ten (10) days after written request therefor by Landlord, agreements in recordable form, substantially in the form of Exhibit "H", subordinating this Lease to any such REAs.

37.17 Waiver.

The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent, Additional Rent, Other Charges or any other sum hereunder by Landlord shall not be deemed to be a waiver of any preceding default by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular sum so accepted, regardless of Landlord's knowledge of such preceding default at the time of the acceptance of such sum. In addition, no endorsement or statement on any check or any letter accompanying any payment shall be deemed an accord and satisfaction, and Landlord's right to recover the balance of such rent or pursue any other remedy provided herein or otherwise shall not be affected by such endorsement or statement or by the acceptance of such payment.

37.18 Name.

Tenant shall not, without the prior written consent of Landlord, use the name of the building or project for any purpose other than as the address of the Leased Premises, and in any event, Tenant shall not acquire any rights in or to such names.

37.19 Choice of Law - Venue.

This Lease shall be governed by the laws of the State of Washington. The venue for any action to enforce the terms of this Lease or collect any amounts owing by Tenant to Landlord shall be in the Superior Court for King County, Washington.

37.20 OFAC Certification.

(a) Certification. Tenant certifies that:

(i) It is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and

(ii) It is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity, or nation.

(b) Indemnification. Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney's fees and costs) arising from or related to any breach of the foregoing certification.

37.21 Current Tenant.

Tenant is aware that the Leased Premises is currently occupied by another tenant or tenants (the "Current Tenant") and the Current Tenant may fail or refuse to vacate the Leased Premises and relinquish all claims to the Leased Premises prior to the date Landlord desires to commence the Premises Improvements. Landlord shall have no responsibility under this Lease to take any action to remove the Current Tenant and shall not be liable for any damages, injuries or claims that may be suffered by Tenant relating to or arising out of, directly or indirectly, the Current Tenant's failure or refusal to vacate and release all interest in the Leased Premises.

37.22 Fifth Floor Restroom.

Prior to the Commencement Date, Landlord shall upgrade the fifth (5th) floor restroom with such alterations and improvements reasonably determined by Landlord.

37.23 Signage.

Tenant shall have the right, at its sole cost and expense, to install lower level exterior building signage at the west and east entrances to Bellevue Place. Tenant's right hereunder is subject to approval by the City of Bellevue and Tenant must comply with all requirements imposed by the City of Bellevue from time to time and any and all other applicable governmental laws, rules, and regulations with regards to such signage. All signage shall be installed in accordance with Exhibit "D" and Section 11.2 of this Lease and is subject to Landlord's prior written approval. Tenant shall remove, at Tenant's cost and expense, the signage on or before the expiration or any earlier termination of the Lease Term. Tenant shall be responsible for all maintenance associated with the signage, the cost of designing, constructing, installing and permitting signage, and any repair or restoration made necessary by the removal of the signage.

IN WITNESS WHEREOF this Lease has been executed the day and year first above set forth.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company

By: KEMPER DEVELOPMENT
COMPANY, a Washington corporation;
Its Manager

By: /s/ James E. Melby
James E. Melby
Its: President

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Jennifer Coran
Jennifer Coran, Chief Financial Officer

OFFICE LEASE EXHIBITS

- Exhibit "A" - Legal Description of Bellevue Place
- Exhibit "B" - Site Plan of Bellevue Place
- Exhibit "C" Floor Plan Of The Leased Premises
- Exhibit "D" Tenant Design & Construction Manual
- Exhibit "E" Rules and Regulations
- Exhibit "F" - Bellevue Place Transportation Management
- Exhibit "G" – Form of Tenant Estoppel Certificate
- Exhibit "H" – Form of Subordination Agreement to Reciprocal Easement Agreement

EXHIBIT A
LEGAL DESCRIPTION OF BELLEVUE PLACE

EXHIBIT B
SITE PLAN OF BELLEVUE PLACE

EXHIBIT C
FLOOR PLAN OF THE LEASED PREMISES

EXHIBIT D
TENANT DESIGN & CONSTRUCTION MANUAL

EXHIBIT E
RULES AND REGULATIONS

EXHIBIT F

BELLEVUE PLACE TRANSPORTATION MANAGEMENT AGREEMENT

EXHIBIT G
FORM OF TENANT ESTOPPEL CERTIFICATE

EXHIBIT H
FORM OF SUBORDINATION AGREEMENT TO
RECIPROCAL EASEMENT AGREEMENT

THIS FIRST LEASE ADDENDUM

THIS FIRST LEASE ADDENDUM (this "Addendum") is made this 23rd day of May, 2018, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into a nonresidential Lease dated June 21, 2017 (the "Lease"), for Suite 500 in the Bank of America Building at Bellevue Place, Bellevue, Washington, which leased space is more specifically described in the Lease.

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects which shall include providing a letter of credit for the Security Deposit.

C. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. Section I. BASIC LEASE DATA, TERMS AND EXHIBITS. The following sentence is added to the end of paragraph 1.14 of Section 1 of the Lease:

At Tenant's option, the Security Deposit may be in the form of a letter of credit, in accordance with Section 37.24 below.

2. Letter of Credit. The following is added as Section 37.24 of the Lease:

(a) Landlord and Tenant acknowledge that Tenant will occupy space in the Bank of America Building pursuant to this Lease and, as consideration for Landlord's willingness to enter into this Lease, Tenant shall deliver or cause to be delivered to Landlord, and shall cause to be maintained at all times in effect without expiration or termination, one or more irrevocable standby letters of credit complying with the terms of this Section 37.24. Any failure by Tenant to perform or observe any term, covenant or agreement set forth in this Section 37.24 shall constitute a material default under this Lease.

(b) Tenant shall deliver or cause to be delivered to Landlord an irrevocable standby letter of credit in a form acceptable to or provided by Landlord (the "Letter of Credit"), issued by a national banking association reasonably acceptable to Landlord, for the account of Tenant in favor of Landlord in the initial amount determined in accordance with Section 8 of the Lease, having an expiry date not earlier than the Expiration Date, and stating by its terms that it shall be automatically extended annually, without written amendment or modification, to the date that is one (1) year after the then current expiry date unless the issuer of the Letter of Credit gives Landlord, at least sixty (60) days prior to the then current expiry date, written notice that the issuer elects not to extend the Letter of Credit. If the issuer of the Letter of Credit at any times gives to Landlord notice that the issuer elects not to extend the Letter of Credit, then, not less than thirty (30) days prior to the then current expiry date of the Letter of Credit, Tenant shall deliver or cause to be delivered to Landlord a substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by Section 8 of the Lease. Not less than thirty (30) days prior to the expiry date of any substitute letter of credit delivered pursuant to this Section, Tenant shall deliver or cause

to be delivered to Landlord a further substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by Section 8 of the Lease. Each substitute letter of credit delivered pursuant to this Section 37.24 shall have a term of not less than one (1) year and shall be in a form acceptable to or provided by Landlord. Additionally, if Tenant is entitled to a reduction in the amount of the cash Security Deposit and/or the Additional Security Deposit as provided in Section 8 of this Lease, Tenant shall exchange the original Letter of Credit for a substitute in the reduced amount, or shall deliver to the Landlord the amendment, endorsement or other modification of the Letter of Credit that reduces the amount thereof as permitted in Section 8.

(c) Upon the occurrence of any breach or default under this Lease including, but not limited to, any failure by Tenant timely to deliver or cause to be delivered to Landlord any substitute letter of credit required pursuant to this Section 37.24, Landlord, at its option, may draw against the Letter of Credit and any substitute letter of credit delivered pursuant to this Section 37.24 in an amount reasonably necessary to cure such breach or default and/or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach or default. The Letter of Credit and each substitute letter of credit (also referred to as a "Letter of Credit") delivered pursuant to this Section 37.24 shall provide for payment against Landlord's (or any transferee's) draft at sight accompanied by a certificate stating substantially as follows: "Drawn under _____ Bank, N.A.'s Irrevocable Standby Letter of Credit No. ____ dated _____, 2018, as a result of the occurrence of a default under the Lease dated _____, 2018, between Bellevue Place Office, LLC, a Washington limited liability company, and SMARTSHEET, INC., a Washington corporation. If Landlord draws against the Letter of Credit, Tenant shall, within ten (10) days of the date of such draw, restore the Letter of Credit or provide additional irrevocable standby letters of credit so that, at all times, there shall be an amount required by Section 8 of the Lease available for Landlord to draw against in the event of any further breach or default under this Lease.

(d) If the Letter of Credit is not renewed or Tenant does not provide a substitute irrevocable standby letter of credit on or before the date that is thirty (30) days prior to the expiry date of the then current Letter of Credit, or in the event Landlord draws against the Letter of Credit, if Tenant does not restore the Letter of Credit or provide additional letters of credit so that an amount required by Section 8 of the Lease is available to Landlord to draw upon in the event of any further breach or default under this Lease, then in such event the amount of the draw against the Letter of Credit may be equal to the entire amount of the Letter of Credit. The proceeds of any draw against the Letter of Credit pursuant to the immediately preceding sentence shall be held by Landlord as an additional security deposit pursuant to the provisions of Section 8 of this Lease.

3. Remaining Lease Provisions. Except as expressly modified in this Addendum, all other provisions of the Lease remain in full force and effect. In the event of a conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

DATED as of the day and year first above written.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company

By: KEMPER DEVELOPMENT
COMPANY, a Washington corporation;
Its Manager

By: /s/ James E. Melby
James E. Melby
President

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Jennifer Ceran
Jennifer Ceran, CFO

BANK OF AMERICA BUILDING OFFICE LEASE

BETWEEN

**BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company**

(Landlord)

AND

**SMARTSHEET.COM, INC.,
a Washington corporation**

(Tenant)

SUITE 960

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BANK OF AMERICA BUILDING OFFICE LEASE

THIS LEASE is made this 3rd day of March, 2016, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET.COM, INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord owns certain rights and interests in and to certain real property and improvements thereon in the City of Bellevue, King County, Washington, which real property is described in Exhibit "A," attached hereto, and shown on the site plan attached hereto as Exhibit "B." Said property and the improvements thereon are part of a first-class multi-use development commonly known and referred to herein as "Bellevue Place." Bellevue Place currently consists of the Bank of America Building, Hotel Building, Corner Building, and Wintergarden Retail Center, as shown on Exhibit "B," as well as a Parking Garage currently located beneath the foregoing.

B. Tenant desires to lease from Landlord a portion of the Bank of America Building and Landlord is willing to do so on certain terms and conditions, which are set forth herein.

NOW THEREFORE, for and in consideration of the promises, covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. BASIC LEASE DATA, TERMS AND EXHIBITS.

- 1.1 Landlord: Bellevue Place Office, LLC, a Washington limited liability company.
- 1.2 Address of Landlord: P. O. Box 4186, Bellevue, Washington 98009.
- 1.3 Tenant: Smartsheet.com, Inc., a Washington corporation.
- 1.4 Principal Business Address of Tenant: 10500 NE 8th Street, Suite 1300, Bellevue, WA 98004.
- 1.5 Tenant's Permitted Trade Name: Smartsheet.com.
- 1.6 Leased Premises: That portion of the ninth (9th) floor of the Bank of America Building; as and where shown on Exhibit "C" attached hereto.
- 1.7 Rentable Area of the Leased Premises: Seven Thousand Eight Hundred Eight (7,808) square feet.
- 1.8 Breakdown of Rentable Area at Bellevue Place:
 - (a) The total Rentable Area of the Bank of America Building and the Corner Building is Four Hundred Sixty-three Thousand Five Hundred Ninety-nine (463,599) square feet.
 - (b) The total Rentable Area of Bellevue Place is Five Hundred Nineteen Thousand Five Hundred Forty-nine (519,549) square feet.

1.9 Tenant's Share: [based on 7,808 rentable square feet]

(a) Because Bellevue Place is a multi-use development containing a variety of different office, retail, and common area facilities within its various elements, Tenant's Share appropriately comprises two components: (i) Operating, Repair and Maintenance Expenses specific to the Bank of America Building and the Corner Building, as set forth in Section 1.9(b); and (ii) Operating, Repair and Maintenance Expenses for Bellevue Place generally, as set forth in Section 1.9(c).

(b) Operating, Repair and Maintenance Expenses for the Bank of America Building and the Corner Building: One point six eight percent (1.68%) based on 463,599 rentable square feet pursuant to Section 1.8(a).

(c) Operating, Repair and Maintenance Expenses for Bellevue Place: One point five zero percent (1.50%) based on 519,549 rentable square feet pursuant to Section 1.8(b).

1.10 Rent: [based on 7,808 rentable square feet]

From and including the earlier of (i) five (5) days following substantial completion of the Premises Improvements (defined in Section 11.1(a) below), estimated to be April 1, 2016, or (ii) the date Tenant first occupies the Leased Premises for business purposes, through and including the last day of the twelfth (12th) month of the Lease Term, the Rent shall be Thirty-six and 50/100 Dollars (\$36.50), per square foot of the Rentable Area of the Leased Premises per annum or Twenty-three Thousand Seven Hundred Forty-nine and 33/100 Dollars (\$23,749.33) per month.

From and including the first day of the thirteenth (13th) month of the Lease Term to and including the last day of the twenty-fourth (24th) month of the Lease Term, the Rent shall be Thirty-seven and 60/100 Dollars (\$37.60), per square foot of the Rentable Area of the Leased Premises per annum or Twenty-four Thousand Four Hundred Sixty-five and 07/100 Dollars (\$24,465.07) per month.

From and including the first day of the twenty-fifth (25th) month of the Lease Term to and including the Expiration Date, the Rent shall be Thirty-eight and 73/100 Dollars (\$38.73) per square foot of the Rentable Area of the Leased Premises per annum or Twenty-five Thousand Two Hundred and 32/100 Dollars (\$25,200.32) per month.

1.11 Lease Term: Thirty-six (36) calendar months, plus that portion of a calendar month necessary, if at all, for the Expiration Date to occur on the last day of such calendar month.

1.12 Commencement Date: Upon substantial completion of the Premises Improvements (defined in Section 11.1(a) below), estimated to be April 1, 2016.

1.13 Expiration Date: March 31, 2019.

1.14 Security Deposit: Upon execution of this Lease, Tenant shall pay Landlord Thirty-two Thousand Two Hundred Eight and 00/100 Dollars (\$32,208.00), which amount shall be applied to Rent and Additional Rent due for the first (1st) month of the Lease Term.

- 1.15 Deadline for Submission to Landlord of Premises Plans for Tenant's Improvements. February 26, 2016.
- 1.16 Contingency: THIS LEASE IS CONTINGENT UPON ITS ACCEPTANCE AND APPROVAL BY LANDLORD'S LENDERS. If this Lease is acceptable to Landlord's lenders, this contingency will be waived by Landlord.
- 1.17 Exhibits Incorporated by Reference:
- Exhibit "A" - Legal Description of Bellevue Place.
 - Exhibit "B" - Site Plan of Bellevue Place.
 - Exhibit "C" - Floor Plan of the Leased Premises.
 - Exhibit "D" - Tenant Design & Construction Manual (including Base Building Finish Condition).
 - Exhibit "E" - Rules and Regulations.
 - Exhibit "F" - Bellevue Place Transportation Management Agreement.
 - Exhibit "G" - Form of Tenant Estoppel Certificate.
 - Exhibit "H" - Form of Subordination Agreement to Reciprocal Easement Agreement.

2. PREMISES.

2.1 Generally.

Landlord does hereby lease and demise to Tenant, and Tenant hereby accepts from Landlord, upon the terms and conditions herein set forth, the Leased Premises described in Section 1.6 above and depicted in Exhibit "C," together with rights of ingress and egress over and across the Common Areas and Facilities of the Bank of America Building and Bellevue Place.

2.2 Reserved to Landlord.

Landlord reserves the right, from time to time, to change the size and dimensions of Bellevue Place; add additional buildings and improvements to Bellevue Place; relocate, alter, and change the number of buildings and other improvements in, on and under Bellevue Place; change any building dimensions and the number of floors in any of the buildings and parking areas in Bellevue Place; change the identity and type of stores and tenancies in Bellevue Place; change the name and address of the buildings and other improvements in Bellevue Place; and change the Common Areas and Facilities in Bellevue Place. Landlord further reserves the use of, and all rights in and to, the exterior walls and roof, and the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through the Leased Premises in locations which will not materially interfere with Tenant's use thereof and serving other parts of Bellevue Place. Landlord shall reasonably attempt to locate such items under the floor, above the ceiling, or adjacent to an interior wall. Such use shall not exceed one percent (1%) of the Useable Area of the Leased Premises unless otherwise agreed. If Landlord's use hereunder exceeds one percent (1%) of the Useable Area of the Leased Premises, Tenant shall be entitled, as its sole and exclusive remedy, to a reduction in the stated Rentable Area for the Leased Premises, as set forth in Section 1.7 above, and a proportional reduction in Rent and Additional Rent (as defined in Sections 5 and 6 below) due hereunder. The Leased Premises shall not include the space above the suspended ceiling. Landlord shall retain the right to use the area immediately below the floor surface and the space above the suspended ceiling in any manner which does not permanently and materially interfere with Tenant's use of the Leased Premises.

2.3 Intentionally Omitted.

3. LEASE TERM.

3.1 Generally.

The term of this Lease (the "Term" or "Lease Term") shall be the period of time set forth in Section 1.11 above and shall commence on the Commencement Date as provided in Section 4.1 below and shall end at 11:59 p.m. on the Expiration Date, as provided in Section 4.2 below.

3.2 Termination.

The Lease shall terminate on the Expiration Date, unless sooner terminated hereunder or by operation of law, without the necessity for any notice from either Landlord or Tenant. If Tenant fails to surrender the Leased Premises at the end of the Lease Term, Tenant shall be liable for, and shall indemnify Landlord against, all claims and demands made by any succeeding tenants against Landlord founded upon delay by Landlord in delivering possession of the Leased Premises to such succeeding tenant.

3.3 Holding Over.

Any holding over by Tenant after the expiration of the Lease Term shall be construed to be a tenancy from month-to-month. During such tenancy, Tenant shall pay to Landlord a monthly rental of one hundred fifty percent (150%) of the Rent payable during the last month of the Lease Term in addition to the Additional Rent and Other Charges set forth herein. Except as set forth herein, such month-to-month tenancy also shall be subject to all of the terms, covenants, and conditions of this Lease.

3.4 Option to Extend Lease Term.

(a) Tenant is granted an option (the "Extension Option") to extend the Lease Term for five (5) years, to and including March 31, 2024. The period of time shall be referred to herein as the "Option Period". To exercise the Extension Option, Tenant must give Landlord unequivocal written notice of Tenant's election to exercise the Extension Option at least ten (10) calendar months (but not earlier than twelve (12) calendar months) prior to the Expiration Date.

(b) If Tenant elects to exercise the Extension Option, the Rent for the Option Period ("New Rent") shall be the Fair Market Rent (as defined below) for comparable space in the Bank of America Building ("Comparable Space"), but in no event shall the New Rent be less than the Rent payable during the last month of the Lease Term. If there is no Comparable Space in the Bank of America Building at the time, Tenant shall pay, as New Rent, whatever the fair market rent in the Bank of America Building would be if there was such Comparable Space in the Bank of America Building. The term "Fair Market Rent" shall mean the rent that would be paid by a willing tenant renewing its lease for Comparable Space for a term of five (5) years. Tenant concessions shall be included in the determination of fair market rent with respect to tenants who are renewing their leases in the Bank of America Building. The term "tenant concessions" shall include, without limitation, such inducements as tenant improvements and free rent.

(c) In the event Landlord and Tenant cannot agree on the New Rent, the matter shall be submitted for decision to a panel of three (3) arbitrators. Landlord and Tenant shall each appoint one (1) arbitrator, who shall by profession be a licensed commercial real estate broker or an MAI real estate appraiser and who shall be familiar with Bellevue Place and have been active (over the three (3) year period ending on the date of such appointment) in the brokering or appraisal of Comparable Space. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's proposed New Rent is the closest to the

Fair Market Rent. Each such arbitrator shall be appointed within fifteen (15) days after Tenant's or Landlord's notice to the other of its election to have the New Rent be determined by this arbitration procedure. The two arbitrators so appointed shall, within fifteen (15) days of the date of the appointment of the last appointed arbitrator, agree upon and appoint a third arbitrator, who shall be qualified under the same criteria set forth above for qualification of the initial two arbitrators. Failing such agreement, either Landlord or Tenant shall have the right to petition for the appointment of the third arbitrator by the Presiding Judge of the Superior Court of the County of King. The three (3) arbitrators shall, within thirty (30) days of the appointment of the third arbitrator, reach a decision as to whether the parties shall use Landlord's or Tenant's proposed New Rent and shall notify Landlord and Tenant thereof. The decision of the majority of the three (3) arbitrators shall be binding upon both Landlord and Tenant. The cost of the arbitration shall be paid by Landlord and Tenant equally. The arbitration procedure shall not take more than thirty (30) days. However, if the arbitrators have not determined the New Rent prior to the beginning of the Option Period, Tenant shall pay the Rent previously in effect under the Lease plus a ten percent (10%) increase until such time as the arbitrators determine the New Rent. If the arbitration procedure results in a higher Rent, Tenant shall pay the difference with the next monthly rental payment due under the Lease. If the arbitration procedure results in a lower Rent, Tenant shall receive a credit against its next monthly Rent payments under the Lease, and any succeeding monthly rental payments, if necessary, in an amount equal to the overpayment.

(d) Notwithstanding anything in the foregoing to the contrary, the Extension Option may not be exercised during any period in which Tenant is in default under any provision of the Lease until said default has been fully cured. Time is of the essence. If Tenant fails to exercise the Extension Option in any instance when such right is in effect, prior to the expiration of the applicable time period for the exercise of such right, the Extension Option shall thereafter be deemed null and void and of no further force or effect. The period of time within which the Extension Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise such rights because of the foregoing provisions. All rights of Tenant to the Extension Option shall terminate and be of no further force or effect, even after Tenant's due and timely exercise thereof, if, after such exercise, but prior to the commencement date of the Option Period, Tenant defaults under the terms of the Lease which default is not cured within any applicable cure period.

(e) The Extension Option shall be personal to Tenant and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant, nor shall the Extension Option be assignable separate and apart from this Lease.

4. COMMENCEMENT AND EXPIRATION DATES; LEASE YEAR.

4.1 Commencement Date.

The Commencement Date shall be the date set forth in Section 1.12 above.

4.2 Expiration Date.

This Lease shall expire at 11:59 p.m. on the date set forth in Section 1.13 above.

4.3 Confirmation of Commencement and Expiration.

Within five (5) business days after Tenant's occupancy of the Leased Premises, or upon Landlord's request, Landlord and Tenant shall confirm the specific Commencement and Expiration Dates in writing, as well as the "as built" Rentable Area of the Leased Premises, as defined in Section 6.2(f), and the Rent payable hereunder, which shall be appended to and incorporated into this Lease.

4.4 Lease Year.

A "Lease Year" shall mean a calendar year commencing on January 1 and ending the following December 31. If the Commencement Date is a date other than January 1, the initial Lease Year shall be from and including the Commencement Date to and including December 31 of that calendar year. If the Expiration Date is a date other than December 31, the final Lease Year shall be from and including January 1 of the calendar year of the Final Lease Year to and including the Expiration Date.

5. RENT.

Tenant shall pay to Landlord, without notice or demand and without setoff or deduction whatsoever, the sums stated in Section 1.10 above (the "Rent"), which shall be paid to Landlord in advance in lawful money of the United States, on or before the first day of each calendar month at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. Rent and Additional Rent (as defined in Section 6.1 below) for any partial month at the beginning or end of the Lease Term shall be prorated, based upon a thirty (30) day month. All amounts payable hereunder, other than Rent and Additional Rent, may be sometimes referred to as "Other Charges." Landlord may (but shall not be required to) make available to Tenant procedures for the payment to Landlord by electronic funds transfer of any or all amounts required by the terms of this Lease to be paid by Tenant.

6. ADDITIONAL RENT.

6.1 Generally.

In addition to the Rent provided for in Section 5 above, commencing on the earlier of (i) five (5) days following substantial completion of the Premises Improvements (defined in Section 11.1(a) below), estimated to be April 1, 2016, or (ii) the date Tenant first occupies the Leased Premises for business purposes, Tenant shall pay to Landlord, without notice (other than notice advising Tenant of its share of the Additional Rent) or demand and without setoff or deduction, Tenant's Share (as defined in Section 6.2(a) below) of the Operating Expenses (as defined in Section 6.2(b) below), which expenses include, but are not limited to, (i) Operating, Repair, and Maintenance Expenses for the Bank of America Building and the Corner Building; and (ii) Operating, Repair, and Maintenance Expenses for Bellevue Place during the Lease Term (the "Additional Rent").

6.2 Definitions.

The following terms shall have the meanings hereinafter specified, unless the context otherwise specifies or clearly requires:

- (a) Tenant's Share. Tenant's Share shall be equal to the percentages set forth in Section 1.9 above.
- (b) Operating Expenses Generally. The Operating Expenses shall include (i) all Operating, Repair and Maintenance Expenses (defined in Section 6.2(c) below), and (ii) all Taxes (defined in Section 6.2(d) below).
- (c) Operating, Repair and Maintenance Expenses. Operating, Repair and Maintenance Expenses shall include the actual costs and expenses that are paid or payable by Landlord in connection with the operation, repair and maintenance of Bellevue Place and its constituent parts, which include without limitation, the Bank of America Building, the Corner

Building and the Wintergarden Retail Center, less all contributions for such costs received from the owner of the Hotel Tract as defined in and pursuant to the terms of that certain Construction, Operation and Reciprocal Easement Agreement recorded under King County Recorder's File No. 8709160449, as amended from time to time (the "REA"), and shall include, but not be limited to, those costs and expenses that are paid or payable to the Transportation Management Association. Without limiting the generality of the foregoing and by way of illustration, Operating, Repair and Maintenance Expenses shall include costs and expenses of all utility, heating, air conditioning and ventilation costs and expenses; license, permit and inspection fees; planting and landscaping costs and expenses; janitorial services; direct physical damage insurance (including but not limited to loss of income insurance), liability and excess liability insurance, and other appropriate insurance policies, as determined solely by Landlord or Landlord's lender, including but not limited to garage keeper's legal liability, boiler and machinery and auto insurance; taxes and assessments on equipment; the cost and expense of repairs including, but not limited to, those of a capital nature necessary or appropriate to fulfill Landlord's obligations to its tenants; the cost and expense of removing trash and other refuse; the cost and expense of supplies, tools and equipment; the cost and expense of cleaning, maintaining, repairing and replacing machinery and equipment, including but not limited to automatic door openers, lights and lighting fixtures, heating, air conditioning and ventilation equipment, fire and sprinkler systems and security systems; depreciation allowance on machinery and equipment (depreciation to be over the useful life of any such machinery and equipment in accordance with the guidelines and regulations established by the Internal Revenue Service, if any); the cost and expense of personnel to implement such services, including but not limited to security and traffic control; legal and accounting costs and expenses; customary management fees; the cost of any capital improvements necessary or appropriate to fulfill Landlord's repair or maintenance obligations, required by any applicable governmental law or regulation not in effect at the time Tenant is required to take occupancy of the Leased Premises or made for the purpose of reducing operating, repair or maintenance costs (the cost of any such capital improvements shall be amortized over the useful life of such item (in accordance with the guidelines and regulations established by the Internal Revenue Service, if any, from time to time) as Landlord shall determine with a return on capital at the current market rate per annum on the unamortized balance or at such higher rate as may have been paid by Landlord on funds borrowed for the purpose of purchasing or constructing such improvements).

(d) Taxes. Taxes shall include all real estate taxes, personal property taxes and all other taxes, surcharges and assessments that are or may be levied upon, assessed against or attributable to Bellevue Place and all improvements, fixtures, equipment and other property of Landlord, real and personal, located on, in or under Bellevue Place and used in connection with the operation thereof, including the Bank of America Building, the Corner Building and land underlying the Bank of America Building and the Corner Building and including, although not limited to, the land, improvements, equipment, fixtures and other property used in connection with the operation of and comprising the Parking Garage and Wintergarden Retail Center and any rental, excise, sales, transaction or other privilege tax or levy, however denominated (excepting federal, state and local net income taxes) paid or payable during the Lease Term and taxes on all tenant improvements in the Wintergarden Retail Center owned by Landlord but excluding the Hotel Building and the land underlying the Hotel Building. Taxes also shall include any amounts paid or payable to any third party or incurred by Landlord for the purpose of obtaining a reduction in the Taxes as above defined.

(e) Rentable Area of the Leased Premises. For purposes of this Lease, the Rentable Area of the Leased Premises shall mean the Useable Area of the Leased Premises, as that term is defined and computed according to the *Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA z65.1-2010*, otherwise known as the "BOMA Standard," multiplied by a load factor of one point two five zero three (1.2503%). The "as built" Rentable

Area of the Leased Premises shall be the true Rentable Area of the Leased Premises at the time Landlord tenders possession of the Leased Premises to Tenant.

(f) Rentable Area of Bellevue Place. For purposes of this Section 6, the Rentable Area of Bellevue Place shall include the total of all areas and spaces in (i) the Bank of America Building, (ii) the Corner Building, and (iii) all areas and spaces in and opening into the Wintergarden Retail Center (whether or not such areas or spaces in the Bank of America Building, the Corner Building, and the Wintergarden Retail Center are actually leased by Landlord) that are available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests and shall include, but not be limited to, all rest rooms, mezzanines, warehousing and storage areas, clerical and office areas, and employee areas within the leased premises of any tenant of Landlord in the Wintergarden Retail Center, Bank of America Building and Corner Building, but shall exclude all areas and spaces in the Hotel Building (other than those areas and spaces in or opening into the Wintergarden Retail Center and available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests) and the Common Areas and Facilities of Bellevue Place. If at any time, Landlord believes the Rentable Area of Bellevue Place is materially different than the Rentable Area of Bellevue Place set forth in Section 1.8 above because of an error in calculation or additions, modifications or alterations to Bellevue Place and Landlord desires to amend this Lease to reflect the actual or changed Rentable Area of Bellevue Place, Landlord shall so notify Tenant in writing. If Tenant does not object in writing to Landlord's notice within ten (10) days following receipt of Landlord's notice, this Lease shall be deemed to be amended to incorporate the Rentable Area of Bellevue Place as set forth in Landlord's notice to Tenant. If Tenant does object in writing to Landlord's notice within said ten (10) days, and Landlord and Tenant are unable to agree upon the Rentable Area of Bellevue Place within ten (10) days following receipt of Tenant's notice of objection, the matter shall be submitted for determination to the Project Architect for Bellevue Place. The decision of the Project Architect shall be final and binding on both Landlord and Tenant and this Lease shall be deemed to be amended to reflect the Rentable Area of Bellevue Place as and when decided by the Project Architect. The cost and expense of the Project Architect's consideration of the matter, if any, shall be shared equally among Landlord and all tenants objecting to Landlord's notice.

(g) Notwithstanding anything in this Section 6.2 to the contrary, the following costs shall not be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease:

Leasing commissions, advertising expenses, fees and costs incurred in procuring new tenants for portions of Bellevue Place.

Except as permitted in Section 6.2(c) of the Lease, interest or amortization payments on mortgages.

Rental on ground leases or other underlying leases.

Any costs or expenses associated with or incurred in connection with required environmental testing, removal, enclosure, encapsulation or other handling of asbestos or other hazardous or toxic materials or substances.

Costs of any item for which Landlord is or is entitled to be paid or reimbursed by insurance.

Charges for electricity, water, or other utilities and applicable taxes for which Landlord is entitled to reimbursement from any other tenant.

Cost of correcting major defects in the design, construction or equipment of, or substantial latent defects in, the Bank of America Building or Bellevue Place (a defect, for the purposes of this subsection (g), is defined as a substantial condition that occurred because of negligence in the initial construction of Bellevue Place).

Any costs incurred in constructing any future material expansion of the Bank of America Building (as opposed to the costs of operating and maintaining the expanded Bank of America Building, which may be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease).

Costs of a capital nature, except for costs (a) reasonably necessary or appropriate to fulfill Landlord's repair or maintenance obligations; (b) incurred as a result of any applicable governmental law or regulation enacted and enforced after the date of the Lease; and/or (c) made for the purpose of reducing operating, repair or maintenance costs.

Interest and penalties incurred as a result of Landlord's delinquent payment of any obligation of Landlord.

Notwithstanding any reference in Section 6.2 to the contrary, the cost of any capital item shall not be expensed in a single year but shall be depreciated over the useful life of such item in a manner consistent with other Bellevue Class "A" office buildings.

Notwithstanding anything in this Lease to the contrary, there shall be no duplication of any particular cost, charge or expense in any operating costs and maintenance expenses set forth in this Section 6.2 of the Lease, provided Landlord reserves the right to include a customary administrative fee and a customary management fee within operating costs and maintenance expenses.

6.3 Payment.

Landlord shall provide to Tenant, at or before the Commencement Date, an estimate of the annual Operating Expenses for the Lease Year in which the Commencement Date occurs. Within ninety (90) days after the expiration of each succeeding Lease Year of the Lease Term, or as soon thereafter as such information becomes available, Landlord shall give Tenant a written estimate of Tenant's Share of the Operating Expenses for the then current Lease Year ("Tenant's Estimated Share"). Tenant shall pay Tenant's Estimated Share, in advance, in equal monthly installments on or before the first (1st) day of each calendar month of such Lease Year at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. During the period of time following the expiration of a Lease Year and Tenant's receipt of Landlord's estimate of Tenant's Estimated Share, Tenant shall continue to pay Landlord Tenant's Estimated Share from the prior Lease Year. Within ninety (90) days after the expiration of each Lease Year of the Lease Term (or as soon thereafter as such information becomes available), Landlord shall furnish to Tenant a written statement summarizing the actual amount of Tenant's Share of the Operating Expenses for the prior Lease Year (hereinafter sometimes referred to as the "Annual Reconciliation Statement"). If Tenant's Share of the Operating Expenses exceeds the amount paid by Tenant, Tenant shall pay the deficiency to Landlord promptly upon receipt of a written notice of the amount thereof. If such statement shows Tenant's Share of the Operating Expenses to be less than the amount paid by Tenant, the amount of overpayment by Tenant shall be credited by Landlord to the next payment or payments of Additional Rent due hereunder, if Tenant has otherwise complied with all of the terms and provisions of this Lease. If the Lease Term has

expired and Tenant has vacated the Leased Premises and no amounts are or may become payable by Tenant, then any overpayment shall be returned to Tenant, or at Landlord's option, to the last assignee of Tenant's interest in the Leased Premises. If this Lease commences at a time other than the beginning of a calendar year, Tenant shall pay the Additional Rent for the remaining portion of the Lease Year based upon the number of days from the Commencement Date. If this Lease expires at a time other than the last day of a calendar year, Tenant shall be obligated to pay immediately any deficiencies which shall be computed at the expiration of that Lease Year. If at any time during a Lease Year it appears to Landlord that any of the Operating Expenses payable for that Lease Year will vary from Landlord's estimate by more than five percent (5%) on an individual or aggregate basis, Landlord may, at its election, adjust Tenant's Estimated Share for the balance of that Lease Year to compensate for such increase. Any increased payments required to be made pursuant to this Section shall be made within thirty (30) days after Landlord has notified Tenant thereof. Tenant's obligations under this Section shall survive the expiration or termination of this Lease.

6.4 Nonpayment.

In the event of nonpayment of any item of Additional Rent or any Other Charge due hereunder, Landlord shall have the same rights and remedies as for failure to pay Rent.

6.5 Future Development of Bellevue Place.

Tenant is aware that Landlord, by itself or in combination with other persons, intends to further expand and develop Bellevue Place in one or more additional phases and Tenant has reviewed plans and other documents describing the intended expansion and development of Bellevue Place or has been provided with opportunities to review such plans and documents. In the event one or more such phases of the Bellevue Place project are completed during the Lease Term, any additional operating, repair or maintenance expenses and real estate and other taxes attributable to such other phases may be included in the Operating Expenses at Landlord's discretion, provided that the denominator used to calculate Tenant's proportionate share of such expenses is reasonably adjusted with respect to such phases.

6.6 Disputes Relating to Additional Rent.

If Tenant desires to contest any calculation by Landlord of Tenant's Share or the amount of any Bellevue Place Operating Expense payable by Tenant, Tenant must give Landlord a written notice (an "Objection Notice") stating that Tenant disputes the calculation or amount. The Objection Notice must be received by Landlord within ninety (90) days after Tenant receives Landlord's Annual Reconciliation Statement regarding Bellevue Place Operating Expenses, and set forth with particularity the reason why Tenant disputes Landlord's calculation or the amount. If Tenant fails to give Landlord such an Objection Notice within such time, Tenant shall be deemed to have waived and released any and all rights it may have to contest the calculation and amount. Promptly after receiving any such Objection Notice from Tenant, Landlord shall meet with Tenant and both Tenant and Landlord shall attempt in good faith to reconcile the matters described in the Objection Notice; provided, however, if Tenant refuses to meet with Landlord within thirty (30) days after the date Landlord received the Objection Notice from Tenant, Tenant shall be deemed to have waived and released any and all rights it may have to contest Landlord's calculation and the inclusion and amount of any Bellevue Place Operating Expense. If Landlord and Tenant are unable to resolve the dispute within a reasonable time, Landlord shall cause its accounting firm to undertake an investigation and analysis of the matter and prepare a written report, a copy of which shall be provided to Tenant. The cost of the investigation, analysis and report shall be paid for by Tenant unless the investigation and analysis discloses a material error favoring Landlord, in which event Landlord shall bear the cost of the investigation, analysis and report. If the report discloses that the amount or calculation used by

Landlord was incorrect, Landlord shall provide a credit to Tenant against future obligations under this Section 6 equal to the amount of any overpayment paid by Tenant during the Lease Year to which Tenant's Objection Notice relates. Notwithstanding the pendency of any dispute hereunder, Tenant shall continue to pay all amounts owed hereunder based upon Landlord's determination and calculation or until such calculation or amount has been established hereunder to be incorrect.

7. LATE CHARGES.

If Tenant fails to pay, when the same is due and payable, any Rent, Additional Rent or Other Charges, such unpaid amounts shall bear interest at the rate of two percent (2%) per month from the date due to the date of payment, unless such amount would violate any applicable usury law, in which event such unpaid amounts shall bear interest at the highest rate then allowed by law. In addition to such interest, Tenant acknowledges that the late payment by Tenant of any installment of Rent, Additional Rent or Other Charges will cause Landlord to incur certain costs and expenses not contemplated under this Lease, the exact amount of such costs being extremely difficult or impractical to fix. Such costs and expenses will include, without limitation, administrative and collection costs, and processing and accounting expenses. Therefore, if any Rent, Additional Rent or Other Charge installment is not received by Landlord from Tenant by the fifth (5th) day after such installment is due, Tenant shall immediately pay to Landlord, in addition to the installment due, a late charge equal to twelve percent (12%) of such installment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for its loss and expense suffered by such nonpayment by Tenant. Acceptance of this late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising all other rights and remedies available to Landlord under this Lease. Landlord shall apply payments made by Tenant first to accrued charges, interest and rent in the following order: (a) Late Charges; (b) interest; (c) Rent; Other Charges and Additional Rent; and (d) any balance remaining to current Rent, Other Charges, and Additional Rent. Notwithstanding anything in this Section 7 to the contrary, provided Tenant pays all sums due hereunder by electronic funds transfer, Landlord shall waive the first (1st) late charge that may be incurred by Tenant during any twelve (12) month period during the Lease Term, provided the unpaid amount is in fact paid in full by Tenant on or before the fifteenth (15th) day of the month in which any such payment is due.

8. SECURITY DEPOSIT.

As additional consideration for this Lease, Tenant has delivered to Landlord as a security deposit the sum shown in Section 1.14 above. Such sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of this Lease to be kept and performed by Tenant during the entire Lease Term. If Tenant is in breach under any provision of this Lease, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any unpaid obligation or sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's breach, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach. In the event Landlord elects to so use, apply or retain all or any part of the security deposit, Tenant shall deposit with Landlord, within ten (10) days of demand therefor, cash sufficient to restore the security deposit to the amount set forth in Section 1.14. Landlord shall not be required to keep the security deposit separate from its general funds and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease, the security deposit or any balance thereof after deductions hereunder by Landlord shall be returned to Tenant (or at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder) within thirty (30) days following expiration of the Lease Term or Tenant's return of the Leased Premises to Landlord in the

condition required hereunder, whichever shall last occur. No trust relationship is created hereby between Landlord and Tenant with respect to the security deposit.

9. USES.

9.1 Permitted Uses.

Tenant shall use and occupy the Premises only for general office purposes consistent with a first class office building (the "Permitted Use") under the trade name set forth in Section 1.5 above, and for no other business or purpose or under any other trade name without the prior written consent of Landlord, which consent may be withheld if Landlord, in its sole discretion, determines that any proposed use or trade name is inconsistent with or detrimental to the maintenance and operation of the Building as a first-class office building. Landlord makes no representation or warranty as to the availability of Tenant's Permitted Trade Name or that it will not infringe on any other person's trademark, service mark or other rights or privileges.

9.2 Prohibited Uses.

Tenant shall not do or permit or suffer anything to be done in or about the Leased Premises, Bank of America Building or Bellevue Place which will in any way obstruct or interfere with the rights of other tenants or occupants of the Bank of America Building or Bellevue Place or injure or annoy them, their customers or clients, nor shall Tenant use or allow the Leased Premises to be used for any purpose which is objectionable or offensive in Landlord's reasonable judgment or which is unlawful, nor shall Tenant do or permit or suffer anything to be done in or about the Leased Premises, the Bank of America Building or Bellevue Place which would cause Landlord to be in violation of any of its agreements with others. If Tenant permits or engages in any activity which, in Landlord's reasonable judgment, is objectionable, offensive or otherwise constitutes a nuisance to Landlord, the other tenants of the Bank of America Building or Bellevue Place, or their employees, customers, guests or invitees, Tenant shall immediately discontinue such activity or take action to cause the activity to be discontinued with all due diligence if it cannot be immediately discontinued. Tenant's failure to comply with this Section shall constitute a material default of this Lease and entitle Landlord to pursue its remedies for such a breach or, in the alternative, undertake such work as may be appropriate to prevent such activity and recover, as additional rent, the cost thereof plus interest thereon at two percent (2%) over the prime rate of interest charged or published by Bank of America on the first day of each month, commencing on the date due through the date of payment.

9.3 Compliance with Laws, Rules and Regulations.

Tenant shall, at its sole cost and expense, promptly comply with all local, state and federal laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force relating to Tenant's use and occupancy of the Leased Premises and Tenant's business conducted therein.

9.4 Hazardous Material.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Leased Premises by Tenant, its agents, employees, contractors or invitees. If Tenant breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Leased Premises caused or permitted by Tenant results in contamination of the Leased Premises or any part of Bellevue Place or any other property, or if contamination of the Leased Premises or any part of Bellevue Place or any other property by Hazardous Material otherwise occurs for which Tenant may be legally liable for damage resulting therefrom, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments,

damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the property, damages for the loss or restriction on use of rentable or useable space or of any amenity of Bellevue Place or the Leased Premises or elsewhere, damages arising from any adverse impact on marketing of space at Bellevue Place or elsewhere, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Lease Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under Bellevue Place. Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Leased Premises or Bellevue Place by Tenant, its agents, employees, contractors or invitees, results in any contamination of the Leased Premises or any part of Bellevue Place or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Leased Premises, Bellevue Place or any other property to the condition existing prior to the introduction of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Leased Premises, Bellevue Place or other property. As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government.

10. SERVICES AND UTILITIES.

10.1 Standard Services.

As long as Tenant is not in default under any of the provisions of this Lease, Landlord shall cause the Leased Premises (in accordance with Section 12.3) and the public and common areas of the Building, including the lobbies, elevators, stairs, corridors and rest rooms, to be maintained in reasonably good order and condition consistent with the operation and maintenance of the Bank of America Building as a first-class office and retail building in downtown Bellevue, except for damage occasioned by any act or omission of Tenant or Tenant's officers, contractors, agents, invitees, licensees or employees, the repair of which shall be paid for by Tenant. From 7:00 a.m. to 6:00 p.m. on weekdays, excluding legal holidays ("Regular Business Hours"), Landlord shall furnish the Leased Premises with electricity for lighting and operation of low power usage office machines, water, heat, air conditioning and elevator service (the "Standard Services"). During all other hours, Landlord shall furnish the Standard Services, including elevator service as reasonably required to provide access to the Leased Premises, except for heat and air conditioning and lighting. If requested by Tenant, Landlord shall furnish heat and air conditioning and lighting at times other than Regular Business Hours and the cost of such services, as established by Landlord, shall be paid by Tenant in the same manner as provided in Section 5 above. Landlord also shall provide lamp replacement service for Building Standard fluorescent light fixtures, toilet room supplies, window washing at reasonable intervals and customary building janitorial service as part of the Standard Services, although no janitorial service shall be provided for Saturdays, Sundays or legal holidays. The cost and expense of any janitorial or other services provided or caused to be provided by Landlord to Tenant in addition to the services ordinarily provided Bank of America Building tenants shall be paid by Tenant in the same manner as provided for payment in Section 5 above.

10.2 Interruption of Services.

Landlord shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption or failure of the Standard Services due to any

cause whatsoever. No temporary interruption or failure of the Standard Services incident to the making of repairs, alterations, or improvements, or due to accident, strike or conditions or events beyond Landlord's reasonable control shall be deemed an eviction of Tenant or relieve Tenant from any of Tenant's obligations hereunder.

10.3 Additional Services.

Tenant shall not install lights and equipment in the Leased Premises with heating loads which in the aggregate exceed the Bank of America Building standard mechanical system. Landlord shall not arbitrarily withhold consent to Tenant's installation of lights and equipment exceeding such amount but may condition its consent on Tenant's payment of the costs incurred by Landlord for the installation, operation, repair and maintenance of supplementary air conditioning capacity or electrical systems as necessitated by such equipment or lights. In addition, Tenant shall pay to Landlord, in advance, on the first day of each month during the Lease Term, such amount estimated by Landlord to be the cost of furnishing electricity to Tenant for the operation of such equipment or lights and such amount estimated by Landlord to be the cost of operating and maintaining the supplementary air conditioning units as necessitated by Tenant's use of such equipment or lights. Such costs shall be paid by Tenant in the same manner as provided in Section 5 above. In the event of nonpayment of amounts due for any of the above-described additional services, Landlord shall have the same rights and remedies as it has with respect to the nonpayment of rent hereunder. Landlord shall be entitled to install and operate, at Tenant's sole cost and expense, a monitoring or metering system in the Leased Premises to measure the added demands on electricity, heating, ventilation, and air conditioning systems resulting from such equipment and lights and from Tenant's after-hours heating, ventilation and air conditioning service requirements. Tenant shall comply with Landlord's instructions for the use of drapes, blinds and thermostats in the Bank of America Building.

11. IMPROVEMENTS, ALTERATIONS AND ADDITIONS.

11.1 Premises Improvements.

(a) Prior to the Commencement Date, the Leased Premises shall be improved by Landlord (the "Premises Improvements"), which Premises Improvements shall be in accordance with mutually agreed upon plans and specifications for such improvements (the "Premises Plans"). The Premises Improvements shall be performed and installed by design professionals and contractors selected by Landlord in the exercise of Landlord's subjective discretion, and shall be performed in accordance with the requirements set forth in Exhibit "D". Landlord shall contract directly with the contractors constructing the Premises Improvements. Landlord shall contract directly with JPC Architects ("JPC") for architectural services related to the Premises Improvements. Landlord shall pay certain amounts toward the cost of the Premises Improvements ("Landlord's Improvement Allowance"). Landlord's Improvement Allowance is limited to Fifteen and 00/100 Dollars (\$15.00) per rentable square foot, or a total amount not to exceed One Hundred Seventeen Thousand One Hundred Twenty and 00/100 Dollars (\$117,120.00). Landlord's Improvement Allowance shall be used exclusively for the Premises Improvements (including all sales and other applicable taxes but *not* including furniture, trade fixtures, equipment, inventory, or personal property, which shall be Tenant's sole cost and responsibility); provided, however, Tenant has the right to use up to Two and 00/100 Dollars (\$2.00) per rentable square foot (Fifteen Thousand Six Hundred Sixteen and 00/100 Dollars (\$15,616.00) of Landlord's Improvement Allowance to offset data, telephone, and similar communication cabling costs. In addition to Landlord's Improvement Allowance, Landlord agrees to contribute the amount of \$0.15 per rentable square foot of the Leased Premises for an initial space plan prepared by JPC, or a total of One Thousand One Hundred Seventy-one and 20/100 Dollars (\$1,171.20). In addition, Landlord shall, at its sole expense, replace the east exit door in the Leased Premises.

(b) Any and all costs for the construction and installation of the Premises Improvements (including but not limited to the cost of all working drawings, space plans, and engineering, architectural, design and consulting fees) in excess of Landlord's Improvement Allowance ("Excess Improvement Costs") shall be Tenant's sole responsibility and shall be paid by Tenant promptly when due. Tenant's failure or refusal to pay any such Excess Improvement Costs shall be a material breach of this Lease and a default hereunder. If it should appear to Landlord at any time that Tenant is or may be obligated to pay for any Excess Improvement Costs, in addition to any and all other rights and remedies to which Landlord may be entitled, Landlord shall have the right, but not the obligation, to immediately stop or prevent any and all further design, construction and installation work until Landlord has received satisfactory assurances that Tenant can and will promptly pay all Excess Improvement Costs.

(c) Prior to the Commencement Date, the Project Architect or JPC shall certify that the Premises Improvements are substantially complete in accordance with the Premises Plans. If substantial completion of the Premises Improvements is delayed by Tenant's acts or omissions, change in design decisions, revisions or additional work, or those of Tenant's agents, then the Commencement Date shall be the date substantial completion of the Premises Improvements would have been achieved but for the Tenant delay, as determined by the Project Architect or JPC. The terms "substantial completion" or "substantially complete", as used herein, means that stage of construction where the Premises Improvements are usable for their principal intended purpose, as determined in good faith by the Project Architect or JPC, and the applicable governmental authorities deem the Leased Premises approved for occupancy, notwithstanding the possible need to complete, finish or install non-critical improvement features and fixtures. The existence of repairs or defects of a nature commonly found on a "punch list," (meaning minor items that do not materially impact Tenant's use of the Leased Premises), after turnover to Tenant, shall not postpone the Commencement Date or result in a delay or abatement of Tenant's obligation to pay rent or give rise to a damage claim against Landlord, provided Landlord shall use commercially reasonable efforts to complete such punch list items within sixty (60) days after Landlord's receipt of Tenant's punch list, referred to below. Tenant's occupancy of the Leased Premises shall be deemed an acknowledgement that the Leased Premises is in good condition and repair and that Landlord has caused the Bank of America Building and all of the Premises Improvements to be constructed as required by this Lease, subject to those items, if any, specified in any punch list to be delivered by Tenant within thirty (30) days following substantial completion.

(d) All improvements and fixtures made or installed in or to the Leased Premises, including all Premises Improvements, are the property of Landlord. The Premises Improvements shall not include, and Tenant shall be solely responsible for all costs associated with (i) the interior design of the Leased Premises, (ii) security and access control to the Leased Premises, (iii) data, telephone, and similar communications cabling in excess of the \$2.00 per rentable square foot allowance set forth in paragraph 11.1(a) above, and (iv) furniture, fixtures and equipment. The foregoing shall be deemed to be a financial accommodation of the type referenced in 11 USC §365(c)(2) and a material and substantial part of this Lease transaction, as amended.

11.2 Alterations by Tenant

After completion of Tenant's Improvements, Tenant shall not make any subsequent alterations, additions or improvements in, on, or to the Leased Premises without the prior written consent of Landlord, which consent may be subject to such conditions as Landlord may deem appropriate. Tenant shall submit complete sets of final plans and specifications for all such alterations, additions or improvements to Landlord for approval. Any such alterations, additions or improvements consented to by Landlord shall be made at Tenant's sole cost and expense. Prior to the commencement of any such work, Tenant shall notify Landlord of the contractors

that will be retained by Tenant to perform the work. Landlord shall have the right to approve or disapprove in advance any or all contractors to be retained by Tenant for such work. Landlord shall promptly be provided with complete "as built" drawings and specifications for all alterations, additions and improvements made by Tenant. Tenant shall secure all governmental permits, approvals or authorizations required for such work. All alterations, additions and improvements (including but not limited to all light fixtures and floor coverings but excluding any inventory, furniture and similar personal property which does not become a part of the Leased Premises) shall immediately become the property of Landlord, without any obligation on the part of Landlord to pay therefor, upon installation in the Leased Premises. Upon the expiration or sooner termination of the Lease Term, Tenant shall forthwith remove (at Tenant's sole cost and expense) all alterations, additions or improvements made by Tenant (except original leasehold improvements constructed as part of Tenant's Improvements) designated by Landlord to be removed and Tenant shall repair (at its sole cost and expense) any damage to the Leased Premises caused by such removal. Notwithstanding anything herein or elsewhere in this Lease to the contrary, Tenant shall remove all voice and data cabling and other telecommunications equipment installed by Tenant, and shall restore the Leased Premises to the condition they were in prior to the installation of such items. Tenant's obligations hereunder shall survive the expiration or termination of this Lease. Tenant shall be permitted to install card readers on the stairwell doors adjacent to floors 4, 9, 13 and 20 of the Bank of America Building, subject to approval by Landlord and the City of Bellevue.

11.3 Disability Laws.

Notwithstanding anything in this Lease to the contrary, if Tenant constructs, makes or installs or causes to be constructed, made or installed any improvement or alteration in or to the Leased Premises, Tenant shall be solely responsible for ensuring that such improvements and/or alterations do not violate any provision in any local, state or federal law or regulation relating to accessibility for handicapped persons or the removal of architectural or communication barriers to accessibility ("Disability Law"), including but not limited to RCW Chapter 70.92 and The Americans with Disabilities Act. Any approval by Landlord of Tenant's plans or specifications for any such improvements or alterations shall not be a representation or warranty, express or implied, by Landlord that such plans will comply with any Disability Law. If any claim is asserted against Landlord under any Disability Law which claim relates directly or indirectly to any alterations or improvements installed, made or constructed, directly or indirect, by or for Tenant in or to the Leased Premises or any trade fixture or personal property item used by Tenant in the Leased Premises, Tenant shall defend, indemnify and hold Landlord harmless from and against the claim and any and all charges, liabilities, obligations, penalties, damages, judgments, costs and expenses (including attorneys' fees) arising or incurred against or suffered, directly or indirectly, by Landlord relating thereto. If it should be determined that any improvement or alteration constructed, made or installed in or to the Leased Premises, directly or indirectly, by or for Tenant or any trade fixture or personal property item used by Tenant in the Leased Premises is an illegal architectural or communication barrier under any Disability Law, Tenant shall immediately, at its sole cost and expense, remove the barrier or, to the extent allowed by the Disability Law, provide alternatives to the barrier so as to make the Leased Premises accessible to handicapped persons. No alteration or improvement in the Leased Premises will be approved by Landlord if it will require that barriers outside the Leased Premises be removed under any Disability Law. Tenant shall not have any basis for objecting to Landlord's judgment regarding the probable application of any Disability Law provided Landlord does not act arbitrarily.

12. MAINTENANCE OF THE PREMISES.

12.1 Maintenance and Repair by Tenant.

Tenant shall at all times throughout the Lease Term, at its sole cost and expense, keep the Leased Premises (including all exterior doors and entrances, windows and moldings and trim on all doors and windows) and all partitions, door surfaces, fixtures, equipment and appurtenances thereof in good order, condition and repair consistent with a first-class office building, damage by unavoidable casualty excepted (but not excluding any damage caused by burglary, attempted burglary or vandalism of the Leased Premises).

12.2 Failure to Maintain.

If, after five (5) days' prior written notice (except in emergencies) from Landlord, Tenant fails to keep, preserve and maintain the Leased Premises as set forth in Section 12.1 above, Landlord may, at its option, put or cause the same to be put in the condition and state of repair agreed upon, and in such case, upon receipt of written statements from Landlord, Tenant shall promptly pay the entire cost thereof as additional rent. Landlord shall have the right to enter the Leased Premises for the purpose of undertaking such work upon the failure of Tenant to do so.

12.3 Repair by Landlord.

Landlord shall keep the roof, exterior walls, exterior building windows, public corridors, equipment used in common with other tenants (such as elevators, plumbing, heating, air-conditioning and similar equipment) and building structure of the Leased Premises in a good state of repair, and shall accomplish such repairs as may be needed promptly after receipt of written notice from Tenant. If repairs are required by reason of Tenant's acts or negligent failure to act, Tenant shall promptly pay Landlord, as additional rent, for the cost thereof. Except as otherwise specifically provided in Sections 16 or 28, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Leased Premises or building of which the Leased Premises are a part, or in or to fixtures, appurtenances and equipment therein. In no event shall Landlord be liable to Tenant for any damage to the Leased Premises or for any loss, damage or injury to any property therein or thereon resulting from acts by other third parties or occasioned by fire; explosion; falling plaster; the breaking, bursting, stoppage or leaking of water, gas, sewer, electrical cables, wires or steam pipes; or from water, rain, or other substances leaking or coming from the roof, street, subsurface or from any other place or from dampness or from any similar risks or causes. Landlord shall not be liable for any loss or damage to any person or property sustained by Tenant or any other persons, which may be caused by theft, or by any act or neglect of any tenant or occupant of Bellevue Place, or of any other third parties.

12.4 Surrender of Leased Premises.

At the expiration or sooner termination of this Lease, Tenant shall return the Leased Premises to Landlord in the same condition in which it was initially received (or, if altered by Landlord or by Tenant with Landlord's consent, then the Leased Premises shall be returned in such altered condition), reasonable wear and tear and damage by fire or other unavoidable casualty excepted (excluding burglary, attempted burglary and vandalism). Tenant shall remove the items specified in Section 13 below, all inventory, furniture and other personal property which does not become a part of the Leased Premises, and all alterations and improvements which Landlord designates to be removed pursuant to Section 11.2 above, and shall restore the Leased Premises to the condition it was in prior to the installation of such items. Tenant's obligations under this Section 12 shall survive the expiration or termination of this Lease.

13. ACCEPTANCE OF THE LEASED PREMISES.

Except as otherwise provided in this Section 13, and subject to Landlord's completion of the Premises Improvements in accordance with Section 11.1 above, Tenant has inspected the Leased Premises and accepts the same in their current condition and waives the right to make any claim against Landlord for any matter directly or indirectly arising out of the condition of the Leased Premises, appurtenances thereto, the improvements thereon and the equipment thereof. **LANDLORD MAKES NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR HABITABILITY.** Tenant agrees and acknowledges that the existing (i) low voltage wiring and server racks; (ii) DIRRT furniture system; and (iii) card reader system, currently in the Leased Premises, will all remain and may be used by Tenant during the Lease Term. Upon the expiration or earlier termination of the Lease Term, Tenant shall remove said low voltage wiring and server racks, DIRRT furniture system, and card reader system from the Leased Premises in accordance with the terms of this Lease.

14. DEFAULT BY LANDLORD.

Landlord shall not be in default under this Lease unless Landlord fails to perform the obligations required of Landlord within a reasonable time, but in no event less than thirty (30) days after written notice by Tenant to Landlord and to the holder of all mortgages and deeds of trust covering the Leased Premises whose names and addresses shall have been furnished to Tenant in writing. The notice shall specify wherein Landlord has failed to perform such obligation; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Tenant further agrees not to invoke any of its remedies under this Lease and which Tenant otherwise may have until such thirty (30) days have elapsed. In no event shall Tenant have the right to terminate this Lease as a result of Landlord's default and, subject to Section 30, Tenant's remedies shall be limited to damages.

15. ACCESS.

15.1 Right of Entry.

Tenant shall permit Landlord and its employees, agents and contractors to enter into and upon the Leased Premises at any time during normal business hours (8:00 a.m. to 6:00 p.m.) for the purpose of inspecting the same or for the purpose of cleaning, repairing, altering or improving the Leased Premises or the Bank of America Building. If Tenant is not personally present to permit entry, in case of emergency or urgent necessity Landlord may forcibly enter the same at any hour without rendering Landlord liable therefor. Nothing contained in this Section shall be deemed to impose any obligation upon Landlord not expressly stated elsewhere in this Lease. When reasonably necessary Landlord may temporarily close entrances, doors, corridors, elevators or other facilities without liability to Tenant by reason of such closure and without such action by Landlord being construed as an eviction of Tenant or release of Tenant from the duty of observing and performing any of the provisions of this Lease. Landlord shall have the right to enter the Leased Premises for the purpose of showing the Leased Premises to prospective tenants within the period of one hundred eighty (180) days prior to the expiration or sooner termination of this Lease.

15.2 Excavation.

If an excavation is made of property adjacent to the Leased Premises, Tenant shall and does hereby afford to the person causing or authorized to cause such excavation, an irrevocable

license to enter upon the Leased Premises for the purpose of doing such work as Landlord shall deem necessary to preserve the wall of the building of which the Leased Premises are a part from injury or damage and to support the same by proper foundations or other means, without any claim for damages against Landlord or diminution or abatement of rent.

16. DAMAGE OR DESTRUCTION.

16.1 Insured Loss.

Subject to Section 16.2, if the Leased Premises are damaged by perils covered by Landlord's insurance coverage and the proceeds therefrom are sufficient to cover the cost of repairs and are made available to Landlord for the purpose of repairing such damage, Landlord agrees to forthwith repair the same, and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of Rent and Additional Rent from the date of damage and while such repairs are in progress, provided said damage did not result from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant. Such proportionate reduction shall be based upon the extent to which the damage and making of such repairs materially interfere, if at all, with the business carried on by Tenant in the Leased Premises. If such damage resulted from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant, the Rent and Additional Rent shall abate only to the extent Landlord receives proceeds from Landlord's rental income insurance policy to compensate Landlord for the loss of such rent.

16.2 Uninsured Loss.

If the Leased Premises are damaged as a result of any cause other than the perils covered by Landlord's insurance coverage or if the insurance proceeds are not sufficient to cover the cost of repairs, Landlord shall forthwith repair the same provided the cost of repair is less than ten percent (10%) of the then replacement cost of the Leased Premises. If the Leased Premises are damaged as a result of a cause other than a peril covered by Landlord's insurance coverage, or if the insurance proceeds from Landlord's insurance are not made available to Landlord for the purpose of repairing the Leased Premises, or, if the cost of repair is equal to or greater than ten percent (10%) or more of the replacement cost of the Leased Premises, then Landlord shall have the option to (i) repair or restore such damage, in which event this Lease shall continue in full force and effect but the Rent and Additional Rent shall be proportionately reduced as provided in Section 16.1 above; or (ii) at any time within one hundred twenty (120) days after such damage give notice to Tenant of the termination of this Lease as of the date specified in such notice, which date shall not be less than thirty (30) days after the date of such notice. If such notice is given, this Lease shall terminate and all interest of Tenant in and to the Leased Premises shall end on the date so specified in such notice and the Rent and Additional Rent, reduced by a proportionate reduction, based upon the extent, if any, to which such damage materially interfered with the business carried on by Tenant in the Leased Premises, shall be paid up to date of such termination.

16.3 No Obligation.

Notwithstanding anything to the contrary contained in this Section 16, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Leased Premises when the damage resulting from any casualty occurs during the last twenty-four (24) calendar months of the Lease Term.

16.4 Partial Destruction of the Bank of America Building.

If a portion of the Bank of America Building is damaged and the insurance proceeds therefrom are not sufficient to cover the cost of repairs or are not made available to Landlord for the purpose of repairing the same, or if thirty percent (30%) or more of the Rentable Area of the Bank of America Building is damaged, notwithstanding that the Leased Premises may be unaffected, Landlord may terminate this Lease and the tenancy hereby created by giving Tenant not less than thirty (30) days' prior written notice of Landlord's election to terminate the tenancy; provided, however, that such notice shall be given, if at all, within one hundred twenty (120) days following the date of occurrence of such damage or destruction. Rent and Additional Rent shall be prorated as of the date of such termination.

16.5 Business Interruption.

No damages, compensation or claims shall be payable by Landlord for inconvenience, loss of business, or annoyance arising from any repair or restoration of any portion of the Leased Premises or of the Bank of America Building. Landlord shall use reasonable efforts to effect such repairs promptly.

17. MUTUAL RELEASE AND WAIVER OF SUBROGATION.

Landlord and Tenant hereby mutually release each other from liability, and waive all right of recovery against each other, for any injury, loss or damage to any building, structure, inventory or other tangible property and any revenues, profit and rents to be generated therefrom, whether due to negligence or any other insured cause, if such injury, loss or damage is caused by any of the perils which are covered by a first-party insurance policy benefiting the party suffering such injury, loss or damage, or if such injury, loss or damage was required to be covered by insurance pursuant to this Lease; provided that this Section shall be inapplicable if it would have the effect, but only to the extent it would have the effect, of invalidating any insurance coverage of Landlord or Tenant. This Waiver only applies to insured property losses and does not limit the ability to recover for deductibles or other uninsured losses. Landlord and Tenant acknowledge that their current insurance policies, as of the date of this Lease, will not be invalidated. In the future, if avoiding any invalidation can be effected by the payment of money to such insurer, the other party may elect to pay such amount to obtain such waiver of subrogation for its benefit. Landlord and Tenant, respectively, shall promptly notify the other if its insurance will be invalidated by the foregoing release and waiver or if any payment is required to avoid such invalidation. Notwithstanding anything to the contrary, this Section shall not apply to any claim by Landlord for any Rent, Additional Rent or Other Charges payable under this Lease. Landlord and Tenant specifically intend, however, that this Section shall apply to any potential claim that could otherwise be made by Landlord for any rents to be paid by other occupants of Bellevue Place or any claim that could potentially be made by Tenant for any lost sales, profits or revenues that could have been generated from or operating expenses related to the Leased Premises or elsewhere.

18. INDEMNITY.

18.1 Generally.

Landlord shall not be liable for the loss of or damage to any property (including property of Tenant and others) occurring in or about the Leased Premises from any cause whatsoever. Landlord shall not be liable for injury to any person occurring in or about the Leased Premises except and to the extent that such injury is caused by Landlord's negligence. Except to the extent an injury to any person is caused by Landlord's negligence, Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims, charges, liabilities, obligations,

penalties, damages, costs and expenses (including attorneys' fees) arising, claimed, charged or incurred against or by Landlord from any matter or thing arising from Tenant's use of the Leased Premises, the conduct of its business or from any activity, work or other things done, permitted or suffered by the Tenant in or about the Leased Premises, and Tenant shall further indemnify and hold Landlord harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part or to be performed under the terms of this Lease, or arising from any act or negligence of Tenant, or any officer, agent, employee, guest, or invitee of Tenant, and from all costs, attorneys' fees, and liabilities incurred in or about the defense of any such claim or any action or proceeding brought thereon. If any action or proceeding is brought against Landlord by reason of such a claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by legal counsel reasonably satisfactory to Landlord.

18.2 Concurrent Negligence of Landlord and Tenant Relating to Construction, Repair and Maintenance Activities.

Notwithstanding Section 18.1 above, in the event of concurrent negligence of Tenant, its agents, employees, sublessees, invitees, licensees or contractors on the one hand, and that of Landlord, its partners, agents, employees or contractors on the other hand, which concurrent negligence results in injury or damage to persons or property and relates to the construction, alteration, repair, addition to, subtraction from, improvement to or maintenance of the Leased Premises or Bellevue Place, Tenant's obligation to indemnify Landlord as set forth in this Section 18 shall be limited to the extent of Tenant's negligence, and that of its agents, employees, sublessees, invitees, licensees or contractors, including Tenant's proportional share of costs, and attorneys' fees and expenses incurred in connection with any claim, action or proceeding brought with respect to such injury or damage.

18.3 Waiver of Workers' Compensation Immunity.

The indemnification obligations contained in this Lease shall not be limited by any workers' compensation, benefit or disability laws, and each indemnitor hereby waives any immunity that said indemnitor may have under the Industrial Insurance Act, Title 51 RCW and similar workers' compensation, benefit or disability laws.

18.4 Provisions Specifically Negotiated.

LANDLORD AND TENANT ACKNOWLEDGE BY THEIR EXECUTION OF THIS LEASE THAT EACH OF THE INDEMNIFICATION, RELEASE AND WAIVER PROVISIONS OF THIS LEASE (SPECIFICALLY INCLUDING BUT NOT LIMITED TO THOSE RELATING TO WORKERS' COMPENSATION BENEFITS AND LAWS) WERE SPECIFICALLY NEGOTIATED AND AGREED TO BY LANDLORD AND TENANT.

19. INSURANCE.

19.1 Liability Insurance.

(a) Liability Insurance. Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, a policy of comprehensive/commercial general liability insurance insuring Tenant's activities with respect to the Leased Premises, Bank of America Building and Bellevue Place against loss, damage or liability for personal injury or death or loss or damage to property with a limit of not less than Two Million Dollars (\$2,000,000) combined single limit for policies without a general aggregate limit. For policies with a general aggregate limit, such aggregate limit shall be not less than Two Million Dollars (\$2,000,000) and include an endorsement providing that the foregoing limit shall apply per

location, including the Leased Premises, and have an occurrence limit not less than Two Million Dollars (\$2,000,000). In the event Tenant obtains a policy with a general aggregate limit, Tenant shall immediately notify Landlord if claims covered by such policy or policies at any time are made against Tenant which claims exceed fifty percent (50%) or more of the aggregate limit. Notwithstanding the foregoing, if during the Lease Term, in Landlord's reasonable judgment, the policy limits required hereunder are no longer adequate to provide reasonable protection to Landlord, Landlord may notify Tenant of such inadequacy and an appropriate level of coverage and Tenant, within thirty (30) days of receiving such a notice, shall obtain such additional amounts of insurance and provide Landlord with satisfactory evidence thereof. Reference may be made to policy amounts required by other landlords for similar space and operations in determining what is reasonable protection hereunder. The insurance required under this Section shall be with companies rated A-VII or better in Best's Insurance Guide. Landlord, Kemper Development Company, and any other parties in interest designated by Landlord, shall be named as additional insureds. The insurance policy shall bear an endorsement that the policy shall not be cancelled or the policy limits reduced by endorsement below the coverage required by this Lease for any reason other than nonpayment of premiums except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof, including applicable endorsements, showing Landlord as an additional insured and the applicable policy limits thereof. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease.

(b) Service of Alcoholic Beverages. The insurance to be carried by Tenant pursuant to Section 19.1(a) above shall not exclude liability for violation of any governmental statute, ordinance, regulation or rule pertaining to the sale, gift, distribution or use of any alcoholic beverages, or liability by reason of the selling, serving or giving of any alcoholic beverage to a minor or to a person under the influence of alcohol or any other person, or which causes or contributes to the intoxication of any persons. Accordingly, the indemnification obligations in Section 18 of this Lease shall extend, as well, to damages occurring at locations other than the Leased Premises and resulting from risks insurable by any of the following (i) so-called dram shop liability insurance, (ii) host liquor liability insurance or (iii) liquor legal liability insurance or otherwise related to the sale, gift, distribution or use of alcoholic beverages.

19.2 Property Insurance.

In addition to the insurance required by Sections 19.1 and 19.2, Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, property insurance covering Tenant's supplies, inventory and other personal property as well as all improvements, additions and modifications to or in the Leased Premises, in an amount equal to full replacement cost without co-insurance penalty. The insurance policy shall bear an endorsement that the policy shall not be canceled or the policy limits reduced below the coverage required by this Lease for any reason other than non-payment of premiums, except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice to Landlord for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof.

19.3 Failure to Maintain.

If Tenant fails or refuses to maintain any insurance required by this Section 19, Landlord, at its discretion, may obtain and maintain insurance for such items and interests to protect Landlord in such amounts as Landlord may determine to be appropriate and any and all premiums paid or payable by Landlord therefor shall be deemed to be additional rent and shall be

due on the payment date of the next installment of Rent hereunder. The failure to obtain or maintain any insurance required by this Section 19 shall constitute a material breach of this Lease.

19.4 Increase in Insurance Premium.

Notwithstanding anything in this Lease to the contrary, Tenant shall not keep, use, sell or offer for sale in or upon the Leased Premises any article, nor conduct any activities or operations, which are or may be prohibited by Landlord's insurance carriers. Tenant shall pay any increase in premiums for property or liability insurance maintained by Landlord resulting from Tenant's use or occupancy of the Leased Premises, whether or not Landlord has consented thereto. In the event of such increased insurance premiums to Landlord, Tenant also shall pay immediately to Landlord an amount equal to any additional premium on the insurance policy or policies that Landlord may carry for its protection against loss resulting from any insured event. In determining whether increased premiums are the result of Tenant's use or occupancy of the Leased Premises, the rates and premiums determined by the organization setting the insurance premiums shall be conclusive evidence of the several items and charges which make up the insurance premiums. Landlord shall deliver bills for such additional amounts to Tenant at such times as Landlord may elect, and Tenant shall immediately pay Landlord therefor.

20. ASSIGNMENT AND SUBLEASING.

20.1 Assignment or Sublease.

Tenant shall not assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise transfer this Lease or any interest therein, nor sublease the whole or any part of the Leased Premises, nor shall this Lease or any interest hereunder be assignable or transferable by any process or proceeding of any court, or otherwise, without in each case first obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld. Any such transaction undertaken without Landlord's prior written consent shall be null and void.

In determining whether to grant consent to Tenant's sublease or assignment request, Landlord may consider any factor, including but not limited to the experience and business reputation of the proposed assignee or sublessee in operating a business for the uses set forth in the Lease; whether the clientele, personnel and foot traffic generated by such proposed assignee or sublessee is satisfactory to Landlord; notwithstanding that Tenant and/or others remain liable under the Lease, whether the proposed assignee or sublessee has a net worth, and financial strength and credit record, reasonably satisfactory to Landlord; use of the Leased Premises by the proposed assignee or sublessee must be identical to the use permitted by the Lease; use of the Leased Premises by the proposed assignee or sublessee will not violate or create any potential violation of any laws; whether the quality of the business to be operated or likely to be operated by the proposed assignee or sublessee is satisfactory to Landlord; and whether Landlord's consent might result in a breach of any other lease or agreement to which Landlord is a party; and whether the product mix and target customer base of the proposed assignee or sublessee is consistent with the product mix and target customer base that Landlord is trying to maintain or achieve within Bellevue Place.

No assignment, subleasing or other transfer shall relieve Tenant of any liability under this Lease. The prohibition set forth in this Section 20 includes, without limitation (and the following shall be deemed to be "assignments"): (i) a consolidation or merger of Tenant; (ii) a change in the ownership or voting rights of more than twenty-five percent (25%) of the issued and outstanding stock of any corporate tenant; (iii) any subleasing or assignment which would otherwise occur by operation of law, merger, consolidation, reorganization, transfer or other significant change in corporate or proprietary structure; (iv) the sale, assignment or transfer of all

or substantially all of the assets of Tenant, with or without the specific assignment of this Lease; and (v) a change in control in any partnership tenant. The acceptance by Landlord of any amounts following any transaction prohibited hereunder shall not be deemed to be a consent by Landlord nor shall the same be deemed to be a waiver of any right or remedy of Landlord hereunder. Consent to any such assignment, subleasing or other transfer shall not operate as a waiver of the necessity for consent to any subsequent assignment, subleasing or transfer. If Landlord's consent is requested for an assignment or sublease of all or a portion of the Leased Premises, Landlord shall have the right to terminate this Lease with respect to that portion of the Leased Premises for which such consent is requested, at the proposed effective date of such assignment or subleasing, and enter into the relationship of Landlord and Tenant with the proposed assignee or subtenant based on the rent (and/or other compensation) and term agreed to by such assignee or subtenant and otherwise upon the terms and conditions of this Lease. In connection with any sublease or assignment, Tenant shall promptly provide Landlord with fully executed copies of all assignment, sublease and assumption instruments.

20.2 Assignee Obligations.

As a condition to Landlord's consent, any potential assignee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, Other Charges and the performance of all terms, covenants and conditions of this Lease.

20.3 Sublessee Obligations.

As a condition to Landlord's consent, any potential sublessee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under the Lease during the term of the sublease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, and Other Charges, and the performance of all terms, covenants, and conditions of this Lease.

20.4 Conditional Consents.

Any consent by Landlord to any assignment or subleasing may be subject to any terms or conditions as Landlord shall determine appropriate (including but not limited to requiring that any and all guarantors of the Lease agree to continue to guarantee the Lease obligations after the assignment) and all such terms and conditions shall be binding upon any person holding by, under or through Tenant.

20.5 Attorneys' Fees and Costs.

Tenant shall reimburse Landlord for Landlord's attorneys' fees and costs incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subleasing or encumbrance.

21. ADVERTISING.

Tenant shall not inscribe any inscription, or post, place, or in any manner display any sign, awning, canopy, marquee, decoration, graphics, notice, picture, placard or poster, or any advertising matter whatsoever, anywhere in or about the Leased Premises or the Bank of America Building at places visible (either directly or indirectly as an outline or shadow on a glass pane) from anywhere outside the Leased Premises without first obtaining Landlord's written consent thereto, such consent to be at Landlord's sole discretion. Any such consent by Landlord shall be upon the understanding and condition that Tenant shall remove the same at the expiration or sooner termination of this Lease and Tenant shall repair any damage to the Leased

Premises or the Bank of America Building caused thereby. All such signs and advertising matter shall comply with all applicable laws, governmental regulations, ordinances and orders.

22. LIENS.

No work performed by Tenant pursuant to this Lease shall be deemed to be for the immediate use and benefit of Landlord so that no mechanic's, materialmen's or other liens shall be allowed against the estate of Landlord by reason of any consent given by Landlord to Tenant to improve, alter or repair the Leased Premises. Tenant shall keep the Leased Premises, the Bank of America Building and Bellevue Place free and clear of all liens and encumbrances arising out of any work performed for, materials furnished to and obligations incurred by or on behalf of Tenant and Tenant shall indemnify and hold Landlord harmless from any liability from any and all costs, liabilities and expenses (including but not limited to attorneys' fees and Landlord's reasonable administrative costs and expenses) arising therefrom. Prior to commencing any improvement, alteration or repair work to the Leased Premises, Tenant shall provide to Landlord, at Tenant's sole cost and expense, separate payment and performance bonds for such work and materials in an amount equal to either (i) the actual contract price if the contract price is fixed, or (ii) one and one-half (1-1/2) times the estimated cost of the improvements, alterations or repairs which Tenant desires to make within the Leased Premises if the contract price is not fixed. Such bonds shall cover the faithful performance of the contract and payment of all obligations arising therefrom and insure Landlord against any and all liability for mechanics' and materialmen's liens and other similar liens and insure the completion of such work. If any lien is filed against the Bank of America Building, Bellevue Place or the Leased Premises by any person claiming by, through or under Tenant, Tenant shall, at Tenant's sole cost and expense, immediately discharge the same. If Tenant shall fail to cause such lien to be immediately discharged of record, then, in addition to any other right or remedy of Landlord, Landlord may bond or discharge the same by paying the amount claimed to be due, and the amount so paid by Landlord, including any reasonable attorney's fees incurred by Landlord in defending against or responding to such lien or in procuring its discharge of record, shall be due and payable by Tenant as additional rent.

23. TENANT'S DEFAULT.

23.1 Default.

The following shall constitute defaults and breaches of this Lease by Tenant:

(a) Vacating the Leased Premises. The vacation or abandonment of the Leased Premises by Tenant or the failure of Tenant to be open for business on a fully-operational basis (except in the event of damage or destruction to the Leased Premises or when due to some other cause beyond Tenant's reasonable control, which prevents Tenant from conducting its business within the Leased Premises) for five (5) days or more.

(b) Failure to Pay Rent. Tenant's failure to make any payment of Rent, Additional Rent or Other Charges, or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof by Landlord to Tenant.

(c) Failure to Perform. Tenant's failure to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant where such failure continues for a period of ten (10) days (except as otherwise provided in this Lease) after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's failure is such that more than ten (10) days are required for its cure, Tenant shall not be

deemed to be in default under this Section 23.1(c) if Tenant commences such cure within such ten (10) day period and thereafter diligently prosecutes such cure to completion.

(d) Bankruptcy. The making by Tenant of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days of filing); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Leased Premises or of Tenant's interest in this Lease, where such seizure is not discharged in thirty (30) days after appointment of such trustee or receiver, or the filing of the petition for the appointment of the same, whichever shall first occur.

(e) Repeated Defaults. Tenant's failure to perform or observe any of Tenant's obligations under the Lease after Tenant has neglected or failed to perform or observe any of Tenant's obligations under the Lease at least twice previously (although Tenant shall have cured any such previous failure after notice from Landlord, and within the notice period).

23.2 Remedies in Default.

In the event of any default or breach of this Lease by Tenant (whether or not set forth in Section 23.1 above), Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach:

(a) Terminate the Lease. Terminate Tenant's right to possession of the Leased Premises by any lawful means, in which case Tenant shall immediately surrender possession of the Leased Premises to Landlord. In such event, Landlord shall be entitled to recover from the Tenant all past due Rent, Additional Rent and Other Charges and all other amounts owed under the terms of this Lease; the expense of re-leasing the Leased Premises, including but not limited to the expense of renovating and alterations to the Leased Premises and any leasing commissions; reasonable attorneys' fees and costs; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid Rent and Additional Rent called for herein for the balance of the Lease Term after the time of such award exceeds the amount of such loss for the same period that Tenant proves could be reasonably avoided (the "worth at the time of award" shall be determined by discounting such excess amount by the discount rate of the Federal Reserve Bank of San Francisco plus one percent (1%)); and any and all other damages arising from Tenant's default or breach; or,

(b) Continue the Lease. Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Leased Premises. In such event, Landlord shall be entitled to enforce all Landlord's rights and remedies under this Lease, including the right to recover damages, Rent, Additional Rent, Other Charges, and any other payments as may become due hereunder; or,

(c) Other Remedies. Pursue any other remedy or remedies now or hereafter available to Landlord under the laws or judicial decisions of the State of Washington.

23.3 Legal Expenses.

If either party is required to bring or maintain any action (including assertion of any counterclaim or cross-claim, or claim in a proceeding in bankruptcy, receivership or any other proceeding instituted by a party hereto or by others), or otherwise refers this Lease to an attorney for the enforcement of any of the covenants, agreements, terms or conditions of this Lease, the

prevailing party, in addition to all other remedies provided herein, shall receive from the other party all costs (including reasonable attorneys' fees) incurred in the enforcement of the covenants, agreements, terms and conditions of this Lease (whether or not an action is instituted) and including any such costs and fees incurred by the prevailing party on any appeal.

23.4 Bankruptcy.

(a) Assumption of Lease. In the event Tenant becomes a Debtor under Chapter 7 of the Bankruptcy Code ("Code") or a petition for reorganization or adjustment of debts is filed concerning Tenant under Chapters 11 or 13 of the Code, or a proceeding is filed under Chapter 7 of the Code and is transferred to Chapters 11 or 13 of the Code, the Trustee or Tenant, as Debtor and as Debtor-In-Possession, may not elect to assume this Lease unless, at the time of such assumption, the Trustee or Tenant has:

(1) Cured all defaults under the Lease and paid all sums due and owing under the Lease or provided Landlord with "Adequate Assurance" (as defined below) that: (A) within ten (10) days from the date of such assumption, the Trustee or Tenant will completely pay all sums due and owing under this Lease and compensate Landlord for any actual pecuniary loss resulting from any existing default or breach of this Lease, including without limitation, Landlord's reasonable costs, expenses, accrued interest, and attorneys' fees incurred as a result of the default or breach; (B) within twenty (20) days from the date of such assumption, the Trustee or Tenant will cure all non-monetary defaults and breaches under this Lease; and (C) the assumption will be subject to all of the provisions of this Lease.

(2) For purposes of this Section, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding involving Tenant, at a minimum, "Adequate Assurance" shall mean: (A) the Trustee or Tenant has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Tenant will have sufficient funds to fulfill the obligations of Tenant under this Lease; (B) the Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or Tenant shall have granted a valid and perfected first lien and security interest and/or mortgage in property of Trustee or Tenant acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Tenant to cure the monetary and/or non-monetary defaults and breaches under this Lease within the time periods set forth above; and (C) the Trustee or Tenant, at the very minimum, shall deposit a sum equal to two (2) months' Rent to be held by Landlord (without any allowance for interest thereon) to secure Tenant's future performance under the Lease.

(b) Assignment of Lease. If the Trustee or Tenant has assumed the Lease pursuant to the provisions of this Section for the purpose of assigning Tenant's interest hereunder to any other person or entity, such interest may be assigned only after the Trustee, Tenant or the proposed assignee have complied with all of the terms, covenants and conditions of this Lease, including, without limitation, those with respect to Additional Rent; Landlord and Tenant acknowledging that such terms, covenants and conditions are commercially reasonable in the context of a bankruptcy proceeding of Tenant. Any person or entity to which this Lease is assigned pursuant to the provisions of the Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon request execute and deliver to Landlord an instrument confirming such assignment.

(c) Adequate Protection. Upon the filing of a petition by or against Tenant under the Code, Tenant, as Debtor and as Debtor-In-Possession, and any Trustee who may be appointed agree to adequately protect Landlord as follows: (1) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed

by Order of the Bankruptcy Court; (2) to pay all monetary obligations required under this Lease, including without limitation, the payment of Rent and Additional Rent payable hereunder which is considered reasonable compensation for the use and occupancy of the Leased Premises; (3) provide Landlord a minimum of thirty (30) days' prior written notice, unless a shorter period is agreed to in writing by the parties, of any proceeding relating to any assumption of this Lease or any intent to abandon the Leased Premises, which abandonment shall be deemed a rejection of this Lease; and (4) to perform to the benefit of Landlord as otherwise required under the Code. The failure of Tenant to comply with the above shall result in an automatic rejection of this Lease.

23.5 Remedies Cumulative - Waiver.

Landlord's remedies hereunder are cumulative and the Landlord's exercise of or failure to exercise any right or remedy due to a default or breach by Tenant shall not be deemed a waiver of, or to alter, affect or prejudice any right or remedy which Landlord may have under this Lease or by law. Neither the acceptance of rent, nor any other act or omission of Landlord at any time or times after the happening of any breach, default or other event authorizing the cancellation or forfeiture of this Lease, shall operate as a waiver of any past or future violation, breach or failure to keep or perform any covenant, agreement, term or condition hereof or to deprive Landlord of its right to cancel or forfeit this Lease, upon the written notice provided for herein, at any time that cause for cancellation or forfeiture may exist, or be construed so as at any time to stop Landlord from promptly exercising any other option, right or remedy that it may have under any term or provision of this Lease, at law or in equity.

24. SUBORDINATION AND ATTORNMENT; MORTGAGEE PROTECTION.

24.1 Subordination - Notice to Mortgagee.

At the request of Landlord, Tenant shall promptly execute, acknowledge and deliver all instruments which may be appropriate to subordinate this Lease to any existing or future mortgages or deeds of trust on Bellevue Place, the Bank of America Building or the Leased Premises, and to any extensions, renewals or replacements thereof; provided, that the mortgagee or beneficiary, as the case may be, shall agree, in exchange for the agreement of Tenant to attorn to such mortgagee or beneficiary, to recognize this Lease in the event of foreclosure if Tenant is not in default at such time. Notwithstanding anything to the contrary in this Lease, Landlord shall not be in breach or default under any provision of this Lease unless written notice specifying such breach or default is given to Landlord and to all persons who have an interest in all or part of Bellevue Place as mortgagees and/or deed of trust beneficiaries and whose names and addresses have been given to Tenant in writing or are recorded in the records of King County, and the provisions of Section 14 have been fully complied with.

24.2 Mortgagee Protection Clause.

Tenant shall give all mortgagees and deed of trust holders, by registered or certified mail, copies of all notices of default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the addresses of such mortgagees or deed of trust holders. If Landlord fails to cure such default within the time provided in this Lease, then the mortgagees or deed of trust holders shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary, provided that within such thirty (30) days any mortgagee or deed of trust holder commences and diligently pursues the remedies necessary to cure such default (including but not limited to commencement of judicial or nonjudicial foreclosure proceedings, if necessary, to effect such cure).

25. SURRENDER OF POSSESSION.

Subject to the terms of Sections 11, 13 and 16, upon expiration of the term of this Lease, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Leased Premises to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable use and wear and tear and damage by fire or other casualty excepted.

26. REMOVAL OF PROPERTY.

Tenant shall remove all of its personal property and improvements designated to be removed pursuant to Section 11.2 at the termination of this Lease either by expiration of the term or other cause, and shall pay Landlord for any damages for injury to the Leased Premises or Bank of America Building resulting from such removal. If Tenant shall fail to remove any of its property of any nature whatsoever from the Leased Premises or the Bank of America Building at the termination of this Lease or when Landlord has the right of re-entry, Landlord may remove and store such property without liability for loss thereof or damage thereto, such storage to be for the account and at the expense of Tenant. If Tenant shall not pay the cost of storing any such property after it has been stored for a period of thirty (30) days or more, Landlord may, at its option, sell, or permit to be sold, any or all such property at public or private sale, in such manner and at such times and places as Landlord in its sole discretion may deem proper, without notice to Tenant, unless notice is required under applicable statutes, and shall apply the proceeds of such sale: first, to the cost and expense of such sale, including reasonable attorneys' fees actually incurred; second, to the payment of the costs or charges for storing any such property; third, to the payment of any other sums of money which may then be or thereafter become due to Landlord from Tenant under any of the terms hereof; and, fourth, the balance, if any, to Tenant.

27. VOLUNTARY SURRENDER.

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, but, at the option of Landlord, shall terminate all or any existing subleases and subtenancies or operate as an assignment to Landlord of any or all such subleases or subtenancies.

28. EMINENT DOMAIN.

28.1 Total Taking.

If all the Leased Premises are taken by the power of eminent domain exercised by any governmental or quasi-governmental authority, this Lease shall terminate as of the date Tenant is required to vacate the Leased Premises and all Rent, Additional Rent and Other Charges due hereunder shall be paid to that date. As used in this Section 28, the term "eminent domain" shall include the taking of property by, through or under any governmental or quasi-governmental authority, and any purchase or acquisition in lieu thereof, whether or not the damaging or taking is by the government or any other person authorized to exercise the power of eminent domain.

28.2 Constructive Taking of Entire Premises.

In the event of a taking of a material part, but less than all, of the Bank of America Building, where Landlord shall reasonably determine that the remaining portions of the Bank of America Building cannot be economically or effectively used as desired by Landlord (whether on account of physical, economic, aesthetic or other reasons), Landlord shall forward a written notice to Tenant of such determination not more than sixty (60) days after the date of taking. The

term of this Lease shall expire upon such date as Landlord shall specify in such notice but not earlier than sixty (60) days after the date of such notice.

28.3 Partial Taking.

If more than fifteen percent (15%) of the Rentable Area of the Leased Premises is taken or appropriated by the power of eminent domain, this Lease, at the option of either party, may be terminated by written notice given to the other party not more than thirty (30) days after Landlord and Tenant receive written notice of the taking or appropriation, and such termination shall be effective as of the date Tenant is required to vacate the portion of the Leased Premises so taken. If more than ten percent (10%) of the Common Area of the Bank of America Building is taken by the power of eminent domain, then Landlord, at its option, may terminate this Lease by written notice given to Tenant within sixty (60) days of the date of such taking. If this Lease is so terminated, all Rent, Additional Rent and Other Charges due hereunder shall be paid to the date of termination. Whenever any portion of the Leased Premises or Common Area is taken by the power of eminent domain and this Lease is not terminated, Landlord, at its expense, shall proceed with reasonable dispatch to restore, to the extent that it is reasonably prudent, the remainder of the Leased Premises and Common Area to their condition immediately prior to such taking, and Tenant, at its sole expense, shall proceed with reasonable dispatch to restore the fixtures and improvements installed by Tenant and Tenant's furniture, furnishings, and equipment to the same condition they were in immediately prior to such taking. From the date Tenant is required to vacate that portion of the Leased Premises so taken, the Rent and Additional Rent payable hereunder shall be reduced in the same proportion that the area taken bears to the Rentable Area of the Leased Premises prior to the taking.

28.4 Damages.

Landlord reserves all rights to the entire damages award or payment for taking by the power of eminent domain, and Tenant shall make no claim whatsoever against Landlord for damages for termination of its leasehold interest in the Leased Premises or for interference with its business. Tenant hereby grants or assigns to Landlord any right Tenant may now have or hereafter acquire to such awards and payments and agrees to execute and deliver such further instruments of assignment thereof as Landlord may from time to time request. Notwithstanding the foregoing, Tenant shall have the right to claim from the condemning authority all compensation that may be recoverable by Tenant on account of any loss incurred by Tenant in removing Tenant's merchandise, furniture and other personal property that Tenant is entitled to remove at the termination of this Lease or for damage to Tenant's business; provided, however, that Tenant may claim such damages only if they are awarded separately in the eminent domain proceeding and not as part of Landlord's damages.

29. NOTICES.

Any notices required in accordance with any of the provisions herein, if to Landlord, shall be delivered in person or mailed by an express mail service, such as Federal Express or UPS, to the address of Landlord as set forth in Section 1.2 above or at such other place as Landlord may in writing from time to time direct to Tenant, and if to Tenant, shall be delivered in person or sent by an express mail service, such as Federal Express or UPS, to Tenant at the Leased Premises. If Tenant is more than one person or entity, any notice required or permitted hereunder may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. Any notices mailed to Tenant bearing the proper address and adequate postage for delivery shall be deemed effective upon deposit in the U.S. mail.

30. LANDLORD'S LIABILITY.

Anything in this Lease to the contrary notwithstanding, the covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord, but are made and intended for the purpose of binding only the Landlord's interest in the Leased Premises and Bank of America Building, as the same may from time to time be encumbered. No personal liability or personal responsibility is assumed by, nor shall at any time be asserted or enforceable against Landlord or its partners or their respective heirs, legal representatives, successors, and assigns on account of the Lease or on account of any covenant, undertaking or agreement of Landlord in this Lease contained. Therefore, in consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

- (a) The sole and exclusive remedy of Tenant shall be against the Landlord's interest in the Leased Premises and the Bank of America Building;
- (b) No general or limited partner of Landlord, or any director, officer, agent or employee of any corporation if Landlord, or any general or limited partner of Landlord, is a corporation (collectively, for the purpose of this Section 30, referred to as "general or limited partner of Landlord") shall be sued or named as a party in any suit or action, and Landlord shall not assert therein the defense or lack of personal jurisdiction arising out of Tenant's compliance with this Section 30;
- (c) No general or limited partner of Landlord shall be required to answer or otherwise plead to any service or process;
- (d) No judgment will be taken against any general or limited partner of Landlord;
- (e) Any judgment taken against any general or limited partner of Landlord may be vacated and set aside at any time nunc pro tunc;
- (f) No writ of execution will ever be levied against the asset of Landlord or any general or limited partner of Landlord, other than Landlord's interest in the Leased Premises or the Bank of America Building;
- (g) These covenants and agreements are enforceable both by Landlord and also by any general or limited partner of Landlord.

31. TENANT'S CERTIFICATES.

Tenant shall at any time and from time to time, within ten (10) days after written notice from Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement substantially in the form of Exhibit "G" certifying, to the extent true, that (i) this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way (or specifying the date and terms of all agreements so affecting this Lease); (ii) all conditions under this Lease to be performed by the Landlord have been satisfied, if any; (iii) all required contributions by Landlord, if any, to Tenant on account of Tenant's Improvements or additional improvements have been received; (iv) as of the date of such certification there are no existing claims, defenses or offsets that the Tenant has against the enforcement of this Lease by the Landlord; (v) no Rent or other rent obligation has been paid more than one month in advance; and (vi) no security has been deposited with Landlord (or, if so, the amount thereof). It is intended that all statements delivered pursuant to this paragraph may be relied upon by

prospective purchasers of Landlord's interest, Landlord's lenders, and other designees of Landlord and Landlord's lenders. If Tenant fails to respond within ten (10) days of Tenant's receipt of a written request by Landlord as herein provided, such failure shall be a material default under the terms and conditions of this Lease. In addition, Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee, that this Lease is in full force and effect, that there are no uncured defaults in Landlord's performance, that the security deposit is as stated in the Lease and that no more than one month's Rent has been paid in advance.

32. RIGHT TO PERFORM.

If Tenant shall fail to pay any sum of money, other than Rent and Additional Rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, but shall not be obligated to do, and without waiving or releasing Tenant from any obligations of Tenant, make any such payment or perform any such other act on Tenant's part to be made or performed as provided in this Lease. Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.

33. AUTHORITY.

Each individual executing this Lease on behalf of Tenant personally represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms and, if Tenant is a corporation, in accordance with a duly adopted resolution of the Board of Directors of Tenant and that such action and execution is in accordance with the bylaws of Tenant. If Tenant is a corporation, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of a resolution of the Board of Directors of Tenant authorizing or ratifying the execution of this Lease.

34. PARKING AND COMMON AREAS.

34.1 Parking.

Landlord shall provide Tenant with two point seven (2.7) parking permits for each one thousand (1,000) square feet in the Rentable Area of the Leased Premises, at the current rate of One Hundred Ninety-one and 78/100 Dollars (\$191.78) per parking permit per month (excluding tax), which monthly rate may increase from time to time during the Lease Term. If available, additional parking permits may be purchased by Tenant on a month to month basis at the rates set forth above. Tenant's employees shall not park their vehicles in the automobile parking areas of the Common Areas and Facilities which may from time to time be designated for patrons of Bellevue Place. Landlord at all times shall have the right to designate the particular parking areas to be used by Tenant's employees and any such designation may be changed from time to time. Tenant and its employees shall park their vehicles only in those portions of the Common Areas and Facilities, if any, designated for that purpose by Landlord. Tenant shall furnish Landlord with Tenant's and Tenant's employees' state vehicle license numbers within fifteen (15) days after Tenant opens for business in the Leased Premises and Tenant shall thereafter notify Landlord of any changes within two (2) days after such change occurs. If Tenant or its employees fail to park their vehicles in designated parking areas, then Landlord, without limiting any other remedy Landlord may have, may charge Tenant a minimum of Ten Dollars (\$10.00) per day for each day or partial day for each vehicle improperly parked; provided, however,

Landlord shall give Tenant written notice of the first violation of this provision and Tenant shall have two (2) days thereafter within which to cause the violation to be discontinued; and if not discontinued within such two-day period, then the vehicle fines shall commence. After notice of the first such violation, no notice of any subsequent violation shall be required prior to the imposition of any parking fine. All amounts due under the provisions of this Section shall be additional rent and due and payable by Tenant within ten (10) days after demand therefor. Tenant shall notify its employees in writing of the provisions of this Section.

34.2 Common Areas.

Landlord shall at all times have exclusive control and management of the Common Areas and Facilities of Bellevue Place. Tenant shall have the nonexclusive right in common with others to use the public areas of the Bank of America Building and the Common Areas and Facilities of Bellevue Place, subject to such nondiscriminatory rules and regulations as Landlord may adopt from time to time governing the use thereof including, but not limited to, the right to close the same from time to time to such an extent as may be legally sufficient, in Landlord's opinion, to prevent a dedication thereof or the accrual of right to any person or to the public therein. Tenant shall comply with the rules and regulations that Landlord and the owner or ground lessee of Bellevue Place may from time to time promulgate and/or modify regarding use and operation of the Common Areas of the Bank of America Building and Common Areas and Facilities of Bellevue Place. The rules and regulations shall be binding upon Tenant upon delivery of a copy thereof to Tenant. Landlord shall not be responsible to Tenant for the nonperformance of such rules and regulations by any other tenants or occupants of space in either Bellevue Place or the Bank of America Building. The term "Common Areas and Facilities of Bellevue Place" refers to all on and off-site areas and/or related facilities which are made available or are used from time to time for the general use, convenience and benefit of Landlord and other persons entitled to occupy space in Bellevue Place, including their employees, invitees, licensees and guests, which areas shall include, but not be limited to, all parking structures and parking areas (including off-site parking), driveways, sidewalks, landscaped or planted areas, pedestrian areas, lobbies, walkways, the Wintergarden Retail Center and Parking Garage. The term "Common Areas and Facilities of Bellevue Place" also refers to all on-site and off-site areas and/or related facilities which may not be accessible to Tenant and other persons entitled to occupy space in Bellevue Place, but which are used in conjunction with the operation, management, repair or maintenance of Bellevue Place, including, but not limited to janitorial closets, on and/or off-site management offices and maintenance areas. The term "Common Areas and Facilities of the Bank of America Building" refers to the Common Areas and Facilities of Bellevue Place located within the Bank of America Building.

35. TRANSPORTATION MANAGEMENT PROGRAM.

Tenant shall cooperate with Landlord and the designated Transportation Management Association in complying with the terms and conditions of the Bellevue Place Transportation Management Program, as set forth in the Bellevue Place Transportation Management Agreement, a copy of which is attached hereto as Exhibit "F" and incorporated herein, and shall become a member participant in the designated Transportation Management Association. Tenant shall designate one of its employees or agents as Tenant Transportation Coordinator, who shall represent Tenant in all matters pertaining to transportation management. Landlord shall be immediately notified of any change in the Transportation Coordinator.

36. QUIET ENJOYMENT.

Tenant, upon fully complying with and promptly performing all of the terms, covenants and conditions of this Lease to be performed on its part and upon the prompt and timely payment

of all sums due hereunder, shall have and possess the Leased Premises for the Lease Term set forth herein.

37. GENERAL.

37.1 Captions.

Any section or paragraph titles or captions are for convenience only and shall not be deemed to define, limit or otherwise modify the scope and intent of this Lease or any provision thereof.

37.2 Bellevue Place Rent and Income.

All amounts to be paid hereunder, specifically including all Rent, Additional Rent and Other Charges, shall be paid as and when due, and without any setoff or deduction whatsoever. Landlord shall be entitled to all rent and other payments on all leases and tenancies at Bellevue Place on all property owned or leased by Landlord and any other payments made to Landlord or its agents for any other activities, uses or operations at Bellevue Place.

37.3 Successors or Assigns.

All the terms, conditions, covenants and agreements of this Lease shall extend to and be binding upon Landlord, Tenant, their respective heirs, administrators, executors, successors and assigns, and upon any person or persons coming into ownership or possession of any interest in the Leased Premises by operation of law or otherwise, and shall be construed as covenants running with the land.

37.4 Tenant Defined.

The word "Tenant" as used herein shall mean each and every person, partnership, limited liability company or corporation who is mentioned as a Tenant herein or who executes this Lease as Tenant.

37.5 Lost Security or Access Key Card.

Tenant shall reimburse Landlord for any and all losses and expenses incurred or suffered by Landlord as a result of Tenant or any of Tenant's agents, employees, licensees or contractors losing any security or access key card or similar device issued to Tenant, which losses or expenses are incurred or suffered by Landlord prior to Tenant notifying Landlord of the loss of such card or similar device.

37.6 Landlord's Consent.

Unless otherwise specifically stated herein, whenever Landlord's consent or approval is required, Landlord's consent or approval may be withheld in Landlord's sole subjective discretion.

37.7 Broker's Commission.

Tenant represents and warrants to Landlord it has incurred no liabilities or claims for brokerage commissions or finder's fees in connection with the execution of this Lease and it has not dealt with or has any knowledge of any real estate broker, agent or salesperson in connection with this Lease except Broderick Group, Inc., which represents both Landlord and Tenant. Each

party agrees to indemnify and hold the other parties harmless from all such liabilities or claims (including, without limitation, attorneys' fees) by anyone other than Broderick Group, Inc.

37.8 Partial Invalidity.

If any term, covenant, or condition of this Lease or the application thereof to any person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Lease, and the application of the terms, covenants or conditions to persons or circumstances other than those which are held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

37.9 Recording.

Tenant shall not record this Lease. Tenant also shall not record any memorandum of lease. However, upon the request of Landlord, Tenant shall execute and deliver to Landlord a memorandum in the form provided by Landlord. The memorandum shall describe the parties, the Leased Premises, the Lease Term and Tenant's obligation to comply with the Transportation Management Agreement and City of Bellevue Land Use Code Paragraph 20.25A.030.C.1, or any similar or successor law, regulation, code or rule, if applicable.

37.10 Joint Obligation.

If there is more than one Tenant, the obligations hereunder imposed shall be joint and several.

37.11 Time.

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

37.12 Prior Agreements.

It is understood that there are no oral or written agreements or representations between Landlord and Tenant affecting this Lease and that this Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements and understandings, if any, made by or between Landlord and Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret, construe, supplement, or contradict this Lease. This Lease, and all mutually-executed written amendments thereto, is and shall be considered to be the only agreement between Landlord and Tenant and their representatives and agents. All negotiations and oral agreements acceptable to Landlord and Tenant have been merged into and are included in this Lease. There are no other representations, covenants or warranties between Landlord and Tenant and all reliance with respect to representations is solely upon the express representations, covenants and warranties contained in this Lease. Although the printed provisions of this Lease were drawn by Landlord, Landlord and Tenant agree that this circumstance shall not create any presumption, canon of construction, or implication favoring the position of either Landlord or Tenant. Landlord and Tenant agree that the interlineation, obliteration, or deletion of language from this Lease prior to its mutual execution by Landlord and Tenant shall not be construed to have any particular meaning or to raise any presumption, canon of construction, or implication, including, without limitation, any implication that Landlord or Tenant intended thereby to state the converse, obverse or opposite of the deleted language. This Lease shall be read as if the obliterated or deleted language had never existed and the interlineated language had always existed.

37.13 Inability to Perform.

The obligations of Landlord or Tenant hereunder shall be excused for a period equal to the time by which such performance is prevented or delayed due to acts of God or any other causes beyond the reasonable control of such party, financial inability or negligence excepted. The provisions of Section 37.13 shall not apply to any payment of Rent, Additional Rent or Other Charges.

37.14 Transfer of Landlord's Interest.

In the event of any transfer or transfers of Landlord's interest in the Leased Premises or Bellevue Place, other than a transfer for security purposes only, the transferor shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing from and after the date of such transfer and Tenant agrees to attorn to such transferee.

37.15 No Light, Air or View Easement.

Any diminution or shutting off of light, air or view by any structure which may be erected on land on or adjacent to Bellevue Place shall in no way affect this Lease or the obligation of Tenant hereunder nor impose any liability on Landlord.

37.16 Reciprocal Easement Agreements.

This Lease shall be subordinate to any and all operating, maintenance and reciprocal easement agreements ("REAs") entered into by and among Landlord and any other parties, including any amendments or modifications thereto. Tenant shall execute and return to Landlord within ten (10) days after written request therefor by Landlord, agreements in recordable form, substantially in the form of Exhibit "H", subordinating this Lease to any such REAs.

37.17 Waiver.

The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent, Additional Rent, Other Charges or any other sum hereunder by Landlord shall not be deemed to be a waiver of any preceding default by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular sum so accepted, regardless of Landlord's knowledge of such preceding default at the time of the acceptance of such sum. In addition, no endorsement or statement on any check or any letter accompanying any payment shall be deemed an accord and satisfaction, and Landlord's right to recover the balance of such rent or pursue any other remedy provided herein or otherwise shall not be affected by such endorsement or statement or by the acceptance of such payment.

37.18 Name.

Tenant shall not, without the prior written consent of Landlord, use the name of the building or project for any purpose other than as the address of the Leased Premises, and in any event, Tenant shall not acquire any rights in or to such names.

37.19 Choice of Law - Venue.

This Lease shall be governed by the laws of the State of Washington. The venue for any action to enforce the terms of this Lease or collect any amounts owing by Tenant to Landlord shall be in the Superior Court for King County, Washington.

37.20 OFAC Certification.

(a) Certification. Tenant certifies that:

(i) It is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and

(ii) It is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity, or nation.

(b) Indemnification. Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney's fees and costs) arising from or related to any breach of the foregoing certification.

IN WITNESS WHEREOF this Lease has been executed the day and year first above set forth.

LANDLORD:
BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company

By: KEMPER DEVELOPMENT
COMPANY, a Washington
corporation; Its Manager

By: /s/ James E. Melby

James E. Melby

Its President

TENANT:
SMARTSHEET.COM, INC.,
a Washington corporation

By: /s/ Mark Mader
Mark Mader, CEO

OFFICE LEASE EXHIBITS

- Exhibit "A" - Legal Description of Bellevue Place.
- Exhibit "B" - Site Plan of Bellevue Place.
- Exhibit "C" - Floor Plan of the Leased Premises.
- Exhibit "D" - Tenant Design & Construction Manual (including Base Building Finish Condition).
- Exhibit "E" - Rules and Regulations.
- Exhibit "F" - Bellevue Place Transportation Management Agreement.
- Exhibit "G" - Form of Tenant Estoppel Certificate.
- Exhibit "H" - Form of Subordination Agreement to Reciprocal Easement Agreement.

EXHIBIT A
LEGAL DESCRIPTION OF BELLEVUE PLACE

EXHIBIT B
SITE PLAN OF BELLEVUE PLACE

EXHIBIT C
FLOOR PLAN OF THE LEASED PREMISES

EXHIBIT D

TENANT DESIGN & CONSTRUCTION MANUAL
(including Base Building Finish Condition)

EXHIBIT E
RULES AND REGULATIONS

EXHIBIT F

BELLEVUE PLACE TRANSPORTATION MANAGEMENT AGREEMENT

EXHIBIT G
FORM OF TENANT ESTOPPEL CERTIFICATE

EXHIBIT H
SUBORDINATION AGREEMENT TO
RECIPROCAL EASEMENT AGREEMENT

SECOND LEASE ADDENDUM

THIS SECOND LEASE ADDENDUM (the "Addendum") is made this 10th day of January, 2017, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET.COM, INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into a nonresidential Lease dated March 3, 2016 and First Lease Addendum dated November 11, 2016 (collectively referred to as the "Lease"), for Suite 960 and 1405 in the Bank of America Building at Bellevue Place, Bellevue, Washington, which leased space is more specifically described in the Lease.

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects, which includes revising the Expiration Date for Suite 1405.

C. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. Section 1 - Basic Lease Data, Terms and Exhibits. The following provision of Section 1 of the Lease is hereby amended in its entirety to read as follows:
 - 1.19 Expiration Date For Suite 1405: April 30, 2017. The Lease shall continue thereafter with respect to the remaining Leased Premises under the Lease.
2. Remaining Lease Provisions Unchanged. All other terms, conditions, provisions and covenants of the Lease shall remain unchanged.

(signatures on the following page)

DATED as of the day and year first above written.

LANDLORD:
BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company
By: KEMPER DEVELOPMENT
COMPANY, a Washington
corporation, Its Manager

By: /s/ James E. Melby
James E. Melby
President

TENANT:
SMARTSHEET.COM, INC.,
a Washington corporation

By: /s/ Jennifer Ceran
Jennifer Ceran
CFO

FOURTH LEASE ADDENDUM

THIS FOURTH LEASE ADDENDUM (this "Addendum") is made and entered into this 19th day of December, 2018, between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into a non-residential Lease dated March 3, 2016, First Lease Addendum dated November 11, 2016, Second Lease Addendum dated January 10, 2017, and Third Lease Addendum dated February 3, 2017 (collectively referred to as the "Lease"), for certain space on the ninth (9th) floor in the Bank of America Building at Bellevue Place, Bellevue, Washington, consisting of 7,808 rentable square feet (the "Premises"), which leased space is more specifically described in the Lease.

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects, which include (i) setting forth the terms and conditions for Lease Term, Rent and other matters related to the Premises; and (ii) providing for Premises Improvements.

C. Landlord and Tenant are simultaneously executing the First Addendum to the Lease for "Suite 1200" of the Bank of America Building ("Suite 1200 Lease") and Fourth Addendum to the Lease for "Suite 1300" of the Bank of America Building ("Suite 1300 Lease").

D. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. **Section 1. BASIC LEASE DATA, TERMS AND EXHIBITS.** The following paragraphs of Section 1 of the Lease are hereby amended in their entirety and/or added to read as follows:

1.10 **Rent:** The following paragraphs are hereby added at the end of Section 1.10 of the Lease to read as follows:

[Based on 7,808 rentable square feet]

From and including April 1, 2019, through and including March 31, 2020, Rent shall be Forty-four and 00/100 Dollars (\$44.00) per rentable square feet or Twenty-eight Thousand Six Hundred Twenty-nine and 33/100 Dollars (\$28,629.33) per month.

From and including April 1, 2020, through and including March 31, 2021, Rent shall be Forty-five and 32/100 Dollars (\$45.32) per rentable square feet or Twenty-nine Thousand Four Hundred Eighty-eight and 21/100 Dollars (\$29,488.21) per month.

From and including April 1, 2021, through and including March 31, 2022, Rent shall be Forty-six and 68/100 Dollars (\$46.68) per

rentable square feet or Thirty Thousand Three Hundred Seventy-three and 12/100 Dollars (\$30,373.12) per month.

From and including April 1, 2022, through and including March 31, 2023, Rent shall be Forty-eight and 08/100 Dollars (\$48.08) per rentable square foot per annum or Thirty-one Thousand Two Hundred Eighty-four and 05/100 Dollars (\$31,284.05) per month.

From and including April 1, 2023, through and including March 31, 2024, Rent shall be Forty-nine and 52/100 Dollars (\$49.52) per rentable square feet or Thirty-two Thousand Two Hundred Twenty-one and 01/100 Dollars (\$32,221.01) per month.

From and including April 1, 2024, through and including March 31, 2025, Rent shall be Fifty-one and 01/100 Dollars (\$51.01) per rentable square feet or Thirty-three Thousand One Hundred Ninety and 51/100 Dollars (\$33,190.51) per month.

From and including April 1, 2025, through and including March 31, 2026, Rent shall be Fifty-two and 54/100 Dollars (\$52.54) per rentable square feet or Thirty-four Thousand One Hundred Eighty-six and 03/100 Dollars (\$34,186.03) per month.

From and including April 1, 2026, through and including the Expiration Date, Rent shall be Fifty-four and 12/100 Dollars (\$54.12) per rentable square feet or Thirty-five Thousand Two Hundred Fourteen and 08/100 Dollars (\$35,214.08) per month.

1.11 Lease Term: The Lease Term is hereby extended to expire on the Expiration Date below.

1.13 Expiration Date: June 30, 2026

1.14 Security Deposit: Section 1.14 of the Lease is hereby deleted and replaced in its entirety with the following:

Upon execution of this Addendum, Tenant shall pay to Landlord Forty-four Thousand Seven Hundred Seventy-two and 37/100 Dollars (\$44,772.37) in cash to be held as the Security Deposit.

Upon mutual execution of this Addendum, Tenant shall deposit an additional Thirty-eight Thousand One Hundred Eighty-seven and 62/100 Dollars (\$38,187.62), which shall be applied toward the first month's (April 1, 2019 to April 30, 2019) Rent (\$28,629.33) and Additional Rent (\$9,558.29) for the Premises.

2. Premises Improvements. Tenant may use a portion of Landlord's Expansion Improvement Allowance (as defined in the Suite 1200 Lease) to improve the Premises pursuant to the applicable terms and conditions of the Expansion Premises Improvements as defined in the Suite 1200 Lease and this Lease.

3. Option to Extend Lease Term. The first sentence of Section 3.4(a) is hereby amended as follows:

Tenant is granted an option (the "Extension Option") to extend the Lease Term for five (5) years, to and including June 30, 2031.

4. **Broker's Commission**. Tenant represents and warrants to Landlord it has incurred no liabilities or claims for brokerage commissions or finder's fees in connection with the execution of this Addendum and it has not dealt with or has any knowledge of any real estate broker, agent or salesperson in connection with this Addendum, except Washington Partners which represents Tenant ("Tenant's Broker"), and Broderick Group, Inc., which represents Landlord. Provided Landlord and Tenant enter into this Addendum, Landlord hereby agrees to pay Tenant's Broker a commission equal to One and 00/100 Dollar (\$1.00) per square foot of Rentable Area of the Leased Premises for the additional Lease Term, which fee shall be paid one-half (1/2) upon execution of this Addendum and one-half (1/2) upon the Expansion Premises Commencement Date (as defined in the Suite 1200 Lease). All parties hereby agree to indemnify and hold Landlord harmless from all such liabilities or claims (including, without limitation, attorneys' fees) by anyone other than Tenant's Broker and/or Broderick Group, Inc.

5. **Entire Agreement**. Each party acknowledges that such party has not relied on or received any promise, representation or warranty of any kind not otherwise contained or referred herein to induce said party to enter this Addendum.

6. **Remaining Lease Provisions Unchanged**. Except as modified by this Addendum, all other terms, conditions, provisions and covenants of the Lease shall remain unchanged.

IN WITNESS WHEREOF, the parties hereto have executed this instrument the day and year first above set forth.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company
By KEMPER DEVELOPMENT COMPANY,
a Washington corporation, Its Manager

By /s/ James E. Melby
James E. Melby
President

TENANT:

SMARTSHEET INC.,
a Washington corporation

By /s/ Jennifer Ceran
Jennifer Ceran
Its Chief Financial Officer

FIFTH LEASE ADDENDUM

THIS FIFTH LEASE ADDENDUM (this "Addendum") is made and entered into this 18th day of August, 2020, between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into a non-residential Lease dated March 3, 2016, First Lease Addendum dated November 11, 2016, Second Lease Addendum dated January 10, 2017, Third Lease Addendum dated February 3, 2017, and a Fourth Lease Addendum dated December 19, 2018 (collectively referred to as the "Lease"), for certain space on the ninth (9th) floor in the Bank of America Building at Bellevue Place, Bellevue, Washington, consisting of 7,808 rentable square feet (the "Premises"), which leased space is more specifically described in the Lease.

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects which shall include providing for the Security Deposit to be in the form of a letter of credit.

C. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. Section 1. BASIC LEASE DATA, TERMS AND EXHIBITS. The following sentence is added to the end of paragraph 1.14 of Section 1 of the Lease:

At Tenant's option, the Security Deposit may be in the form of a letter of credit, in accordance with Section 37.21 below.

2. Section 8. SECURITY DEPOSIT. The first sentence of Section 8 is hereby deleted in its entirety and replaced with the following:

As additional consideration for this Lease, Tenant has delivered to Landlord as a Security Deposit the sum shown in Section 1.14 above, provided that, at Tenant's option, Tenant may provide said Security Deposit in the form of a letter of credit pursuant and subject to Sections 1.14, 8, and 37.21 of the Lease.

3. Letter of Credit. The following is added as Section 37.21 of the Lease:

(a) The terms set forth in this Section 37.21 shall only apply if Tenant, pursuant to Section 1.14 and Section 8 herein, chooses to provide the Security Deposit in the form of a letter of credit.

(b) Landlord and Tenant acknowledge that Tenant will occupy space in the Bank of America Building pursuant to this Lease and, as consideration for Landlord's willingness to enter into this Lease, Tenant shall deliver or cause to be delivered to Landlord, and shall cause to be maintained at all times in effect, one or more irrevocable standby letters of credit complying with the terms of this Section 37.21. Any failure by Tenant to perform or

observe any term, covenant or agreement set forth in this Section 37.21 shall constitute a material default under this Lease.

(c) Tenant shall deliver or cause to be delivered to Landlord, or Landlord's advising bank as directed by Landlord, an irrevocable standby letter of credit in a form acceptable to or provided by Landlord (acceptance not to be unreasonably withheld) (the "Letter of Credit"), issued by a national banking association reasonably acceptable to Landlord (the Silicon Valley Bank being acceptable to Landlord), for the account of Tenant in favor of Landlord in the initial amount determined in accordance with Section 8 of the Lease, having an expiry date not earlier than the Expiration Date, and stating by its terms that it shall be automatically extended annually, without written amendment or modification, to the date that is the earlier of (i) the date one (1) year after the then current expiry date or (ii) the Expiration Date unless the issuer of the Letter of Credit gives Landlord, at least sixty (60) days prior to the then current expiry date, written notice that the issuer elects not to extend the Letter of Credit. If the issuer of the Letter of Credit at any times gives to Landlord notice that the issuer elects not to extend the Letter of Credit, then, not less than thirty (30) days prior to the then current expiry date of the Letter of Credit, Tenant shall deliver or cause to be delivered to Landlord (or Landlord's advising bank) a substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by Section 8 of the Lease. Not less than thirty (30) days prior to the expiry date of any substitute letter of credit delivered pursuant to this Section, Tenant shall deliver or cause to be delivered to Landlord (or Landlord's advising bank) a further substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by Section 8 of the Lease. Each substitute letter of credit delivered pursuant to this Section 37.21 shall have a term of not less than one (1) year and shall be in a form acceptable to or provided by Landlord.

(d) Upon the occurrence of any breach or default under this Lease including, but not limited to, any failure by Tenant timely to deliver or cause to be delivered to Landlord (or Landlord's advising bank) any substitute letter of credit required pursuant to this Section 37.21, Landlord, at its option, may, following expiration of any applicable notice or cure period, draw against the Letter of Credit and any substitute letter of credit delivered pursuant to this Section 37.21 in an amount reasonably necessary to cure such breach or default and/or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach or default. The Letter of Credit and each substitute letter of credit (also referred to as a "Letter of Credit") delivered pursuant to this Section 37.21 shall provide for payment against Landlord's (or any transferee's) draft at sight, by facsimile presentation, or by courier, accompanied by a certificate stating substantially as follows: "Drawn under _____ Bank, N.A.'s Irrevocable Standby Letter of Credit No. _____, dated _____, 2020, as a result of the occurrence of a default under the Lease dated _____, 2020, between Bellevue Place Office, LLC, a Washington limited liability company, and SMARTSHEET INC., a Washington corporation." If Landlord draws against the Letter of Credit, Tenant shall, within ten (10) days of the date of such draw, restore the Letter of Credit or provide additional irrevocable standby letters of credit so that, at all times, there shall be an amount required by Section 8 of the Lease available for Landlord to draw against in the event of any further breach or default under this Lease.

(e) If the Letter of Credit is not renewed or Tenant does not provide a substitute irrevocable standby letter of credit on or before the date that is thirty (30) days prior to the expiry date of the then current Letter of Credit, or in the event Landlord draws against the Letter of Credit, if Tenant does not restore the Letter of Credit or provide additional letters of credit so that an amount required by Section 8 of the Lease is available to Landlord to draw upon in the event of any further breach or default under this Lease, then in such event the amount of the draw against the Letter of Credit may be equal to the entire amount of the Letter of Credit.

The proceeds of any draw against the Letter of Credit pursuant to the immediately preceding sentence shall be held by Landlord as an additional security deposit pursuant to the provisions of Section 8 of this Lease.

4. Attorney's Fees and Costs. Tenant shall pay to Landlord upon demand, Landlord's reasonable outside counsel attorneys' fees and costs incurred in connection with its review and execution of this Addendum.

5. Remaining Lease Provisions. Except as expressly modified in this Addendum, all other provisions of the Lease remain in full force and effect. In the event of a conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

[Signatures on Next Page]

DATED as of the day and year first above written.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company
By: KEMPER DEVELOPMENT
COMPANY, a Washington corporation,
Its Manager

By: /s/ James E. Melby
James E. Melby
President

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Mark Mader
Mark Mader, President and CEO

BANK OF AMERICA BUILDING OFFICE LEASE

BETWEEN

BELLEVUE PLACE OFFICE, LLC,

a Washington limited liability company

(Landlord)

AND

SMARTSHEET INC.,

a Washington corporation

(Tenant)

SUITE 1200

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BANK OF AMERICA BUILDING OFFICE LEASE

THIS LEASE is made this 7th day of March, 2017, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord owns certain rights and interests in and to certain real property and improvements thereon in the City of Bellevue, King County, Washington, which real property is described in Exhibit "A" attached hereto, and shown on the site plan attached hereto as Exhibit "B." Said property and the improvements thereon are part of a first-class multi-use development commonly known and referred to herein as "Bellevue Place." Bellevue Place currently consists of the Bank of America Building, Hotel Building, Comer Building, and Wintergarden Retail Center, as shown on Exhibit "B," as well as a Parking Garage entirely located beneath the foregoing.

B. Tenant desires to lease from Landlord a portion of the Bank of America Building and Landlord is willing to do so on certain terms and conditions, which are set forth herein.

NOW THEREFORE, for and in consideration of the promises, covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. BASIC LEASE DATA, TERMS AND EXHIBITS.

1.1 Landlord: Bellevue Place Office, LLC, a Washington limited liability company.

1.2 Address of Landlord: P. O. Box 4186, Bellevue, Washington 98009.

1.3 Tenant: Smartsheet Inc., a Washington corporation.

1.4 Principal Business Address of Tenant: 10500 NE 8th Street, Suite 1300, Bellevue, WA 98004.

1.5 Tenant's Permitted Trade Name: Smartsheet

1.6 Leased Premises: That portion of the fifth (12th) floor of the Bank of America Building; as and where shown on Exhibit "C" attached hereto.

1.7 Rentable Area of the Leased Premises: Eleven Thousand Two Hundred Eighty-seven (11,287) square feet.

1.8 Breakdown of Rentable Area at Bellevue Place

(a) The total Rentable Area of the Bank of America Building and the Corner Building is Four Hundred Sixty-three Thousand Five Hundred Ninety-nine (463,599) square feet.

(b) The total Rentable Area of Bellevue Place is Five Hundred Nineteen Thousand Five Hundred Forty-nine (519,549) square feet.

1.9 Tenant's Share:

(a) Because Bellevue Place is a multi-use development containing a variety of different office, retail, and common area facilities within its various elements, Tenant's Share appropriately comprises two components: (i) Operating, Repair and Maintenance Expenses specific to the Bank of America Building and the Corner Building, as set forth in Section 1.9(b); and (ii) Operating, Repair and Maintenance Expenses for Bellevue Place generally, as set forth in Section 1.9(c),

(b) Operating, Repair and Maintenance Expenses for the Bank of America Building and the Corner Building: two point four three percent (2.43%) based on 463,599 rentable square feet pursuant to Section 1.8(a).

(c) Operating, Repair and Maintenance Expenses for Bellevue Place: two point one seven percent (2.17%) based on 519,549 rentable square feet pursuant to Section 1.8(b).

1.10 Rent:

[Based on 11,287 square feet of Rentable Area]

From and including the Commencement Date to and including August 31, 2018, the Rent shall be Forty and 00/100 Dollars (\$40.00), per square foot of the Rentable Area of the Leased Premises per annum or Thirty-seven Thousand Six Hundred Twenty-three and 33/100 Dollars (\$37,623.33) per month.

From and including the first day of September, 2018, to and including August 31, 2019, the Rent shall be Forty-one and 20/100 Dollars (\$41.20) per square foot of the Rentable Area of the Leased Premises per annum or Thirty-eight Thousand Seven Hundred Fifty-two and 03/100 Dollars (\$38,752.03) per month.

From and including the first day of September, 2019, to and including August 31, 2020, the Rent shall be Forty-two and 44/100 Dollars (\$42.44) per square foot of the Rentable Area of the Leased Premises per annum or Thirty-nine Thousand Nine Hundred Eighteen and 36/100 Dollars (\$39,918.36) per month.

From and including the first day of September, 2020, to and including August 31, 2021, the Rent shall be Forty-three and 71/100 Dollars (\$43.71) per square foot of the Rentable Area of the Leased Premises per annum or Forty-one Thousand One Hundred Twelve and 90/100 Dollars (\$41,112.90) per month.

From and including the first day of September, 2021, to and including August 31, 2022, the Rent shall be Forty-five and 02/100 Dollars (\$45.02) per square foot of the Rentable Area of the Leased Premises per annum or Forty-two Thousand Three Hundred Forty-five and 06/100 Dollars (\$42,345.06) per month.

From and including the first day of September, 2022, to and including the Expiration Date, the Rent shall be Forty-six and 37/100 Dollars (\$46.37) per square foot of the Rentable Area of the Leased Premises per annum or Forty-three Thousand Six Hundred Fourteen and 85/100 Dollars (\$43,614.85) per month.

1.11 Lease Term: Approximately seventy-two (72) calendar months, plus that portion of a calendar month necessary, if at all, for the Expiration Date to occur on the last day of such calendar month.

1.12 Commencement Date: The earlier of (i) five (5) days following substantial completion of the Premises Improvements (defined in Section 11.1(a) below), but no later than sixty (60) days following the date the Current Tenant (defined in Section 37.21 below) vacates and surrenders possession of the Leased Premises to Landlord, or (ii) the date Tenant first occupies the Leased Premises for business purposes.

1.13 Expiration Date: August 31, 2023.

1.14 Security Deposit: Upon execution of this Lease, Tenant shall pay Landlord One Hundred Sixty-one Thousand Three Hundred Eighty-five and 29/100 Dollars (\$161,385.29), of which Forty-nine Thousand Seven Hundred and 42/100 Dollars (\$49,700.42) shall be applied to Rent and Additional Rent due for the first (15th) month of the Lease Term, and One Hundred Eleven Thousand Six Hundred Eighty-four and 87/100 Dollars (\$111,684.87) representing Rent and Additional Rent due for the last two months of the Lease Term, shall be held as a security deposit.

1.15 Deadline for Submission to Landlord of Premises Plans for Premises Improvements. N/A.

1.16 Contingency: THIS LEASE IS CONTINGENT UPON ITS ACCEPTANCE AND APPROVAL BY LANDLORD'S LENDERS. If this Lease is acceptable to Landlord's lenders, this contingency will be waived by Landlord.

1.17 Project Architect: JPC Architects, or as otherwise designated by Landlord.

1.18 Exhibits Incorporated by Reference:

- Exhibit "A" - Legal Description of Bellevue Place.
- Exhibit "B" - Site Plan of Bellevue Place.
- Exhibit "C" - Floor Plan of the Leased Premises.
- Exhibit "D" - Tenant Design & Construction Manual (including Base Building Finish Condition).
- Exhibit "E" - Rules and Regulations.
- Exhibit "F" - Bellevue Place Transportation Management Agreement.
- Exhibit "G" - Form of Tenant Estoppel Certificate.
- Exhibit "H" - Form of Subordination Agreement to Reciprocal Easement Agreement.

2. PREMISES.

2.1 Generally.

Landlord does hereby lease and demise to Tenant, and Tenant hereby accepts from Landlord, upon the terms and conditions herein set forth, the Leased Premises described in Section 1.6 above and depicted in Exhibit "C," together with rights of ingress and egress over and across the Common Areas and Facilities of the Bank of America Building and Bellevue Place.

2.2 Reserved to Landlord.

Landlord reserves the right, from time to time, to change the size and dimensions of Bellevue Place; add additional buildings and improvements to Bellevue Place; relocate, alter, and change the number of buildings and other improvements in, on and under Bellevue Place; change any building dimensions and the number of floors in any of the buildings and parking areas in

Bellevue Place; change the identity and type of stores and tenancies in Bellevue Place; change the name and address of the buildings and other improvements in Bellevue Place; and change the Common Areas and Facilities in Bellevue Place. Landlord further reserves the use of, and all rights in and to, the exterior walls and roof, and the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through the Leased Premises in locations which will not materially interfere with Tenant's use thereof and serving other parts of Bellevue Place. Landlord shall reasonably attempt to locate such items under the floor, above the ceiling, or adjacent to an interior wall. Such use shall not exceed one percent (1%) of the Useable Area of the Leased Premises unless otherwise agreed. If Landlord's use hereunder exceeds one percent (1%) of the Useable Area of the Leased Premises, Tenant shall be entitled, as its sole and exclusive remedy, to a reduction in the stated Rentable Area for the Leased Premises, as set forth in Section 1.7 above, and a proportional reduction in Rent and Additional Rent (as defined in Sections 5 and 6 below) due hereunder. The Leased Premises shall not include the space above the suspended ceiling. Landlord shall retain the right to use the area immediately below the floor surface and the space above the suspended ceiling in any manner which does not permanently and materially interfere with Tenant's use of the Leased Premises.

3. LEASE TERM.

3.1 Generally.

The term of this Lease (the "Term" or "Lease Term") shall be the period of time set forth in Section 1.11 above and shall commence on the Commencement Date as provided in Section 4.1 below and shall end at 11:59 p.m. on the Expiration Date, as provided in Section 4.2 below.

3.2 Termination.

The Lease shall terminate on the Expiration Date, unless sooner terminated hereunder or by operation of law, without the necessity for any notice from either Landlord or Tenant. If Tenant fails to surrender the Leased Premises at the end of the Lease Term, Tenant shall be liable for, and shall indemnify Landlord against, all claims and demands made by any succeeding tenants against Landlord founded upon delay by Landlord in delivering possession of the Leased Premises to such succeeding tenant.

3.3 Holding Over.

Any holding over by Tenant after the expiration of the Lease Term shall be construed to be a tenancy from month-to-month. During such tenancy, Tenant shall pay to Landlord a monthly rental of one hundred fifty percent (150%) of the Rent payable during the last month of the Lease Term in addition to the Additional Rent and Other Charges set forth herein. Except as set forth herein, such month-to-month tenancy also shall be subject to all of the terms, covenants, and conditions of this Lease.

3.4 Option to Extend Lease Term.

(a) Tenant is granted an option (the "Extension Option") to extend the Lease Term for five (5) years, to and including August 31, 2028. The period of time shall be referred to herein as the "Option Period". To exercise the Extension Option, Tenant must give Landlord unequivocal written notice of Tenant's election to exercise the Extension Option at least ten (10) calendar months (but not earlier than twelve (12) calendar months) prior to the Expiration Date.

(b) If Tenant elects to exercise the Extension Option, the Rent for the Option Period ("New Rent") shall be the Fair Market Rent (as defined below) for comparable space in the Bank of America Building ("Comparable Space"), but in no event shall the New Rent be less

than the Rent payable during the last month of the Lease Term. If there is no Comparable Space in the Bank of America Building at the time, Tenant shall pay, as New Rent, whatever the fair market rent in the Bank of America Building would be if there was such Comparable Space in the Bank of America Building. The term "Fair Market Rent" shall mean the rent that would be paid by a willing tenant renewing its lease for Comparable Space for a term of five (5) years. Tenant concessions shall be included in the determination of fair market rent with respect to tenants who are renewing their leases in the Bank of America Building. The term "tenant concessions" shall include, without limitation, such inducements as tenant improvements and free rent.

(c) In the event Landlord and Tenant cannot agree on the New Rent, the matter shall be submitted for decision to a panel of three (3) arbitrators. Landlord and Tenant shall each appoint one (1) arbitrator, who shall by profession be a licensed commercial real estate broker or an MAI real estate appraiser and who shall be familiar with Bellevue Place and have been active (over the three (3) year period ending on the date of such appointment) in the brokering or appraisal of Comparable Space. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's proposed New Rent is the closest to the Fair Market Rent. Each such arbitrator shall be appointed within fifteen (15) days after Tenant's or Landlord's notice to the other of its election to have the New Rent be determined by this arbitration procedure. The two arbitrators so appointed shall, within fifteen (15) days of the date of the appointment of the last appointed arbitrator, agree upon and appoint a third arbitrator, who shall be qualified under the same criteria set forth above for qualification of the initial two arbitrators. Failing such agreement, either Landlord or Tenant shall have the right to petition for the appointment of the third arbitrator by the Presiding Judge of the Superior Court of the County of King. The three (3) arbitrators shall, within thirty (30) days of the appointment of the third arbitrator, reach a decision as to whether the parties shall use Landlord's or Tenant's proposed New Rent and shall notify Landlord and Tenant thereof. The decision of the majority of the three (3) arbitrators shall be binding upon both Landlord and Tenant. The cost of the arbitration shall be paid by Landlord and Tenant equally. The arbitration procedure shall not take more than thirty (30) days. However, if the arbitrators have not determined the New Rent prior to the beginning of the Option Period, Tenant shall pay the Rent previously in effect under the Lease plus a ten percent (10%) increase until such time as the arbitrators determine the New Rent. If the arbitration procedure results in a higher Rent, Tenant shall pay the difference with the next monthly rental payment due under the Lease. If the arbitration procedure results in a lower Rent, Tenant shall receive a credit against its next monthly Rent payments under the Lease, and any succeeding monthly rental payments, if necessary, in an amount equal to the overpayment.

(d) Notwithstanding anything in the foregoing to the contrary, the Extension Option may not be exercised during any period in which Tenant is in default under any provision of the Lease until said default has been fully cured. Time is of the essence. If Tenant fails to exercise the Extension Option in any instance when such right is in effect, prior to the expiration of the applicable time period for the exercise of such right, the Extension Option shall thereafter be deemed null and void and of no further force or effect. The period of time within which the Extension Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise such rights because of the foregoing provisions. All rights of Tenant to the Extension Option shall terminate and be of no further force or effect, even after Tenant's due and timely exercise thereof, if, after such exercise, but prior to the commencement date of the Option Period, Tenant defaults under the terms of the Lease which default is not cured within any applicable cure period.

(e) The Extension Option shall be personal to Tenant and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant, nor shall the Extension Option be assignable separate and apart from this Lease.

4. COMMENCEMENT AND EXPIRATION DATES; LEASE YEAR

4.1 Commencement Date.

The Commencement Date shall be the date set forth in Section 1.12 above.

4.2 Expiration Date.

This Lease shall expire at 11:59 p.m. on the date set forth in Section 1.13 above.

4.3 Confirmation of Commencement and Expiration.

Within five (5) business days after Tenant's occupancy of the Leased Premises, or upon Landlord's request, Landlord and Tenant shall confirm the specific Commencement and Expiration Dates in writing, as well as the "as built" Rentable Area of the Leased Premises, as defined in Section 6.2(f), and the Rent payable hereunder, which shall be appended to and incorporated into this Lease.

4.4 Lease Year.

A "Lease Year" shall mean a calendar year commencing on January 1 and ending the following December 31. If the Commencement Date is a date other than January 1, the initial Lease Year shall be from and including the Commencement Date to and including December 31 of that calendar year. If the Expiration Date is a date other than December 31, the final Lease Year shall be from and including January 1 of the calendar year of the Final Lease Year to and including the Expiration Date.

5. RENT.

Tenant shall pay to Landlord, without notice or demand and without setoff or deduction whatsoever, the sums stated in Section 1.10 above (the "Rent"), which shall be paid to Landlord in advance in lawful money of the United States, on or before the first day of each calendar month at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. Rent and Additional Rent (as defined in Section 6.1 below) for any partial month at the beginning or end of the Lease Term shall be prorated, based upon a thirty (30) day month. All amounts payable hereunder, other than Rent and Additional Rent, may be sometimes referred to as "Other Charges." Landlord may (but shall not be required to) make available to Tenant procedures for the payment to Landlord by electronic funds transfer of any or all amounts required by the terms of this Lease to be paid by Tenant.

6. ADDITIONAL RENT.

6.1 Generally.

In addition to the Rent provided for in Section 5 above, Tenant shall pay to Landlord, without notice (other than notice advising Tenant of its share of the Additional Rent) or demand and without setoff or deduction, Tenant's Share (as defined in Section 6.2(a) below) of the Operating Expenses (as defined in Section 6.2(b) below), which expenses include, but are not limited to, (i) Operating, Repair, and Maintenance Expenses for the Bank of America Building and the Corner Building; and (ii) Operating, Repair, and Maintenance Expenses for Bellevue Place during the Lease Term (the "Additional Rent").

6.2 Definitions.

The following terms shall have the meanings hereinafter specified, unless the context otherwise specifies or clearly requires:

- (a) Tenant's Share. Tenant's Share shall be equal to the percentages set forth in Section 1.9 above.
- (b) Operating Expenses Generally. The Operating Expenses shall include (i) all Operating, Repair and Maintenance Expenses (defined in Section 6.2(c) below), and (ii) all Taxes (defined in Section 6.2(d) below).
- (c) Operating, Repair and Maintenance Expenses. Operating, Repair and Maintenance Expenses shall include the actual costs and expenses that are paid or payable by Landlord in connection with the operation, repair and maintenance of Bellevue Place and its constituent parts, which include without limitation, the Bank of America Building, the Corner Building and the Wintergarden Retail Center, less all contributions for such costs received from the owner of the Hotel Tract as defined in and pursuant to the terms of that certain Construction, Operation and Reciprocal Easement Agreement recorded under King County Recorder's File No. 8709160449, as amended from time to time (the "REA"), and shall include, but not be limited to, those costs and expenses that are paid or payable to the Transportation Management Association. Without limiting the generality of the foregoing and by way of illustration, Operating, Repair and Maintenance Expenses shall include costs and expenses of all utility, heating, air conditioning and ventilation costs and expenses; license, permit and inspection fees; planting and landscaping costs and expenses; janitorial services; direct physical damage insurance (including but not limited to loss of income insurance), liability and excess liability insurance, and other appropriate insurance policies, as determined solely by Landlord or Landlord's lender, including but not limited to garage keeper's legal liability, boiler and machinery and auto insurance; taxes and assessments on equipment; the cost and expense of repairs including, but not limited to, those of a capital nature necessary or appropriate to fulfill Landlord's obligations to its tenants; the cost and expense of removing trash and other refuse; the cost and expense of supplies, tools and equipment; the cost and expense of cleaning, maintaining, repairing and replacing machinery and equipment, including but not limited to automatic door openers, lights and lighting fixtures, heating, air conditioning and ventilation equipment, fire and sprinkler systems and security systems; depreciation allowance on machinery and equipment (depreciation to be over the useful life of any such machinery and equipment in accordance with the guidelines and regulations established by the Internal Revenue Service, if any); the cost and expense of personnel to implement such services, including but not limited to security and traffic control; legal and accounting costs and expenses; customary management fees; the cost of any capital improvements necessary or appropriate to fulfill Landlord's repair or maintenance obligations, required by any applicable governmental law or regulation not in effect at the time Tenant is required to take occupancy of the Leased Premises or made for the purpose of reducing operating, repair or maintenance costs (the cost of any such capital improvements shall be amortized over the useful life of such item (in accordance with the guidelines and regulations established by the Internal Revenue Service, if any, from time to time) as Landlord shall determine with a return on capital at the current market rate per annum on the unamortized balance or at such higher rate as may have been paid by Landlord on funds borrowed for the purpose of purchasing or constructing such improvements).
- (d) Taxes. Taxes shall include all real estate taxes, personal property taxes and all other taxes, surcharges and assessments that are or may be levied upon, assessed against or attributable to Bellevue Place and all improvements, fixtures, equipment and other property of Landlord, real and personal, located on, in or under Bellevue Place and used in connection with the operation thereof; including the Bank of America Building, the Corner Building and land underlying the Bank of America Building and the Corner Building and including, although not limited to, the land, improvements, equipment, fixtures and other property used in connection

with the operation of and comprising the Parking Garage and Wintergarden Retail Center and any rental, excise, sales, transaction or other privilege tax or levy, however denominated (excepting federal, state and local net income taxes) paid or payable during the Lease Term and taxes on all tenant improvements in the Wintergarden Retail Center owned by Landlord but excluding the Hotel Building and the land underlying the Hotel Building. Taxes also shall include any amounts paid or payable to any third party or incurred by Landlord for the purpose of obtaining a reduction in the Taxes as above defined.

(e) Rentable Area of the Leased Premises. For purposes of this Lease, the Rentable Area of the Leased Premises shall mean the Useable Area of the Leased Premises, as that term is defined and computed according to the *Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA z65.1-2010*, otherwise known as the "BOMA Standard," multiplied by a load factor of twenty-four point seventy-one percent (24.71%). The "as built" Rentable Area of the Leased Premises shall be the true Rentable Area of the Leased Premises at the time Landlord tenders possession of the Leased Premises to Tenant.

(f) Rentable Area of Bellevue Place. For purposes of this Section 6, the Rentable Area of Bellevue Place shall include the total of all areas and spaces in (i) the Bank of America Building, (ii) the Corner Building, and (iii) all areas and spaces in and opening into the Wintergarden Retail Center (whether or not such areas or spaces in the Bank of America Building, the Corner Building, and the Wintergarden Retail Center are actually leased by Landlord) that are available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests and shall include, but not be limited to, all rest rooms, mezzanines, warehousing and storage areas, clerical and office areas, and employee areas within the leased premises of any tenant of Landlord in the Wintergarden Retail Center, Bank of America Building and Corner Building, but shall exclude all areas and spaces in the Hotel Building (other than those areas and spaces in or opening into the Wintergarden Retail Center and available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests) and the Common Areas and Facilities of Bellevue Place. If at any time, Landlord believes the Rentable Area of Bellevue Place is materially different than the Rentable Area of Bellevue Place set forth in Section 1.8 above because of an error in calculation or additions, modifications or alterations to Bellevue Place and Landlord desires to amend this Lease to reflect the actual or changed Rentable Area of Bellevue Place, Landlord shall so notify Tenant in writing. If Tenant does not object in writing to Landlord's notice within ten (10) days following receipt of Landlord's notice, this Lease shall be deemed to be amended to incorporate the Rentable Area of Bellevue Place as set forth in Landlord's notice to Tenant. If Tenant does object in writing to Landlord's notice within said ten (10) days, and Landlord and Tenant are unable to agree upon the Rentable Area of Bellevue Place within ten (10) days following receipt of Tenant's notice of objection, the matter shall be submitted for determination to the Project Architect for Bellevue Place. The decision of the Project Architect shall be final and binding on both Landlord and Tenant and this Lease shall be deemed to be amended to reflect the Rentable Area of Bellevue Place as and when decided by the Project Architect. The cost and expense of the Project Architect's consideration of the matter, if any, shall be shared equally among Landlord and all tenants objecting to Landlord's notice.

(g) Notwithstanding anything in this Section 6.2 to the contrary, the following costs shall not be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease:

Leasing commissions, advertising expenses, fees and costs incurred in procuring new tenants for portions of Bellevue Place.

Except as permitted in Section 6.2(c) of the Lease, interest or amortization payments on mortgages,

Rental on ground leases or other underlying leases.

Any costs or expenses associated with or incurred in connection with required environmental testing, removal, enclosure, encapsulation or other handling of asbestos or other hazardous or toxic materials or substances.

Costs of any item for which Landlord is or is entitled to be paid or reimbursed by insurance.

Charges for electricity, water, or other utilities and applicable taxes for which Landlord is entitled to reimbursement from any other tenant.

Cost of correcting major defects in the design, construction or equipment of, or substantial latent defects in, the Bank of America Building or Bellevue Place (a defect, for the purposes of this subsection (g), is defined as a substantial condition that occurred because of negligence in the initial construction of Bellevue Place).

Any costs incurred in constructing any future material expansion of the Bank of America Building (as opposed to the costs of operating and maintaining the expanded Bank of America Building, which may be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease).

Costs of a capital nature, except for costs (a) reasonably necessary or appropriate to fulfill Landlord's repair or maintenance obligations; (b) incurred as a result of any applicable governmental law or regulation enacted and enforced after the date of the Lease; and/or (c) made for the purpose of reducing operating, repair or maintenance costs.

Interest and penalties incurred as a result of Landlord's delinquent payment of any obligation of Landlord.

Notwithstanding any reference in Section 6.2 to the contrary, the cost of any capital item shall not be expensed in a single year but shall be depreciated over the useful life of such item in a manner consistent with other Bellevue Class "A" office buildings.

Notwithstanding anything in this Lease to the contrary, there shall be no duplication of any particular cost, charge or expense in any operating costs and maintenance expenses set forth in this Section 6.2 of the Lease, provided Landlord reserves the right to include a customary administrative fee and a customary management fee within operating costs and maintenance expenses.

6.3 Payment.

Landlord shall provide to Tenant, at or before the Commencement Date, an estimate of the annual Operating Expenses for the Lease Year in which the Commencement Date occurs. Within ninety (90) days after the expiration of each succeeding Lease Year of the Lease Term, or as soon thereafter as such information becomes available, Landlord shall give Tenant a written estimate of Tenant's Share of the Operating Expenses for the then current Lease Year ("Tenant's Estimated Share"). Tenant shall pay Tenant's Estimated Share, in advance, in equal monthly installments on or before the first (1st) day of each calendar month of such Lease Year at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. During the period of

time following the expiration of a Lease Year and Tenant's receipt of Landlord's estimate of Tenant's Estimated Share, Tenant shall continue to pay Landlord Tenant's Estimated Share from the prior Lease Year. Within ninety (90) days after the expiration of each Lease Year of the Lease Term (or as soon thereafter as such information becomes available), Landlord shall furnish to Tenant a written statement summarizing the actual amount of Tenant's Share of the Operating Expenses for the prior Lease Year (hereinafter sometimes referred to as the "Annual Reconciliation Statement"). If Tenant's Share of the Operating Expenses exceeds the amount paid by Tenant, Tenant shall pay the deficiency to Landlord promptly upon receipt of a written notice of the amount thereof. If such statement shows Tenant's Share of the Operating Expenses to be less than the amount paid by Tenant, the amount of overpayment by Tenant shall be credited by Landlord to the next payment or payments of Additional Rent due hereunder, if Tenant has otherwise complied with all of the terms and provisions of this Lease. If the Lease Term has expired and Tenant has vacated the Leased Premises and no amounts are or may become payable by Tenant, then any overpayment shall be returned to Tenant, or at Landlord's option, to the last assignee of Tenant's interest in the Leased Premises. If this Lease commences at a time other than the beginning of a calendar year, Tenant shall pay the Additional Rent for the remaining portion of the Lease Year based upon the number of days from the Commencement Date. If this Lease expires at a time other than the last day of a calendar year, Tenant shall be obligated to pay immediately any deficiencies which shall be computed at the expiration of that Lease Year. If at any time during a Lease Year it appears to Landlord that any of the Operating Expenses payable for that Lease Year will vary from Landlord's estimate by more than five percent (5%) on an individual or aggregate basis, Landlord may, at its election, adjust Tenant's Estimated Share for the balance of that Lease Year to compensate for such increase. Any increased payments required to be made pursuant to this Section shall be made within thirty (30) days after Landlord has notified Tenant thereof. Tenant's obligations under this Section shall survive the expiration or termination of this Lease,

6.4 Nonpayment.

In the event of nonpayment of any item of Additional Rent or any Other Charge due hereunder, Landlord shall have the same rights and remedies as for failure to pay Rent.

6.5 Future Development of Bellevue Place.

Tenant is aware that Landlord, by itself or in combination with other persons, intends to further expand and develop Bellevue Place in one or more additional phases and Tenant has reviewed plans and other documents describing the intended expansion and development of Bellevue Place or has been provided with opportunities to review such plans and documents. In the event one or more such phases of the Bellevue Place project are completed during the Lease Term, any additional operating, repair or maintenance expenses and real estate and other taxes attributable to such other phases may be included in the Operating Expenses at Landlord's discretion; provided that the denominator used to calculate Tenant's proportionate share of such expenses is reasonably adjusted with respect to such phases.

6.6 Disputes Relating to Additional Rent.

If Tenant desires to contest any calculation by Landlord of Tenant's Share or the amount of any Bellevue Place Operating Expense payable by Tenant, Tenant must give Landlord a written notice (an "Objection Notice") stating that Tenant disputes the calculation or amount. The Objection Notice must be received by Landlord within ninety (90) days after Tenant receives Landlord's Annual Reconciliation Statement regarding Bellevue Place Operating Expenses, and set forth with particularity the reason why Tenant disputes Landlord's calculation or the amount. If Tenant fails to give Landlord such an Objection Notice within such time, Tenant shall be deemed to have waived and released any and all rights it may have to contest the

calculation and amount. Promptly after receiving any such Objection Notice from Tenant, Landlord shall meet with Tenant and both Tenant and Landlord shall attempt in good faith to reconcile the matters described in the Objection Notice; provided, however, if Tenant refuses to meet with Landlord within thirty (30) days after the date Landlord received the Objection Notice from Tenant, Tenant shall be deemed to have waived and released any and all rights it may have to contest Landlord's calculation and the inclusion and amount of any Bellevue Place Operating Expense. If Landlord and Tenant are unable to resolve the dispute within a reasonable time, Landlord shall cause its accounting firm to undertake an investigation and analysis of the matter and prepare a written report, a copy of which shall be provided to Tenant. The cost of the investigation, analysis and report shall be paid for by Tenant unless the investigation and analysis discloses a material error favoring Landlord, in which event Landlord shall bear the cost of the investigation, analysis and report. If the report discloses that the amount or calculation used by Landlord was incorrect, Landlord shall provide a credit to Tenant against future obligations under this Section 6 equal to the amount of any overpayment paid by Tenant during the Lease Year to which Tenant's Objection Notice relates. Notwithstanding the pendency of any dispute hereunder, Tenant shall continue to pay all amounts owed hereunder based upon Landlord's determination and calculation or until such calculation or amount has been established hereunder to be incorrect.

7. LATE CHARGES.

If Tenant fails to pay, when the same is due and payable, any Rent, Additional Rent or Other Charges, such unpaid amounts shall bear interest at the rate of two percent (2%) per month from the date due to the date of payment, unless such amount would violate any applicable usury law, in which event such unpaid amounts shall bear interest at the highest rate then allowed by law. In addition to such interest, Tenant acknowledges that the late payment by Tenant of any installment of Rent, Additional Rent or Other Charges will cause Landlord to incur certain costs and expenses not contemplated under this Lease, the exact amount of such costs being extremely difficult or impractical to fix. Such costs and expenses will include, without limitation, administrative and collection costs, and processing and accounting expenses. Therefore, if any Rent, Additional Rent or Other Charge installment is not received by Landlord from Tenant by the fifth (5th) day after such installment is due, Tenant shall immediately pay to Landlord, in addition to the installment due, a late charge equal to twelve percent (12%) of such installment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for its loss and expense suffered by such nonpayment by Tenant. Acceptance of this late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising all other rights and remedies available to Landlord under this Lease. Landlord shall apply payments made by Tenant first to accrued charges, interest and rent in the following order: (a) Late Charges; (b) interest; (c) Rent; Other Charges and Additional Rent; and (d) any balance remaining to current Rent, Other Charges, and Additional Rent. Notwithstanding anything in this Section 7 to the contrary, provided Tenant pays all sums due hereunder by electronic funds transfer, Landlord shall waive the first (1st) late charge that may be incurred by Tenant during any twelve (12) month period (during the Lease Term, provided the unpaid amount is in fact paid in full by Tenant on or before the fifteenth (15th) day of the month in which any such payment is due.

8. SECURITY DEPOSIT.

As additional consideration for this Lease, Tenant has delivered to Landlord as a security deposit the sum shown in Section 1.14 above. Such sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of this Lease to be kept and performed by Tenant during the entire Lease Term. If Tenant is in breach under any provision of this Lease, Landlord may (but shall not be required to) use, apply or retain all or any

part of this security deposit for the payment of any rent or any unpaid obligation or sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's breach, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach. In the event Landlord elects to so use, apply or retain all or any part of the security deposit, Tenant shall deposit with Landlord, within ten (10) days of demand therefor, cash sufficient to restore the security deposit to the amount set forth in Section 1.14. Landlord shall not be required to keep the security deposit separate from its general funds and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease, the security deposit or any balance thereof after deductions hereunder by Landlord shall be returned to Tenant (or at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder) within thirty (30) days following expiration of the Lease Term or Tenant's return of the Leased Premises to Landlord in the condition required hereunder, whichever shall last occur. No trust relationship is created hereby between Landlord and Tenant with respect to the security deposit.

9. USES.

9.1 Permitted Uses.

Tenant shall use and occupy the Premises only for general office purposes consistent with a first class office building (the "Permitted Use") under the trade name set forth in Section 1.5 above, and for no other business or purpose or under any other trade name without the prior written consent of Landlord, which consent may be withheld if Landlord, in its sole discretion, determines that any proposed use or trade name is inconsistent with or detrimental to the maintenance and operation of the Building as a first-class office building. Landlord makes no representation or warranty as to the availability of Tenant's Permitted Trade Name or that it will not infringe on any other person's trademark, service mark or other rights or privileges.

9.2 Prohibited Uses.

Tenant shall not do or permit or suffer anything to be done in or about the Leased Premises, Bank of America Building or Bellevue Place which will in any way obstruct or interfere with the rights of other tenants or occupants of the Bank of America Building or Bellevue Place or injure or annoy them, their customers or clients, nor shall Tenant use or allow the Leased Premises to be used for any purpose which is objectionable or offensive in Landlord's reasonable judgment or which is unlawful, nor shall Tenant do or permit or suffer anything to be done in or about the Leased Premises, the Bank of America Building or Bellevue Place which would cause Landlord to be in violation of any of its agreements with others. If Tenant permits or engages in any activity which, in Landlord's reasonable judgment, is objectionable, offensive or otherwise constitutes a nuisance to Landlord, the other tenants of the Bank of America Building or Bellevue Place, or their employees, customers, guests or invitees, Tenant shall immediately discontinue such activity or take action to cause the activity to be discontinued with all due diligence if it cannot be immediately discontinued. Tenant's failure to comply with this Section shall constitute a material default of this Lease and entitle Landlord to pursue its remedies for such a breach or, in the alternative, undertake such work as may be appropriate to prevent such activity and recover, as additional rent, the cost thereof plus interest thereon at two percent (2%) over the prime rate of interest charged or published by Bank of America on the first day of each month, commencing on the date due through the date of payment.

9.3 Compliance with Laws, Rides and Regulations.

Tenant shall, at its sole cost and expense, promptly comply with all local, state and federal laws, statutes, ordinances and governmental rules, regulations or requirements now in

force or which may hereafter be in force relating to Tenant's use and occupancy of the Leased Premises and Tenant's business conducted therein.

9.4 Hazardous Material.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Leased Premises by Tenant, its agents, employees, contractors or invitees. If Tenant breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Leased Premises caused or permitted by Tenant results in contamination of the Leased Premises or any part of Bellevue Place or any other property, or if contamination of the Leased Premises or any part of Bellevue Place or any other property by Hazardous Material otherwise occurs for which Tenant may be legally liable for damage resulting therefrom, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the property, damages for the loss or restriction on use of rentable or useable space or of any amenity of Bellevue Place or the Leased Premises or elsewhere, damages arising from any adverse impact on marketing of space at Bellevue Place or elsewhere, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Lease Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under Bellevue Place. Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Leased Premises or Bellevue Place by Tenant, its agents, employees, contractors or invitees, results in any contamination of the Leased Premises or any part of Bellevue Place or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Leased Premises, Bellevue Place or any other property to the condition existing prior to the introduction of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Leased Premises, Bellevue Place or other property. As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government.

10. SERVICES AND UTILITIES.

10.1 Standard Services.

As long as Tenant is not in default under any of the provisions of this Lease, Landlord shall cause the Leased Premises (in accordance with Section 12.3) and the public and common areas of the Building, including the lobbies, elevators, stairs, corridors and rest rooms, to be maintained in reasonably good order and condition consistent with the operation and maintenance of the Bank of America Building as a first-class office and retail building in downtown Bellevue, except for damage occasioned by any act or omission of Tenant or Tenant's officers, contractors, agents, invitees, licensees or employees, the repair of which shall be paid for by Tenant. From 7:00 a.m. to 6:00 p.m. on weekdays, excluding legal holidays ("Regular Business Hours"), Landlord shall furnish the Leased Premises with electricity for lighting and operation of low power usage office machines, water, heat, air conditioning and elevator service (the "Standard Services"). During all other hours, Landlord shall furnish the Standard Services, including elevator service as reasonably required to provide access to the Leased Premises, except for heat and air conditioning and lighting. If requested by Tenant, Landlord shall furnish heat and air conditioning and lighting at times other than Regular Business Hours and the cost of

such services, as established by Landlord, shall be paid by Tenant in the same manner as provided in Section 5 above. Landlord also shall provide lamp replacement service for Building Standard fluorescent light fixtures, toilet room supplies, window washing at reasonable intervals and customary building janitorial service as part of the Standard Services, although no janitorial service shall be provided for Saturdays, Sundays or legal holidays. The cost and expense of any janitorial or other services provided or caused to be provided by Landlord to Tenant in addition to the services ordinarily provided Bank of America Building tenants shall be paid by Tenant in the same manner as provided for payment in Section 5 above.

10.2 Interruption of Services.

Landlord shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption or failure of the Standard Services due to any cause whatsoever. No temporary interruption or failure of the Standard Services incident to the making of repairs, alterations, or improvements, or due to accident, strike or conditions or events beyond Landlord's reasonable control shall be deemed an eviction of Tenant or relieve Tenant from any of Tenant's obligations hereunder.

10.3 Additional Services.

Tenant shall not install lights and equipment in the Leased Premises with heating loads which in the aggregate exceed the Bank of America Building standard mechanical system. Landlord shall not arbitrarily withhold consent to Tenant's installation of lights and equipment exceeding such amount but may condition its consent on Tenant's payment of the costs incurred by Landlord for the installation, operation, repair and maintenance of supplementary air conditioning capacity or electrical systems as necessitated by such equipment or lights. In addition, Tenant shall pay to Landlord, in advance, on the first day of each month during the Lease Term, such amount estimated by Landlord to be the cost of furnishing electricity to Tenant for the operation of such equipment or lights and such amount estimated by Landlord to be the cost of operating and maintaining the supplementary air conditioning units as necessitated by Tenant's use of such equipment or lights. Such costs shall be paid by Tenant in the same manner as provided in Section 5 above. In the event of nonpayment of amounts due for any of the above-described additional services, Landlord shall have the same rights and remedies as it has with respect to the nonpayment of rent hereunder. Landlord shall be entitled to install and operate, at Tenant's sole cost and expense, a monitoring or metering system in the Leased Premises to measure the added demands on electricity, heating, ventilation, and air conditioning systems resulting from such equipment and lights and from Tenant's after-hours heating, ventilation and air conditioning service requirements. Tenant shall comply with Landlord's instructions for the use of drapes, blinds and thermostats in the Bank of America Building.

11. IMPROVEMENTS, ALTERATIONS AND ADDITIONS.

11.1 Premises Improvements.

(a) Prior to the Commencement Date, the Leased Premises shall be improved by Landlord (the "Premises Improvements"), which Premises Improvements shall be in accordance with mutually agreed upon plans and specifications for such improvements (the "Premises Plans"). The Premises Improvements shall be performed and installed by design professionals and contractors selected by Landlord in the exercise of Landlord's subjective discretion, and shall be performed in accordance with the requirements set forth in Exhibit "D". Landlord shall contract directly with the contractors constructing the Premises Improvements. Landlord shall contract directly with the Project Architect for architectural services related to the Premises Improvements. Landlord shall pay certain amounts toward the cost of the Premises Improvements ("Landlord's Improvement Allowance"). Landlord's Improvement Allowance is

limited to Seventy-nine Thousand Nine and 00/100 Dollars (\$79,009.00). Landlord's Improvement Allowance shall be used exclusively for the Premises Improvements (including all sales and other applicable taxes but not including furniture, trade fixtures, equipment, inventory, or personal property, which shall be Tenant's sole cost and responsibility); provided, however, Tenant has the right to use up to Twenty-two Thousand Five Hundred Seventy-four and 00/100 Dollars (\$22,574.00) of Landlord's Improvement Allowance to offset data, telephone, and similar communication cabling costs.

(b) Any and all costs for the construction and installation of the Premises Improvements (including but not limited to the cost of all working drawings, space plans, and engineering, architectural, design and consulting fees) in excess of Landlord's Improvement Allowance ("Excess Improvement Costs") shall be Tenant's sole responsibility and shall be paid by Tenant promptly when due. Tenant's failure or refusal to pay any such Excess Improvement Costs shall be a material breach of this Lease and a default hereunder. If it should appear to Landlord at any time that Tenant is or may be obligated to pay for any Excess Improvement Costs, in addition to any and all other rights and remedies to which Landlord may be entitled, Landlord shall have the right, but not the obligation, to immediately stop or prevent any and all further design, construction and installation work until Landlord has received satisfactory assurances that Tenant can and will promptly pay all Excess Improvement Costs.

(c) Prior to the Commencement Date, the Project Architect shall certify that the Premises Improvements are substantially complete in accordance with the Premises Plans. If substantial completion of the Premises Improvements is delayed by Tenant's acts or omissions, change in design decisions, revisions or additional work, or those of Tenant's agents, then the Commencement Date shall be the date substantial completion of the Premises Improvements would have been achieved but for the Tenant delay, as determined by the Project Architect. The terms "substantial completion" or "substantially complete", as used herein, means that stage of construction where the Premises Improvements are usable for their principal intended purpose, as determined in good faith by the Project Architect, and the applicable governmental authorities deem the Leased Premises approved for occupancy, notwithstanding the possible need to complete, finish or install non-critical improvement features and fixtures. The existence of repairs or defects of a nature commonly found on a "punch list," (meaning minor items that do not materially impact Tenant's use of the Leased Premises), after turnover to Tenant, shall not postpone the Commencement Date or result in a delay or abatement of Tenant's obligation to pay rent or give rise to a damage claim against Landlord, provided Landlord shall use commercially reasonable efforts to complete such punch list items within sixty (60) days after Landlord's receipt of Tenant's punch list, referred to below. Tenant's occupancy of the Leased Premises shall be deemed an acknowledgement that the Leased Premises is in good condition and repair and that Landlord has caused the Bank of America Building and all of the Premises Improvements to be constructed as required by this Lease, subject to those items, if any, specified in any punch list to be delivered by Tenant within thirty (30) days following substantial completion.

(d) All improvements and fixtures made or installed in or to the Leased Premises, including all Premises Improvements, are the property of Landlord. The Premises Improvements shall not include, and Tenant shall be solely responsible for all costs associated with (1) the interior design of the Leased Premises, (ii) security and access control to the Leased Premises, (iii) data, telephone, and similar communications cabling in excess of Twenty-two Thousand Five Hundred Seventy-four and 00/100 Dollars (\$22,574.00), as set forth in paragraph 11.1(a) above, and (iv) furniture, fixtures and equipment. The foregoing shall be deemed to be a financial accommodation of the type referenced in 11 USC §365(c)(2) and a material and substantial part of this Lease transaction, as amended.

11.2 Alterations by Tenant

After completion of Premises Improvements, Tenant shall not make any subsequent alterations, additions or improvements in, on, or to the Leased Premises without the prior written consent of Landlord, which consent may be subject to such conditions as Landlord may deem appropriate. Tenant shall submit complete sets of final plans and specifications for all such alterations, additions or improvements to Landlord for approval. Any such alterations, additions or improvements consented to by Landlord shall be made at Tenant's sole cost and expense. Prior to the commencement of any such work, Tenant shall notify Landlord of the contractors that will be retained by Tenant to perform the work. Landlord shall have the right to approve or disapprove in advance any or all contractors to be retained by Tenant for such work. Landlord shall promptly be provided with complete "as built" drawings and specifications for all alterations, additions and improvements made by Tenant. Tenant shall secure all governmental permits, approvals or authorizations required for such work. All alterations, additions and improvements (including but not limited to all light fixtures and floor coverings but excluding any inventory, furniture and similar personal property which does not become a part of the Leased Premises) shall immediately become the property of Landlord, without any obligation on the part of Landlord to pay therefor, upon installation in the Leased Premises. Upon the expiration or sooner termination of the Lease Term, Tenant shall forthwith remove (at Tenant's sole cost and expense) all alterations, additions or improvements made by Tenant (except original leasehold improvements constructed as part of Premises Improvements) designated by Landlord to be removed and Tenant shall repair (at its sole cost and expense) any damage to the Leased Premises caused by such removal. Notwithstanding anything herein or elsewhere in this Lease to the contrary, Tenant shall remove all voice and data cabling and other telecommunications equipment installed by Tenant, and shall restore the Leased Premises to the condition they were in prior to the installation of such items. Tenant's obligations hereunder shall survive the expiration or termination of this Lease. Tenant shall be permitted to install card readers on the stairwell doors adjacent to floor 12 of the Bank of America Building, subject to approval by Landlord and the City of Bellevue.

11.3 Disability Laws.

Notwithstanding anything in this Lease to the contrary, if Tenant constructs, makes or installs or causes to be constructed, made or installed any improvement or alteration in or to the Leased Premises, Tenant shall be solely responsible for ensuring that such improvements and/or alterations do not violate any provision in any local, state or federal law or regulation relating to accessibility for handicapped persons or the removal of architectural or communication barriers to accessibility ("Disability Law"), including but not limited to RCW Chapter 70.92 and The Americans with Disabilities Act. Any approval by Landlord of Tenant's plans or specifications for any such improvements or alterations shall not be a representation or warranty, express or implied, by Landlord that such plans will comply with any Disability Law. If any claim is asserted against Landlord under any Disability Law which claim relates directly or indirectly to any alterations or improvements installed, made or constructed, directly or indirect, by or for Tenant in or to the Leased Premises or any trade fixture or personal property item used by Tenant in the Leased Premises, Tenant shall defend, indemnify and hold Landlord harmless from and against the claim and any and all charges, liabilities, obligations, penalties, damages, judgments, costs and expenses (including attorneys' fees) arising or incurred against or suffered, directly or indirectly, by Landlord relating thereto. If it should be determined that any improvement or alteration constructed, made or installed in or to the Leased Premises, directly or indirectly, by or for Tenant or any trade fixture or personal property item used by Tenant in the Leased Premises is an illegal architectural or communication barrier under any Disability Law, Tenant shall immediately, at its sole cost and expense, remove the barrier or, to the extent allowed by the Disability Law, provide alternatives to the barrier so as to make the Leased Premises accessible to handicapped persons. No alteration or improvement in the Leased Premises will be approved by Landlord if it will require that barriers outside the Leased Premises be removed under any

Disability Law. Tenant shall not have any basis for objecting to Landlord's judgment regarding the probable application of any Disability Law provided Landlord does not act arbitrarily.

12. MAINTENANCE OF THE PREMISES.

12.1 Maintenance and Repair by Tenant.

Tenant shall at all times throughout the Lease Term, at its sole cost and expense, keep the Leased Premises (including all exterior doors and entrances, windows and moldings and trim on all doors and windows) and all partitions, door surfaces, fixtures, equipment and appurtenances thereof in good order, condition and repair consistent with a first-class office building, damage by unavoidable casualty excepted (but not excluding any damage caused by burglary, attempted burglary or vandalism of the Leased Premises).

12.2 Failure to Maintain.

If, after five (5) days' prior written notice (except in emergencies) from Landlord, Tenant fails to keep, preserve and maintain the Leased Premises as set forth in Section 12.1 above, Landlord may, at its option, put or cause the same to be put in the condition and state of repair agreed upon, and in such case, upon receipt of written statements from Landlord, Tenant shall promptly pay the entire cost thereof as additional rent. Landlord shall have the right to enter the Leased Premises for the purpose of undertaking such work upon the failure of Tenant to do so.

12.3 Repair by Landlord.

Landlord shall keep the roof, exterior walls, exterior building windows, public corridors, equipment used in common with other tenants (such as elevators, plumbing, heating, air-conditioning and similar equipment) and building structure of the Leased Premises in a good state of repair, and shall accomplish such repairs as may be needed promptly after receipt of written notice from Tenant. If repairs are required by reason of Tenant's acts or negligent failure to act, Tenant shall promptly pay Landlord, as additional rent, for the cost thereof. Except as otherwise specifically provided in Sections 16 or 28, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Leased Premises or building of which the Leased Premises are a part, or in or to fixtures, appurtenances and equipment therein. In no event shall Landlord be liable to Tenant for any damage to the Leased Premises or for any loss, damage or injury to any property therein or thereon resulting from acts by other third parties or occasioned by fire; explosion; falling plaster; the breaking, bursting, stoppage or leaking of water, gas, sewer, electrical cables, wires or steam pipes; or from water, rain, or other substances leaking or coming from the roof, street, subsurface or from any other place or from dampness or from any similar risks or causes. Landlord shall not be liable for any loss or damage to any person or property sustained by Tenant or any other persons, which may be caused by theft, or by any act or neglect of any tenant or occupant of Bellevue Place, or of any other third parties.

12.4 Surrender of Leased Premises.

At the expiration or sooner termination of this Lease, Tenant shall return the Leased Premises to Landlord in the same condition in which it was initially received (or, if altered by Landlord or by Tenant with Landlord's consent, then the Leased Premises shall be returned in such altered condition), reasonable wear and tear and damage by fire or other unavoidable casualty excepted (excluding burglary, attempted burglary and vandalism). Tenant shall remove all inventory, furniture and other personal property which does not become a part of the Leased Premises, and all alterations and improvements which Landlord designates to be removed

pursuant to Section 11.2 above, and shall restore the Leased Premises to the condition it was in prior to the installation of such items. Tenant's obligations under this Section 12 shall survive the expiration or termination of this Lease.

13. ACCEPTANCE OF THE LEASED PREMISES.

Except as otherwise provided in this Section 13, and subject to Landlord's completion of the Premises Improvements in accordance with Section 11.1 above, Tenant has inspected the Leased Premises and accepts the same in their current condition and waives the right to make any claim against Landlord for any matter directly or indirectly arising out of the condition of the Leased Premises, appurtenances thereto, the improvements thereon and the equipment thereof. LANDLORD MAKES NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR HABITABILITY.

14. DEFAULT BY LANDLORD.

Landlord shall not be in default under this Lease unless Landlord fails to perform the obligations required of Landlord within a reasonable time, but in no event less than thirty (30) days after written notice by Tenant to Landlord and to the holder of all mortgages and deeds of trust covering the Leased Premises whose names and addresses shall have been furnished to Tenant in writing. The notice shall specify wherein Landlord has failed to perform such obligation; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Tenant further agrees not to invoke any of its remedies under this Lease and which Tenant otherwise may have until such thirty (30) days have elapsed. In no event shall Tenant have the right to terminate this Lease as a result of Landlord's default and, subject to Section 30, Tenant's remedies shall be limited to damages.

15. ACCESS.

15.1 Right of Entry.

Tenant shall permit Landlord and its employees, agents and contractors to enter into and upon the Leased Premises at any time during normal business hours (8:00 a.m. to 6:00 p.m.) for the purpose of inspecting the same or for the purpose of cleaning, repairing, altering or improving the Leased Premises or the Bank of America Building. If Tenant is not personally present to permit entry, in case of emergency or urgent necessity Landlord may forcibly enter the same at any hour without rendering Landlord liable therefor. Nothing contained in this Section shall be deemed to impose any obligation upon Landlord not expressly stated elsewhere in this Lease. When reasonably necessary Landlord may temporarily close entrances, doors, corridors, elevators or other facilities without liability to Tenant by reason of such closure and without such action by Landlord being construed as an eviction of Tenant or release of Tenant from the duty of observing and performing any of the provisions of this Lease. Landlord shall have the right to enter the Leased Premises for the purpose of showing the Leased Premises to prospective tenants within the period of one hundred eighty (180) days prior to the expiration or sooner termination of this Lease.

15.2 Excavation.

If an excavation is made of property adjacent to the Leased Premises, Tenant shall and does hereby afford to the person causing or authorized to cause such excavation, an irrevocable license to enter upon the Leased Premises for the purpose of doing such work as Landlord shall

deem necessary to preserve the wall of the building of which the Leased Premises are a part from injury or damage and to support the same by proper foundations or other means, without any claim for damages against Landlord or diminution or abatement of rent.

16. DAMAGE OR DESTRUCTION.

16.1 Insured Loss.

Subject to Section 16.2, if the Leased Premises are damaged by perils covered by Landlord's insurance coverage and the proceeds therefrom are sufficient to cover the cost of repairs and are made available to Landlord for the purpose of repairing such damage, Landlord agrees to forthwith repair the same, and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of Rent and Additional Rent from the date of damage and while such repairs are in progress, provided said damage did not result from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant. Such proportionate reduction shall be based upon the extent to which the damage and making of such repairs materially interfere, if at all, with the business carried on by Tenant in the Leased Premises. If such damage resulted from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant, the Rent and Additional Rent shall abate only to the extent Landlord receives proceeds from Landlord's rental income insurance policy to compensate Landlord for the loss of such rent.

16.2 Uninsured Loss.

If the Leased Premises are damaged as a result of any cause other than the perils covered by Landlord's insurance coverage or if the insurance proceeds are not sufficient to cover the cost of repairs, Landlord shall forthwith repair the same provided the cost of repair is less than ten percent (10%) of the then replacement cost of the Leased Premises. If the Leased Premises are damaged as a result of a cause other than a peril covered by Landlord's insurance coverage, or if the insurance proceeds from Landlord's insurance are not made available to Landlord for the purpose of repairing the Leased Premises, or, if the cost of repair is equal to or greater than ten percent (10%) or more of the replacement cost of the Leased Premises, then Landlord shall have the option to (i) repair or restore such damage, in which event this Lease shall continue in full force and effect but the Rent and Additional Rent shall be proportionately reduced as provided in Section 16.1 above; or (ii) at any time within one hundred twenty (120) days after such damage give notice to Tenant of the termination of this Lease as of the date specified in such notice, which date shall not be less than thirty (30) days after the date of such notice. If such notice is given, this Lease shall terminate and all interest of Tenant in and to the Leased Premises shall end on the date so specified in such notice and the Rent and Additional Rent, reduced by a proportionate reduction, based upon the extent, if any, to which such damage materially interfered with the business carried on by Tenant in the Leased Premises, shall be paid up to date of such termination.

16.3 No Obligation.

Notwithstanding anything to the contrary contained in this Section 16, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Leased Premises when the damage resulting from any casualty occurs during the last twenty-four (24) calendar months of the Lease Term.

16.4 Partial Destruction of the Bank of America Building.

If a portion of the Bank of America Building is damaged and the insurance proceeds therefrom are not sufficient to cover the cost of repairs or are not made available to Landlord for

the purpose of repairing the same, or if thirty percent (30%) or more of the Rentable Area of the Bank of America Building is damaged, notwithstanding that the Leased Premises may be unaffected, Landlord may terminate this Lease and the tenancy hereby created by giving Tenant not less than thirty (30) days' prior written notice of Landlord's election to terminate the tenancy; provided, however, that such notice shall be given, if at all, within one hundred twenty (120) days following the date of occurrence of such damage or destruction. Rent and Additional Rent shall be prorated as of the date of such termination.

16.5 Business Interruption.

No damages, compensation or claims shall be payable by Landlord for inconvenience, loss of business, or annoyance arising from any repair or restoration of any portion of the Leased Premises or of the Bank of America Building. Landlord shall use reasonable efforts to effect such repairs promptly.

17. MUTUAL RELEASE AND WAIVER OF SUBROGATION.

Landlord and Tenant hereby mutually release each other from liability, and waive all right of recovery against each other, for any injury, loss or damage to any building, structure, inventory or other tangible property and any revenues, profit and rents to be generated therefrom, whether due to negligence or any other insured cause, if such injury, loss or damage is caused by any of the perils which are covered by a first-party insurance policy benefiting the party suffering such injury, loss or damage, or if such injury, loss or damage was required to be covered by insurance pursuant to this Lease; provided that this Section shall be inapplicable if it would have the effect, but only to the extent it would have the effect, of invalidating any insurance coverage of Landlord or Tenant. This Waiver only applies to insured property losses and does not limit the ability to recover for deductibles or other uninsured losses. Landlord and Tenant acknowledge that their current insurance policies, as of the date of this Lease, will not be invalidated. In the future, if avoiding any invalidation can be effected by the payment of money to such insurer, the other party may elect to pay such amount to obtain such waiver of subrogation for its benefit. Landlord and Tenant, respectively, shall promptly notify the other if its insurance will be invalidated by the foregoing release and waiver or if any payment is required to avoid such invalidation. Notwithstanding anything to the contrary, this Section shall not apply to any claim by Landlord for any Rent, Additional Rent or Other Charges payable under this Lease. Landlord and Tenant specifically intend, however, that this Section shall apply to any potential claim that could otherwise be made by Landlord for any rents to be paid by other occupants of Bellevue Place or any claim that could potentially be made by Tenant for any lost sales, profits or revenues that could have been generated from or operating expenses related to the Leased Premises or elsewhere,

18. INDEMNITY.

18.1 Generally.

Landlord shall not be liable for the loss of or damage to any property (including property of Tenant and others) occurring in or about the Leased Premises from any cause whatsoever. Landlord shall not be liable for injury to any person occurring in or about the Leased Premises except and to the extent that such injury is caused by Landlord's negligence. Except to the extent an injury to any person is caused by Landlord's negligence, Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims, charges, liabilities, obligations, penalties, damages, costs and expenses (including attorneys' fees) arising, claimed, charged or incurred against or by Landlord from any matter or thing arising from Tenant's use of the Leased Premises, the conduct of its business or from any activity, work or other things done, permitted or suffered by the Tenant in or about the Leased Premises, and Tenant shall further indemnify

and hold Landlord harmless from and, against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part or to be performed under the terms of this Lease, or arising from any act or negligence of Tenant, or any officer, agent, employee, guest, or invitee of Tenant, and from all costs, attorneys' fees, and liabilities incurred in or about the defense of any such claim or any action or proceeding brought thereon. If any action or proceeding is brought against Landlord by reason of such a claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by legal counsel reasonably satisfactory to Landlord.

18.2 Concurrent Negligence of Landlord and Tenant Relating to Construction, Repair and Maintenance Activities.

Notwithstanding Section 18.1 above, in the event of concurrent negligence of Tenant, its agents, employees, sublessees, invitees, licensees or contractors on the one hand, and that of Landlord, its partners, agents, employees or contractors on the other hand, which concurrent negligence results in injury or damage to persons or property and relates to the construction, alteration, repair, addition to, subtraction from, improvement to or maintenance of the Leased Premises or Bellevue Place, Tenant's obligation to indemnify Landlord as set forth in this Section 18 shall be limited to the extent of Tenant's negligence, and that of its agents, employees, sublessees, invitees, licensees or contractors, including Tenant's proportional share of costs, and attorneys' fees and expenses incurred in connection with any claim, action or proceeding brought with respect to such injury or damage.

18.3 Waiver of Workers' Compensation Immunity.

The indemnification obligations contained in this Lease shall not be limited by any workers' compensation, benefit or disability laws, and each indemnitor hereby waives any immunity that said indemnitor may have under the Industrial Insurance Act, Title 51 RCW and similar workers' compensation, benefit or disability laws.

18.4 Provisions Specifically Negotiated.

LANDLORD AND TENANT ACKNOWLEDGE BY THEIR EXECUTION OF THIS LEASE THAT EACH OF THE INDEMNIFICATION, RELEASE AND WAIVER PROVISIONS OF THIS LEASE (SPECIFICALLY INCLUDING BUT NOT LIMITED TO THOSE RELATING TO WORKERS' COMPENSATION BENEFITS AND LAWS) WERE SPECIFICALLY NEGOTIATED AND AGREED TO BY LANDLORD AND TENANT.

19. INSURANCE.

19.1 Liability Insurance.

(a) Liability Insurance. Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, a policy of comprehensive/commercial general liability insurance insuring Tenant's activities with respect to the Leased Premises, Bank of America Building and Bellevue Place against loss, damage or liability for personal injury or death or loss or damage to property with a limit of not less than Two Million Dollars (\$2,000,000) combined single limit for policies without a general aggregate limit. For policies with a general aggregate limit, such aggregate limit shall be not less than Two Million Dollars (\$2,000,000) and include an endorsement providing that the foregoing limit shall apply per location, including the Leased Premises, and have an occurrence limit not less than Two Million Dollars (\$2,000,000). In the event Tenant obtains a policy with a general aggregate limit, Tenant shall immediately notify Landlord if claims covered by such policy or policies at any time are made against Tenant which claims exceed fifty percent (50%) or more of the aggregate limit.

Notwithstanding the foregoing, if during the Lease Term, in Landlord's reasonable judgment, the policy limits required hereunder are no longer adequate to provide reasonable protection to Landlord, Landlord may notify Tenant of such inadequacy and an appropriate level of coverage and Tenant, within thirty (30) days of receiving such a notice, shall obtain such additional amounts of insurance and provide Landlord with satisfactory evidence thereof. Reference may be made to policy amounts required by other landlords for similar space and operations in determining what is reasonable protection hereunder. The insurance required under this Section shall be with companies rated A-VII or better in Best's Insurance Guide. Landlord, Kemper Development Company, and any other parties in interest designated by Landlord, shall be named as additional insureds. The insurance policy shall bear an endorsement that the policy shall not be cancelled or the policy limits reduced by endorsement below the coverage required by this Lease for any reason other than nonpayment of premiums except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof, including applicable endorsements, showing Landlord as an additional insured and the applicable policy limits thereof. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease.

(b) Service of Alcoholic Beverages. The insurance to be carried by Tenant pursuant to Section 19.1(a) above shall not exclude liability for violation of any governmental statute, ordinance, regulation or rule pertaining to the sale, gift, distribution or use of any alcoholic beverages, or liability by reason of the selling, serving or giving of any alcoholic beverage to a minor or to a person under the influence of alcohol or any other person, or which causes or contributes to the intoxication of any persons. Accordingly, the indemnification obligations in Section 18 of this Lease shall extend, as well, to damages occurring at locations other than the Leased Premises and resulting from risks insurable by any of the following (i) so-called drain shop liability insurance, (ii) host liquor liability insurance or (iii) liquor legal liability insurance or otherwise related to the sale, gift, distribution or use of alcoholic beverages.

19.2 Property Insurance.

In addition to the insurance required by Sections 19.1 and 19.2, Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, property insurance covering Tenant's supplies, inventory and other personal property as well as all improvements, additions and modifications to or in the Leased Premises, in an amount equal to full replacement cost without co-insurance penalty. The insurance policy shall bear an endorsement that the policy shall not be canceled or the policy limits reduced below the coverage required by this Lease for any reason other than non-payment of premiums, except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice to Landlord for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof.

19.3 Failure to Maintain.

If Tenant fails or refuses to maintain any insurance required by this Section 19, Landlord, at its discretion, may obtain and maintain insurance for such items and interests to protect Landlord in such amounts as Landlord may determine to be appropriate and any and all premiums paid or payable by Landlord therefor shall be deemed to be additional rent and shall be due on the payment date of the next installment of Rent hereunder. The failure to obtain or maintain any insurance required by this Section 19 shall constitute a material breach of this Lease.

19.4 Increase in Insurance Premium.

Notwithstanding anything in this Lease to the contrary, Tenant shall not keep, use, sell or offer for sale in or upon the Leased Premises any article, nor conduct any activities or operations, which are or may be prohibited by Landlord's insurance carriers. Tenant shall pay any increase in premiums for property or liability insurance maintained by Landlord resulting from Tenant's use or occupancy of the Leased Premises, whether or not Landlord has consented thereto. In the event of such increased insurance premiums to Landlord, Tenant also shall pay immediately to Landlord an amount equal to any additional premium on the insurance policy or policies that Landlord may carry for its protection against loss resulting from any insured event. In determining whether increased premiums are the result of Tenant's use or occupancy of the Leased Premises, the rates and premiums determined by the organization setting the insurance premiums shall be conclusive evidence of the several items and charges which make up the insurance premiums. Landlord shall deliver bills for such additional amounts to Tenant at such times as Landlord may elect, and Tenant shall immediately pay Landlord therefor.

20. ASSIGNMENT AND SUBLEASING.

20.1 Assignment or Sublease.

Tenant shall not assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise transfer this Lease or any interest therein, nor sublease the whole or any part of the Leased Premises, nor shall this Lease or any interest hereunder be assignable or transferable by any process or proceeding of any court, or otherwise, without in each case first obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld. Any such transaction undertaken without Landlord's prior written consent shall be null and void.

In determining whether to grant consent to Tenant's sublease or assignment request, Landlord may consider any factor, including but not limited to the experience and business reputation of the proposed assignee or sublessee in operating a business for the uses set forth in the Lease; whether the clientele, personnel and foot traffic generated by such proposed assignee or sublessee is satisfactory to Landlord; notwithstanding that Tenant and/or others remain liable under the Lease, whether the proposed assignee or sublessee has a net worth, and financial strength and credit record, reasonably satisfactory to Landlord; use of the Leased Premises by the proposed assignee or sublessee must be identical to the use permitted by the Lease; use of the Leased Premises by the proposed assignee or sublessee will not violate or create any potential violation of any laws; whether the quality of the business to be operated or likely to be operated by the proposed assignee or sublessee is satisfactory to Landlord; and whether Landlord's consent might result in a breach of any other lease or agreement to which Landlord is a party; and whether the product mix and target customer base of the proposed assignee or sublessee is consistent with the product mix and target customer base that Landlord is trying to maintain or achieve within Bellevue Place.

No assignment, subleasing or other transfer shall relieve Tenant of any liability under this Lease. The prohibition set forth in this Section 20 includes, without limitation (and the following shall be deemed to be "assignments"): (i) a consolidation or merger of Tenant; (ii) a change in the ownership or voting rights of more than twenty-five percent (25%) of the issued and outstanding stock of any corporate tenant; (iii) any subleasing or assignment which would otherwise occur by operation of law, merger, consolidation, reorganization, transfer or other significant change in corporate or proprietary structure; (iv) the sale, assignment or transfer of all or substantially all of the assets of Tenant, with or without the specific assignment of this Lease; and (v) a change in control in any partnership tenant. The acceptance by Landlord of any amounts following any transaction prohibited hereunder shall not be deemed to be a consent by Landlord nor shall the same be deemed to be a waiver of any right or remedy of Landlord.

hereunder. Consent to any such assignment, subleasing or other transfer shall not operate as a waiver of the necessity for consent to any subsequent assignment, subleasing or transfer. If Landlord's consent is requested for an assignment or sublease of all or a portion of the Leased Premises, Landlord shall have the right to terminate this Lease with respect to that portion of the Leased Premises for which such consent is requested, at the proposed effective date of such assignment or subleasing, and enter into the relationship of Landlord and Tenant with the proposed assignee or subtenant based on the rent (and/or other compensation) and term agreed to by such assignee or subtenant and otherwise upon the terms and conditions of this Lease. In connection with any sublease or assignment, Tenant shall promptly provide Landlord with fully executed copies of all assignment, sublease and assumption instruments.

20.2 Assignee Obligations.

As a condition to Landlord's consent, any potential assignee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, Other Charges and the performance of all terms, covenants and conditions of this Lease.

20.3 Sublessee Obligations.

As a condition to Landlord's consent, any potential sublessee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under the Lease during the term of the sublease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, and Other Charges, and the performance of all terms, covenants, and conditions of this Lease.

20.4 Conditional Consents.

Any consent by Landlord to any assignment or subleasing may be subject to any terms or conditions as Landlord shall determine appropriate (including but not limited to requiring that any and all guarantors of the Lease agree to continue to guarantee the Lease obligations after the assignment) and all such terms and conditions shall be binding upon any person holding by, under or through Tenant.

20.5 Attorneys' Fees and Costs.

Tenant shall reimburse Landlord for Landlord's attorneys' fees and costs incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subleasing or encumbrance.

21. ADVERTISING.

Tenant shall not inscribe any inscription, or post, place, or in any manner display any sign, awning, canopy, marquee, decoration, graphics, notice, picture, placard or poster, or any advertising matter whatsoever, anywhere in or about the Leased Premises or the Bank of America Building at places visible (either directly or indirectly as an outline or shadow on a glass pane) from anywhere outside the Leased Premises without first obtaining Landlord's written consent thereto, such consent to be at Landlord's sole discretion. Any such consent by Landlord shall be upon the understanding and condition that Tenant shall remove the same at the expiration or sooner termination of this Lease and Tenant shall repair any damage to the Leased Premises or the Bank of America Building caused thereby. All such signs and advertising matter shall comply with all applicable laws, governmental regulations, ordinances and orders,

22. LIENS.

No work performed by Tenant pursuant to this Lease shall be deemed to be for the immediate use and benefit of Landlord so that no mechanic's, materialmen's or other liens shall be allowed against the estate of Landlord by reason of any consent given by Landlord to Tenant to improve, alter or repair the Leased Premises. Tenant shall keep the Leased Premises, the Bank of America Building and Bellevue Place free and clear of all liens and encumbrances arising out of any work performed for, materials furnished to and obligations incurred by or on behalf of Tenant and Tenant shall indemnify and hold Landlord harmless from any liability from any and all costs, liabilities and expenses (including but not limited to attorneys' fees and Landlord's reasonable administrative costs and expenses) arising therefrom. Prior to commencing any improvement, alteration or repair work to the Leased Premises, Tenant shall provide to Landlord, at Tenant's sole cost and expense, separate payment and performance bonds for such work and materials in an amount equal to either (i) the actual contract price if the contract price is fixed, or (ii) one and one-half (1-1/2) times the estimated cost of the improvements, alterations or repairs which Tenant desires to make within the Leased Premises if the contract price is not fixed. Such bonds shall cover the faithful performance of the contract and payment of all obligations arising therefrom and insure Landlord against any and all liability for mechanics' and materialmen's liens and other similar liens and insure the completion of such work. If any lien is filed against the Bank of America Building, Bellevue Place or the Leased Premises by any person claiming by, through or under Tenant, Tenant shall, at Tenant's sole cost and expense, immediately discharge the same. If Tenant shall fail to cause such lien to be immediately discharged of record, then, in addition to any other right or remedy of Landlord, Landlord may bond or discharge the same by paying the amount claimed to be due, and the amount so paid by Landlord, including any reasonable attorney's fees incurred by Landlord in defending against or responding to such lien or in procuring its discharge of record, shall be due and payable by Tenant as additional rent.

23. TENANT'S DEFAULT.

23.1 Default.

The following shall constitute defaults and breaches of this Lease by Tenant:

- (a) Vacating the Leased Premises. The vacation or abandonment of the Leased Premises by Tenant or the failure of Tenant to be open for business on a fully-operational basis (except in the event of damage or destruction to the Leased Premises or when due to some other cause beyond Tenant's reasonable control, which prevents Tenant from conducting its business within the Leased Premises) for five (5) days or more.
- (b) Failure to Pay Rent. Tenant's failure to make any payment of Rent, Additional Rent or Other Charges, or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof by Landlord to Tenant,
- (c) Failure to Perform. Tenant's failure to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant where such failure continues for a period of ten (10) days (except as otherwise provided in this Lease) after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's failure is such that more than ten (10) days are required for its Cure, Tenant shall not be deemed to be in default under this Section 23.1(e) if Tenant commences such cure within such ten (10) day period and thereafter diligently prosecutes such cure to completion,
- (d) Bankruptcy. The making by Tenant of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition for reorganization or arrangement under any law

relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days of filing); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Leased Premises or of Tenant's interest in this Lease, where such seizure is not discharged in thirty (30) days after appointment of such trustee or receiver, or the filing of the petition for the appointment of the same, whichever shall first occur.

(e) Repeated Defaults. Tenant's failure to perform or observe any of Tenant's obligations under the Lease after Tenant has neglected or failed to perform or observe any of Tenant's obligations under the Lease at least twice previously (although Tenant shall have cured any such previous failure after notice from Landlord, and within the notice period).

23.2 Remedies in Default.

In the event of any default or breach of this Lease by Tenant (whether or not set forth in Section 23.1 above), Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach:

(a) Terminate the Lease. Terminate Tenant's right to possession of the Leased Premises by any lawful means, in which case Tenant shall immediately surrender possession of the Leased Premises to Landlord. In such event, Landlord shall be entitled to recover from the Tenant all past due Rent, Additional Rent and Other Charges and all other amounts owed under the terms of this Lease; the expense of re-leasing the Leased Premises, including but not limited to the expense of renovating and alterations to the Leased Premises and any leasing commissions; reasonable attorneys' fees and costs; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid Rent and Additional Rent called for herein for the balance of the Lease Term after the time of such award exceeds the amount of such loss for the same period that Tenant proves could be reasonably avoided (the "worth at the time of award" shall be determined by discounting such 'excess amount by the discount rate of the Federal Reserve Bank of San Francisco plus one percent (1%)); and any and all other damages arising from Tenant's default or breach; or,

(b) Continue the Lease. Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Leased Premises. In such event, Landlord shall be entitled to enforce all Landlord's rights and remedies under this Lease, including the right to recover damages, Rent, Additional Rent, Other Charges, and any other payments as may become due hereunder; or,

(c) Other Remedies. Pursue any other remedy or remedies now or hereafter available to Landlord under the laws or judicial decisions of the State of Washington.

23.3 Legal Expenses.

If either party is required to bring or maintain any action (including assertion of any counterclaim or cross-claim, or claim in a proceeding in bankruptcy, receivership or any other proceeding instituted by a party hereto or by others), or otherwise refers this Lease to an attorney for the enforcement of any of the covenants, agreements, terms or conditions of this Lease, the prevailing party, in addition to all other remedies provided herein, shall receive from the other party all costs (including reasonable attorneys' fees) incurred in the enforcement of the covenants, agreements, terms and conditions of this Lease (whether or not an action is instituted) and including any such costs and fees incurred by the prevailing party on any appeal.

23.4 Bankruptcy.

(a) Assumption of Lease. In the event Tenant becomes a Debtor under Chapter 7 of the Bankruptcy Code ("Code") or a petition for reorganization or adjustment of debts is filed concerning Tenant under Chapters 11 or 13 of the Code, or a proceeding is filed under Chapter 7 of the Code and is transferred to Chapters 11 or 13 of the Code, the Trustee or Tenant, as Debtor and as Debtor-In-Possession, may not elect to assume this Lease unless, at the time of such assumption, the Trustee or Tenant has:

(1) Cured all defaults under the Lease and paid all sums due and owing under the Lease or provided Landlord with "Adequate Assurance" (as defined below) that: (A) within ten (10) days from the date of such assumption, the Trustee or Tenant will completely pay all sums due and owing under this Lease and compensate Landlord for any actual pecuniary loss resulting from any existing default or breach of this Lease, including without limitation, Landlord's reasonable costs, expenses, accrued interest, and attorneys' fees incurred as a result of the default or breach; (B) within twenty (20) days from the date of such assumption, the Trustee or Tenant will cure all non-monetary defaults and breaches under this Lease; and (C) the assumption will be subject to all of the provisions of this Lease.

(2) For purposes of this Section, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding involving Tenant, at a minimum, "Adequate Assurance" shall mean: (A) the Trustee or Tenant has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Tenant will have sufficient funds to fulfill the obligations of Tenant under this Lease; (B) the Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or Tenant shall have granted a valid and perfected first lien and security interest and/or mortgage in property of Trustee or Tenant acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Tenant to cure the monetary and/or non-monetary defaults and breaches under this Lease within the time periods set forth above; and (C) the Trustee or Tenant, at the very minimum, shall deposit a sum equal to two (2) months' Rent to be held by Landlord (without any allowance for interest thereon) to secure Tenant's future performance under the Lease.

(b) Assignment of Lease. If the Trustee or Tenant has assumed the Lease pursuant to the provisions of this Section for the purpose of assigning Tenant's interest hereunder to any other person or entity, such interest may be assigned only after the Trustee, Tenant or the proposed assignee have complied with all of the terms, covenants and conditions of this Lease, including, without limitation, those with respect to Additional Rent; Landlord and Tenant acknowledging that such terms, covenants and conditions are commercially reasonable in the context of a bankruptcy proceeding of Tenant. Any person or entity to which this Lease is assigned pursuant to the provisions of the Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon request execute and deliver to Landlord an instrument confirming such assignment.

(c) Adequate Protection. Upon the filing of a petition by or against Tenant under the Code, Tenant, as Debtor and as Debtor-In-Possession, and any Trustee who may be appointed agree to adequately protect Landlord as follows: (1) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed by Order of the Bankruptcy Court; (2) to pay all monetary obligations required under this Lease, including without limitation, the payment of Rent and Additional Rent payable hereunder which is considered reasonable compensation for the use and occupancy of the Leased Premises; (3) provide Landlord a minimum of thirty (30) days' prior written notice, unless a shorter period is agreed to in writing by the parties, of any proceeding relating to any assumption of this Lease or any intent to abandon the Leased Premises, which abandonment shall be deemed a rejection of this Lease; and (4) to perform to the benefit of Landlord as otherwise required under the Code.

The failure of Tenant to comply with the above shall result in an automatic rejection of this Lease.

23.5 Remedies Cumulative - Waiver.

Landlord's remedies hereunder are cumulative and the Landlord's exercise of or failure to exercise any right or remedy due to a default or breach by Tenant shall not be deemed a waiver of, or to alter, affect or prejudice any right or remedy which Landlord may have under this Lease or by law. Neither the acceptance of rent, nor any other act or omission of Landlord at any time or times after the happening of any breach, default or other event authorizing the cancellation or forfeiture of this Lease, shall operate as a waiver of any past or future violation, breach or failure to keep or perform any covenant, agreement, term or condition hereof or to deprive Landlord of its right to cancel or forfeit this Lease, upon the written notice provided for herein, at any time that cause for cancellation or forfeiture may exist, or be construed so as at any time to stop Landlord from promptly exercising any other option, right or remedy that it may have under any term or provision of this Lease, at law or in equity.

24. SUBORDINATION AND ATTORNMENT; MORTGAGEE PROTECTION.

24.1 Subordination - Notice to Mortgagee.

At the request of Landlord, Tenant shall promptly execute, acknowledge and deliver all instruments which may be appropriate to subordinate this Lease to any existing or future mortgages or deeds of trust on Bellevue Place, the Bank of America Building or the Leased Premises, and to any extensions, renewals or replacements thereof; provided, that the mortgagee or beneficiary, as the case may be, shall agree, in exchange for the agreement of Tenant to attorn to such mortgagee or beneficiary, to recognize this Lease in the event of foreclosure if Tenant is not in default at such time. Notwithstanding anything to the contrary in this Lease, Landlord shall not be in breach or default under any provision of this Lease unless written notice specifying such breach or default is given to Landlord and to all persons who have an interest in all or part of Bellevue Place as mortgagees and/or deed of trust beneficiaries and whose names and addresses have been given to Tenant in writing or are recorded in the records of King County, and the provisions of Section 14 have been fully complied with.

24.2 Mortgagee Protection Clause.

Tenant shall give all mortgagees and deed of trust holders, by registered or certified mail, copies of all notices of default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the addresses of such mortgagees or deed of trust holders. If Landlord fails to cure such default within the time provided in this Lease, then the mortgagees or deed of trust holders shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary, provided that within such thirty (30) days any mortgagee or deed of trust holder commences and diligently pursues the remedies necessary to cure such default (including but not limited to commencement of judicial or nonjudicial foreclosure proceedings, if necessary, to effect such cure).

25. SURRENDER OF POSSESSION.

Subject to the terms of Sections 11, 13 and 16, upon expiration of the term of this Lease, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Leased Premises to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable use and wear and tear and damage by fire or other casualty excepted.

26. REMOVAL OF PROPERTY.

Tenant shall remove all of its personal property and improvements designated to be removed pursuant to Section 11.2 at the termination of this Lease either by expiration of the term or other cause, and shall pay Landlord for any damages for injury to the Leased Premises or Bank of America Building resulting from such removal. If Tenant shall fail to remove any of its property of any nature whatsoever from the Leased Premises or the Bank of America Building at the termination of this Lease or when Landlord has the right of re-entry, Landlord may remove and store such property without liability for loss thereof or damage thereto, such storage to be for the account and at the expense of Tenant. If Tenant shall not pay the cost of storing any such property after it has been stored for a period of thirty (30) days or more, Landlord may, at its option, sell, or permit to be sold, any or all such property at public or private sale, in such manner and at such times and places as Landlord in its sole discretion may deem proper, without notice to Tenant, unless notice is required under applicable statutes, and shall apply the proceeds of such sale: first, to the cost and expense of such sale, including reasonable attorneys' fees actually incurred; second, to the payment of the costs or charges for storing any such property; third, to the payment of any other sums of money which may then be or thereafter become due to Landlord from Tenant under any of the terms hereof; and, fourth, the balance, if any, to Tenant.

27. VOLUNTARY SURRENDER.

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, but, at the option of Landlord, shall terminate all or any existing subleases and subtenancies or operate as an assignment to Landlord of any or all such subleases or subtenancies.

28. EMINENT DOMAIN.

28.1 Total Taking.

If all the Leased Premises are taken by the power of eminent domain exercised by any governmental or quasi-governmental authority, this Lease shall terminate as of the date Tenant is required to vacate the Leased Premises and all Rent, Additional Rent and Other Charges due hereunder shall be paid to that date. As used in this Section 28, the term "eminent domain" shall include the taking of property by, through or under any governmental or quasi-governmental authority, and any purchase or acquisition in lieu thereof, whether or not the damaging or taking is by the government or any other person authorized to exercise the power of eminent domain.

28.2 Constructive Taking of Entire Premises.

In the event of a taking of a material part, but less than all, of the Bank of America Building, where Landlord shall reasonably determine that the remaining portions of the Bank of America Building cannot be economically or effectively used as desired by Landlord (whether on account of physical, economic, aesthetic or other reasons), Landlord shall forward a written notice to Tenant of such determination not more than sixty (60) days after the date of taking. The term of this Lease shall expire upon such date as Landlord shall specify in such notice but not earlier than sixty (60) days after the date of such notice.

28.3 Partial Taking.

If more than fifteen percent (15%) of the Rentable Area of the Leased Premises is taken or appropriated by the power of eminent domain, this Lease, at the option of either party, may be terminated by written notice given to the other party not more than thirty (30) days after Landlord and Tenant receive written notice of the taking or appropriation, and such termination

shall be effective as of the date Tenant is required to vacate the portion of the Leased Premises so taken. If more than ten percent (10%) of the Common Area of the Bank of America Building is taken by the power of eminent domain, then Landlord, at its option, may terminate this Lease by written notice given to Tenant within sixty (60) days of the date of such taking. If this Lease is so terminated, all Rent, Additional Rent and Other Charges due hereunder shall be paid to the date of termination. Whenever any portion of the Leased Premises or Common Area is taken by the power of eminent domain and this Lease is not terminated, Landlord, at its expense, shall proceed with reasonable dispatch to restore, to the extent that it is reasonably prudent, the remainder of the Leased Premises and Common Area to their condition immediately prior to such taking, and Tenant, at its sole expense, shall proceed with reasonable dispatch to restore the fixtures and improvements installed by Tenant and Tenant's furniture, furnishings, and equipment to the same condition they were in immediately prior to such taking. From the date Tenant is required to vacate that portion of the Leased Premises so taken, the Rent and Additional Rent payable hereunder shall be reduced in the same proportion that the area taken bears to the Rentable Area of the Leased Premises prior to the taking.

28.4 Damages.

Landlord reserves all rights to the entire damages award or payment for taking by the power of eminent domain, and Tenant shall make no claim whatsoever against Landlord for damages for termination of its leasehold interest in the Leased Premises or for interference with its business. Tenant hereby grants or and assigns to Landlord any right Tenant may now have or hereafter acquire to such awards and payments and agrees to execute and deliver such further instruments of assignment thereof as Landlord may from time to time request. Notwithstanding the foregoing, Tenant shall have the right to claim from the condemning authority all compensation that may be recoverable by Tenant on account of any loss incurred by Tenant in removing Tenant's merchandise, furniture and other personal property that Tenant is entitled to remove at the termination of this Lease or for damage to Tenant's business; provided, however, that Tenant may claim such damages only if they are awarded separately in the eminent domain proceeding and not as part of Landlord's damages.

29. NOTICES.

Any notices required in accordance with any of the provisions herein, if to Landlord, shall be delivered in person or mailed by an express mail service, such as Federal Express or UPS, to the address of Landlord as set forth in Section 1.2 above or at such other place as Landlord may in writing from time to time direct to Tenant, and if to Tenant, shall be delivered in person or sent by an express mail service, such as Federal Express or UPS, to Tenant at the Leased Premises. If Tenant is more than one person or entity, any notice required or permitted hereunder may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. Any notices mailed to Tenant bearing the proper address and adequate postage for delivery shall be deemed effective upon deposit in the U.S. mail.

30. LANDLORD'S LIABILITY.

Anything in this Lease to the contrary notwithstanding, the covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord, but are made and intended for the purpose of binding only the Landlord's interest in the Leased Premises and Bank of America Building, as the same may from time to time be encumbered. No personal liability or personal responsibility is assumed by, nor shall at any time be asserted or enforceable against Landlord or its partners or their respective heirs, legal representatives, successors, and assigns on account of the Lease or on account of any covenant, undertaking or agreement of Landlord in this Lease contained. Therefore, in consideration of the

benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

- (a) The sole and exclusive remedy of Tenant shall be against the Landlord's interest in the Leased Premises and the Bank of America Building;
- (b) No general or limited partner of Landlord, or any director, officer, agent or employee of any corporation if Landlord, or any general or limited partner of Landlord, is a corporation (collectively, for the purpose of this Section 30, referred to as "general or limited partner of Landlord") shall be sued or named as a party in any suit or action, and Landlord shall not assert therein the defense or lack of personal jurisdiction arising out of Tenant's compliance with this Section 30;
- (c) No general or limited partner of Landlord shall be required to answer or otherwise plead to any service or process;
- (d) No judgment will be taken against any general or limited partner of Landlord;
- (e) Any judgment taken against any general or limited partner of Landlord may be vacated and set aside at any time nunc pro tunc;
- (f) No writ of execution will ever be levied against the asset of Landlord or any general or limited partner of Landlord, other than Landlord's interest in the Leased Premises or the Bank of America Building;
- (g) These covenants and agreements are enforceable both by Landlord and also by any general or limited partner of Landlord.

31. TENANT'S CERTIFICATES.

Tenant shall at any time and from time to time, within ten (10) days after written notice from Landlord; execute, acknowledge and deliver to Landlord or its designee a written statement substantially in the form of Exhibit "G" certifying, to the extent true, that (i) this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way (or specifying the date and terms of all agreements so affecting this Lease); (ii) all conditions under this Lease to be performed by the Landlord have been satisfied, if any; (iii) all required contributions by Landlord, if any, to Tenant on account of Premises Improvements or additional improvements have been received; (iv) as of the date of such certification there are no existing claims, defenses or offsets that the Tenant has against the enforcement of this Lease by the Landlord; (v) no Rent or other rent obligation has been paid more than one month in advance; and (vi) no security has been deposited with Landlord (or, if so, the amount thereof). It is intended that all statements delivered pursuant to this paragraph may be relied upon by prospective purchasers of Landlord's interest, Landlord's lenders, and other designees of Landlord and Landlord's lenders. If Tenant fails to respond within ten (10) days of Tenant's receipt of a written request by Landlord as herein provided, such failure shall be a material default under the terms and conditions of this Lease. In addition, Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee, that this Lease is in full force and effect, that there are no uncured defaults in Landlord's performance, that the security deposit is as stated in the Lease and that no more than one month's Rent has been paid in advance.

32. RIGHT TO PERFORM.

If Tenant shall fail to pay any sum of money, other than Rent and Additional Rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from any obligations of Tenant, make any such payment or perform any such other act on Tenant's part to be made or performed as provided in this Lease. Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.

33. AUTHORITY.

Each individual executing this Lease on behalf of Tenant personally represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms and, if Tenant is a corporation, in accordance with a duly adopted resolution of the Board of Directors of Tenant and that such action and execution is in accordance with the bylaws of Tenant. If Tenant is a corporation, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of a resolution of the Board of Directors of Tenant authorizing or ratifying the execution of this Lease.

34. PARKING AND COMMON AREAS.

34.1 Parking.

Landlord shall provide Tenant with two point seven (2.7) parking permits for each one thousand (1,000) square feet in the Rentable Area of the Leased Premises, at the current rate of One Hundred Ninety-two and 00/100 Dollars (\$192.00) per parking permit per month (excluding tax), which monthly rate may increase from time to time during the Lease Term. If available, additional parking permits may be purchased by Tenant on a month to month basis at the then current rates for such parking. Tenant's employees shall not park their vehicles in the automobile parking areas of the Common Areas and Facilities which may from time to time be designated for patrons of Bellevue Place. Landlord at all times shall have the right to designate the particular parking areas to be used by Tenant's employees and any such designation may be changed from time to time. Tenant and its employees shall park their vehicles only in those portions of the Common Areas and Facilities, if any, designated for that purpose by Landlord. Tenant shall furnish Landlord with Tenant's and Tenant's employees' state vehicle license numbers within fifteen (15) days after Tenant opens for business in the Leased Premises and Tenant shall thereafter notify Landlord of any changes within two (2) days after such change occurs. If Tenant or its employees fail to park their vehicles in designated parking areas, then Landlord, without limiting any other remedy Landlord may have, may charge Tenant a minimum of Ten Dollars (\$10.00) per day for each day or partial day for each vehicle improperly parked; provided, however, Landlord shall give Tenant written notice of the first violation of this provision and Tenant shall have two (2) days thereafter within which to cause the violation to be discontinued; and if not discontinued within such two-day period, then the vehicle fines shall commence. After notice of the first such violation, no notice of any subsequent violation shall be required prior to the imposition of any parking fine. All amounts due under the provisions of this Section shall be additional rent and due and payable by Tenant within ten (10) days after demand therefor. Tenant shall notify its employees in writing of the provisions of this Section.

34.2 Common Areas.

Landlord shall at all times have exclusive control and management of the Common Areas and Facilities of Bellevue Place. Tenant shall have the nonexclusive right in common with others

to use the public areas of the Bank of America Building and the Common Areas and Facilities of Bellevue Place, subject to such nondiscriminatory rules and regulations as Landlord may adopt from time to time governing the use thereof including, but not limited to, the right to close the same from time to time to such an extent as may be legally sufficient, in Landlord's opinion, to prevent a dedication thereof or the accrual of right to any person or to the public therein. Tenant shall comply with the rules and regulations that Landlord and the owner or ground lessee of Bellevue Place may from time to time promulgate and/or modify regarding use and operation of the Common Areas of the Bank of America Building and Common Areas and Facilities of Bellevue Place. The rules and regulations shall be binding upon Tenant upon delivery of a copy thereof to Tenant. Landlord shall not be responsible to Tenant for the nonperformance of such rules and regulations by any other tenants or occupants of space in either Bellevue Place or the Bank of America Building. The term "Common Areas and Facilities of Bellevue Place" refers to all on and off-site areas and/or related facilities which are made available or are used from time to time for the general use, convenience and benefit of Landlord and other persons entitled to occupy space in Bellevue Place, including their employees, invitees, licensees and guests, which areas shall include, but not be limited to, all parking structures and parking areas (including off-site parking), driveways, sidewalks, landscaped or planted areas, pedestrian areas, lobbies, walkways, the Wintergarden Retail Center and Parking Garage. The term "Common Areas and Facilities of Bellevue Place" also refers to all on-site and off-site areas and/or related facilities which may not be accessible to Tenant and other persons entitled to occupy space in Bellevue Place, but which are used in conjunction with the operation, management, repair or maintenance of Bellevue Place, including, but not limited to janitorial closets, on and/or off-site management offices and maintenance areas. The term "Common Areas and Facilities of the Bank of America Building" refers to the Common Areas and Facilities of Bellevue Place located within the Bank of America

35. TRANSPORTATION MANAGEMENT PROGRAM.

Tenant shall cooperate with Landlord and the designated Transportation Management Association in complying with the terms and conditions of the Bellevue Place Transportation Management Program, as set forth in the Bellevue Place Transportation Management Agreement, a copy of which is attached hereto as Exhibit "F" and incorporated herein, and shall become a member participant in the designated Transportation Management Association. Tenant shall designate one of its employees or agents as Tenant Transportation Coordinator, who shall represent Tenant in all matters pertaining to transportation management. Landlord shall be immediately notified of any change in the Transportation Coordinator.

36. QUIET ENJOYMENT.

Tenant, upon fully complying with and promptly performing all of the terms, covenants and conditions of this Lease to be performed on its part and upon the prompt and timely payment of all sums due hereunder, shall have and possess the Leased Premises for the Lease Term set forth herein.

37. GENERAL.

37.1 Captions.

Any section or paragraph titles or captions are for convenience only and shall not be deemed to define, limit or otherwise modify the scope and intent of this Lease or any provision thereof.

37.2 Bellevue Place Rent and Income.

All amounts to be paid hereunder, specifically including all Rent, Additional Rent and Other Charges, shall be paid as and when due, and without any setoff or deduction whatsoever. Landlord shall be entitled to all rent and other payments on all leases and tenancies at Bellevue Place on all property owned or leased by Landlord and any other payments made to Landlord or its agents for any other activities, uses or operations at Bellevue Place.

37.3 Successors or Assigns.

All the terms, conditions, covenants and agreements of this Lease shall extend to and be binding upon Landlord, Tenant, their respective heirs, administrators, executors, successors and assigns, and upon any person or persons coming into ownership or possession of any interest in the Leased Premises by operation of law or otherwise, and shall be construed as covenants running with the land,

37.4 Tenant Defined.

The word "Tenant" as used herein shall mean each and every person, partnership, limited liability company or corporation who is mentioned as a Tenant herein or who executes this Lease as Tenant.

37.5 Lost Security or Access Key Card.

Tenant shall reimburse Landlord for any and all losses and expenses incurred or suffered by Landlord as a result of Tenant or any of Tenant's agents, employees, licensees or contractors losing any security or access key card or similar device issued to Tenant, which losses or expenses are incurred or suffered by Landlord prior to Tenant notifying Landlord of the loss of such card or similar device.

37.6 Landlord's Consent.

Unless otherwise specifically stated herein, whenever Landlord's consent or approval is required, Landlord's consent or approval may be withheld in Landlord's sole subjective discretion.

37.7 Broker's Commission.

Tenant represents and warrants to Landlord it has incurred no liabilities or claims for brokerage commissions or finder's fees in connection with the execution of this Lease and it has not dealt with or has any knowledge of any real estate broker, agent or salesperson in connection with this Lease except Broderick Group, Inc., which represents both Landlord and Tenant. Each party agrees to indemnify and hold the other parties harmless from all such liabilities or claims (including, without limitation, attorneys' fees) by anyone other than Broderick Group, Inc.

37.8 Partial Invalidity.

If any term, covenant, or condition of this Lease or the application thereof to any person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Lease, and the application of the terms, covenants or conditions to persons or circumstances other than those which are held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

37.9 Recording.

Tenant shall not record this Lease. Tenant also shall not record any memorandum of lease. However, upon the request of Landlord, Tenant shall execute and deliver to Landlord a memorandum in the form provided by Landlord. The memorandum shall describe the parties, the Leased Premises, the Lease Term and Tenant's obligation to comply with the Transportation Management Agreement and City of Bellevue Land Use Code Paragraph 20.25A.030.C.1, or any similar or successor law, regulation, code or rule, if applicable.

37.10 Joint Obligation.

If there is more than one Tenant, the obligations hereunder imposed shall be joint and several.

37.11 Time.

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

37.12 Prior Agreements.

It is understood that there are no oral or written agreements or representations between Landlord and Tenant affecting this Lease and that this Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements and understandings, if any, made by or between Landlord and Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret, construe, supplement, or contradict this Lease. This Lease, and all mutually-executed written amendments thereto, is and shall be considered to be the only agreement between Landlord and Tenant and their representatives and agents. All negotiations and oral agreements acceptable to Landlord and Tenant have been merged into and are included in this Lease. There are no other representations, covenants or warranties between Landlord and Tenant and all reliance with respect to representations is solely upon the express representations, covenants and warranties contained in this Lease. Although the printed provisions of this Lease were drawn by Landlord, Landlord and Tenant agree that this circumstance shall not create any presumption, canon of construction, or implication favoring the position of either Landlord or Tenant. Landlord and Tenant agree that the interlineation, obliteration, or deletion of language from this Lease prior to its mutual execution by Landlord and Tenant shall not be construed to have any particular meaning or to raise any presumption, canon of construction, or implication, including, without limitation, any implication that Landlord or Tenant intended thereby to state the converse, obverse or opposite of the deleted language. This Lease shall be read as if the obliterated or deleted language had never existed and the interlined language had always existed.

37.13 Inability to Perform.

The obligations of Landlord or Tenant hereunder shall be excused for a period equal to the time by which such performance is prevented or delayed due to acts of God or any other causes beyond the reasonable control of such party, financial inability or negligence excepted. The provisions of Section 37.13 shall not apply to any payment of Rent, Additional Rent or Other Charges.

37.14 Transfer of Landlord's Interest.

In the event of any transfer or transfers of Landlord's interest in the Leased Premises or Bellevue Place, other than a transfer for security purposes only, the transferor shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing from and after the date of such transfer and Tenant agrees to attorn to such transferee.

37.15 No Light, Air or View Easement.

Any diminution or shutting off of light, air or view by any structure which may be erected on land on or adjacent to Bellevue Place shall in no way affect this Lease or the obligation of Tenant hereunder nor impose any liability on Landlord.

37.16 Reciprocal Easement Agreements.

This Lease shall be subordinate to any and all operating, maintenance and reciprocal easement agreements (“REAs”) entered into by and among Landlord and any other parties, including any amendments or modifications thereto. Tenant shall execute and return to Landlord within ten (10) days after written request therefor by Landlord, agreements in recordable form, substantially in the form of Exhibit “H”, subordinating this Lease to any such REAs.

37.17 Waiver.

The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent, Additional Rent, Other Charges or any other sum hereunder by Landlord shall not be deemed to be a waiver of any preceding default by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular sum so accepted, regardless of Landlord’s knowledge of such preceding default at the time of the acceptance of such sum. In addition, no endorsement or statement on any check or any letter accompanying any payment shall be deemed an accord and satisfaction, and Landlord’s right to recover the balance of such rent or pursue any other remedy provided herein or otherwise shall not be affected by such endorsement or statement or by the acceptance of such payment.

37.18 Name.

Tenant shall not, without the prior written consent of Landlord, use the name of the building or project for any purpose other than as the address of the Leased Premises, and in any event, Tenant shall not acquire any rights in or to such names.

37.19 Choice of Law - Venue.

This Lease shall be governed by the laws of the State of Washington. The venue for any action to enforce the terms of this Lease or collect any amounts owing by Tenant to Landlord shall be in the Superior Court for King County, Washington.

37.20 OFAC Certification.

(a) Certification. Tenant certifies that:

(i) It is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, “Specially Designated National and Blocked Person,” or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and

(ii) It is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity, or nation.

(b) **Indemnification.** Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney's fees and costs) arising from or related to any breach of the foregoing certification.

37.21 Current Tenant.

Tenant is aware that the Leased Premises is currently occupied by another tenant or tenants (the "Current Tenant") and the Current Tenant may fail or refuse to vacate the Leased Premises and relinquish all claims to the Leased Premises prior to the date Landlord desires to commence the Premises Improvements. Landlord shall have no responsibility under this Lease to take any action to remove the Current Tenant and shall not be liable for any damages, injuries or claims that may be suffered by Tenant relating to or arising out of, directly or indirectly, the Current Tenant's failure or refusal to vacate and release all interest in the Leased Premises.

IN WITNESS WHEREOF this Lease has been executed the day and year first above set forth.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company

By: KEMPER DEVELOPMENT
COMPANY, a Washington corporation;
Its Manager

By: /s/ James E. Melby
James E. Melby
Its: President

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Jennifer Ceran
Jennifer Ceran
Its: CFO

OFFICE LEASE EXHIBITS

Exhibit "A" - Legal Description of Bellevue Place

Exhibit "B" - Site Plan of Bellevue Place

Exhibit "C" Floor Plan Of The Leased Premises

Exhibit "D" Tenant Design & Construction Manual

Exhibit "E" Rules and Regulations

Exhibit "F" - Bellevue Place Transportation Management

Exhibit "G" – Form of Tenant Estoppel Certificate

Exhibit "H" – Form of Subordination Agreement to Reciprocal Easement Agreement

EXHIBIT A
LEGAL DESCRIPTION OF BELLEVUE PLACE

EXHIBIT B
SITE PLAN OF BELLEVUE PLACE

EXHIBIT C
FLOOR PLAN OF THE LEASED PREMISES

EXHIBIT D

TENANT DESIGN & CONSTRUCTION MANUAL
(including Base Building Finish Condition)

EXHIBIT E
RULES AND REGULATIONS

EXHIBIT F

BELLEVUE PLACE TRANSPORTATION MANAGEMENT AGREEMENT

EXHIBIT G
FORM OF TENANT ESTOPPEL CERTIFICATE

EXHIBIT H

**FORM OF SUBORDINATION AGREEMENT
TO RECIPROCAL EASEMENT AGREEMENT**

THIS FIRST LEASE ADDENDUM

THIS FIRST LEASE ADDENDUM (this "Addendum") is made this 19th day of December, 2018, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into a non-residential Lease dated March 7, 2017 (the "Lease"), for certain space on the twelfth (12th) floor in the Bank of America Building at Bellevue Place, Bellevue, Washington, consisting of 11,287 rentable square feet (the "Existing Premises"), which leased space is more specifically described in the Lease

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects, which include (i) adding additional space consisting of 8,584 rentable square feet on the twelfth (12th) floor of the Bank of America Building commonly known as Suite 1250 located adjacent to the Existing Premises (the "Expansion Premises"); (ii) setting forth the terms and conditions for Lease Term, Rent and other matters related to the Expansion Premises; (iii) providing for Expansion Premises Improvements and (iv) extending the Lease Term for the entire Leased Premises which shall consist of the Existing Premises and the Expansion Premises.

C. Landlord and Tenant are simultaneously executing the Fourth Lease Addendum to the Lease for "Suite 960" of the Bank of America Building ("Suite 960 Lease") and the Fourth Lease Addendum to the Lease for "Suite 1300" of the Bank of American Building ("Suite 1300 Lease").

D. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

1. **Section 1. BASIC LEASE DATA, TERMS AND EXHIBITS**. The following paragraphs of Section 1 of the Lease are hereby amended in their entirety and/or added to read as follows:

1.6 **Leased Premises**: That portion of the twelfth (12th) floor consisting of the Existing Premises and the Expansion Premises as and where shown on **Exhibit A** attached hereto and incorporated herein.

1.7 **Rentable Area of the Leased Premises**: Effective upon the Expansion Premises Commencement Date, a total of nineteen thousand eight hundred seventy-one (19,871) rentable square feet, consisting of the following:

Existing Premises: Eleven thousand two hundred eighty-seven (11,287) rentable square feet; and

Expansion Premises: Eight thousand five hundred eighty-four (8,584) rentable square feet.

1.9 **Tenant's Share**: **[based on 19,871 rentable square feet]**

Upon the Expansion Premises Commencement Date, Sections 1.9(b) and 1.9(c) of the Lease are hereby amended in their entirety to read as follows:

(b) Operating, Repair and Maintenance Expenses for the Bank of America Building and the Comer Building: four point two eight six percent (4.286%) based on 463,599 rentable square feet pursuant to Section 1.8(a) of the Lease; and

(c) Operating, Repair and Maintenance Expenses for Bellevue Place: three point eight two five percent (3.825%) based on 519,549 rentable square feet pursuant to Section 1.8(b) of the Lease.

1.10 Rent:

Existing Premises: The following paragraphs are hereby added at the end of Section 1.10 of the Lease to read as follows:

[Based on 11,287 rentable square feet]

From and including September 1, 2023, through and including June 30, 2024, Rent shall be Forty-nine and 52/100 Dollars (\$49.52) per rentable square foot or Forty-six Thousand Five Hundred Seventy-seven and 69/100 Dollars (\$46,577.69) per month.

From and including July 1, 2024, through and including June 30, 2025, Rent shall be Fifty-one and 01/100 Dollars (\$51.01) per rentable square foot or Forty-seven Thousand Nine Hundred Seventy-nine and 16/100 Dollars (\$47,979.16) per month.

From and including July 1, 2025, through and including the Expiration Date, Rent shall be Fifty-two and 54/100 Dollars (\$52.54) per rentable square foot or Forty-nine Thousand Four Hundred Eighteen and 25/100 Dollars (\$49,418.25) per month.

Expansion Premises:

[Based on 8,584 rentable square feet]

From and including the Expansion Premises Commencement Date, through and including June 30, 2020, Rent shall be Forty-four and 00/100 Dollars (\$44.00) per rentable square foot per annum or Thirty-one Thousand Four Hundred Seventy-four and 67/100 Dollars (\$31,474.67) per month.

From and including July 1, 2020, through and including June 30, 2021, Rent shall be Forty-five and 32/100 Dollars (\$45.32) per rentable square foot or Thirty-two Thousand Four Hundred Eighteen and 91/100 Dollars (\$32,418.91) per month.

From and including July 1, 2021, through and including June 30, 2022, Rent shall be Forty-six and 68/100 Dollars (\$46.68) per rentable square foot or Thirty-three Thousand Three Hundred Ninety-one and 76/100 Dollars (\$33,391.76) per month.

From and including July 1, 2022, through and including June 30, 2023, Rent shall be Forty-eight and 08/100 Dollars (\$48.08) per rentable square foot or Thirty-four Thousand Three Hundred Ninetythree and 23/100 Dollars (\$34,393.23) per month.

From and including July 1, 2023, through and including June 30, 2024, Rent shall be Forty-nine and 52/100 Dollars (\$49.52) per rentable square foot or Thirty-five

Thousand Four Hundred Twentythree and 31/100 Dollars (\$35,423.31) per month.

From and including July 1, 2024, through and including June 30, 2025, Rent shall be Fifty-one and 01/100 Dollars (\$51.01) per rentable square feet or Thirty-six Thousand Four Hundred Eightnine and 15/100 Dollars (\$36,489.15) per month.

From and including July 1, 2025, through and including the Expiration Date, Rent shall be Fifty-two and 54/100 Dollars (\$52.54) per rentable square feet or Thirty-seven Thousand Five Hundred Eighty-three and 61/100 Dollars (\$37,583.61) per month.

1.11 Lease Term:

Existing Premises: The Lease Term is hereby extended to expire on the Expiration Date below.

Expansion Premises: Approximately eighty-four (84) calendar months, plus that portion of a calendar month necessary, if at all, for the Expiration Date to occur on the last day of such calendar month.

1.13 Expiration Date: June 30, 2026

1.14 Security Deposit: The following is hereby added to the end of paragraph 1.14 of Section 1 of the Lease:

Expansion Premises Security Deposit:

Sixty (60) days prior to the commencement of the Expansion Premises Improvements, Tenant shall pay to Landlord Five Hundred Sixty-five Thousand Four Hundred Fifty-two and 00/100 Dollars (\$565,452.00) (which equals 90% of the Landlord's Expansion Improvement Allowance) to be held as the Expansion Premises Security Deposit. At Tenant's option, the Expansion Premises Security Deposit may be in the form of letter of credit, in accordance with Section 37.22 below.

Upon mutual execution of this Addendum, Tenant shall deposit an additional Forty-one Thousand Nine Hundred Eighty-two and 92/100 Dollars (\$41,982.92) which shall be applied toward the first month's Rent (\$31,474.67) and Additional Rent (\$10,508.25) for the Expansion Premises.

1.18 Exhibits Incorporated by Reference (Exhibit C - Floor Plan of Leased Premises). Upon the Expansion Premises Commencement Date, the Floor Plan of the Leased Premises, a copy of which is attached hereto as Exhibit A, shall replace the existing Exhibit C to the Lease and be incorporated therein. All references in the Lease to "Exhibit C" or the "Floor Plan of the Leased Premises" shall refer to the Floor Plan of the Leased Premises attached hereto as Exhibit A.

1.19 Expansion Premises Commencement Date: The earlier of (i) five (5) days following substantial completion of the Premises Improvements (defined in Section 11.1(c) below) for the Expansion Premises, or (ii) the date Tenant first occupies the Expansion Premises for business purposes. The estimated Expansion Premises Commencement Date is July 1, 2019, provided that in the event the Expansion Premises is not delivered by April 1, 2019, the Expansion Premises Commencement Date may be delayed for each day the Expansion Premises is delivered after April 1, 2019, provided further that Tenant has submitted permit drawings to

the City of Bellevue by January 31, 2019. In the event that the Expansion Premises is not delivered to Tenant by June 1, 2019, and Tenant has submitted permit drawings to the City of Bellevue by January 31, 2019, Tenant shall be entitled to abatement of Rent and Additional Rent for each day the Expansion Premises is not delivered to Tenant. Notwithstanding the foregoing, no delay in Landlord's delivery of the Expansion Premises shall modify the scheduled Expiration Date or the terms of the Landlord's Expansion Improvement Allowance as described below.

2. Expansion Premises Improvements.

(a) The Expansion Premises shall be improved by Landlord (the "Expansion Premises Improvements"), which Expansion Premises Improvements shall be in accordance with mutually agreed upon plans and specifications for such improvements (the "Expansion Premises Plans"). The Expansion Premises Improvements shall be performed and installed by design professionals and contractors selected by Landlord in the exercise of Landlord's subjective discretion. Landlord shall contract directly with the contractors constructing the Expansion Premises Improvements. Landlord shall contract directly with JPC Architects for architectural services related to the Expansion Premises Improvements. Landlord shall pay certain amounts toward the cost of the Expansion Premises Improvements ("Landlord's Expansion Improvement Allowance"). Landlord's Expansion Improvement Allowance is limited to a total amount not to exceed Six Hundred Twenty-eight Thousand Two Hundred Eighty and 00/100 Dollars (\$628,280.00). Landlord's Expansion Improvement Allowance shall be used exclusively for the Expansion Premises Improvements, any improvements to the Existing Premises, Suite 960, Suite 1300, or any other space leased by Tenant from Landlord in the Bank of America Building at Bellevue Place, Bellevue, Washington (including all sales and other applicable taxes but not including furniture, trade fixtures, equipment, inventory, or personal property, which shall be Tenant's sole cost and responsibility). Landlord's Expansion Improvement Allowance shall be made available until September 30, 2022, or until the full amount of Landlord's Expansion Improvement Allowance has been exhausted, whichever occurs earlier.

(b) Any and all costs for the construction and installation of the Expansion Premises Improvements (including but not limited to the cost of all working drawings, Expansion Premises Plans, and engineering, architectural, design and consulting fees) in excess of Landlord's Expansion Improvement Allowance ("Excess Expansion Improvement Costs") shall be Tenant's sole responsibility and shall be paid by Tenant promptly when due. Tenant's failure or refusal to pay any such Excess Expansion Improvement Costs shall be a material breach of the Lease and a default thereunder. If it should appear to Landlord at any time that Tenant is or may be obligated to pay for any Excess Expansion Improvement Costs, in addition to any and all other rights and remedies to which Landlord may be entitled, Landlord shall have the right, but not the obligation, to immediately stop or prevent any and all further design, construction and installation work until Landlord has received satisfactory assurances that Tenant can and will promptly pay all Excess Expansion Improvement Costs.

(c) All improvements and fixtures made or installed in or to the Expansion Premises are the property of Landlord. The Expansion Premises Improvements shall not include, and Tenant shall be solely responsible for all costs associated with (i) the interior design of the Expansion Premises, (ii) security and access control to the Expansion Premises, (iii) data, telephone, and similar communications cabling; provided however that Tenant has the right to use up to Two and 00/100 Dollars (\$2.00) per rentable square foot of Landlord's Expansion Improvement Allowance to offset data, telephone, and similar communication cabling costs, and (iv) furniture, fixtures and equipment. The foregoing shall be deemed to be a financial accommodation of the type referenced in 11 USC §365(c)(2) and a material and substantial part of the Lease transaction.

(d) Notwithstanding anything to the contrary, unless as otherwise stated herein, the Expansion Premises Improvements shall be subject to all terms and conditions of the Lease including but not limited to Exhibit D (Tenant Design & Construction Manual), provided that Landlord shall waive its construction management fee.

3. **Rentable Area of the Leased Premises.** Section 6.2(e) is hereby replaced in its entirety as follows:

For purposes of this Lease, the Rentable Area of the Leased Premises shall mean the Useable Area of the Leased Premises, as that term is defined and computed according to the *Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA z65.1-2010*, otherwise known as the "BOMA Standard," multiplied by a load factor of sixteen point eighty-three percent (16.83%). The "as built" Rentable Area of the Leased Premises shall be the true Rentable Area of the Leased Premises at the time Landlord tenders possession of the Leased Premises to Tenant.

4. **Security Deposit.** The following shall be added to the end of Section 8 of the Lease:

Expansion Premises Security Deposit:

(a) As additional consideration for this Lease, Tenant has delivered to Landlord as a security deposit the amount set forth in Section 1.14. Such sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of this Lease to be kept and performed by Tenant during the entire Lease Term. If Tenant is in breach under any provision of this Lease, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any unpaid obligation or sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's breach, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach. In the event Landlord elects to so use, apply or retain all or any part of the security deposit, Tenant shall deposit with Landlord, within ten (10) days of demand therefor, cash sufficient to restore the security deposit to the amount set forth in Section 1.14. Landlord shall not be required to keep the security deposit separate from its general funds and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease, the security deposit or any balance thereof after deductions hereunder by Landlord shall be returned to Tenant (or at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder) within thirty (30) days following expiration of the Lease Term or Tenant's return of the Leased Premises to Landlord in the condition required hereunder, whichever shall last occur. No trust relationship is created hereby between Landlord and Tenant with respect to the security deposit.

(b) Sixty (60) days prior to the commencement of the Expansion Premises Improvements, Tenant shall pay to Landlord a security deposit in the initial amount of Five Hundred Sixty-five Thousand Four Hundred Fifty-two and 00/100 Dollars (\$565,452.00) ("Expansion Premises Security Deposit").

(c) Notwithstanding the foregoing, if Tenant delivers to Landlord information reasonably satisfactory to Landlord showing that Tenant has readily available cash or cash equivalents totaling not less than \$40,000,000, then the Expansion Premises Security Deposit shall be reduced to fifty percent (50%) of the Expansion Premises Security Deposit, provided Tenant has not defaulted under this Lease beyond the applicable notice and cure period. No later than thirty (30) days prior to the end of each Lease Year, and within three (3) business days of Landlord's written request made not more than once during each Lease Year during the Lease Term, Tenant shall deliver to Landlord information reasonably satisfactory to Landlord showing

that Tenant has readily available cash or cash equivalents totaling not less than \$40,000,000. If Tenant fails to deliver such information, or if such information does not reflect readily available cash or cash equivalents totaling at least \$40,000,000, then Tenant shall immediately restore the Expansion Premises Security Deposit to the original amount.

(d) Notwithstanding the foregoing, if Tenant delivers to Landlord information reasonably satisfactory to Landlord showing that Tenant has readily available cash or cash equivalents totaling not less than \$100,000,000, then the Expansion Premises Security Deposit shall be reduced to ten percent (10%) of the Expansion Premises Security Deposit, provided Tenant has not defaulted under this Lease beyond the applicable notice and cure period. No later than thirty (30) days prior to the end of each Lease Year, and within three (3) business days of Landlord's written request made not more than once during each Lease Year during the Lease Term, Tenant shall deliver to Landlord information reasonably satisfactory to Landlord showing that Tenant has readily available cash or cash equivalents totaling not less than \$100,000,000. If Tenant fails to deliver such information, or if such information does not reflect readily available cash or cash equivalents totaling at least \$100,000,000, then Tenant shall immediately restore the Expansion Premises Security Deposit to the original amount.

5. **Letter of Credit.** The following is added as Section 37.22 of the Lease:

(a) Landlord and Tenant acknowledge that Tenant will occupy space in the Bank of America Building pursuant to this Lease and, as consideration for Landlord's willingness to enter into this Lease, Tenant shall deliver or cause to be delivered to Landlord, and shall cause to be maintained at all times in effect without expiration or termination, one or more irrevocable standby letters of credit complying with the terms of this Section 37.22. Any failure by Tenant to perform or observe any term, covenant or agreement set forth in this Section 37.22 shall constitute a material default under this Lease.

(b) Tenant shall deliver or cause to be delivered to Landlord an irrevocable standby letter of credit in a form acceptable to or provided by Landlord (the "Letter of Credit"), issued by a national banking association reasonably acceptable to Landlord, for the account of Tenant in favor of Landlord in the initial amount determined in accordance with Section 8 of the Lease, having an expiry date not earlier than the Expiration Date, and stating by its terms that it shall be automatically extended annually, without written amendment or modification, to the date that is one (1) year after the then current expiry date unless the issuer of the Letter of Credit gives Landlord, at least sixty (60) days prior to the then current expiry date, written notice that the issuer elects not to extend the Letter of Credit. If the issuer of the Letter of Credit at any times gives to Landlord notice that the issuer elects not to extend the Letter of Credit, then, not less than thirty (30) days prior to the then current expiry date of the Letter of Credit, Tenant shall deliver or cause to be delivered to Landlord a substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by Section 8 of the Lease. Not less than thirty (30) days prior to the expiry date of any substitute letter of credit delivered pursuant to this Section, Tenant shall deliver or cause to be delivered to Landlord a further substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by Section 8 of the Lease. Each substitute letter of credit delivered pursuant to this Section 37.22 shall have a term of not less than one (1) year and shall be in a form acceptable to or provided by Landlord. Additionally, if Tenant is entitled to a reduction in the amount of the cash Security Deposit and/or the Expansion Premises Security Deposit as provided in Section 8 of this Lease, Tenant shall exchange the original Letter of Credit for a substitute in the reduced amount, or shall deliver to the Landlord the amendment, endorsement or other modification of the Letter of Credit that reduces the amount thereof as permitted in Section 8.

(c) Upon the occurrence of any breach or default, beyond the applicable notice and cure period, under this Lease including, but not limited to, any failure by Tenant timely to deliver or cause to be delivered to Landlord any substitute letter of credit required pursuant to this Section 37.22, Landlord, at its option, may draw against the Letter of Credit and any substitute letter of credit delivered pursuant to this Section 37.22 in an amount reasonably necessary to cure such breach or default and/or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach or default. The Letter of Credit and each substitute letter of credit (also referred to as a "Letter of Credit") delivered pursuant to this Section 37.22 shall provide for payment against Landlord's (or any transferee's) draft at sight accompanied by a certificate stating substantially as follows: "Drawn under Bank, N.A.'s Irrevocable Standby Letter of Credit No. , dated , 2018, as a result of the occurrence of a default under the Lease dated 2018, between Bellevue Place Office, LLC, a Washington limited liability company, and SMARTSHEET INC., a Washington corporation. If Landlord draws against the Letter of Credit, Tenant shall, within ten (10) days of the date of such draw, restore the Letter of Credit or provide additional irrevocable standby letters of credit so that, at all times, there shall be an amount required by Section 8 of the Lease available for Landlord to draw against in the event of any further breach or default under this Lease.

(d) If the Letter of Credit is not renewed or Tenant does not provide a substitute irrevocable standby letter of credit on or before the date that is thirty (30) days prior to the expiry date of the then current Letter of Credit, or in the event Landlord draws against the Letter of Credit, if Tenant does not restore the Letter of Credit or provide additional letters of credit so that an amount required by Section 8 of the Lease is available to Landlord to draw upon in the event of any further breach or default under this Lease, then in such event the amount of the draw against the Letter of Credit may be equal to the entire amount of the Letter of Credit. The proceeds of any draw against the Letter of Credit pursuant to the immediately preceding sentence shall be held by Landlord as an additional security deposit pursuant to the provisions of Section 8 of this Lease.

6. **Option to Extend Lease Term**. The first sentence of Section 3.4(a) is hereby amended as follows:

Tenant is granted an option (the "Extension Option") to extend the Lease Term for five (5) years, to and including June 30, 2031.

7. **Broker's Commission**. Tenant represents and warrants to Landlord it has incurred no liabilities or claims for brokerage commissions or finder's fees in connection with the execution of this Addendum and it has not dealt with or has any knowledge of any real estate broker, agent or salesperson in connection with this Addendum, except Washington Partners which represents Tenant ("Tenant's Broker"), and Broderick Group, Inc., which represents Landlord. Provided Landlord and Tenant enter into this Addendum, Landlord hereby agrees to pay Tenant's Broker a commission equal to One and 00/100 Dollar (\$1.00) per square foot of Rentable Area of the Leased Premises for the additional Lease Term, which fee shall be paid one-half (1/2) upon execution of this Addendum and one-half (1/2) upon the Expansion Premises Commencement Date. All parties hereby agree to indemnify and hold Landlord harmless from all such liabilities or claims (including, without limitation, attorneys' fees) by anyone other than Tenant's Broker and/or Broderick Group, Inc.

8. **Current Tenant**. Tenant is aware that the Expansion Premises is currently occupied by another tenant or tenants (the "Current Expansion Tenant") and the Current Expansion Tenant may fail or refuse to vacate the Expansion Premises and relinquish all claims to the Expansion Premises prior to the date Landlord desires to commence the Expansion Premises Improvements. Landlord shall use diligent good faith efforts to cause the Current Expansion Tenant to timely vacate.

9. **Entire Agreement**. Each party acknowledges that such party has not relied on or received any promise, representation or warranty of any kind not otherwise contained or referred herein to induce said party to enter this Addendum.

10. **Remaining Lease Provisions Unchanged**. Except as modified by this Addendum, all other terms, conditions, provisions and covenants of the Lease shall remain unchanged

DATED as of the day and year first above written.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company

By: KEMPER DEVELOPMENT
COMPANY, a Washington corporation;
Its Manager

By: /s/ James E. Melby
James E. Melby
President

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Jennifer Ceran
Jennifer Ceran
Its: Chief Financial Officer

EXHIBIT A
FLOOR PLAN OF LEASED PREMISES

SECOND LEASE ADDENDUM

THIS SECOND LEASE ADDENDUM (this "Addendum") is made and entered into this 18th day of August, 2020, between BELLEVUE, PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into a non-residential Lease dated March 7, 2017 and a First Lease Addendum dated December 19, 2018 (collectively the "Lease"), for certain space on the twelfth (12th) floor in the Bank of America Building at Bellevue Place, Bellevue, Washington, consisting of 19,871 rentable square feet (the "Existing Premises"), which leased space is more specifically described in the Lease.

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects which shall include providing for the Security Deposit to be in the form of a letter of credit.

C. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. Section 1. BASIC LEASE DATA, TERMS AND EXHIBITS. The following sentence is added to the end of paragraph 1.14 of Section 1 of the Lease:

At Tenant's option, the Security Deposit may be in the form of a letter of credit, in accordance with Section 5 of the First Lease Addendum.

2. Section 37.22. Letter of Credit. Section 37.22 of the Lease (as further described in Section 5 of the First Lease Addendum) is hereby amended as follows:

(i) With respect to any deliveries of a Letter of Credit to Landlord, as further described in Sections 37.22(b) and 37.22(c) of the Lease, Landlord shall have the option to require such deliveries to Landlord's advising bank and shall direct Tenant regarding the same.

(ii) In Section 37.22(c) of the Lease, Landlord shall have the right to draw against a Letter of Credit by courier.

3. Attorney's Fees and Costs. Tenant shall pay to Landlord upon demand, Landlord's reasonable outside counsel attorneys' fees and costs incurred in connection with its review and execution of this Addendum.

4. Remaining Lease Provisions. Except as expressly modified in this Addendum, all other provisions of the Lease remain in full force and effect. In the event of a conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

[Signatures on Next Page]

DATED as of the day and year first above written.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company

By: KEMPER DEVELOPMENT
COMPANY, a Washington corporation;
Its Manager

By: /s/ James E. Melby
James E. Melby
President

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Mark Mader
Mark Mader, President and CEO

BANK OF AMERICA BUILDING OFFICE LEASE

BETWEEN

**BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company**

(Landlord)

AND

**SMARTSHEET.COM, INC.,
a Washington corporation**

(Tenant)

SUITE 1300

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BANK OF AMERICA BUILDING OFFICE LEASE

THIS LEASE is made this 27th day of October, 2014, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET.COM, INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord owns certain rights and interests in and to certain real property and improvements thereon in the City of Bellevue, King County, Washington, which real property is described in Exhibit "A," attached hereto, and shown on the site plan attached hereto as Exhibit "B." Said property and the improvements thereon are part of a first-class multi-use development commonly known and referred to herein as "Bellevue Place." Bellevue Place currently consists of the Bank of America Building, Hotel Building, Corner Building, and Wintergarden Retail Center, as shown on Exhibit "B," as well as a Parking Garage currently located beneath the foregoing.

B. Bellevue Place Office Building I Limited Partnership, Landlord's predecessor in interest, and Tenant entered into a nonresidential Lease dated December 7, 2010, and Landlord and Tenant entered into a First Lease Addendum dated December 30, 2011, Second Lease Addendum dated November 20, 2012, Third Lease Addendum dated December 26, 2012, Fourth Lease Addendum dated March 5, 2013, Fifth Lease Addendum dated January 9, 2014, and Sixth Lease Addendum dated April 7, 2014 (collectively the "Current Lease"), for certain space in the Bank of America Building at Bellevue Place, Bellevue, Washington, which leased space is more specifically described in the Current Lease.

C. Tenant desires to lease from Landlord a portion of the Bank of America Building and Landlord is willing to do so on certain terms and conditions, which are set forth herein.

NOW THEREFORE, for and in consideration of the promises, covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. BASIC LEASE DATA, TERMS AND EXHIBITS.

- 1.1 Landlord: Bellevue Place Office, LLC, a Washington limited liability company.
- 1.2 Address of Landlord: P. O. Box 4186, Bellevue, Washington 98009.
- 1.3 Tenant: Smartsheet.com, Inc., a Washington corporation.
- 1.4 Principal Business Address of Tenant: 10500 NE 8th Street, Suite 1300, Bellevue, WA 98004.
- 1.5 Tenant's Permitted Trade Name: Smartsheet.com.
- 1.6 Leased Premises: That portion of the thirteenth (13th) floor of the Bank of America Building; as and where shown on Exhibit "C" attached hereto.
- 1.7 Rentable Area of the Leased Premises: Nineteen Thousand Three Hundred Nineteen (19,319) square feet.

1.8 **Breakdown of Rentable Area at Bellevue Place:**

- (a) The total Rentable Area of the Bank of America Building and the Corner Building is Four Hundred Thirteen Thousand Six Hundred Sixty-four (413,664) square feet.
- (b) The total Rentable Area of Bellevue Place is Four Hundred Ninety-two Thousand Nine Hundred Thirty-two (492,932) square feet.

1.9 **Tenant's Share: [based on 19,319 rentable square feet]**

- (a) Because Bellevue Place is a multi-use development containing a variety of different office, retail, and common area facilities within its various elements, Tenant's Share appropriately comprises two components: (i) Operating, Repair and Maintenance Expenses specific to the Bank of America Building and the Corner Building, as set forth in Section 1.9(b); and (ii) Operating, Repair and Maintenance Expenses for Bellevue Place generally, as set forth in Section 1.9(c).
- (b) Operating, Repair and Maintenance Expenses for the Bank of America Building and the Corner Building: Four point six seven percent (4.67%) based on 413,664 rentable square feet pursuant to Section 1.8(a).
- (c) Operating, Repair and Maintenance Expenses for Bellevue Place: Three point nine two percent (3.92%) based on 492,932 rentable square feet pursuant to Section 1.8(b).

1.10 **Rent: [based on 19,319 rentable square feet]**

From and including the earlier of (i) one (1) week following substantial completion of the Premises Improvements (defined in Section 11.1(a) below), estimated to be March 1, 2015, or (ii) the date Tenant first occupies the Leased Premises for business purposes, through and including the last day of the twelfth (12th) month of the Lease Term, the Rent shall be Thirty-seven and 25/100 Dollars (\$37.25), per square foot of the Rentable Area of the Leased Premises per annum or Fifty-nine Thousand Nine Hundred Sixty-nine and 40/100 Dollars (\$59,969.40) per month.

From and including the first day of the thirteenth (13th) month of the Lease Term to and including the last day of the twenty-fourth (24th) month of the Lease Term, the Rent shall be Thirty-eight and 25/100 Dollars (\$38.25), per square foot of the Rentable Area of the Leased Premises per annum or Sixty-one Thousand Five Hundred Seventy-nine and 31/100 Dollars (\$61,579.31) per month.

From and including the first day of the twenty-fifth (25th) month of the Lease Term to and including the last day of the thirty-sixth (36th) month of the Lease Term, the Rent shall be Thirty-nine and 25/100 Dollars (\$39.25) per square foot of the Rentable Area of the Leased Premises per annum or Sixty-three Thousand One Hundred Eighty-nine and 23/100 Dollars (\$63,189.23) per month.

From and including the first day of the thirty-seventh (37th) month of the Lease Term to and including the last day of the forty-eighth (48th) month of the Lease Term, the Rent shall be Forty and 25/100 Dollars (\$40.25) per square foot of Rentable Area of the Leased Premises per annum or Sixty-four Thousand Seven Hundred Ninety-nine and 15/100 Dollars (\$64,799.15) per month.

From and including the first day of the forty-ninth (49th) month of the Lease Term to and including the last day of the sixtieth (60th) month of the Lease Term, the Rent shall be Forty-one and 25/100 Dollars (\$41.25) per square foot of Rentable Area of the Leased Premises per annum or Sixty-six Thousand Four Hundred Nine and 06/100 Dollars (\$66,409.06) per month.

From and including the first day of the sixty-first (61st) month of the Lease Term to and including the Expiration Date, the Rent shall be Forty-two and 25/100 Dollars (\$42.25) per square foot of Rentable Area of the Leased Premises per annum or Sixty-eight Thousand Eighteen and 98/100 Dollars (\$68,018.98) per month.

- 1.11 Lease Term: Seventy-two (72) calendar months, plus that portion of a calendar month necessary, if at all, for the Expiration Date to occur on the last day of such calendar month.
- 1.12 Commencement Date: Upon Substantial Completion of the Premises Improvements (defined in Section 11.1(a) below), estimated to be March 1, 2015.
- 1.13 Expiration Date: February 28, 2021.
- 1.14 Security Deposit: One Million Three Hundred Forty-one Thousand Four Hundred Sixty-two and 00/100 Dollars (\$1,341,462.00), in the form of a letter of credit as further described in Sections 8 and 37.22 below.
- 1.15 Deadline for Submission to Landlord of Tenant's Final Working Drawings for Tenant's Improvements: October 31, 2014.
- 1.16 Contingency: THIS LEASE IS CONTINGENT UPON ITS ACCEPTANCE AND APPROVAL BY LANDLORD'S LENDERS. If this Lease is acceptable to Landlord's lenders, this contingency will be waived by Landlord.
- 1.17 Exhibits Incorporated by Reference:
 - Exhibit "A" - Legal Description of Bellevue Place.
 - Exhibit "B" - Site Plan of Bellevue Place.
 - Exhibit "C" - Floor Plan of the Leased Premises.
 - Exhibit "D" - Tenant Design & Construction Manual (including Base Building Finish Condition).
 - Exhibit "E" - Rules and Regulations.
 - Exhibit "F" - Bellevue Place Transportation Management Agreement.
 - Exhibit "G" - Form of Tenant Estoppel Certificate.
 - Exhibit "H" - Form of Subordination Agreement to Reciprocal Easement Agreement.

2. PREMISES.

2.1 Generally.

Landlord does hereby lease and demise to Tenant, and Tenant hereby accepts from Landlord, upon the terms and conditions herein set forth, the Leased Premises described in Section 1.6 above and depicted in Exhibit "C," together with rights of ingress and egress over and across the Common Areas and Facilities of the Bank of America Building and Bellevue Place.

2.2 Reserved to Landlord.

Landlord reserves the right, from time to time, to change the size and dimensions of Bellevue Place; add additional buildings and improvements to Bellevue Place; relocate, alter, and change the number of buildings and other improvements in, on and under Bellevue Place; change any building dimensions and the number of floors in any of the buildings and parking areas in Bellevue Place; change the identity and type of stores and tenancies in Bellevue Place; change the name and address of the buildings and other improvements in Bellevue Place; and change the Common Areas and Facilities in Bellevue Place. Landlord further reserves the use of, and all rights in and to, the exterior walls and roof, and the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through the Leased Premises in locations which will not materially interfere with Tenant's use thereof and serving other parts of Bellevue Place. Landlord shall reasonably attempt to locate such items under the floor, above the ceiling, or adjacent to an interior wall. Such use shall not exceed one percent (1%) of the Useable Area of the Leased Premises unless otherwise agreed. If Landlord's use hereunder exceeds one percent (1%) of the Useable Area of the Leased Premises, Tenant shall be entitled, as its sole and exclusive remedy, to a reduction in the stated Rentable Area for the Leased Premises, as set forth in Section 1.7 above, and a proportional reduction in Rent and Additional Rent (as defined in Sections 5 and 6 below) due hereunder. The Leased Premises shall not include the space above the suspended ceiling. Landlord shall retain the right to use the area immediately below the floor surface and the space above the suspended ceiling in any manner which does not permanently and materially interfere with Tenant's use of the Leased Premises.

2.3 Intentionally Omitted.

3. LEASE TERM.

3.1 Generally.

The term of this Lease (the "Term" or "Lease Term") shall be the period of time set forth in Section 1.11 above and shall commence on the Commencement Date as provided in Section 4.1 below and shall end at 11:59 p.m. on the Expiration Date, as provided in Section 4.2 below.

3.2 Termination.

The Lease shall terminate on the Expiration Date, unless sooner terminated hereunder or by operation of law, without the necessity for any notice from either Landlord or Tenant. If Tenant fails to surrender the Leased Premises at the end of the Lease Term, Tenant shall be liable for, and shall indemnify Landlord against, all claims and demands made by any succeeding tenants against Landlord founded upon delay by Landlord in delivering possession of the Leased Premises to such succeeding tenant.

3.3 Holding Over.

Any holding over by Tenant after the expiration of the Lease Term shall be construed to be a tenancy from month-to-month. During such tenancy, Tenant shall pay to Landlord a monthly rental of one hundred fifty percent (150%) of the Rent payable during the last month of the Lease Term in addition to the Additional Rent and Other Charges set forth herein. Except as set forth herein, such month-to-month tenancy also shall be subject to all of the terms, covenants, and conditions of this Lease.

3.4 Option to Extend Lease Term.

(a) Tenant is granted an option (the "Extension Option") to extend the Lease Term for five (5) years, to and including February 28, 2026. The period of time shall be referred to herein as the "Option Period". To exercise the Extension Option, Tenant must give Landlord unequivocal written notice of Tenant's election to exercise the Extension Option at least ten (10) calendar months (but not earlier than twelve (12) calendar months) prior to the Expiration Date.

(b) If Tenant elects to exercise the Extension Option, the Rent for the Option Term ("New Rent") shall be the Fair Market Rent (as defined below) for comparable space in the Bank of America Building ("Comparable Space"), but in no event shall the New Rent be less than the Rent payable during the last month of the Lease Term. If there is no Comparable Space in the Bank of America Building at the time, Tenant shall pay, as New Rent, whatever the fair market rent in the Bank of America Building would be if there was such Comparable Space in the Bank of America Building. The term "Fair Market Rent" shall mean the rent that would be paid by a willing tenant renewing its lease for Comparable Space for a term of five (5) years. Tenant concessions shall be included in the determination of fair market rent with respect to tenants who are renewing their leases in the Bank of America Building. The term "tenant concessions" shall include, without limitation, such inducements as tenant improvements and free rent.

(c) In the event Landlord and Tenant cannot agree on the New Rent, the matter shall be submitted for decision to a panel of three (3) arbitrators. Landlord and Tenant shall each appoint one (1) arbitrator, who shall by profession be a licensed commercial real estate broker or an MAI real estate appraiser and who shall be familiar with Bellevue Place and have been active (over the three (3) year period ending on the date of such appointment) in the brokering or appraisal of Comparable Space. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's proposed New Rent is the closest to the Fair Market Rent. Each such arbitrator shall be appointed within fifteen (15) days after Tenant's or Landlord's notice to the other of its election to have the New Rent be determined by this arbitration procedure. The two arbitrators so appointed shall, within fifteen (15) days of the date of the appointment of the last appointed arbitrator, agree upon and appoint a third arbitrator, who shall be qualified under the same criteria set forth above for qualification of the initial two arbitrators. Failing such agreement, either Landlord or Tenant shall have the right to petition for the appointment of the third arbitrator by the Presiding Judge of the Superior Court of the County of King. The three (3) arbitrators shall, within thirty (30) days of the appointment of the third arbitrator, reach a decision as to whether the parties shall use Landlord's or Tenant's proposed New Rent and shall notify Landlord and Tenant thereof. The decision of the majority of the three (3) arbitrators shall be binding upon both Landlord and Tenant. The cost of the arbitration shall be paid by Landlord and Tenant equally. The arbitration procedure shall not take more than thirty (30) days. However, if the arbitrators have not determined the New Rent prior to the beginning of the Option Period, Tenant shall pay the Rent previously in effect under the Lease plus a ten percent (10%) increase until such time as the arbitrators determine the New Rent. If the arbitration procedure results in a higher Rent, Tenant shall pay the difference with the next monthly rental payment due under the Lease. If the arbitration procedure results in a lower Rent, Tenant shall receive a credit against its next monthly Rent payments under the Lease, and any succeeding monthly rental payments, if necessary, in an amount equal to the overpayment.

(d) Notwithstanding anything in the foregoing to the contrary, the Extension Option may not be exercised during any period in which Tenant is in default under any provision of the Lease until said default has been fully cured. Time is of the essence. If Tenant fails to exercise the Extension Option in any instance when such right is in effect, prior to the expiration of the applicable time period for the exercise of such right, the Extension Option shall thereafter be deemed null and void and of no further force or effect. The period of time within which the

Extension Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise such rights because of the foregoing provisions. All rights of Tenant to the Extension Option shall terminate and be of no further force or effect, even after Tenant's due and timely exercise thereof, if, after such exercise, but prior to the commencement date of the Option Period, Tenant defaults under the terms of the Lease which default is not cured within any applicable cure period.

(e) The Extension Option shall be personal to Tenant and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant, nor shall the Extension Option be assignable separate and apart from this Lease.

3.5 Right of First Opportunity.

(a) If (i) Tenant exercises its Right of First Opportunity described in Section 6 of the Third Lease Addendum to the Current Lease, and (ii) the existing tenant occupying approximately 9,775 rentable square feet on floor 4 of the Bank of America Building and/or approximately 19,394 rentable square feet on floor 5 of the Bank of America Building (the "First Opportunity Space") elects not to extend its existing lease term, then Landlord will notify Tenant in writing ("Landlord's First Opportunity Notice") and, except as otherwise set forth herein, Tenant shall have the right ("Right of First Opportunity") to lease such First Opportunity Space on the terms and conditions as outlined in Landlord's First Opportunity Notice, by notifying Landlord of its exercise of such right in accordance with Section (b) below. Notwithstanding anything herein to the contrary, Tenant's Right of First Opportunity is expressly contingent upon the existing tenant in the First Opportunity Space electing not to extend or renew its existing lease. If the existing tenant in the First Opportunity Space elects to extend or renew its existing lease, this Right of First Opportunity shall be null and void and of no further force or effect. Landlord shall have the express right to extend or renew leases with existing tenant(s) in the First Opportunity Space or enter into new leases with existing First Opportunity Space tenant(s), if the leases of such tenants provide for such right.

(b) If Tenant desires to exercise its right to lease the First Opportunity Space, Tenant shall give Landlord unequivocal written notice thereof ("Tenant's First Opportunity Notice") within ten (10) business days after receipt of Landlord's First Opportunity Notice. Time is of the essence. If, for any reason, Tenant declines or does not so notify Landlord, then Tenant's rights with respect to the First Opportunity Space which is the subject of Landlord's First Opportunity Notice shall be deemed to be waived, and thereafter, after expiration of such ten (10) business day period, Landlord may lease such space to any other party.

(c) Notwithstanding anything in the foregoing to the contrary, Tenant's rights with respect to the First Opportunity Space shall not be exercisable during any period in which Tenant is in default (beyond any applicable cure period) under any provision of the Lease. Time is of the essence. The period of time within which the right of first opportunity for the First Opportunity Space may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise such rights because of the foregoing provisions. At Landlord's sole option, all rights of Tenant to the First Opportunity Space shall terminate and be of no further force or effect, even after Tenant's due and timely exercise thereof, if, after such exercise, but prior to the commencement date of the First Opportunity Space: (i) Tenant is in default under the Lease due to a failure to pay a monetary obligation to Landlord beyond the applicable notice and cure period; (ii) Landlord has given Tenant ten (10) days' written notice of any other failure to perform (which notice specifically stated that the failure to perform as required by the Lease may result in the loss of Tenant's Right of First Opportunity) and such failure is not fully cured within said ten (10) day period; provided, however, that if the nature of Tenant's failure is such that more than ten (10) days are reasonably required for its cure, then Landlord shall not have the right to terminate the Right of First Opportunity for said failure if Tenant begins to cure the

failure within the ten (10) day period described above and, thereafter, diligently prosecutes such cure to completion; or (iii) Landlord gives Tenant a notice of default under the Lease (and Tenant is in fact in default) and Landlord has previously given to Tenant three (3) or more notices of default under the Lease (and Tenant was in fact in default in such instances), whether or not such default were ultimately cured, provided the notice that was issued prior to the notice establishing in Landlord the right to terminate the Right of First Opportunity hereunder specifically stated that the issuance of another notice of default may result in the loss of Tenant's Right of First Opportunity. As used herein, the terms "default," "failure to perform," or "breach" shall mean a default as defined in Section 23.1 of this Lease.

(d) If Tenant does not exercise its Right of First Opportunity, and Landlord does not deliver Expansion Space (defined in Section 37.23 below), then Tenant shall have no right to terminate this Lease pursuant to Section 37.23 below.

(e) The foregoing rights with respect to the right of first opportunity for the First Opportunity Space shall not be assignable separate and apart from the Lease.

4. COMMENCEMENT AND EXPIRATION DATES; LEASE YEAR.

4.1 Commencement Date.

The Commencement Date shall be the date set forth in Section 1.12 above.

4.2 Expiration Date.

This Lease shall expire at 11:59 p.m. on the date set forth in Section 1.13 above.

4.3 Confirmation of Commencement and Expiration.

Within five (5) business days after Tenant's occupancy of the Leased Premises, or upon Landlord's request, Landlord and Tenant shall confirm the specific Commencement and Expiration Dates in writing, as well as the "as built" Rentable Area of the Leased Premises, as defined in Section 6.2(f), and the Rent payable hereunder, which shall be appended to and incorporated into this Lease.

4.4 Lease Year.

A "Lease Year" shall mean a calendar year commencing on January 1 and ending the following December 31. If the Commencement Date is a date other than January 1, the initial Lease Year shall be from and including the Commencement Date to and including December 31 of that calendar year. If the Expiration Date is a date other than December 31, the final Lease Year shall be from and including January 1 of the calendar year of the Final Lease Year to and including the Expiration Date.

5. RENT.

Tenant shall pay to Landlord, without notice or demand and without setoff or deduction whatsoever, the sums stated in Section 1.10 above (the "Rent"), which shall be paid to Landlord in advance in lawful money of the United States, on or before the first day of each calendar month at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. Rent and Additional Rent (as defined in Section 6.1 below) for any partial month at the beginning or end of the Lease Term shall be prorated, based upon a thirty (30) day month. All amounts payable hereunder, other than Rent and Additional Rent, may be sometimes referred to as "Other

Charges.” Landlord may (but shall not be required to) make available to Tenant procedures for the payment to Landlord by electronic funds transfer of any or all amounts required by the terms of this Lease to be paid by Tenant.

6. ADDITIONAL RENT.

6.1 Generally.

In addition to the Rent provided for in Section 5 above, commencing on the earlier of (i) one (1) week following substantial completion of the Premises Improvements (defined in Section 11.1(a) below), estimated to be March 1, 2015, or (ii) the date Tenant first occupies the Leased Premises for business purposes, Tenant shall pay to Landlord, without notice (other than notice advising Tenant of its share of the Additional Rent) or demand and without setoff or deduction, Tenant’s Share (as defined in Section 6.2(a) below) of the Operating Expenses (as defined in Section 6.2(b) below), which expenses include, but are not limited to, (i) Operating, Repair, and Maintenance Expenses for the Bank of America Building and the Corner Building; and (ii) Operating, Repair, and Maintenance Expenses for Bellevue Place during the Lease Term (the “Additional Rent”).

6.2 Definitions.

The following terms shall have the meanings hereinafter specified, unless the context otherwise specifies or clearly requires:

- (a) Tenant’s Share. Tenant’s Share shall be equal to the percentages set forth in Section 1.9 above.
- (b) Operating Expenses Generally. The Operating Expenses shall include (i) all Operating, Repair and Maintenance Expenses (defined in Section 6.2(c) below), and (ii) all Taxes (defined in Section 6.2(d) below).
- (c) Operating, Repair and Maintenance Expenses. Operating, Repair and Maintenance Expenses shall include the actual costs and expenses that are paid or payable by Landlord in connection with the operation, repair and maintenance of Bellevue Place and its constituent parts, which include without limitation, the Bank of America Building, the Corner Building and the Wintergarden Retail Center, less all contributions for such costs received from the owner of the Hotel Tract as defined in and pursuant to the terms of that certain Construction, Operation and Reciprocal Easement Agreement recorded under King County Recorder’s File No. 8709160449, as amended from time to time (the “REA”), and shall include, but not be limited to, those costs and expenses that are paid or payable to the Transportation Management Association. Without limiting the generality of the foregoing and by way of illustration, Operating, Repair and Maintenance Expenses shall include costs and expenses of all utility, heating, air conditioning and ventilation costs and expenses; license, permit and inspection fees; planting and landscaping costs and expenses; janitorial services; direct physical damage insurance (including but not limited to loss of income insurance), liability and excess liability insurance, and other appropriate insurance policies, as determined solely by Landlord or Landlord’s lender, including but not limited to garage keeper’s legal liability, boiler and machinery and auto insurance; taxes and assessments on equipment; the cost and expense of repairs including, but not limited to, those of a capital nature necessary or appropriate to fulfill Landlord’s obligations to its tenants; the cost and expense of removing trash and other refuse; the cost and expense of supplies, tools and equipment; the cost and expense of cleaning, maintaining, repairing and replacing machinery and equipment, including but not limited to automatic door openers, lights and lighting fixtures, heating, air conditioning and ventilation equipment, fire and sprinkler systems and security systems; depreciation allowance on machinery and equipment (depreciation to be over the useful

life of any such machinery and equipment in accordance with the guidelines and regulations established by the Internal Revenue Service, if any); the cost and expense of personnel to implement such services, including but not limited to security and traffic control; legal and accounting costs and expenses; customary management fees; the cost of any capital improvements necessary or appropriate to fulfill Landlord's repair or maintenance obligations, required by any applicable governmental law or regulation not in effect at the time Tenant is required to take occupancy of the Leased Premises or made for the purpose of reducing operating, repair or maintenance costs (the cost of any such capital improvements shall be amortized over the useful life of such item (in accordance with the guidelines and regulations established by the Internal Revenue Service, if any, from time to time) as Landlord shall determine with a return on capital at the current market rate per annum on the unamortized balance or at such higher rate as may have been paid by Landlord on funds borrowed for the purpose of purchasing or constructing such improvements).

(d) Taxes. Taxes shall include all real estate taxes, personal property taxes and all other taxes, surcharges and assessments that are or may be levied upon, assessed against or attributable to Bellevue Place and all improvements, fixtures, equipment and other property of Landlord, real and personal, located on, in or under Bellevue Place and used in connection with the operation thereof, including the Bank of America Building, the Corner Building and land underlying the Bank of America Building and the Corner Building and including, although not limited to, the land, improvements, equipment, fixtures and other property used in connection with the operation of and comprising the Parking Garage and Wintergarden Retail Center and any rental, excise, sales, transaction or other privilege tax or levy, however denominated (excepting federal, state and local net income taxes) paid or payable during the Lease Term and taxes on all tenant improvements in the Wintergarden Retail Center owned by Landlord but excluding the Hotel Building and the land underlying the Hotel Building. Taxes also shall include any amounts paid or payable to any third party or incurred by Landlord for the purpose of obtaining a reduction in the Taxes as above defined.

(e) Rentable Area of the Leased Premises. For purposes of this Lease, the Rentable Area of the Leased Premises shall mean the Useable Area of the Leased Premises, as that term is defined and computed according to the *Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA Z65.1-1996*, otherwise known as the "BOMA Standard," multiplied by a load factor of one point one four (1.14). The "as built" Rentable Area of the Leased Premises shall be the true Rentable Area of the Leased Premises at the time Landlord tenders possession of the Leased Premises to Tenant.

(f) Rentable Area of Bellevue Place. For purposes of this Section 6, the Rentable Area of Bellevue Place shall include the total of all areas and spaces in (i) the Bank of America Building, (ii) the Corner Building, and (iii) all areas and spaces in and opening into the Wintergarden Retail Center (whether or not such areas or spaces in the Bank of America Building, the Corner Building, and the Wintergarden Retail Center are actually leased by Landlord) that are available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests and shall include, but not be limited to, all rest rooms, mezzanines, warehousing and storage areas, clerical and office areas, and employee areas within the leased premises of any tenant of Landlord in the Wintergarden Retail Center, Bank of America Building and Corner Building, but shall exclude all areas and spaces in the Hotel Building (other than those areas and spaces in or opening into the Wintergarden Retail Center and available for the exclusive use and occupancy of tenants of Landlord and their employees, licensees, invitees and guests) and the Common Areas and Facilities of Bellevue Place. If at any time, Landlord believes the Rentable Area of Bellevue Place is materially different than the Rentable Area of Bellevue Place set forth in Section 1.8 above because of an error in calculation or additions, modifications or alterations to Bellevue Place and Landlord desires to amend this Lease to reflect the actual or changed Rentable Area of Bellevue Place, Landlord shall so notify

Tenant in writing. If Tenant does not object in writing to Landlord's notice within ten (10) days following receipt of Landlord's notice, this Lease shall be deemed to be amended to incorporate the Rentable Area of Bellevue Place as set forth in Landlord's notice to Tenant. If Tenant does object in writing to Landlord's notice within said ten (10) days, and Landlord and Tenant are unable to agree upon the Rentable Area of Bellevue Place within ten (10) days following receipt of Tenant's notice of objection, the matter shall be submitted for determination to the Project Architect for Bellevue Place. The decision of the Project Architect shall be final and binding on both Landlord and Tenant and this Lease shall be deemed to be amended to reflect the Rentable Area of Bellevue Place as and when decided by the Project Architect. The cost and expense of the Project Architect's consideration of the matter, if any, shall be shared equally among Landlord and all tenants objecting to Landlord's notice.

(g) Notwithstanding anything in this Section 6.2 to the contrary, the following costs shall not be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease:

Leasing commissions, advertising expenses, fees and costs incurred in procuring new tenants for portions of Bellevue Place.

Except as permitted in Section 6.2(c) of the Lease, interest or amortization payments on mortgages.

Rental on ground leases or other underlying leases.

Any costs or expenses associated with or incurred in connection with required environmental testing, removal, enclosure, encapsulation or other handling of asbestos or other hazardous or toxic materials or substances.

Costs of any item for which Landlord is or is entitled to be paid or reimbursed by insurance.

Charges for electricity, water, or other utilities and applicable taxes for which Landlord is entitled to reimbursement from any other tenant.

Cost of correcting major defects in the design, construction or equipment of, or substantial latent defects in, the Bank of America Building or Bellevue Place (a defect, for the purposes of this subsection (h), is defined as a substantial condition that occurred because of negligence in the initial construction of Bellevue Place).

Any costs incurred in constructing any future material expansion of the Bank of America Building (as opposed to the costs of operating and maintaining the expanded Bank of America Building, which may be included in the operating costs and maintenance expenses charged to Tenant pursuant to this Section 6.2 of the Lease).

Costs of a capital nature, except for costs (a) reasonably necessary or appropriate to fulfill Landlord's repair or maintenance obligations; (b) incurred as a result of any applicable governmental law or regulation enacted and enforced after the date of the Lease; and/or (c) made for the purpose of reducing operating, repair or maintenance costs.

Interest and penalties incurred as a result of Landlord's delinquent payment of any obligation of Landlord.

Notwithstanding any reference in Section 6.2 to the contrary, the cost of any capital item shall not be expensed in a single year but shall be depreciated over the useful life of such item in a manner consistent with other Bellevue Class "A" office buildings.

Notwithstanding anything in this Lease to the contrary, there shall be no duplication of any particular cost, charge or expense in any operating costs and maintenance expenses set forth in this Section 6.2 of the Lease, provided Landlord reserves the right to include a customary administrative fee and a customary management fee within operating costs and maintenance expenses.

6.3 Payment.

Landlord shall provide to Tenant, at or before the Commencement Date, an estimate of the annual Operating Expenses for the Lease Year in which the Commencement Date occurs. Within ninety (90) days after the expiration of each succeeding Lease Year of the Lease Term, or as soon thereafter as such information becomes available, Landlord shall give Tenant a written estimate of Tenant's Share of the Operating Expenses for the then current Lease Year ("Tenant's Estimated Share"). Tenant shall pay Tenant's Estimated Share, in advance, in equal monthly installments on or before the first (1st) day of each calendar month of such Lease Year at Landlord's Address as set forth in Section 1.2 above, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. During the period of time following the expiration of a Lease Year and Tenant's receipt of Landlord's estimate of Tenant's Estimated Share, Tenant shall continue to pay Landlord Tenant's Estimated Share from the prior Lease Year. Within ninety (90) days after the expiration of each Lease Year of the Lease Term (or as soon thereafter as such information becomes available), Landlord shall furnish to Tenant a written statement summarizing the actual amount of Tenant's Share of the Operating Expenses for the prior Lease Year (hereinafter sometimes referred to as the "Annual Reconciliation Statement"). If Tenant's Share of the Operating Expenses exceeds the amount paid by Tenant, Tenant shall pay the deficiency to Landlord promptly upon receipt of a written notice of the amount thereof. If such statement shows Tenant's Share of the Operating Expenses to be less than the amount paid by Tenant, the amount of overpayment by Tenant shall be credited by Landlord to the next payment or payments of Additional Rent due hereunder, if Tenant has otherwise complied with all of the terms and provisions of this Lease. If the Lease Term has expired and Tenant has vacated the Leased Premises and no amounts are or may become payable by Tenant, then any overpayment shall be returned to Tenant, or at Landlord's option, to the last assignee of Tenant's interest in the Leased Premises. If this Lease commences at a time other than the beginning of a calendar year, Tenant shall pay the Additional Rent for the remaining portion of the Lease Year based upon the number of days from the Commencement Date. If this Lease expires at a time other than the last day of a calendar year, Tenant shall be obligated to pay immediately any deficiencies which shall be computed at the expiration of that Lease Year. If at any time during a Lease Year it appears to Landlord that any of the Operating Expenses payable for that Lease Year will vary from Landlord's estimate by more than five percent (5%) on an individual or aggregate basis, Landlord may, at its election, adjust Tenant's Estimated Share for the balance of that Lease Year to compensate for such increase. Any increased payments required to be made pursuant to this Section shall be made within thirty (30) days after Landlord has notified Tenant thereof. Tenant's obligations under this Section shall survive the expiration or termination of this Lease.

6.4 Nonpayment.

In the event of nonpayment of any item of Additional Rent or any Other Charge due hereunder, Landlord shall have the same rights and remedies as for failure to pay Rent.

6.5 Future Development of Bellevue Place.

Tenant is aware that Landlord, by itself or in combination with other persons, intends to further expand and develop Bellevue Place in one or more additional phases and Tenant has reviewed plans and other documents describing the intended expansion and development of Bellevue Place or has been provided with opportunities to review such plans and documents. In the event one or more such phases of the Bellevue Place project are completed during the Lease Term, any additional operating, repair or maintenance expenses and real estate and other taxes attributable to such other phases may be included in the Operating Expenses at Landlord's discretion; provided that the denominator used to calculate Tenant's proportionate share of such expenses is reasonably adjusted with respect to such phases.

6.6 Disputes Relating to Additional Rent.

If Tenant desires to contest any calculation by Landlord of Tenant's Share or the amount of any Bellevue Place Operating Expense payable by Tenant, Tenant must give Landlord a written notice (an "Objection Notice") stating that Tenant disputes the calculation or amount. The Objection Notice must be received by Landlord within ninety (90) days after Tenant receives Landlord's Annual Reconciliation Statement regarding Bellevue Place Operating Expenses, and set forth with particularity the reason why Tenant disputes Landlord's calculation or the amount. If Tenant fails to give Landlord such an Objection Notice within such time, Tenant shall be deemed to have waived and released any and all rights it may have to contest the calculation and amount. Promptly after receiving any such Objection Notice from Tenant, Landlord shall meet with Tenant and both Tenant and Landlord shall attempt in good faith to reconcile the matters described in the Objection Notice; provided, however, if Tenant refuses to meet with Landlord within thirty (30) days after the date Landlord received the Objection Notice from Tenant, Tenant shall be deemed to have waived and released any and all rights it may have to contest Landlord's calculation and the inclusion and amount of any Bellevue Place Operating Expense. If Landlord and Tenant are unable to resolve the dispute within a reasonable time, Landlord shall cause its accounting firm to undertake an investigation and analysis of the matter and prepare a written report, a copy of which shall be provided to Tenant. The cost of the investigation, analysis and report shall be paid for by Tenant unless the investigation and analysis discloses a material error favoring Landlord, in which event Landlord shall bear the cost of the investigation, analysis and report. If the report discloses that the amount or calculation used by Landlord was incorrect, Landlord shall provide a credit to Tenant against future obligations under this Section 6 equal to the amount of any overpayment paid by Tenant during the Lease Year to which Tenant's Objection Notice relates. Notwithstanding the pendency of any dispute hereunder, Tenant shall continue to pay all amounts owed hereunder based upon Landlord's determination and calculation or until such calculation or amount has been established hereunder to be incorrect.

7. LATE CHARGES.

If Tenant fails to pay, when the same is due and payable, any Rent, Additional Rent or Other Charges, such unpaid amounts shall bear interest at the rate of two percent (2%) per month from the date due to the date of payment, unless such amount would violate any applicable usury law, in which event such unpaid amounts shall bear interest at the highest rate then allowed by law. In addition to such interest, Tenant acknowledges that the late payment by Tenant of any installment of Rent, Additional Rent or Other Charges will cause Landlord to incur certain costs and expenses not contemplated under this Lease, the exact amount of such costs being extremely difficult or impractical to fix. Such costs and expenses will include, without limitation, administrative and collection costs, and processing and accounting expenses. Therefore, if any Rent, Additional Rent or Other Charge installment is not received by Landlord from Tenant by the fifth (5th) day after such installment is due, Tenant shall immediately pay to Landlord, in

addition to the installment due, a late charge equal to twelve percent (12%) of such installment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for its loss and expense suffered by such nonpayment by Tenant. Acceptance of this late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising all other rights and remedies available to Landlord under this Lease. Landlord shall apply payments made by Tenant first to accrued charges, interest and rent in the following order: (a) Late Charges; (b) interest; (c) Rent; Other Charges and Additional Rent; and (d) any balance remaining to current Rent, Other Charges, and Additional Rent. Notwithstanding anything in this Section 7 to the contrary, provided Tenant pays all sums due hereunder by electronic funds transfer, Landlord shall waive the first (1st) late charge that may be incurred by Tenant during any twelve (12) month period during the Lease Term, provided the unpaid amount is in fact paid in full by Tenant on or before the fifteenth (15th) day of the month in which any such payment is due.

8. SECURITY DEPOSIT.

As additional consideration for this Lease, Tenant has delivered to Landlord as a security deposit the sum shown in Section 1.14 above. Such sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of this Lease to be kept and performed by Tenant during the entire Lease Term. If Tenant is in breach under any provision of this Lease, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any unpaid obligation or sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's breach, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach. In the event Landlord elects to so use, apply or retain all or any part of the security deposit, Tenant shall deposit with Landlord, within ten (10) days of demand therefor, cash sufficient to restore the security deposit to the amount set forth in Section 1.14. Landlord shall not be required to keep the security deposit separate from its general funds and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease, the security deposit or any balance thereof after deductions hereunder by Landlord shall be returned to Tenant (or at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder) within thirty (30) days following expiration of the Lease Term or Tenant's return of the Leased Premises to Landlord in the condition required hereunder, whichever shall last occur. No trust relationship is created hereby between Landlord and Tenant with respect to the security deposit.

9. USES.

9.1 Permitted Uses.

Tenant shall use and occupy the Premises only for general office purposes consistent with a first class office building (the "Permitted Use") under the trade name set forth in Section 1.5 above, and for no other business or purpose or under any other trade name without the prior written consent of Landlord, which consent may be withheld if Landlord, in its sole discretion, determines that any proposed use or trade name is inconsistent with or detrimental to the maintenance and operation of the Building as a first-class office building. Landlord makes no representation or warranty as to the availability of Tenant's Permitted Trade Name or that it will not infringe on any other person's trademark, service mark or other rights or privileges.

9.2 Prohibited Uses.

Tenant shall not do or permit or suffer anything to be done in or about the Leased Premises, Bank of America Building or Bellevue Place which will in any way obstruct or

interfere with the rights of other tenants or occupants of the Bank of America Building or Bellevue Place or injure or annoy them, their customers or clients, nor shall Tenant use or allow the Leased Premises to be used for any purpose which is objectionable or offensive in Landlord's reasonable judgment or which is unlawful, nor shall Tenant do or permit or suffer anything to be done in or about the Leased Premises, the Bank of America Building or Bellevue Place which would cause Landlord to be in violation of any of its agreements with others. If Tenant permits or engages in any activity which, in Landlord's reasonable judgment, is objectionable, offensive or otherwise constitutes a nuisance to Landlord, the other tenants of the Bank of America Building or Bellevue Place, or their employees, customers, guests or invitees, Tenant shall immediately discontinue such activity or take action to cause the activity to be discontinued with all due diligence if it cannot be immediately discontinued. Tenant's failure to comply with this Section shall constitute a material default of this Lease and entitle Landlord to pursue its remedies for such a breach or, in the alternative, undertake such work as may be appropriate to prevent such activity and recover, as additional rent, the cost thereof plus interest thereon at two percent (2%) over the prime rate of interest charged or published by Bank of America on the first day of each month, commencing on the date due through the date of payment.

9.3 Compliance with Laws, Rules and Regulations.

Tenant shall, at its sole cost and expense, promptly comply with all local, state and federal laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force relating to Tenant's use and occupancy of the Leased Premises and Tenant's business conducted therein.

9.4 Hazardous Material.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Leased Premises by Tenant, its agents, employees, contractors or invitees. If Tenant breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Leased Premises caused or permitted by Tenant results in contamination of the Leased Premises or any part of Bellevue Place or any other property, or if contamination of the Leased Premises or any part of Bellevue Place or any other property by Hazardous Material otherwise occurs for which Tenant may be legally liable for damage resulting therefrom, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the property, damages for the loss or restriction on use of rentable or useable space or of any amenity of Bellevue Place or the Leased Premises or elsewhere, damages arising from any adverse impact on marketing of space at Bellevue Place or elsewhere, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Lease Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under Bellevue Place. Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Leased Premises or Bellevue Place by Tenant, its agents, employees, contractors or invitees, results in any contamination of the Leased Premises or any part of Bellevue Place or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Leased Premises, Bellevue Place or any other property to the condition existing prior to the introduction of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Leased Premises, Bellevue Place or other property. As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste which is or becomes

regulated by any local governmental authority, the State of Washington or the United States Government.

10. SERVICES AND UTILITIES.

10.1 Standard Services.

As long as Tenant is not in default under any of the provisions of this Lease, Landlord shall cause the Leased Premises (in accordance with Section 12.3) and the public and common areas of the Building, including the lobbies, elevators, stairs, corridors and rest rooms, to be maintained in reasonably good order and condition consistent with the operation and maintenance of the Bank of America Building as a first-class office and retail building in downtown Bellevue, except for damage occasioned by any act or omission of Tenant or Tenant's officers, contractors, agents, invitees, licensees or employees, the repair of which shall be paid for by Tenant. From 7:00 a.m. to 6:00 p.m. on weekdays, excluding legal holidays ("Regular Business Hours"), Landlord shall furnish the Leased Premises with electricity for lighting and operation of low power usage office machines, water, heat, air conditioning and elevator service (the "Standard Services"). During all other hours, Landlord shall furnish the Standard Services, including elevator service as reasonably required to provide access to the Leased Premises, except for heat and air conditioning and lighting. If requested by Tenant, Landlord shall furnish heat and air conditioning and lighting at times other than Regular Business Hours and the cost of such services, as established by Landlord, shall be paid by Tenant in the same manner as provided in Section 5 above. Landlord also shall provide lamp replacement service for Building Standard fluorescent light fixtures, toilet room supplies, window washing at reasonable intervals and customary building janitorial service as part of the Standard Services, although no janitorial service shall be provided for Saturdays, Sundays or legal holidays. The cost and expense of any janitorial or other services provided or caused to be provided by Landlord to Tenant in addition to the services ordinarily provided Bank of America Building tenants shall be paid by Tenant in the same manner as provided for payment in Section 5 above.

10.2 Interruption of Services.

Landlord shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption or failure of the Standard Services due to any cause whatsoever. No temporary interruption or failure of the Standard Services incident to the making of repairs, alterations, or improvements, or due to accident, strike or conditions or events beyond Landlord's reasonable control shall be deemed an eviction of Tenant or relieve Tenant from any of Tenant's obligations hereunder.

10.3 Additional Services.

Tenant shall not install lights and equipment in the Leased Premises with heating loads which in the aggregate exceed the Bank of America Building standard mechanical system. Landlord shall not arbitrarily withhold consent to Tenant's installation of lights and equipment exceeding such amount but may condition its consent on Tenant's payment of the costs incurred by Landlord for the installation, operation, repair and maintenance of supplementary air conditioning capacity or electrical systems as necessitated by such equipment or lights. In addition, Tenant shall pay to Landlord, in advance, on the first day of each month during the Lease Term, such amount estimated by Landlord to be the cost of furnishing electricity to Tenant for the operation of such equipment or lights and such amount estimated by Landlord to be the cost of operating and maintaining the supplementary air conditioning units as necessitated by Tenant's use of such equipment or lights. Such costs shall be paid by Tenant in the same manner as provided in Section 5 above. In the event of nonpayment of amounts due for any of the above-described additional services, Landlord shall have the same rights and remedies as it has with

respect to the nonpayment of rent hereunder. Landlord shall be entitled to install and operate, at Tenant's sole cost and expense, a monitoring or metering system in the Leased Premises to measure the added demands on electricity, heating, ventilation, and air conditioning systems resulting from such equipment and lights and from Tenant's after-hours heating, ventilation and air conditioning service requirements. Tenant shall comply with Landlord's instructions for the use of drapes, blinds and thermostats in the Bank of America Building.

11. IMPROVEMENTS, ALTERATIONS AND ADDITIONS.

11.1 Premises Improvements.

(a) Prior to the Commencement Date, the Leased Premises shall be improved by Landlord (the "Premises Improvements"), which Premises Improvements shall be in accordance with mutually agreed upon plans and specifications for such improvements (the "Premises Plans"). The Premises Improvements shall be performed and installed by design professionals and contractors selected by Landlord in the exercise of Landlord's subjective discretion. Landlord shall contract directly with the contractors constructing the Premises Improvements. Landlord shall contract directly with JPC Architects for architectural services related to the Premises Improvements. Landlord shall pay certain amounts toward the cost of the Premises Improvements ("Landlord's Improvement Allowance"). Landlord's Improvement Allowance is limited to Forty-eight and 00/100 Dollars (\$48.00) per rentable square foot, or a total amount not to exceed Nine Hundred Twenty-seven Thousand Three Hundred Twelve and 00/100 Dollars (\$927,312.00). Landlord's Improvement Allowance shall be used exclusively for the Premises Improvements (including all sales and other applicable taxes but *not* including furniture, trade fixtures, equipment, inventory, or personal property, which shall be Tenant's sole cost and responsibility); provided, however, Tenant has the right to use up to Two and 00/100 Dollars (\$2.00) per rentable square foot (Thirty-eight Thousand Six Hundred Thirty-eight and 00/100 Dollars (\$38,638.00)) of Landlord's Improvement Allowance to offset data, telephone, and similar communication cabling costs. In addition to Landlord's Improvement Allowance, Landlord agrees to contribute the amount of \$0.15 per rentable square foot of the Leased Premises for an initial space plan and revisions prepared by JPC Architects, or a total of Two Thousand Eight Hundred Ninety-seven and 85/100 Dollars (\$2,897.85). The Premises Improvements shall include new building standard light fixtures and ceiling tile. Any unused portion of Landlord's Improvement Allowance, not to exceed \$2.00 per rentable square foot (Thirty-eight Thousand Six Hundred Thirty-eight and 00/100 Dollars (\$38,638.00)), shall be credited by Landlord to the next payment or payments of Rent due under the Lease.

(b) Any and all costs for the construction and installation of the Premises Improvements (including but not limited to the cost of all working drawings, space plans, and engineering, architectural, design and consulting fees) in excess of Landlord's Improvement Allowance ("Excess Improvement Costs") shall be Tenant's sole responsibility and shall be paid by Tenant promptly when due. Tenant's failure or refusal to pay any such Excess Improvement Costs shall be a material breach of this Lease and a default hereunder. If it should appear to Landlord at any time that Tenant is or may be obligated to pay for any Excess Improvement Costs, in addition to any and all other rights and remedies to which Landlord may be entitled, Landlord shall have the right, but not the obligation, to immediately stop or prevent any and all further design, construction and installation work until Landlord has received satisfactory assurances that Tenant can and will promptly pay all Excess Improvement Costs.

(c) Prior to the Commencement Date, the Project Architect shall certify that the Premises Improvements are substantially complete in accordance with the Premises Plans. If substantial completion of the Premises Improvements is delayed by Tenant's acts or omissions, change in design decisions, revisions or additional work, or those of Tenant's agents, then the Commencement Date shall be the date substantial completion of the Premises Improvements

would have been achieved but for the Tenant delay, as determined by the Project Architect. The terms “substantial completion” or “substantially complete”, as used herein, means that stage of construction where the Premises Improvements are usable for their principal intended purpose, as determined in good faith by the Project Architect, and the applicable governmental authorities deem the Leased Premises approved for occupancy, notwithstanding the possible need to complete, finish or install non-critical improvement features and fixtures. The existence of repairs or defects of a nature commonly found on a “punch list,” (meaning minor items that do not materially impact Tenant’s use of the Leased Premises), after turnover to Tenant, shall not postpone the Commencement Date or result in a delay or abatement of Tenant’s obligation to pay rent or give rise to a damage claim against Landlord, provided Landlord shall use commercially reasonable efforts to complete such punch list items within sixty (60) days after Landlord’s receipt of Tenant’s punch list, referred to below. Tenant’s occupancy of the Leased Premises shall be deemed an acknowledgement that the Leased Premises is in good condition and repair and that Landlord has caused the Bank of America Building and all of the Premises Improvements to be constructed as required by this Lease, subject to those items, if any, specified in any punch list to be delivered by Tenant within thirty (30) days following substantial completion.

(d) All improvements and fixtures made or installed in or to the Leased Premises, including all Premises Improvements, are the property of Landlord. The Premises Improvements shall not include, and Tenant shall be solely responsible for all costs associated with (i) the interior design of the Leased Premises, (ii) security and access control to the Leased Premises, (iii) data, telephone, and similar communications cabling in excess of the \$2.00 per rentable square foot allowance set forth in paragraph 4(a) above, and (iv) furniture, fixtures and equipment. The foregoing shall be deemed to be a financial accommodation of the type referenced in 11 USC §365(c)(2) and a material and substantial part of this Lease transaction, as amended.

11.2 Alterations by Tenant

After completion of Tenant’s Improvements, Tenant shall not make any subsequent alterations, additions or improvements in, on, or to the Leased Premises without the prior written consent of Landlord, which consent may be subject to such conditions as Landlord may deem appropriate. Tenant shall submit complete sets of final plans and specifications for all such alterations, additions or improvements to Landlord for approval. Any such alterations, additions or improvements consented to by Landlord shall be made at Tenant’s sole cost and expense. Prior to the commencement of any such work, Tenant shall notify Landlord of the contractors that will be retained by Tenant to perform the work. Landlord shall have the right to approve or disapprove in advance any or all contractors to be retained by Tenant for such work. Landlord shall promptly be provided with complete “as built” drawings and specifications for all alterations, additions and improvements made by Tenant. Tenant shall secure all governmental permits, approvals or authorizations required for such work. All alterations, additions and improvements (including but not limited to all light fixtures and floor coverings but excluding any inventory, furniture and similar personal property which does not become a part of the Leased Premises) shall immediately become the property of Landlord, without any obligation on the part of Landlord to pay therefor, upon installation in the Leased Premises. Upon the expiration or sooner termination of the Lease Term, Tenant shall forthwith remove (at Tenant’s sole cost and expense) all alterations, additions or improvements made by Tenant (except original leasehold improvements constructed as part of Tenant’s Improvements) designated by Landlord to be removed and Tenant shall repair (at its sole cost and expense) any damage to the Leased Premises caused by such removal. Notwithstanding anything herein or elsewhere in this Lease to the contrary, Tenant shall remove all voice and data cabling and other telecommunications equipment installed by Tenant, and shall restore the Leased Premises to the

condition they were in prior to the installation of such items. Tenant's obligations hereunder shall survive the expiration or termination of this Lease.

11.3 Disability Laws.

Notwithstanding anything in this Lease to the contrary, if Tenant constructs, makes or installs or causes to be constructed, made or installed any improvement or alteration in or to the Leased Premises, Tenant shall be solely responsible for ensuring that such improvements and/or alterations do not violate any provision in any local, state or federal law or regulation relating to accessibility for handicapped persons or the removal of architectural or communication barriers to accessibility ("Disability Law"), including but not limited to RCW Chapter 70.92 and The Americans with Disabilities Act. Any approval by Landlord of Tenant's plans or specifications for any such improvements or alterations shall not be a representation or warranty, express or implied, by Landlord that such plans will comply with any Disability Law. If any claim is asserted against Landlord under any Disability Law which claim relates directly or indirectly to any alterations or improvements installed, made or constructed, directly or indirect, by or for Tenant in or to the Leased Premises or any trade fixture or personal property item used by Tenant in the Leased Premises, Tenant shall defend, indemnify and hold Landlord harmless from and against the claim and any and all charges, liabilities, obligations, penalties, damages, judgments, costs and expenses (including attorneys' fees) arising or incurred against or suffered, directly or indirectly, by Landlord relating thereto. If it should be determined that any improvement or alteration constructed, made or installed in or to the Leased Premises, directly or indirectly, by or for Tenant or any trade fixture or personal property item used by Tenant in the Leased Premises is an illegal architectural or communication barrier under any Disability Law, Tenant shall immediately, at its sole cost and expense, remove the barrier or, to the extent allowed by the Disability Law, provide alternatives to the barrier so as to make the Leased Premises accessible to handicapped persons. No alteration or improvement in the Leased Premises will be approved by Landlord if it will require that barriers outside the Leased Premises be removed under any Disability Law. Tenant shall not have any basis for objecting to Landlord's judgment regarding the probable application of any Disability Law provided Landlord does not act arbitrarily.

12. MAINTENANCE OF THE PREMISES.

12.1 Maintenance and Repair by Tenant.

Tenant shall at all times throughout the Lease Term, at its sole cost and expense, keep the Leased Premises (including all exterior doors and entrances, windows and moldings and trim on all doors and windows) and all partitions, door surfaces, fixtures, equipment and appurtenances thereof in good order, condition and repair consistent with a first-class office building, damage by unavoidable casualty excepted (but not excluding any damage caused by burglary, attempted burglary or vandalism of the Leased Premises).

12.2 Failure to Maintain.

If, after five (5) days' prior written notice (except in emergencies) from Landlord, Tenant fails to keep, preserve and maintain the Leased Premises as set forth in Section 12.1 above, Landlord may, at its option, put or cause the same to be put in the condition and state of repair agreed upon, and in such case, upon receipt of written statements from Landlord, Tenant shall promptly pay the entire cost thereof as additional rent. Landlord shall have the right to enter the Leased Premises for the purpose of undertaking such work upon the failure of Tenant to do so.

12.3 Repair by Landlord.

Landlord shall keep the roof, exterior walls, exterior building windows, public corridors, equipment used in common with other tenants (such as elevators, plumbing, heating, air-conditioning and similar equipment) and building structure of the Leased Premises in a good state of repair, and shall accomplish such repairs as may be needed promptly after receipt of written notice from Tenant. If repairs are required by reason of Tenant's acts or negligent failure to act, Tenant shall promptly pay Landlord, as additional rent, for the cost thereof. Except as otherwise specifically provided in Sections 16 or 28, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Leased Premises or building of which the Leased Premises are a part, or in or to fixtures, appurtenances and equipment therein. In no event shall Landlord be liable to Tenant for any damage to the Leased Premises or for any loss, damage or injury to any property therein or thereon resulting from acts by other third parties or occasioned by fire; explosion; falling plaster; the breaking, bursting, stoppage or leaking of water, gas, sewer, electrical cables, wires or steam pipes; or from water, rain, or other substances leaking or coming from the roof, street, subsurface or from any other place or from dampness or from any similar risks or causes. Landlord shall not be liable for any loss or damage to any person or property sustained by Tenant or any other persons, which may be caused by theft, or by any act or neglect of any tenant or occupant of Bellevue Place, or of any other third parties.

12.4 Surrender of Leased Premises.

At the expiration or sooner termination of this Lease, Tenant shall return the Leased Premises to Landlord in the same condition in which it was initially received (or, if altered by Landlord or by Tenant with Landlord's consent, then the Leased Premises shall be returned in such altered condition), reasonable wear and tear and damage by fire or other unavoidable casualty excepted (excluding burglary, attempted burglary and vandalism). Tenant shall remove all inventory, furniture and other personal property which does not become a part of the Leased Premises and all alterations and improvements which Landlord designates to be removed pursuant to Section 11.2 above, and shall restore the Leased Premises to the condition it was in prior to the installation of such items. Tenant's obligations under this Section 12 shall survive the expiration or termination of this Lease.

13. ACCEPTANCE OF THE LEASED PREMISES.

Except as otherwise provided in this Section 13, and subject to Landlord's completion of the Premises Improvements in accordance with Section 11.1 above, Tenant has inspected the Leased Premises and accepts the same in their current condition and waives the right to make any claim against Landlord for any matter directly or indirectly arising out of the condition of the Leased Premises, appurtenances thereto, the improvements thereon and the equipment thereof. **LANDLORD MAKES NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR HABITABILITY.** Notwithstanding the foregoing, Tenant's acceptance of the Leased Premises upon delivery of possession shall in no way diminish Landlord's repair and maintenance obligations as set forth elsewhere in the Lease. Prior to the Commencement Date, Landlord shall refurbish the 13th floor restrooms in a manner consistent with the refurbishment of the common area restrooms on other floors in the Bank of America Building. In addition, prior to the Commencement Date, Landlord shall remove or cause to be removed the prior tenant's branding in the Leased Premises, which includes vinyl lettering, logos and stickers on the elevator cab doors. Tenant agrees and acknowledges that the existing low voltage wiring and service racks currently in the Leased Premises will remain and may be used by Tenant during the Lease Term. Upon the expiration or earlier termination of the Lease Term,

Tenant shall remove said wiring and racks from the Leased Premises in accordance with the terms of this Lease.

14. DEFAULT BY LANDLORD.

Landlord shall not be in default under this Lease unless Landlord fails to perform the obligations required of Landlord within a reasonable time, but in no event less than thirty (30) days after written notice by Tenant to Landlord and to the holder of all mortgages and deeds of trust covering the Leased Premises whose names and addresses shall have been furnished to Tenant in writing. The notice shall specify wherein Landlord has failed to perform such obligation; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Tenant further agrees not to invoke any of its remedies under this Lease and which Tenant otherwise may have until such thirty (30) days have elapsed. In no event shall Tenant have the right to terminate this Lease as a result of Landlord's default and, subject to Section 30, Tenant's remedies shall be limited to damages.

15. ACCESS.

15.1 Right of Entry.

Tenant shall permit Landlord and its employees, agents and contractors to enter into and upon the Leased Premises at any time during normal business hours (8:00 a.m. to 6:00 p.m.) for the purpose of inspecting the same or for the purpose of cleaning, repairing, altering or improving the Leased Premises or the Bank of America Building. If Tenant is not personally present to permit entry, in case of emergency or urgent necessity Landlord may forcibly enter the same at any hour without rendering Landlord liable therefor. Nothing contained in this Section shall be deemed to impose any obligation upon Landlord not expressly stated elsewhere in this Lease. When reasonably necessary Landlord may temporarily close entrances, doors, corridors, elevators or other facilities without liability to Tenant by reason of such closure and without such action by Landlord being construed as an eviction of Tenant or release of Tenant from the duty of observing and performing any of the provisions of this Lease. Landlord shall have the right to enter the Leased Premises for the purpose of showing the Leased Premises to prospective tenants within the period of one hundred eighty (180) days prior to the expiration or sooner termination of this Lease.

15.2 Excavation.

If an excavation is made of property adjacent to the Leased Premises, Tenant shall and does hereby afford to the person causing or authorized to cause such excavation, an irrevocable license to enter upon the Leased Premises for the purpose of doing such work as Landlord shall deem necessary to preserve the wall of the building of which the Leased Premises are a part from injury or damage and to support the same by proper foundations or other means, without any claim for damages against Landlord or diminution or abatement of rent.

16. DAMAGE OR DESTRUCTION.

16.1 Insured Loss.

Subject to Section 16.2, if the Leased Premises are damaged by perils covered by Landlord's insurance coverage and the proceeds therefrom are sufficient to cover the cost of repairs and are made available to Landlord for the purpose of repairing such damage, Landlord agrees to forthwith repair the same, and this Lease shall remain in full force and effect, except

that Tenant shall be entitled to a proportionate reduction of Rent and Additional Rent from the date of damage and while such repairs are in progress, provided said damage did not result from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant. Such proportionate reduction shall be based upon the extent to which the damage and making of such repairs materially interfere, if at all, with the business carried on by Tenant in the Leased Premises. If such damage resulted from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant, the Rent and Additional Rent shall abate only to the extent Landlord receives proceeds from Landlord's rental income insurance policy to compensate Landlord for the loss of such rent.

16.2 Uninsured Loss.

If the Leased Premises are damaged as a result of any cause other than the perils covered by Landlord's insurance coverage or if the insurance proceeds are not sufficient to cover the cost of repairs, Landlord shall forthwith repair the same provided the cost of repair is less than ten percent (10%) of the then replacement cost of the Leased Premises. If the Leased Premises are damaged as a result of a cause other than a peril covered by Landlord's insurance coverage, or if the insurance proceeds from Landlord's insurance are not made available to Landlord for the purpose of repairing the Leased Premises, or, if the cost of repair is equal to or greater than ten percent (10%) or more of the replacement cost of the Leased Premises, then Landlord shall have the option to (i) repair or restore such damage, in which event this Lease shall continue in full force and effect but the Rent and Additional Rent shall be proportionately reduced as provided in Section 16.1 above; or (ii) at any time within one hundred twenty (120) days after such damage give notice to Tenant of the termination of this Lease as of the date specified in such notice, which date shall not be less than thirty (30) days after the date of such notice. If such notice is given, this Lease shall terminate and all interest of Tenant in and to the Leased Premises shall end on the date so specified in such notice and the Rent and Additional Rent, reduced by a proportionate reduction, based upon the extent, if any, to which such damage materially interfered with the business carried on by Tenant in the Leased Premises, shall be paid up to date of such termination.

16.3 No Obligation.

Notwithstanding anything to the contrary contained in this Section 16, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Leased Premises when the damage resulting from any casualty occurs during the last twenty-four (24) calendar months of the Lease Term.

16.4 Partial Destruction of the Bank of America Building.

If a portion of the Bank of America Building is damaged and the insurance proceeds therefrom are not sufficient to cover the cost of repairs or are not made available to Landlord for the purpose of repairing the same, or if thirty percent (30%) or more of the Rentable Area of the Bank of America Building is damaged, notwithstanding that the Leased Premises may be unaffected, Landlord may terminate this Lease and the tenancy hereby created by giving Tenant not less than thirty (30) days' prior written notice of Landlord's election to terminate the tenancy; provided, however, that such notice shall be given, if at all, within one hundred twenty (120) days following the date of occurrence of such damage or destruction. Rent and Additional Rent shall be prorated as of the date of such termination.

16.5 Business Interruption.

No damages, compensation or claims shall be payable by Landlord for inconvenience, loss of business, or annoyance arising from any repair or restoration of any portion of the Leased

Premises or of the Bank of America Building. Landlord shall use reasonable efforts to effect such repairs promptly.

17. MUTUAL RELEASE AND WAIVER OF SUBROGATION.

Landlord and Tenant hereby mutually release each other from liability, and waive all right of recovery against each other, for any injury, loss or damage to any building, structure, inventory or other tangible property and any revenues, profit and rents to be generated therefrom, whether due to negligence or any other insured cause, if such injury, loss or damage is caused by any of the perils which are covered by a first-party insurance policy benefiting the party suffering such injury, loss or damage, or if such injury, loss or damage was required to be covered by insurance pursuant to this Lease; provided that this Section shall be inapplicable if it would have the effect, but only to the extent it would have the effect, of invalidating any insurance coverage of Landlord or Tenant. This Waiver only applies to insured property losses and does not limit the ability to recover for deductibles or other uninsured losses. Landlord and Tenant acknowledge that their current insurance policies, as of the date of this Lease, will not be invalidated. In the future, if avoiding any invalidation can be effected by the payment of money to such insurer, the other party may elect to pay such amount to obtain such waiver of subrogation for its benefit. Landlord and Tenant, respectively, shall promptly notify the other if its insurance will be invalidated by the foregoing release and waiver or if any payment is required to avoid such invalidation. Notwithstanding anything to the contrary, this Section shall not apply to any claim by Landlord for any Rent, Additional Rent or Other Charges payable under this Lease. Landlord and Tenant specifically intend, however, that this Section shall apply to any potential claim that could otherwise be made by Landlord for any rents to be paid by other occupants of Bellevue Place or any claim that could potentially be made by Tenant for any lost sales, profits or revenues that could have been generated from or operating expenses related to the Leased Premises or elsewhere.

18. INDEMNITY.

18.1 Generally.

Landlord shall not be liable for the loss of or damage to any property (including property of Tenant and others) occurring in or about the Leased Premises from any cause whatsoever. Landlord shall not be liable for injury to any person occurring in or about the Leased Premises except and to the extent that such injury is caused by Landlord's negligence. Except to the extent an injury to any person is caused by Landlord's negligence, Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims, charges, liabilities, obligations, penalties, damages, costs and expenses (including attorneys' fees) arising, claimed, charged or incurred against or by Landlord from any matter or thing arising from Tenant's use of the Leased Premises, the conduct of its business or from any activity, work or other things done, permitted or suffered by the Tenant in or about the Leased Premises, and Tenant shall further indemnify and hold Landlord harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part or to be performed under the terms of this Lease, or arising from any act or negligence of Tenant, or any officer, agent, employee, guest, or invitee of Tenant, and from all costs, attorneys' fees, and liabilities incurred in or about the defense of any such claim or any action or proceeding brought thereon. If any action or proceeding is brought against Landlord by reason of such a claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by legal counsel reasonably satisfactory to Landlord.

18.2 Concurrent Negligence of Landlord and Tenant Relating to Construction, Repair and Maintenance Activities.

Notwithstanding Section 18.1 above, in the event of concurrent negligence of Tenant, its agents, employees, sublessees, invitees, licensees or contractors on the one hand, and that of Landlord, its partners, agents, employees or contractors on the other hand, which concurrent negligence results in injury or damage to persons or property and relates to the construction, alteration, repair, addition to, subtraction from, improvement to or maintenance of the Leased Premises or Bellevue Place, Tenant's obligation to indemnify Landlord as set forth in this Section 18 shall be limited to the extent of Tenant's negligence, and that of its agents, employees, sublessees, invitees, licensees or contractors, including Tenant's proportional share of costs, and attorneys' fees and expenses incurred in connection with any claim, action or proceeding brought with respect to such injury or damage.

18.3 Waiver of Workers' Compensation Immunity.

The indemnification obligations contained in this Lease shall not be limited by any workers' compensation, benefit or disability laws, and each indemnitor hereby waives any immunity that said indemnitor may have under the Industrial Insurance Act, Title 51 RCW and similar workers' compensation, benefit or disability laws.

18.4 Provisions Specifically Negotiated.

LANDLORD AND TENANT ACKNOWLEDGE BY THEIR EXECUTION OF THIS LEASE THAT EACH OF THE INDEMNIFICATION, RELEASE AND WAIVER PROVISIONS OF THIS LEASE (SPECIFICALLY INCLUDING BUT NOT LIMITED TO THOSE RELATING TO WORKERS' COMPENSATION BENEFITS AND LAWS) WERE SPECIFICALLY NEGOTIATED AND AGREED TO BY LANDLORD AND TENANT.

19. INSURANCE.

19.1 Liability Insurance.

(a) Liability Insurance. Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, a policy of comprehensive/commercial general liability insurance insuring Tenant's activities with respect to the Leased Premises, Bank of America Building and Bellevue Place against loss, damage or liability for personal injury or death or loss or damage to property with a limit of not less than Two Million Dollars (\$2,000,000) combined single limit for policies without a general aggregate limit. For policies with a general aggregate limit, such aggregate limit shall be not less than Two Million Dollars (\$2,000,000) and include an endorsement providing that the foregoing limit shall apply per location, including the Leased Premises, and have an occurrence limit not less than Two Million Dollars (\$2,000,000). In the event Tenant obtains a policy with a general aggregate limit, Tenant shall immediately notify Landlord if claims covered by such policy or policies at any time are made against Tenant which claims exceed fifty percent (50%) or more of the aggregate limit. Notwithstanding the foregoing, if during the Lease Term, in Landlord's reasonable judgment, the policy limits required hereunder are no longer adequate to provide reasonable protection to Landlord, Landlord may notify Tenant of such inadequacy and an appropriate level of coverage and Tenant, within thirty (30) days of receiving such a notice, shall obtain such additional amounts of insurance and provide Landlord with satisfactory evidence thereof. Reference may be made to policy amounts required by other landlords for similar space and operations in determining what is reasonable protection hereunder. The insurance required under this Section shall be with companies rated A-VII or better in Best's Insurance Guide. Landlord, Kemper Development Company, and any other parties in interest designated by Landlord, shall be named

as additional insureds. The insurance policy shall bear an endorsement that the policy shall not be cancelled or the policy limits reduced by endorsement below the coverage required by this Lease for any reason other than nonpayment of premiums except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof, including applicable endorsements, showing Landlord as an additional insured and the applicable policy limits thereof. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease.

(b) Service of Alcoholic Beverages. The insurance to be carried by Tenant pursuant to Section 19.1(a) above shall not exclude liability for violation of any governmental statute, ordinance, regulation or rule pertaining to the sale, gift, distribution or use of any alcoholic beverages, or liability by reason of the selling, serving or giving of any alcoholic beverage to a minor or to a person under the influence of alcohol or any other person, or which causes or contributes to the intoxication of any persons. Accordingly, the indemnification obligations in Section 18 of this Lease shall extend, as well, to damages occurring at locations other than the Leased Premises and resulting from risks insurable by any of the following (i) so-called dram shop liability insurance, (ii) host liquor liability insurance or (iii) liquor legal liability insurance or otherwise related to the sale, gift, distribution or use of alcoholic beverages.

19.2 Property Insurance.

In addition to the insurance required by Sections 19.1 and 19.2, Tenant shall, at its own cost and expense, keep and maintain in full force and effect during the Lease Term, property insurance covering Tenant's supplies, inventory and other personal property as well as all improvements, additions and modifications to or in the Leased Premises, in an amount equal to full replacement cost without co-insurance penalty. The insurance policy shall bear an endorsement that the policy shall not be canceled or the policy limits reduced below the coverage required by this Lease for any reason other than non-payment of premiums, except upon forty-five (45) days' prior written notice to Landlord and only after ten (10) days' prior written notice to Landlord for non-payment of premiums. Tenant shall deliver to Landlord upon the Commencement Date and from time to time thereafter as requested by Landlord copies of all policies of such insurance or certificates thereof.

19.3 Failure to Maintain.

If Tenant fails or refuses to maintain any insurance required by this Section 19, Landlord, at its discretion, may obtain and maintain insurance for such items and interests to protect Landlord in such amounts as Landlord may determine to be appropriate and any and all premiums paid or payable by Landlord therefor shall be deemed to be additional rent and shall be due on the payment date of the next installment of Rent hereunder. The failure to obtain or maintain any insurance required by this Section 19 shall constitute a material breach of this Lease.

19.4 Increase in Insurance Premium.

Notwithstanding anything in this Lease to the contrary, Tenant shall not keep, use, sell or offer for sale in or upon the Leased Premises any article, nor conduct any activities or operations, which are or may be prohibited by Landlord's insurance carriers. Tenant shall pay any increase in premiums for property or liability insurance maintained by Landlord resulting from Tenant's use or occupancy of the Leased Premises, whether or not Landlord has consented thereto. In the event of such increased insurance premiums to Landlord, Tenant also shall pay immediately to Landlord an amount equal to any additional premium on the insurance policy or policies that

Landlord may carry for its protection against loss resulting from any insured event. In determining whether increased premiums are the result of Tenant's use or occupancy of the Leased Premises, the rates and premiums determined by the organization setting the insurance premiums shall be conclusive evidence of the several items and charges which make up the insurance premiums. Landlord shall deliver bills for such additional amounts to Tenant at such times as Landlord may elect, and Tenant shall immediately pay Landlord therefor.

20. ASSIGNMENT AND SUBLEASING.

20.1 Assignment or Sublease.

Tenant shall not assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise transfer this Lease or any interest therein, nor sublease the whole or any part of the Leased Premises, nor shall this Lease or any interest hereunder be assignable or transferable by any process or proceeding of any court, or otherwise, without in each case first obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld. Any such transaction undertaken without Landlord's prior written consent shall be null and void.

In determining whether to grant consent to Tenant's sublease or assignment request, Landlord may consider any factor, including but not limited to the experience and business reputation of the proposed assignee or sublessee in operating a business for the uses set forth in the Lease; whether the clientele, personnel and foot traffic generated by such proposed assignee or sublessee is satisfactory to Landlord; notwithstanding that Tenant and/or others remain liable under the Lease, whether the proposed assignee or sublessee has a net worth, and financial strength and credit record, reasonably satisfactory to Landlord; use of the Leased Premises by the proposed assignee or sublessee must be identical to the use permitted by the Lease; use of the Leased Premises by the proposed assignee or sublessee will not violate or create any potential violation of any laws; whether the quality of the business to be operated or likely to be operated by the proposed assignee or sublessee is satisfactory to Landlord; and whether Landlord's consent might result in a breach of any other lease or agreement to which Landlord is a party; and whether the product mix and target customer base of the proposed assignee or sublessee is consistent with the product mix and target customer base that Landlord is trying to maintain or achieve within Bellevue Place.

No assignment, subleasing or other transfer shall relieve Tenant of any liability under this Lease. The prohibition set forth in this Section 20 includes, without limitation (and the following shall be deemed to be "assignments"): (i) a consolidation or merger of Tenant; (ii) a change in the ownership or voting rights of more than twenty-five percent (25%) of the issued and outstanding stock of any corporate tenant; (iii) any subleasing or assignment which would otherwise occur by operation of law, merger, consolidation, reorganization, transfer or other significant change in corporate or proprietary structure; (iv) the sale, assignment or transfer of all or substantially all of the assets of Tenant, with or without the specific assignment of this Lease; and (v) a change in control in any partnership tenant. The acceptance by Landlord of any amounts following any transaction prohibited hereunder shall not be deemed to be a consent by Landlord nor shall the same be deemed to be a waiver of any right or remedy of Landlord hereunder. Consent to any such assignment, subleasing or other transfer shall not operate as a waiver of the necessity for consent to any subsequent assignment, subleasing or transfer. If Landlord's consent is requested for an assignment or sublease of all or a portion of the Leased Premises, Landlord shall have the right to terminate this Lease with respect to that portion of the Leased Premises for which such consent is requested, at the proposed effective date of such assignment or subleasing, and enter into the relationship of Landlord and Tenant with the proposed assignee or subtenant based on the rent (and/or other compensation) and term agreed to by such assignee or subtenant and otherwise upon the terms and conditions of this Lease. In

connection with any sublease or assignment, Tenant shall promptly provide Landlord with fully executed copies of all assignment, sublease and assumption instruments.

20.2 Assignee Obligations.

As a condition to Landlord's consent, any potential assignee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, Other Charges and the performance of all terms, covenants and conditions of this Lease.

20.3 Sublessee Obligations.

As a condition to Landlord's consent, any potential sublessee otherwise approved by Landlord shall expressly assume all existing and future obligations of Tenant under the Lease during the term of the sublease and shall be jointly and severally liable with Tenant for the payment of Rent, Additional Rent, and Other Charges, and the performance of all terms, covenants, and conditions of this Lease.

20.4 Conditional Consents.

Any consent by Landlord to any assignment or subleasing may be subject to any terms or conditions as Landlord shall determine appropriate (including but not limited to requiring that any and all guarantors of the Lease agree to continue to guarantee the Lease obligations after the assignment) and all such terms and conditions shall be binding upon any person holding by, under or through Tenant.

20.5 Attorneys' Fees and Costs.

Tenant shall reimburse Landlord for Landlord's attorneys' fees and costs incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subleasing or encumbrance.

21. ADVERTISING.

Tenant shall not inscribe any inscription, or post, place, or in any manner display any sign, awning, canopy, marquee, decoration, graphics, notice, picture, placard or poster, or any advertising matter whatsoever, anywhere in or about the Leased Premises or the Bank of America Building at places visible (either directly or indirectly as an outline or shadow on a glass pane) from anywhere outside the Leased Premises without first obtaining Landlord's written consent thereto, such consent to be at Landlord's sole discretion. Any such consent by Landlord shall be upon the understanding and condition that Tenant shall remove the same at the expiration or sooner termination of this Lease and Tenant shall repair any damage to the Leased Premises or the Bank of America Building caused thereby. All such signs and advertising matter shall comply with all applicable laws, governmental regulations, ordinances and orders.

22. LIENS.

No work performed by Tenant pursuant to this Lease shall be deemed to be for the immediate use and benefit of Landlord so that no mechanic's, materialmen's or other liens shall be allowed against the estate of Landlord by reason of any consent given by Landlord to Tenant to improve, alter or repair the Leased Premises. Tenant shall keep the Leased Premises, the Bank of America Building and Bellevue Place free and clear of all liens and encumbrances arising out of any work performed for, materials furnished to and obligations incurred by or on behalf of Tenant and Tenant shall indemnify and hold Landlord harmless from any liability from any and

all costs, liabilities and expenses (including but not limited to attorneys' fees and Landlord's reasonable administrative costs and expenses) arising therefrom. Prior to commencing any improvement, alteration or repair work to the Leased Premises, Tenant shall provide to Landlord, at Tenant's sole cost and expense, separate payment and performance bonds for such work and materials in an amount equal to either (i) the actual contract price if the contract price is fixed, or (ii) one and one-half (1-1/2) times the estimated cost of the improvements, alterations or repairs which Tenant desires to make within the Leased Premises if the contract price is not fixed. Such bonds shall cover the faithful performance of the contract and payment of all obligations arising therefrom and insure Landlord against any and all liability for mechanics' and materialmen's liens and other similar liens and insure the completion of such work. If any lien is filed against the Bank of America Building, Bellevue Place or the Leased Premises by any person claiming by, through or under Tenant, Tenant shall, at Tenant's sole cost and expense, immediately discharge the same. If Tenant shall fail to cause such lien to be immediately discharged of record, then, in addition to any other right or remedy of Landlord, Landlord may bond or discharge the same by paying the amount claimed to be due, and the amount so paid by Landlord, including any reasonable attorney's fees incurred by Landlord in defending against or responding to such lien or in procuring its discharge of record, shall be due and payable by Tenant as additional rent.

23. TENANT'S DEFAULT.

23.1 Default.

The following shall constitute defaults and breaches of this Lease by Tenant:

- (a) Vacating the Leased Premises. The vacation or abandonment of the Leased Premises by Tenant or the failure of Tenant to be open for business on a fully-operational basis (except in the event of damage or destruction to the Leased Premises or when due to some other cause beyond Tenant's reasonable control, which prevents Tenant from conducting its business within the Leased Premises) for five (5) days or more.
- (b) Failure to Pay Rent. Tenant's failure to make any payment of Rent, Additional Rent or Other Charges, or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof by Landlord to Tenant.
- (c) Failure to Perform. Tenant's failure to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant where such failure continues for a period of ten (10) days (except as otherwise provided in this Lease) after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's failure is such that more than ten (10) days are required for its cure, Tenant shall not be deemed to be in default under this Section 23.1(c) if Tenant commences such cure within such ten (10) day period and thereafter diligently prosecutes such cure to completion.
- (d) Bankruptcy. The making by Tenant of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days of filing); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Leased Premises or of Tenant's interest in this Lease, where such seizure is not discharged in thirty (30) days after appointment of such trustee or receiver, or the filing of the petition for the appointment of the same, whichever shall first occur.

(e) Repeated Defaults. Tenant's failure to perform or observe any of Tenant's obligations under the Lease after Tenant has neglected or failed to perform or observe any of Tenant's obligations under the Lease at least twice previously (although Tenant shall have cured any such previous failure after notice from Landlord, and within the notice period).

23.2 Remedies in Default.

In the event of any default or breach of this Lease by Tenant (whether or not set forth in Section 23.1 above), Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach:

(a) Terminate the Lease. Terminate Tenant's right to possession of the Leased Premises by any lawful means, in which case Tenant shall immediately surrender possession of the Leased Premises to Landlord. In such event, Landlord shall be entitled to recover from the Tenant all past due Rent, Additional Rent and Other Charges and all other amounts owed under the terms of this Lease; the expense of re-leasing the Leased Premises, including but not limited to the expense of renovating and alterations to the Leased Premises and any leasing commissions; reasonable attorneys' fees and costs; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid Rent and Additional Rent called for herein for the balance of the Lease Term after the time of such award exceeds the amount of such loss for the same period that Tenant proves could be reasonably avoided (the "worth at the time of award" shall be determined by discounting such excess amount by the discount rate of the Federal Reserve Bank of San Francisco plus one percent (1%)); and any and all other damages arising from Tenant's default or breach; or,

(b) Continue the Lease. Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Leased Premises. In such event, Landlord shall be entitled to enforce all Landlord's rights and remedies under this Lease, including the right to recover damages, Rent, Additional Rent, Other Charges, and any other payments as may become due hereunder; or,

(c) Other Remedies. Pursue any other remedy or remedies now or hereafter available to Landlord under the laws or judicial decisions of the State of Washington.

23.3 Legal Expenses.

If either party is required to bring or maintain any action (including assertion of any counterclaim or cross-claim, or claim in a proceeding in bankruptcy, receivership or any other proceeding instituted by a party hereto or by others), or otherwise refers this Lease to an attorney for the enforcement of any of the covenants, agreements, terms or conditions of this Lease, the prevailing party, in addition to all other remedies provided herein, shall receive from the other party all costs (including reasonable attorneys' fees) incurred in the enforcement of the covenants, agreements, terms and conditions of this Lease (whether or not an action is instituted) and including any such costs and fees incurred by the prevailing party on any appeal.

23.4 Bankruptcy.

(a) Assumption of Lease. In the event Tenant becomes a Debtor under Chapter 7 of the Bankruptcy Code ("Code") or a petition for reorganization or adjustment of debts is filed concerning Tenant under Chapters 11 or 13 of the Code, or a proceeding is filed under Chapter 7 of the Code and is transferred to Chapters 11 or 13 of the Code, the Trustee or Tenant, as Debtor and as Debtor-In-Possession, may not elect to assume this Lease unless, at the time of such assumption, the Trustee or Tenant has:

(1) Cured all defaults under the Lease and paid all sums due and owing under the Lease or provided Landlord with “Adequate Assurance” (as defined below) that: (A) within ten (10) days from the date of such assumption, the Trustee or Tenant will completely pay all sums due and owing under this Lease and compensate Landlord for any actual pecuniary loss resulting from any existing default or breach of this Lease, including without limitation, Landlord’s reasonable costs, expenses, accrued interest, and attorneys’ fees incurred as a result of the default or breach; (B) within twenty (20) days from the date of such assumption, the Trustee or Tenant will cure all non-monetary defaults and breaches under this Lease; and (C) the assumption will be subject to all of the provisions of this Lease.

(2) For purposes of this Section, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding involving Tenant, at a minimum, “Adequate Assurance” shall mean: (A) the Trustee or Tenant has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Tenant will have sufficient funds to fulfill the obligations of Tenant under this Lease; (B) the Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or Tenant shall have granted a valid and perfected first lien and security interest and/or mortgage in property of Trustee or Tenant acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Tenant to cure the monetary and/or non-monetary defaults and breaches under this Lease within the time periods set forth above; and (C) the Trustee or Tenant, at the very minimum, shall deposit a sum equal to two (2) months’ Rent to be held by Landlord (without any allowance for interest thereon) to secure Tenant’s future performance under the Lease.

(b) Assignment of Lease. If the Trustee or Tenant has assumed the Lease pursuant to the provisions of this Section for the purpose of assigning Tenant’s interest hereunder to any other person or entity, such interest may be assigned only after the Trustee, Tenant or the proposed assignee have complied with all of the terms, covenants and conditions of this Lease, including, without limitation, those with respect to Additional Rent; Landlord and Tenant acknowledging that such terms, covenants and conditions are commercially reasonable in the context of a bankruptcy proceeding of Tenant. Any person or entity to which this Lease is assigned pursuant to the provisions of the Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon request execute and deliver to Landlord an instrument confirming such assignment.

(c) Adequate Protection. Upon the filing of a petition by or against Tenant under the Code, Tenant, as Debtor and as Debtor-In-Possession, and any Trustee who may be appointed agree to adequately protect Landlord as follows: (1) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed by Order of the Bankruptcy Court; (2) to pay all monetary obligations required under this Lease, including without limitation, the payment of Rent and Additional Rent payable hereunder which is considered reasonable compensation for the use and occupancy of the Leased Premises; (3) provide Landlord a minimum of thirty (30) days’ prior written notice, unless a shorter period is agreed to in writing by the parties, of any proceeding relating to any assumption of this Lease or any intent to abandon the Leased Premises, which abandonment shall be deemed a rejection of this Lease; and (4) to perform to the benefit of Landlord as otherwise required under the Code. The failure of Tenant to comply with the above shall result in an automatic rejection of this Lease.

23.5 Remedies Cumulative - Waiver.

Landlord’s remedies hereunder are cumulative and the Landlord’s exercise of or failure to exercise any right or remedy due to a default or breach by Tenant shall not be deemed a

waiver of, or to alter, affect or prejudice any right or remedy which Landlord may have under this Lease or by law. Neither the acceptance of rent, nor any other act or omission of Landlord at any time or times after the happening of any breach, default or other event authorizing the cancellation or forfeiture of this Lease, shall operate as a waiver of any past or future violation, breach or failure to keep or perform any covenant, agreement, term or condition hereof or to deprive Landlord of its right to cancel or forfeit this Lease, upon the written notice provided for herein, at any time that cause for cancellation or forfeiture may exist, or be construed so as at any time to stop Landlord from promptly exercising any other option, right or remedy that it may have under any term or provision of this Lease, at law or in equity.

24. SUBORDINATION AND ATTORNMENT; MORTGAGEE PROTECTION.

24.1 Subordination - Notice to Mortgagee.

At the request of Landlord, Tenant shall promptly execute, acknowledge and deliver all instruments which may be appropriate to subordinate this Lease to any existing or future mortgages or deeds of trust on Bellevue Place, the Bank of America Building or the Leased Premises, and to any extensions, renewals or replacements thereof; provided, that the mortgagee or beneficiary, as the case may be, shall agree, in exchange for the agreement of Tenant to attorn to such mortgagee or beneficiary, to recognize this Lease in the event of foreclosure if Tenant is not in default at such time. Notwithstanding anything to the contrary in this Lease, Landlord shall not be in breach or default under any provision of this Lease unless written notice specifying such breach or default is given to Landlord and to all persons who have an interest in all or part of Bellevue Place as mortgagees and/or deed of trust beneficiaries and whose names and addresses have been given to Tenant in writing or are recorded in the records of King County, and the provisions of Section 14 have been fully complied with.

24.2 Mortgagee Protection Clause.

Tenant shall give all mortgagees and deed of trust holders, by registered or certified mail, copies of all notices of default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the addresses of such mortgagees or deed of trust holders. If Landlord fails to cure such default within the time provided in this Lease, then the mortgagees or deed of trust holders shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary, provided that within such thirty (30) days any mortgagee or deed of trust holder commences and diligently pursues the remedies necessary to cure such default (including but not limited to commencement of judicial or nonjudicial foreclosure proceedings, if necessary, to effect such cure).

25. SURRENDER OF POSSESSION.

Subject to the terms of Sections 11 and 16, upon expiration of the term of this Lease, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Leased Premises to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable use and wear and tear and damage by fire or other casualty excepted.

26. REMOVAL OF PROPERTY.

Tenant shall remove all of its personal property and improvements designated to be removed pursuant to Section 11.2 at the termination of this Lease either by expiration of the term or other cause, and shall pay Landlord for any damages for injury to the Leased Premises or Bank of America Building resulting from such removal. If Tenant shall fail to remove any of its

property of any nature whatsoever from the Leased Premises or the Bank of America Building at the termination of this Lease or when Landlord has the right of re-entry, Landlord may remove and store such property without liability for loss thereof or damage thereto, such storage to be for the account and at the expense of Tenant. If Tenant shall not pay the cost of storing any such property after it has been stored for a period of thirty (30) days or more, Landlord may, at its option, sell, or permit to be sold, any or all such property at public or private sale, in such manner and at such times and places as Landlord in its sole discretion may deem proper, without notice to Tenant, unless notice is required under applicable statutes, and shall apply the proceeds of such sale: first, to the cost and expense of such sale, including reasonable attorneys' fees actually incurred; second, to the payment of the costs or charges for storing any such property; third, to the payment of any other sums of money which may then be or thereafter become due to Landlord from Tenant under any of the terms hereof; and, fourth, the balance, if any, to Tenant.

27. VOLUNTARY SURRENDER.

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, but, at the option of Landlord, shall terminate all or any existing subleases and subtenancies or operate as an assignment to Landlord of any or all such subleases or subtenancies.

28. EMINENT DOMAIN.

28.1 Total Taking.

If all the Leased Premises are taken by the power of eminent domain exercised by any governmental or quasi-governmental authority, this Lease shall terminate as of the date Tenant is required to vacate the Leased Premises and all Rent, Additional Rent and Other Charges due hereunder shall be paid to that date. As used in this Section 28, the term "eminent domain" shall include the taking of property by, through or under any governmental or quasi-governmental authority, and any purchase or acquisition in lieu thereof, whether or not the damaging or taking is by the government or any other person authorized to exercise the power of eminent domain.

28.2 Constructive Taking of Entire Premises.

In the event of a taking of a material part, but less than all, of the Bank of America Building, where Landlord shall reasonably determine that the remaining portions of the Bank of America Building cannot be economically or effectively used as desired by Landlord (whether on account of physical, economic, aesthetic or other reasons), Landlord shall forward a written notice to Tenant of such determination not more than sixty (60) days after the date of taking. The term of this Lease shall expire upon such date as Landlord shall specify in such notice but not earlier than sixty (60) days after the date of such notice.

28.3 Partial Taking.

If more than fifteen percent (15%) of the Rentable Area of the Leased Premises is taken or appropriated by the power of eminent domain, this Lease, at the option of either party, may be terminated by written notice given to the other party not more than thirty (30) days after Landlord and Tenant receive written notice of the taking or appropriation, and such termination shall be effective as of the date Tenant is required to vacate the portion of the Leased Premises so taken. If more than ten percent (10%) of the Common Area of the Bank of America Building is taken by the power of eminent domain, then Landlord, at its option, may terminate this Lease by written notice given to Tenant within sixty (60) days of the date of such taking. If this Lease is so terminated, all Rent, Additional Rent and Other Charges due hereunder shall be paid to the date of termination. Whenever any portion of the Leased Premises or Common Area is taken by the

power of eminent domain and this Lease is not terminated, Landlord, at its expense, shall proceed with reasonable dispatch to restore, to the extent that it is reasonably prudent, the remainder of the Leased Premises and Common Area to their condition immediately prior to such taking, and Tenant, at its sole expense, shall proceed with reasonable dispatch to restore the fixtures and improvements installed by Tenant and Tenant's furniture, furnishings, and equipment to the same condition they were in immediately prior to such taking. From the date Tenant is required to vacate that portion of the Leased Premises so taken, the Rent and Additional Rent payable hereunder shall be reduced in the same proportion that the area taken bears to the Rentable Area of the Leased Premises prior to the taking.

28.4 Damages.

Landlord reserves all rights to the entire damages award or payment for taking by the power of eminent domain, and Tenant shall make no claim whatsoever against Landlord for damages for termination of its leasehold interest in the Leased Premises or for interference with its business. Tenant hereby grants or and assigns to Landlord any right Tenant may now have or hereafter acquire to such awards and payments and agrees to execute and deliver such further instruments of assignment thereof as Landlord may from time to time request. Notwithstanding the foregoing, Tenant shall have the right to claim from the condemning authority all compensation that may be recoverable by Tenant on account of any loss incurred by Tenant in removing Tenant's merchandise, furniture and other personal property that Tenant is entitled to remove at the termination of this Lease or for damage to Tenant's business; provided, however, that Tenant may claim such damages only if they are awarded separately in the eminent domain proceeding and not as part of Landlord's damages.

29. NOTICES.

Any notices required in accordance with any of the provisions herein, if to Landlord, shall be delivered in person or mailed by certified mail, return receipt requested, to the address of Landlord as set forth in Section 1.2 above or at such other place as Landlord may in writing from time to time direct to Tenant, and if to Tenant, shall be delivered in person or sent by certified mail to Tenant at the Leased Premises. If Tenant is more than one person or entity, any notice required or permitted hereunder may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. Any notices mailed to Tenant bearing the proper address and adequate postage for delivery shall be deemed effective upon deposit in the U.S. mail.

30. LANDLORD'S LIABILITY.

Anything in this Lease to the contrary notwithstanding, the covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord, but are made and intended for the purpose of binding only the Landlord's interest in the Leased Premises and Bank of America Building, as the same may from time to time be encumbered. No personal liability or personal responsibility is assumed by, nor shall at any time be asserted or enforceable against Landlord or its partners or their respective heirs, legal representatives, successors, and assigns on account of the Lease or on account of any covenant, undertaking or agreement of Landlord in this Lease contained. Therefore, in consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

- (a) The sole and exclusive remedy of Tenant shall be against the Landlord's interest in the Leased Premises and the Bank of America Building;

- (b) No general or limited partner of Landlord, or any director, officer, agent or employee of any corporation if Landlord, or any general or limited partner of Landlord, is a corporation (collectively, for the purpose of this Section 30, referred to as “general or limited partner of Landlord”) shall be sued or named as a party in any suit or action, and Landlord shall not assert therein the defense or lack of personal jurisdiction arising out of Tenant’s compliance with this Section 30;
- (c) No general or limited partner of Landlord shall be required to answer or otherwise plead to any service or process;
- (d) No judgment will be taken against any general or limited partner of Landlord;
- (e) Any judgment taken against any general or limited partner of Landlord may be vacated and set aside at any time nunc pro tunc;
- (f) No writ of execution will ever be levied against the asset of Landlord or any general or limited partner of Landlord, other than Landlord’s interest in the Leased Premises or the Bank of America Building.
- (g) These covenants and agreements are enforceable both by Landlord and also by any general or limited partner of Landlord.

31. TENANT’S CERTIFICATES.

Tenant shall at any time and from time to time, within ten (10) days after written notice from Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement substantially in the form of Exhibit “G” certifying, to the extent true, that (i) this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way (or specifying the date and terms of all agreements so affecting this Lease); (ii) all conditions under this Lease to be performed by the Landlord have been satisfied, if any; (iii) all required contributions by Landlord, if any, to Tenant on account of Tenant’s Improvements or additional improvements have been received; (iv) as of the date of such certification there are no existing claims, defenses or offsets that the Tenant has against the enforcement of this Lease by the Landlord; (v) no Rent or other rent obligation has been paid more than one month in advance; and (vi) no security has been deposited with Landlord (or, if so, the amount thereof). It is intended that all statements delivered pursuant to this paragraph may be relied upon by prospective purchasers of Landlord’s interest, Landlord’s lenders, and other designees of Landlord and Landlord’s lenders. If Tenant fails to respond within ten (10) days of Tenant’s receipt of a written request by Landlord as herein provided, such failure shall be a material default under the terms and conditions of this Lease. In addition, Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee, that this Lease is in full force and effect, that there are no uncured defaults in Landlord’s performance, that the security deposit is as stated in the Lease and that no more than one month’s Rent has been paid in advance.

32. RIGHT TO PERFORM.

If Tenant shall fail to pay any sum of money, other than Rent and Additional Rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from any obligations of Tenant, make any such payment or perform any such other act on

Tenant's part to be made or performed as provided in this Lease. Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.

33. AUTHORITY.

Each individual executing this Lease on behalf of Tenant personally represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms and, if Tenant is a corporation, in accordance with a duly adopted resolution of the Board of Directors of Tenant and that such action and execution is in accordance with the bylaws of Tenant. If Tenant is a corporation, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of a resolution of the Board of Directors of Tenant authorizing or ratifying the execution of this Lease.

34. PARKING AND COMMON AREAS.

34.1 Parking.

Landlord shall provide Tenant with two point seven (2.7) parking permits for each one thousand (1,000) square feet in the Rentable Area of the Leased Premises, at the current rate of One Hundred Eighty-five and 00/100 Dollars (\$185.00) per parking permit per month (excluding tax), which monthly rate may increase from time to time during the Lease Term. If available, additional parking permits may be purchased by Tenant on a month to month basis at the rates set forth above. Tenant's employees shall not park their vehicles in the automobile parking areas of the Common Areas and Facilities which may from time to time be designated for patrons of Bellevue Place. Landlord at all times shall have the right to designate the particular parking areas to be used by Tenant's employees and any such designation may be changed from time to time. Tenant and its employees shall park their vehicles only in those portions of the Common Areas and Facilities, if any, designated for that purpose by Landlord. Tenant shall furnish Landlord with Tenant's and Tenant's employees' state vehicle license numbers within fifteen (15) days after Tenant opens for business in the Leased Premises and Tenant shall thereafter notify Landlord of any changes within two (2) days after such change occurs. If Tenant or its employees fail to park their vehicles in designated parking areas, then Landlord, without limiting any other remedy Landlord may have, may charge Tenant a minimum of Ten Dollars (\$10.00) per day for each day or partial day for each vehicle improperly parked; provided, however, Landlord shall give Tenant written notice of the first violation of this provision and Tenant shall have two (2) days thereafter within which to cause the violation to be discontinued; and if not discontinued within such two-day period, then the vehicle fines shall commence. After notice of the first such violation, no notice of any subsequent violation shall be required prior to the imposition of any parking fine. All amounts due under the provisions of this Section shall be additional rent and due and payable by Tenant within ten (10) days after demand therefor. Tenant shall notify its employees in writing of the provisions of this Section.

34.2 Common Areas.

Landlord shall at all times have exclusive control and management of the Common Areas and Facilities of Bellevue Place. Tenant shall have the nonexclusive right in common with others to use the public areas of the Bank of America Building and the Common Areas and Facilities of Bellevue Place, subject to such nondiscriminatory rules and regulations as Landlord may adopt from time to time governing the use thereof including, but not limited to, the right to close the same from time to time to such an extent as may be legally sufficient, in Landlord's opinion, to prevent a dedication thereof or the accrual of right to any person or to the public therein. Tenant

shall comply with the rules and regulations that Landlord and the owner or ground lessee of Bellevue Place may from time to time promulgate and/or modify regarding use and operation of the Common Areas of the Bank of America Building and Common Areas and Facilities of Bellevue Place. The rules and regulations shall be binding upon Tenant upon delivery of a copy thereof to Tenant. Landlord shall not be responsible to Tenant for the nonperformance of such rules and regulations by any other tenants or occupants of space in either Bellevue Place or the Bank of America Building. The term "Common Areas and Facilities of Bellevue Place" refers to all on and off-site areas and/or related facilities which are made available or are used from time to time for the general use, convenience and benefit of Landlord and other persons entitled to occupy space in Bellevue Place, including their employees, invitees, licensees and guests, which areas shall include, but not be limited to, all parking structures and parking areas (including off-site parking), driveways, sidewalks, landscaped or planted areas, pedestrian areas, lobbies, walkways, the Wintergarden Retail Center and Parking Garage. The term "Common Areas and Facilities of Bellevue Place" also refers to all on-site and off-site areas and/or related facilities which may not be accessible to Tenant and other persons entitled to occupy space in Bellevue Place, but which are used in conjunction with the operation, management, repair or maintenance of Bellevue Place, including, but not limited to janitorial closets, on and/or off-site management offices and maintenance areas. The term "Common Areas and Facilities of the Bank of America Building" refers to the Common Areas and Facilities of Bellevue Place located within the Bank of America Building.

35. TRANSPORTATION MANAGEMENT PROGRAM.

Tenant shall cooperate with Landlord and the designated Transportation Management Association in complying with the terms and conditions of the Bellevue Place Transportation Management Program, as set forth in the Bellevue Place Transportation Management Agreement, a copy of which is attached hereto as Exhibit "F" and incorporated herein, and shall become a member participant in the designated Transportation Management Association. Tenant shall designate one of its employees or agents as Tenant Transportation Coordinator, who shall represent Tenant in all matters pertaining to transportation management. Landlord shall be immediately notified of any change in the Transportation Coordinator.

36. QUIET ENJOYMENT.

Tenant, upon fully complying with and promptly performing all of the terms, covenants and conditions of this Lease to be performed on its part and upon the prompt and timely payment of all sums due hereunder, shall have and possess the Leased Premises for the Lease Term set forth herein.

37. GENERAL.

37.1 Captions.

Any section or paragraph titles or captions are for convenience only and shall not be deemed to define, limit or otherwise modify the scope and intent of this Lease or any provision thereof.

37.2 Bellevue Place Rent and Income.

All amounts to be paid hereunder, specifically including all Rent, Additional Rent and Other Charges, shall be paid as and when due, and without any setoff or deduction whatsoever. Landlord shall be entitled to all rent and other payments on all leases and tenancies at Bellevue Place on all property owned or leased by Landlord and any other payments made to Landlord or its agents for any other activities, uses or operations at Bellevue Place.

37.3 Successors or Assigns.

All the terms, conditions, covenants and agreements of this Lease shall extend to and be binding upon Landlord, Tenant, their respective heirs, administrators, executors, successors and assigns, and upon any person or persons coming into ownership or possession of any interest in the Leased Premises by operation of law or otherwise, and shall be construed as covenants running with the land.

37.4 Tenant Defined.

The word "Tenant" as used herein shall mean each and every person, partnership, limited liability company or corporation who is mentioned as a Tenant herein or who executes this Lease as Tenant.

37.5 Lost Security or Access Key Card.

Tenant shall reimburse Landlord for any and all losses and expenses incurred or suffered by Landlord as a result of Tenant or any of Tenant's agents, employees, licensees or contractors losing any security or access key card or similar device issued to Tenant, which losses or expenses are incurred or suffered by Landlord prior to Tenant notifying Landlord of the loss of such card or similar device.

37.6 Landlord's Consent.

Unless otherwise specifically stated herein, whenever Landlord's consent or approval is required, Landlord's consent or approval may be withheld in Landlord's sole subjective discretion.

37.7 Broker's Commission.

Tenant represents and warrants to Landlord it has incurred no liabilities or claims for brokerage commissions or finder's fees in connection with the execution of this Lease and it has not dealt with or has any knowledge of any real estate broker, agent or salesperson in connection with this Lease except Broderick Group, Inc., which represents both Landlord and Tenant. Each party agrees to indemnify and hold the other parties harmless from all such liabilities or claims (including, without limitation, attorneys' fees) by anyone other than Broderick Group, Inc.

37.8 Partial Invalidity.

If any term, covenant, or condition of this Lease or the application thereof to any person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Lease, and the application of the terms, covenants or conditions to persons or circumstances other than those which are held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

37.9 Recording.

Tenant shall not record this Lease. Tenant also shall not record any memorandum of lease. However, upon the request of Landlord, Tenant shall execute and deliver to Landlord a memorandum in the form provided by Landlord. The memorandum shall describe the parties, the Leased Premises, the Lease Term and Tenant's obligation to comply with the Transportation Management Agreement and City of Bellevue Land Use Code Paragraph 20.25A.030.C.1, or any similar or successor law, regulation, code or rule, if applicable.

37.10 Joint Obligation.

If there is more than one Tenant, the obligations hereunder imposed shall be joint and several.

37.11 Time.

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

37.12 Prior Agreements.

It is understood that there are no oral or written agreements or representations between Landlord and Tenant affecting this Lease and that this Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements and understandings, if any, made by or between Landlord and Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret, construe, supplement, or contradict this Lease. This Lease, and all mutually-executed written amendments thereto, is and shall be considered to be the only agreement between Landlord and Tenant and their representatives and agents. All negotiations and oral agreements acceptable to Landlord and Tenant have been merged into and are included in this Lease. There are no other representations, covenants or warranties between Landlord and Tenant and all reliance with respect to representations is solely upon the express representations, covenants and warranties contained in this Lease. Although the printed provisions of this Lease were drawn by Landlord, Landlord and Tenant agree that this circumstance shall not create any presumption, canon of construction, or implication favoring the position of either Landlord or Tenant. Landlord and Tenant agree that the interlineation, obliteration, or deletion of language from this Lease prior to its mutual execution by Landlord and Tenant shall not be construed to have any particular meaning or to raise any presumption, canon of construction, or implication, including, without limitation, any implication that Landlord or Tenant intended thereby to state the converse, obverse or opposite of the deleted language. This Lease shall be read as if the obliterated or deleted language had never existed and the interlineated language had always existed.

37.13 Inability to Perform.

The obligations of Landlord or Tenant hereunder shall be excused for a period equal to the time by which such performance is prevented or delayed due to acts of God or any other causes beyond the reasonable control of such party, financial inability or negligence excepted. The provisions of Section 37.13 shall not apply to any payment of Rent, Additional Rent or Other Charges.

37.14 Transfer of Landlord's Interest.

In the event of any transfer or transfers of Landlord's interest in the Leased Premises or Bellevue Place, other than a transfer for security purposes only, the transferor shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing from and after the date of such transfer and Tenant agrees to attorn to such transferee.

37.15 No Light, Air or View Easement.

Any diminution or shutting off of light, air or view by any structure which may be erected on land on or adjacent to Bellevue Place shall in no way affect this Lease or the obligation of Tenant hereunder nor impose any liability on Landlord.

37.16 Reciprocal Easement Agreements.

This Lease shall be subordinate to any and all operating, maintenance and reciprocal easement agreements (“REAs”) entered into by and among Landlord and any other parties, including any amendments or modifications thereto. Tenant shall execute and return to Landlord within ten (10) days after written request therefor by Landlord, agreements in recordable form, substantially in the form of Exhibit “H”, subordinating this Lease to any such REAs.

37.17 Waiver.

The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent, Additional Rent, Other Charges or any other sum hereunder by Landlord shall not be deemed to be a waiver of any preceding default by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular sum so accepted, regardless of Landlord’s knowledge of such preceding default at the time of the acceptance of such sum. In addition, no endorsement or statement on any check or any letter accompanying any payment shall be deemed an accord and satisfaction, and Landlord’s right to recover the balance of such rent or pursue any other remedy provided herein or otherwise shall not be affected by such endorsement or statement or by the acceptance of such payment.

37.18 Name.

Tenant shall not, without the prior written consent of Landlord, use the name of the building or project for any purpose other than as the address of the Leased Premises, and in any event, Tenant shall not acquire any rights in or to such names.

37.19 Choice of Law - Venue.

This Lease shall be governed by the laws of the State of Washington. The venue for any action to enforce the terms of this Lease or collect any amounts owing by Tenant to Landlord shall be in the Superior Court for King County, Washington.

37.20 OFAC Certification.

(a) Certification. Tenant certifies that:

(i) It is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, “Specially Designated National and Blocked Person,” or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and

(ii) It is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity, or nation.

(b) Indemnification. Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney’s fees and costs) arising from or related to any breach of the foregoing certification.

37.21 Current Tenant.

Tenant is aware that Suite 1300 is currently occupied by another tenant or tenants (the "Current Tenant") and the Current Tenant may fail or refuse to vacate Suite 1300 and relinquish all claims to Suite 1300 prior to the Commencement Date for Suite 1300. Landlord shall have no responsibility under this Lease to take any action to remove the Current Tenant and shall not be liable for any damages, injuries or claims that may be suffered by Tenant relating to or arising out of, directly or indirectly, the Current Tenant's failure or refusal to vacate and release all interest in Suite 1300.

37.22 Letter of Credit.

Landlord and Tenant acknowledge that Tenant will occupy space in the Bank of America Building pursuant to this Lease and, as consideration for Landlord's willingness to enter into this Lease, Tenant shall deliver or cause to be delivered to Landlord, and shall cause to be maintained at all times in effect without expiration or termination, one or more irrevocable standby letters of credit complying with the terms of this Section 37.22. Any failure by Tenant to perform or observe any term, covenant or agreement set forth in this Section 37.22 shall constitute a material default under this Lease.

Within ten (10) business days of execution of this Lease, Tenant shall deliver or cause to be delivered to Landlord an irrevocable standby letter of credit in a form acceptable to or provided by Landlord (the "Letter of Credit"), issued by a national banking association reasonably acceptable to Landlord, for the account of Tenant in favor of Landlord in the initial amount of One Million Three Hundred Forty-one Thousand Four Hundred Sixty-two and 00/100 Dollars (\$1,341,462.00), having an expiry date not earlier than the Expiration Date, and stating by its terms that it shall be automatically extended annually, without written amendment or modification, to the date that is one (1) year after the then current expiry date unless the issuer of the Letter of Credit gives Landlord, at least sixty (60) days prior to the then current expiry date, written notice that the issuer elects not to extend the Letter of Credit. If the issuer of the Letter of Credit at any times gives to Landlord notice that the issuer elects not to extend the Letter of Credit, then, not less than thirty (30) days prior to the then current expiry date of the Letter of Credit, Tenant shall deliver or cause to be delivered to Landlord a substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by this Section 37.22. Not less than thirty (30) days prior to the expiry date of any substitute letter of credit delivered pursuant to this Section, Tenant shall deliver or cause to be delivered to Landlord a further substitute irrevocable standby letter of credit issued in favor of Landlord by a national banking association reasonably acceptable to Landlord in an amount required by this Section 37.22. Each substitute letter of credit delivered pursuant to this Section shall have a term of not less than one (1) year and shall be in a form acceptable to or provided by Landlord.

Notwithstanding the foregoing, the initial amount of the Letter of Credit shall be reduced as follows during the Lease Term, provided Tenant has not defaulted under this Lease beyond the applicable notice and cure period:

- From and including the 25th month of the Lease Term though and including the 36th month of the Lease Term - \$1,006,096.00;
- From and including the 37th month of the Lease Term though and including the 48th month of the Lease Term - \$670,731.00;
- From and including the 49th month of the Lease Term though and including the 60th month of the Lease Term - \$469,511.00; and
- From and including the 61st month of the Lease Term though and including the Expiration Date - \$201,219.

Upon the occurrence of any breach or default under this Lease including, but not limited to, any failure by Tenant timely to deliver or cause to be delivered to Landlord any substitute letter of credit required pursuant to this Section 37.22, Landlord, at its option, may draw against the Letter of Credit and any substitute letter of credit delivered pursuant to this Section 37.22 in an amount reasonably necessary to cure such breach or default and/or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's breach or default. The Letter of Credit and each substitute letter of credit (also referred to as a "Letter of Credit") delivered pursuant to this Section 37.22 shall provide for payment against Landlord's (or any transferee's) draft at sight accompanied by a certificate stating substantially as follows: "Drawn under _____ Bank, N.A.'s Irrevocable Standby Letter of Credit No. _____, dated _____, 2014, as a result of the occurrence of a default under the Lease dated _____, 2014, between Bellevue Place Office, LLC, a Washington limited liability company, and SMARTSHEET.COM, INC., a Washington corporation. If Landlord draws against the Letter of Credit, Tenant shall, within ten (10) days of the date of such draw, restore the Letter of Credit or provide additional irrevocable standby letters of credit so that, at all times, there shall be an amount required by this Section 37.22 available for Landlord to draw against in the event of any further breach or default under this Lease.

If the Letter of Credit is not renewed or Tenant does not provide a substitute irrevocable standby letter of credit on or before the date that is thirty (30) days prior to the expiry date of the then current Letter of Credit, or in the event Landlord draws against the Letter of Credit, if Tenant does not restore the Letter of Credit or provide additional letters of credit so that an amount required by this Section 37.22 is available to Landlord to draw upon in the event of any further breach or default under this Lease, then in such event the amount of the draw against the Letter of Credit may be equal to the entire amount of the Letter of Credit. The proceeds of any draw against the Letter of Credit pursuant to the immediately preceding sentence shall be held by Landlord as an additional security deposit pursuant to the provisions of Section 8 of this Lease.

37.23 Tenant Expansion Right.

(a) Notwithstanding anything herein to the contrary, provided Tenant is not in default under this Lease beyond the applicable notice and cure period, and subject to this Section 37.23, Tenant shall have the one time opportunity ("Expansion Opportunity") to lease, as mutually agreed by Landlord and Tenant, the following office space, (i) additional space in the Building so that Tenant will have approximately 72,000 rentable square feet of office space in the Building, which includes space Tenant currently occupies, or may in the future occupy (the "BP Space"), as described herein below, or (ii) approximately 72,000 rentable square feet of contiguous office space in Lincoln Square on no more than four (4) floors (the "LS Space"), or (iii) approximately 72,000 rentable square feet of contiguous office space on no more than four (4) floors in the proposed Lincoln Square Expansion (the "LSE Space"), which lease shall be effective on the date Tenant first occupies the Expansion Space for business. The BP Space, LS Space, and LSE Space are collectively referred to herein as the "Expansion Space".

To exercise Tenant's Expansion Opportunity with regard to the BP Space, Tenant must send a written request to Landlord no sooner than May 15, 2015, nor later than August 5, 2015 ("Tenant's BP Space Expansion Notice"), (i) requesting that Landlord confirm in writing, within ninety (90) days of receipt of such notice, whether Landlord will make available to Tenant approximately 72,000 rentable square feet in the Building on or before September 30, 2016 (subject to Section 37.13), which BP Space is generally described as follows:

Location	RSF	Date Available	Total
Current Premises	22,237	N/A	22,237
Floor 13	19,319	10/31/14	41,556
Floor 20	1,696	2/1/16	43,252
Floor 4 (Vacant)	2,579	Now	45,831
Floor 4 (B of A)	9,775	5/31/16	55,606
Floor 5 (B of A)	19,169	5/31/16	74,775

and (ii) affirming its desire to lease additional space from Landlord or Landlord's affiliate. If Landlord determines that it will make the BP Space available to Tenant and so notifies Tenant in writing ("Landlord's Space Notice"), then this Lease shall be amended to, among other things, provide for the BP Space and set forth the Expansion Space Rent (defined below), effective date for such Expansion Space Rent, and the Rentable Area for the BP Space. The BP Space shall become the Leased Premises for all purposes, including but not limited to the calculation of all Additional Rent and Other Charges due under the Lease, and shall be subject to all terms and conditions of the Lease. If Landlord determines that the BP Space will not be made available to Tenant, this Lease shall continue in full force and effect, subject to Tenant's Expansion Opportunity with regard to the LS Space or the LSE Space. If Tenant does not deliver Tenant's BP Space Expansion Notice, then this Lease shall continue in full force and effect.

To exercise Tenant's Expansion Opportunity with regard to the LS Space or the LSE Space, Tenant must send a written request to Landlord on or before December 31, 2015 ("Tenant's LS/LSE Space Expansion Notice"), requesting that Landlord confirm in writing, within ninety (90) days of receipt of such notice, whether Landlord or Landlord's affiliate will make available to Tenant approximately 72,000 contiguous rentable square feet in Lincoln Square or Lincoln Square expansion on or before June 30, 2017 (subject to Section 37.13). If Landlord delivers Landlord's Space Notice with respect to the LS Space or LSE Space, then Landlord's or Landlord's affiliate, as the case may be, and Tenant shall exercise diligent good faith efforts to arrive at mutually acceptable lease terms setting forth the LS Space or LSE Space, as the case may be, the Expansion Space Rent, effective date for such Expansion Space Rent, and the Rentable Area for the LS Space or LSE Space, which terms shall be generally consistent with this Lease. If Landlord (or Landlord's affiliate) and Tenant enter into a lease for the LS Space or LSE Space, Tenant may terminate this Lease and the Current Lease (subject to Section 37.23(d) below) upon written notice delivered to Landlord within thirty (30) days following the execution of such lease, in which event this Lease shall terminate and be of no further force or effect upon the rent commencement date set forth in a lease executed by Landlord (or Landlord's affiliate) and Tenant for the LS Space or the LSE Space. The termination shall operate as if it were the expiration date set forth in Section 1.13 above, and all references in this Lease to the original Expiration Date shall refer to such earlier termination date.

Expansion Space Rent shall commence upon the earlier of (i) one (1) week following substantial completion of any tenant improvements to the Expansion Space performed by Landlord or Landlord's affiliate, or (ii) the date Tenant first occupies the Leased Premises for business purposes. If Landlord does not deliver Landlord's Space Notice within ninety (90) days of receipt of Tenant's LS/LSE Space Expansion Notice or Tenant's BP Space Expansion Notice,

then Tenant shall have the right to terminate this Lease effective March 31, 2017. To exercise such termination right, Tenant shall deliver written notice to Landlord on or before April 30, 2016. Tenant's failure to provide the termination notice set forth in this Section 37.23 shall automatically terminate Tenant's right to terminate this Lease pursuant to this Section 37.23.

(b) Notwithstanding anything herein to the contrary, if Landlord delivers Landlord's Space Notice as provided herein, the lease term for such Expansion Space shall not be less than five (5) years and the Rent for the Expansion Space ("Expansion Space Rent") shall be the Fair Market Rent (as defined below) for comparable space in the Bank of America Building, Lincoln Square or the Lincoln Square expansion, as the case may be ("Comparable Space"). If there is no Comparable Space in the Bank of America Building, Lincoln Square, or the Lincoln Square expansion at the time, Tenant shall pay, as Expansion Space Rent, whatever the fair market rent in the Bank of America Building, Lincoln Square, or Lincoln Square expansion would be if there was such Comparable Space in the Bank of America Building, Lincoln Square, or Lincoln Square expansion. The term "Fair Market Rent" shall mean the rent that would be paid by a willing tenant entering into a new lease for Comparable Space for a term of not less than five (5) years. Tenant concessions shall be included in the determination of fair market rent with respect to tenants who are entering into new leases at Bellevue Place, Lincoln Square or the Lincoln Square expansion. The term "tenant concessions" shall include, without limitation, such inducements as tenant improvements and free rent.

(c) If Landlord or Landlord's affiliate and Tenant cannot agree on the Expansion Space Rent, the matter shall be submitted for decision to a panel of three (3) arbitrators. Landlord or Landlord's affiliate and Tenant shall each appoint one (1) arbitrator, who shall by profession be a licensed commercial real estate broker or an MAI real estate appraiser and who shall be familiar with Bellevue Place, Lincoln Square, or the Lincoln Square expansion and have been active (over the three (3) year period ending on the date of such appointment) in the brokering or appraisal of Comparable Space. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Landlord's affiliate or Tenant's proposed Expansion Space Rent is the closest to the Fair Market Rent. Each such arbitrator shall be appointed within fifteen (15) days after Tenant's or Landlord's or Landlord's affiliate's notice to the other of its election to have the Expansion Space Rent be determined by this arbitration procedure. The two arbitrators so appointed shall, within fifteen (15) days of the date of the appointment of the last appointed arbitrator, agree upon and appoint a third arbitrator, who shall be qualified under the same criteria set forth above for qualification of the initial two arbitrators. Failing such agreement, either Landlord or Landlord's affiliate or Tenant shall have the right to petition for the appointment of the third arbitrator by the Presiding Judge of the Superior Court of the County of King. The three (3) arbitrators shall, within thirty (30) days of the appointment of the third arbitrator, reach a decision as to whether the parties shall use Landlord's or Landlord's affiliate's or Tenant's proposed Expansion Space Rent and shall notify Landlord or Landlord's affiliate and Tenant thereof. The decision of the majority of the three (3) arbitrators shall be binding upon both Landlord or Landlord's affiliate and Tenant. The cost of the arbitration shall be paid by Landlord or Landlord's affiliate and Tenant equally. The arbitration procedure shall not take more than thirty (30) days.

(d) If Tenant (i) enters into a new lease for LS Space or LSE Space, and (ii) terminates this Lease pursuant to this Section 37.23, then Tenant shall pay to Landlord a termination fee equal to \$5.00 per rentable square foot (\$96,595.00), which payment shall be due on or before the effective date of termination. If Tenant (i) does not enter into a new lease for BP Space, LS Space or LSE Space, and (ii) terminates this Lease pursuant to this Section 37.23, then Tenant shall pay to Landlord, on or before the effective date of such termination, the unamortized balance of Landlord's Improvement Allowance (described in Section 11.1) with interest on the unamortized balance at eight point five percent (8.5%) per annum calculated as follows: [Number of months remaining in the Lease Term at the time of the effective date of

termination] / 72 (total number of months in Lease Term) x total of Landlord's Improvement Allowance, with interest on the unamortized balance at the rate of eight point five percent (8.5%) per annum.

37.24 Current Lease Amendment.

Simultaneous with Tenant's execution of this Lease, Landlord and Tenant shall execute an amendment to the Current Lease, which amendment shall terminate paragraph 10 of the Third Lease Addendum to the Current Lease.

IN WITNESS WHEREOF this Lease has been executed the day and year first above set forth.

LANDLORD:
BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company
By: KEMPER DEVELOPMENT
COMPANY, a Washington
corporation; Its Manager

TENANT:
SMARTSHEET.COM, INC.,
a Washington corporation
By: /s/ Mark Mader
Mark Mader
Its: President

FIRST LEASE ADDENDUM

THIS FIRST LEASE ADDENDUM is made this 17th day of March, 2016, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET.COM, INC., a Washington corporation ("Tenant").

RECITALS

- A. Landlord and Tenant entered into a nonresidential Lease dated October 27, 2014 (the "Lease"), for Suite 1300 in the Bank of America Building at Bellevue Place, Bellevue, Washington, which leased space is more specifically described in the Lease.
- B. Landlord and Tenant intend, by the execution and delivery of this First Lease Addendum, to adjust the Letter of Credit schedule.
- C. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. Letter of Credit. The third paragraph in Section 37.22 of the Lease is hereby amended in its entirety to read as follows:

Notwithstanding the foregoing, the initial amount of the Letter of Credit shall be reduced as follows during the Lease Term (the "LOC Reduction"), provided Tenant has not defaulted under this Lease beyond the applicable notice and cure period:

- From and including April 1, 2016 through and including March 31, 2017 – the amount of the Letter of Credit shall be \$1,006,097;
- From and including April 1, 2017 through and including March 31, 2018 – the amount of the Letter of Credit shall be \$754,572;
- From and including April 1, 2018 through and including March 31, 2019 – the amount of the Letter of Credit shall be \$503,048;
- From and including April 1, 2019 through and including March 31, 2020 – the amount of the Letter of Credit shall be \$352,133; and
- From and including April 1, 2020 through and including the Expiration Date – the amount of the Letter of Credit shall be \$150,914.

No later than thirty (30) days prior to the scheduled LOC Reduction, and within three (3) business days of Landlord's written request made not more than once during each Lease Year during the Lease Term, Tenant shall deliver to Landlord information reasonably satisfactory to Landlord showing that Tenant has readily available cash or cash equivalents totaling not less than \$20,000,000. If Tenant fails to deliver such information, or if such information does not reflect readily available cash or cash equivalents totaling at least \$20,000,000, then the LOC Reduction shall not occur and Tenant shall immediately restore the Letter of Credit to an amount determined in accordance with the following schedule:

- For the period from and including March 9, 2015, though and including March 31, 2017, the amount of the Letter of Credit shall be \$1,341,462;
- For the period from and including April 1, 2017, though and including March 31, 2018, the amount of the Letter of Credit shall be \$1,006,097;

- For the period from and including April 1, 2018 through and including March 31, 2019, the amount of the Letter of Credit shall be \$670,731;
- For the period from and including April 1, 2019, through and including March 31, 2020, the amount of the Letter of Credit shall be \$469,511; and
- For the period from and including April 1, 2020, through and including the Expiration Date, the amount of the Letter of Credit shall be \$201,219.

Tenant shall promptly deliver to Landlord a Letter of Credit reflecting an amount determined in accordance with the above.

2. Remaining Lease Provisions. Except as expressly modified in this Addendum, all other provisions of the Lease remain in full force and effect. In the event of a conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

DATED as of the day and year first above written.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company

By: KEMPER DEVELOPMENT
COMPANY, a Washington corporation,
Its Manager

By: /s/ James E. Melby
James E. Melby
President

TENANT:

SMARTSHEET.COM, INC.,
a Washington corporation

By: /s/ Mark Mader
Mark Mader, President and CEO

SECOND LEASE ADDENDUM

THIS SECOND LEASE ADDENDUM (this "Addendum") is made this 12th day of September, 2016, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET.COM, INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into a nonresidential Lease dated October 27, 2014, and a First Lease Addendum dated March 17, 2016 (collectively, the "Lease"), for Suite 1300 in the Bank of America Building at Bellevue Place, Bellevue, Washington, which leased space is more specifically described in the Lease.

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects which shall include (i) extending the Lease Term and adding Rent for the extended Lease Term; and (ii) revising the duration of Tenant's Extension Option.

C. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. Section 1. BASIC LEASE DATA, TERMS AND EXHIBITS. The following paragraphs of Section 1 of the Lease are hereby amended in their entirety and/or added to read as follows:

1.10 Rent:

(a) The reference to "Expiration Date" in the last paragraph of Section 1.10 of the Lease is hereby amended to read "seventy-second (72nd) month of the Lease Term."

(b) The following paragraph is hereby added at the end of Section 1.10 of the Lease to read as follows:

[based on 19,319 rentable square feet]

From and including the first day of the seventy-third (73rd) month of the Lease Term through and including the Expiration Date, Rent shall be Forty-three and 50/100 Dollars (\$43.50) per rentable square foot of Rentable Area of the Leased Premises per annum or Seventy Thousand Thirty-one and 38/100 Dollars (\$70,031.38) per month.

1.11 Lease Term: The Lease Term is hereby extended to expire on the Expiration Date below.

1.13 Expiration Date: March 31, 2022.

2. Section 3.4(a) - Option to Extend. The first sentence of Section 3.4(a) of the Lease is amended to read as follows:

Tenant is granted an option (the "Extension Option") to extend the Lease Term for five (5) years, to and including March 31, 2027.

3. Remaining Lease Provisions. Except as expressly modified in this Addendum, all other provisions of the Lease remain in full force and effect. In the event of a conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

DATED as of the day and year first above written.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company

By KEMPER DEVELOPMENT
COMPANY, a Washington corporation,
Its Manager

TENANT:

SMARTSHEET.COM, INC.,
a Washington corporation

By: /s/ Mark Mader
Mark Mader, President and CEO

By /s/ James E. Melby
James E. Melby
President

THIRD LEASE ADDENDUM

THIS THIRD LEASE ADDENDUM (this "Addendum") is made this 21st day of June, 2017, by and between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation (formerly known as Smartsheet.com, Inc.) ("Tenant").

RECITALS

A. Landlord and Tenant entered into a nonresidential Lease dated October 27, 2014, a First Lease Addendum dated March 17, 2016, and a Second Lease Addendum dated September 12, 2016 (collectively, the "Lease"), for Suite 1300 in the Bank of America Building at Bellevue Place, Bellevue, Washington, which leased space is more specifically described in the Lease.

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects which shall include (i) extending the Lease Term and adding Rent for the extended Lease Term; and (ii) revising the duration of Tenant's Extension Option.

C. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. Section 1. BASIC LEASE DATA, TERMS AND EXHIBITS. The following paragraphs of Section 1 of the Lease are hereby amended in their entirety and/or added to read as follows:

1.3 Tenant: Smartsheet, Inc., a Washington corporation

1.5 Tenant's Permitted Trade Name: Smartsheet

1.10 Rent:

(a) The reference to "the Expiration Date" in Section 1.10(b) of the Second Lease Addendum is hereby amended to read "the last day of the eighty-fourth (84th) month of the Lease Term."

(b) The following paragraphs are hereby added at the end of Section 1.10 of the Lease to read as follows:

[based on 19,319 rentable square feet]

From and including the first day of the eighty-fifth (85th) month of the Lease Term through and including the last day of the ninety-sixth (96th) month of the Lease Term, Rent shall be Forty-four and 59/100 Dollars (\$44.59) per rentable square foot of Rentable Area of the Leased Premises per annum or Seventy-one Thousand Seven Hundred Eighty-six and 18/100 Dollars (\$71,786.18) per month.

From and including the first day of the ninety-seventh (97th) month of the Lease Term through and including the Expiration Date, Rent shall be Forty-five and 70/100 Dollars (\$45.70) per rentable square foot of Rentable Area of the Leased Premises per annum or Seventy-three Thousand Five Hundred Seventy-three and 19/100 Dollars (\$73,573.19) per month.

1.11 Lease Term: The Lease Term is hereby extended to expire on the Expiration Date below.

1.13 Expiration Date: August 31, 2023.

2. Section 3.4(a) - Option to Extend. The first sentence of Section 3.4(a) of the Lease is amended to read as follows:

Tenant is granted an option (the "Extension Option") to extend the Lease Term for five (5) years, to and including August 31, 2028.

3. Remaining Lease Provisions. Except as expressly modified in this Addendum, all other provisions of the Lease remain in full force and effect. In the event of a conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

DATED as of the day and year first above written.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company

By KEMPER DEVELOPMENT
COMPANY, a Washington corporation,
Its Manager

TENANT:

SMARTSHEET, INC.,
a Washington corporation

By: /s/ Jennifer Ceran
Jennifer Ceran, Chief Financial Officer

By /s/ James E. Melby
James E. Melby
President

FOURTH LEASE ADDENDUM

THIS FOURTH LEASE ADDENDUM (this "Addendum") is made and entered into this 19th day of December, 2018, between BELLEVUE PLACE OFFICE, LLC, a Washington limited liability company ("Landlord"), and SMARTSHEET INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into a non-residential Lease dated October 27, 2014, First Lease Addendum dated March 17, 2016, Second Lease Addendum dated September 12, 2016, and Third Lease Addendum dated June 21, 2017 (collectively referred to as the "Lease"), for certain space on the thirteenth (13th) floor in the Bank of America Building at Bellevue Place, Bellevue, Washington, consisting of 19,319 rentable square feet (the "Premises"), which leased space is more specifically described in the Lease.

B. Landlord and Tenant intend, by the execution and delivery of this Addendum, to amend and supplement the Lease in certain material respects, which include (i) setting forth the terms and conditions for Lease Term, Rent and other matters related to the Premises; and (ii) providing for Premises Improvements.

C. Landlord and Tenant are simultaneously executing the Fourth Lease Addendum to the Lease for "Suite 960" of the Bank of America Building ("Suite 960 Lease") and the First Lease Addendum to the Lease for "Suite 1200" of the Bank of America Building ("Suite 1200 Lease").

D. Unless otherwise noted, all capitalized terms herein have the same meanings as set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby amend and supplement the Lease as follows:

1. **Section 1. BASIC LEASE DATA. TERMS AND EXHIBITS.** The following paragraphs of Section 1 of the Lease are hereby amended in their entirety and/or added to read as follows:

1.7 **Rentable Area of the Leased Premises:** Effective September 1, 2023, Nineteen Thousand Eight Hundred Seventy-one (19,871) square feet.

1.10 **Rent:** The following paragraphs are hereby added at the end of Section 1.10 of the Lease to read as follows:

[Based on 19,871 rentable square feet]

From and including September 1, 2023, through and including June 30, 2024, Rent shall be Forty-nine and 52/100 Dollars (\$49.52) per rentable square feet or Eighty-two Thousand and 99/100 Dollars (\$82,000.99) per month.

From and including July 1, 2024, through and including June 30, 2025, Rent shall be Fifty-one and 01/100 Dollars (\$51.01) per

rentable square feet or Eighty-four Thousand Four Hundred Sixty-eight and 31/100 Dollars (\$84,468.31) per month.

From and including July 1, 2025, through and including the Expiration Date, Rent shall be Fifty-two and 54/100 Dollars (\$52.54) per rentable square feet or Eighty-seven Thousand One and 86/100 Dollars (\$87,0001.86) per month.

1.11 **Lease Term:** The Lease Term is hereby extended to expire on the Expiration Date below.

1.13 **Expiration Date:** June 30, 2026

2. **Premises Improvements.** Tenant may use a portion of Landlord's Expansion Improvement Allowance (as defined in the Suite 1200 Lease) to improve the Premises pursuant to the applicable terms and conditions of the Expansion Premises Improvements as defined in the Suite 1200 Lease and this Lease.

3. **Rentable Area of the Leased Premises.** Section 6.2(e) is hereby replaced in its entirety as follows:

For purposes of this Lease, the Rentable Area of the Leased Premises shall mean the Useable Area of the Leased Premises, as that term is defined and computed according to the *Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA z65.1-2010*, otherwise known as the "BOMA Standard," multiplied by a load factor of sixteen point eighty-three percent (16.83%). The "as built" Rentable Area of the Leased Premises shall be the true Rentable Area of the Leased Premises at the time Landlord tenders possession of the Leased Premises to Tenant.

4. **Letter of Credit.** The following is added at the end of Section 37.22 of the Lease:

Notwithstanding anything to the contrary herein, effective September 1, 2023, until the Expiration Date, the amount of the Letter of Credit shall be \$111,327.27.

5. **Option to Extend Lease Term.** The first sentence of Section 3.4(a) is hereby amended as follows:

Tenant is granted an option (the "Extension Option") to extend the Lease Term for five (5) years, to and including June 30, 2031.

6. **Broker's Commission.** Tenant represents and warrants to Landlord it has incurred no liabilities or claims for brokerage commissions or finder's fees in connection with the execution of this Addendum and it has not dealt with or has any knowledge of any real estate broker, agent or salesperson in connection with this Addendum, except Washington Partners which represents Tenant ("Tenant's Broker"), and Broderick Group, Inc., which represents Landlord. Provided Landlord and Tenant enter into this Addendum, Landlord hereby agrees to pay Tenant's Broker a commission equal to One and 00/100 Dollar (\$1.00) per square foot of Rentable Area of the Leased Premises for the additional Lease Term, which fee shall be paid one-half (1/2) upon execution of this Addendum and one-half (1/2) upon the Expansion Premises Commencement Date (as defined in the Suite 1200 Lease). All parties hereby agree to indemnify and hold Landlord harmless from all such liabilities or claims (including, without limitation, attorneys' fees) by anyone other than Tenant's Broker and/or Broderick Group, Inc.

7. **Entire Agreement**. Each party acknowledges that such party has not relied on or received any promise, representation or warranty of any kind not otherwise contained or referred herein to induce said party to enter this Addendum.

8. **Remaining Lease Provisions Unchanged**. Except as modified by this Addendum, all other terms, conditions, provisions and covenants of the Lease shall remain unchanged.

IN WITNESS WHEREOF, the parties hereto have executed this instrument the day and year first above set forth.

LANDLORD:

BELLEVUE PLACE OFFICE, LLC,
a Washington limited liability company
By KEMPER DEVELOPMENT COMPANY,
a Washington corporation; Its Manager

By /s/ James E. Melby
James E. Melby
President

TENANT:

SMARTSHEET.COM, INC.,
a Washington corporation

By /s/ Jennifer Ceran
Jennifer Ceran
Its Chief Financial Officer

OFFICE LEASE AGREEMENT

BETWEEN

AAT CC BELLEVUE, LLC

AS LANDLORD

AND

SMARTSHEET, INC.

AS TENANT

OFFICE LEASE AGREEMENT

This Office Lease Agreement ("Lease") is entered into effective as of January 29, 2018 between AAT CC BELLEVUE, LLC, a Delaware limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation ("Tenant"), who agree as follows:

1. Agreement to Let. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon all of the terms, provisions, and conditions contained in this Lease, (i) those certain premises described in the Principal Lease Provisions below (the "Premises"), consisting of a portion of that certain building described in the Principal Lease Provisions below (the "Building"), which is in turn a part of the Project (as described in the Principal Lease Provisions below), along with (ii) the non-exclusive right to use, in common with Landlord, Landlord's invitees and licensees, and the other tenants and users of space within the Project, those portions of the Project intended for use by, or benefiting, tenants of the Project in common including, without limitation, the landscaped areas, passageways, walkways, hallways, elevators, parking areas, and driveways of the Building and the Project, but excluding all interior areas of the other buildings in the Project other than the Building (collectively, the "Common Areas"). This Lease confers no rights, however, to the roof, exterior walls, or utility raceways of the Building, nor rights to any other building in the Project, nor with regard to either the subsurface of the land below the ground level of the Project or with regard to the air space above the ceiling of the Premises; provided, however, that Tenant shall have the limited right to access systems and equipment exclusively serving the Premises (for which Tenant has maintenance and repair responsibilities pursuant to Paragraph 10.1, below) that may be located on the roof, in exterior or demising walls, in utility raceways, in the airspaces above the ceiling of the Premises, or in any other portion of the Building or the Common Areas for the sole purpose of maintaining, repairing, and replacing such systems and equipment.

2. Principal Lease Provisions. The following are the Principal Lease Provisions of this Lease. Other portions of this Lease explain and describe these Principal Lease Provisions in more detail and should be read in conjunction with this Paragraph. In the event of any conflict between the Principal Lease Provisions and the other portions of this Lease, the Principal Lease Provisions will control. (Terms shown in quotations are defined terms used elsewhere in this Lease)

2.1 "Project": That certain office project, commonly referred to as City Center Bellevue, in Bellevue, Washington, as more particularly depicted on the attached Exhibit "A".

2.2 "Building": That certain building within the Project as designated on the attached Exhibit "A", sometimes referred to as City Center Bellevue, whose mailing address is 500 108th Avenue NE, Bellevue, WA 98004.

2.3 "Premises": Suite 200; consisting of the 2nd floor of the Building, as more particularly described on the attached Exhibit "B-1" (the "Phase I Premises"), and Suite 400; consisting of a portion of the 4th floor of the Building, as more particular described on the attached "Exhibit B-2" (the "Phase II Premises") (collectively, the "Premises").

2.4 Area of the Premises: The Premises consist of 53,972 Rentable Square Feet of space (consisting of the Phase I Premises measuring an agreed 34,275 Rentable Square Feet and the Phase II Premises measuring an agreed 19,697 Rentable Square Feet). The term "Rentable Square Feet", "Usable Square Footage", and similar terms dealing with Rentable or Usable means of describing measurements of square footages, will have the meanings of such term adopted by the Building Owners and Managers Association International (relative to *multitenant* floors). The Premises are not subject to remeasurement during the initial Lease Term through the Initial Expiration Date.

2.5 "Lease Term": The period beginning on the Lease Commencement Date and ending on the Expiration Date.

2.5.1 "Lease Commencement Date": The date Landlord tenders possession of the Phase I Premises to Tenant in the condition required hereunder.

2.5.2 “Initial Expiration Date”: October 31, 2026.

2.5.3 Extension Rights: Yes; One (1) Option to Extend for a period of five years (5) years (Paragraph 3.2).

2.6 “Basic Monthly Rent”: \$3,875 per Rentable Square Foot, fully-serviced, subject to adjustment pursuant to attached Addendum No. 1. Basic Monthly Rent will always be due and payable on or before the first day of the applicable month, except that the first month’s Basic Monthly Rent will be due and payable upon the date of Landlord’s execution of this Lease.

2.7 “Phase I Premises Rent Commencement Date”: Commencement Date. The Lease Commencement Date.

2.8 “Phase II Premises Rent Commencement Date”: March 1, 2019.

2.9 “Security Deposit” and “Letter of Credit”: (i) \$209,141.51 cash (“Security Deposit”), which is due and payable on the Lease Commencement Date and does not constitute last month’s rent, and (ii) \$1,750,000.00 (“Letter of Credit”) which shall be issued prior to commencement of Landlord’s Work, each, subject to the terms and conditions set forth in Paragraph 6 below. Last month’s rent must be separately paid by Tenant on or before the first day of the last month of the Lease Term. If Tenant exercises any Option to Extend (as defined below) contained herein, then as a condition precedent to the effectiveness of Tenant’s exercise of such Option to Extend, Tenant shall pay to Landlord an amount equal to the difference between the Basic Monthly Rent for the last year of the applicable Extension Term (as defined below) and the amount of the Security Deposit then held by Landlord; which additional amount will be added to, and constitute a part of, the Security Deposit from that point forward.

2.10 “Base Year”: Calendar year 2019.

2.11 Guarantor: None.

2.12 Address for Landlord:

AAT CC BELLEVUE, LLC
c/ o American Assets Trust Management, LLC
11455 El Camino Real, Suite 200
San Diego, CA 92130
Attn: Property Management (Office)

2.13 Addresses for Tenant

Legal Notices Addresses

10500 NE 8th Street, Suite 1300,
Bellevue, WA 98004

2.14 “Permitted Use”: The Premises shall be used for general office purposes including without limitation any and all uses in connection with the development, sales, marketing, and testing of Saas products, in accordance with all applicable laws, statutes, ordinances, and regulations and the provisions of this Lease, and for no other use.

2.15 Building Standard Operating Hours:

Monday through Friday: 7:00 a.m.-6:00 p.m.
Saturday: 8:00 a.m.-1:00 p.m.
(excluding Sundays and any federal holidays)

2.16 Participating Brokers:

Landlord's: Broderick Group, Inc.
Tenant's: Washington Partners Corporate Real Estate, Inc.

2.17 Initial Payment Amounts: \$418,283.02 (which represents the Security Deposit of \$209,141.51, plus first month's Basic Monthly Rent for the Phase I Premises of \$132,815.63, plus the first month's Basic Monthly Rent for the Phase II Premises of \$76,325.88) which amount is payable on the date Tenant executes this Lease.

2.18 Parking Pass Ratio: Two (2) unreserved parking passes for every 1,000 rentable square feet of the Premises, subject to the terms of Article 11 of the Lease. Said parking ratio includes all spaces within the Project, including without limitation reserved, unreserved, handicap, and visitor parking spaces, and is subject to temporary interruptions in connection with Landlord's continued development of the Project. All unreserved parking shall be provided on a free and unassigned basis (i.e., first come, first served).

3. Lease Term.

3.1 Description of Lease Term. The Lease Term shall commence on the "Lease Commencement Date", and shall expire on the "Initial Expiration Date", subject to (i) any extension rights described in Paragraph 3.2, below, and (ii) earlier termination by Landlord, as provided in this Lease. The term "Expiration Date", as used in this Lease, shall mean the Initial Expiration Date, any earlier date upon which this Lease is terminated by Landlord, as provided below, or if the Lease Term is extended pursuant to Paragraph 3.2, below, then the last day of any exercised Extension Term.

3.2 Extension Rights. As to each of the Phase I Premises and the Phase II Premises, Tenant shall, subject to all of the provisions of this Paragraph 3.2 (including all subparagraphs hereof), have the option to extend the Lease Term (the "Option to Extend") for one (1) additional term(s) of five (5) years (the "Extension Term"), provided Tenant is in occupancy of not less than 75% of the applicable Premises (i.e., Phase I or Phase II) at the time of exercise of the Option to Extend and Tenant gives Landlord written notice via overnight nationally-recognized courier (such as FedEx or UPS), with signature acknowledgement by recipient required, of its election to exercise the Option to Extend no less than 9 months and no more than 12 months prior to the then applicable Expiration Date. Such notice will constitute Tenant's irrevocable election to exercise the Option to Extend and may not subsequently be revoked by Tenant except as provided below. Time is of the essence with respect to the timing of such requirement to give notice to Landlord. Tenant may exercise the Option to Extend with respect to either or both of the Phase I Premises or the Phase II Premises but, in any event, must do so in accordance with this Paragraph 3.2.

3.2.1 Restrictions on Transferability of Option. The Option to Extend is personal to the Tenant originally named in this Lease or any Permitted Transferee (as defined below) and may not be exercised by anyone other than such originally named Tenant or a Permitted Transferee.

3.2.2 Conditions Terminating Tenant's Rights to Exercise Option. Tenant shall not have the right to exercise the Option to Extend, notwithstanding anything set forth above to the contrary: (a) during any period of time commencing from the date Landlord gives to Tenant a written notice that Tenant is in default under any provision of this Lease (after giving effect to any applicable cure period) and continuing until the default alleged in said notice is cured; (b) during the period of time commencing on the day after a monetary obligation to Landlord is due from Tenant and unpaid (without any necessity for notice thereof to Tenant) and continuing until the obligation is paid; or (c) in the event that Landlord has given to Tenant two or more notices of default or two or more late charges have become payable under this Lease during the 12-month period prior to the time that Tenant attempts to exercise the Option to Extend. The period of time within which the Option to Extend may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise the Option to Extend because of the foregoing provisions of this Paragraph 3.2.2, even if the effect thereof is to eliminate Tenant's right to exercise the Option to Extend.

3.2.3 Conditions Terminating Tenant's Option Rights. All rights with respect to the Option to Extend (including rights as to subsequent Extension Terms, if any) shall terminate and be of no further force or effect even after Tenant's due and timely exercise of the Option to Extend, if, after such exercise, but prior to the commencement of the Extension Term, Tenant fails to pay to Landlord a monetary obligation of Tenant for a period of ten days after such obligation became due (without imposing any obligation on the part of Landlord to give notice thereof to Tenant); (b) Tenant fails to cure a non-monetary default within 30 days (or such longer period as may otherwise be applicable under this Lease) after the date the Landlord gives notice to Tenant of such default or (c) Landlord gives to Tenant two or more notices of default or two or more late charges become payable for any monetary defaults, whether or not such defaults are cured.

3.2.4 Terms and Conditions of Extension of Lease Term. If Tenant duly and timely exercises the Option to Extend, then this Lease shall remain in full force and effect for such additional five (5) year period, except that the Basic Monthly Rent will adjust as of the first day of the Extension Term such that for the first year of the Extension Term the Basic Monthly Rent shall be equal to the then prevailing base rental rate (taking into consideration tenant improvement and similar refurbishment or construction allowances, free rent, or similar lease concessions) for new and renewal leases of comparable Class A office space in the Bellevue CBD submarket, as projected for the first day of the applicable Extension Term and determined pursuant to Paragraph 3.2.5, below (the "Then-Prevailing Rate"). The Basic Monthly Rent will thereafter be adjusted in accordance with the provisions of attached Addendum No. 1.

3.2.5 Determination of Then-Prevailing Rate. If Tenant exercises the Option to Extend, then Landlord shall, within 15 business days of receipt of Tenant's written notice of exercise, provide Tenant with written notice of the Then-Prevailing Rate and the calculation of the new Basic Monthly Rent to be effective during the first year of the Extension Term. Tenant shall have ten business days from the date of Landlord's notice in which to (a) accept Landlord's determination of the Then-Prevailing Rate, (b) revoke Tenant's election to exercise the Option to Extend, in which case Tenant's Option to Extend shall be null and void, or (c) dispute Landlord's determination of the Then-Prevailing Rate. If Tenant fails to notify Landlord, in writing, of its disagreement with Landlord's determination of the Then-Prevailing Rate within such ten business day period, then Tenant will be deemed to have accepted Landlord's determination and Landlord's determination shall be binding on both parties. If Tenant disputes such determination, then its notice to Landlord disputing such determination must set forth Tenant's determination of the Then-Prevailing Rate. Upon receipt of Tenant's notice, Landlord and Tenant shall promptly meet and, in good faith, attempt to agree upon the Then-Prevailing Rate. If Landlord and Tenant are unable to reach agreement upon the Then-Prevailing Rate within 30 days of the date of Landlord's receipt of Tenant's dispute notice, then the parties shall promptly submit such dispute to the Bellevue office of the American Arbitration Association (the "AAA"), or its successor, for resolution before a single arbitrator (who must have at least ten years' experience in the King County commercial real estate market as a real estate broker or MAI appraiser) in accordance with Real Estate Industry Arbitration Rules of the AAA. Within ten days of the commencement of the arbitration, Landlord and Tenant shall each provide the arbitrator with their respective written determination of the Then-Prevailing Rate-which determination need not be the same determination previously made by such party in any notice given under this Paragraph and will not be disclosed by the arbitrator until both parties have submitted their respective written determinations. The arbitrator's sole authority will be to select which of Landlord's or Tenant's respective written determinations of the Then-Prevailing Rate most closely approximates the then prevailing base rental rate (taking into consideration tenant improvement and similar refurbishment or construction allowances, free rent, or similar lease concessions) for new and renewal leases of comparable Class A office space in the Bellevue CBD submarket, as projected for the first day of the applicable Extension Term; provided, however, if either party fails to timely submit such a written determination to the arbitrator, then the arbitrator shall use the written determination of such party that was set forth in the notices described above in making such selection. In no event may such arbitrator select any amount as the Then-Prevailing Rate other than either Landlord's determination or Tenant's determination. The decision of the arbitrator shall be binding upon all parties and the cost of the arbitration shall be split equally between Landlord and Tenant.

4. Delivery of Possession.

4.1 Phase I Premises Delivery Requirements. Prior to the tender of possession of the Phase I Premises to Tenant, Landlord, at its cost, shall have Substantially Completed the work described in Exhibit "C" to this Lease ("Landlord's Work") and caused all HVAC, plumbing, electrical and mechanical systems to be in good working order. Landlord's tender of possession of the Phase I Premises shall be deemed to have occurred upon Tenant's written acknowledgement that Landlord's Work has been Substantially Completed (which shall not be withheld for unfinished minor "punchlist" items) and is free from material defects and that all HVAC, plumbing, electrical and mechanical systems are in good working order (which acknowledgement shall not be unreasonably withheld or delayed) following Landlord's notification to Tenant (which notification may be telephonic, by written notice, or by electronic transmission such as by facsimile or e-mail) that possession of the Phase I Premises is available to Tenant, and instructing Tenant that Tenant may obtain the keys to the Phase I Premises from Landlord's offices. Tenant's refusal to accept such tender (or avoidance thereof) shall not affect the Lease Commencement Date or delay either the Phase I Premises Rent Commencement Date or the Phase II Premises Rent Commencement Date and such dates will be calculated as if no such refusal or avoidance had occurred. In no event shall the Phase I Premises Rent Commencement Date or the Phase II Premises Rent Commencement Date, as applicable, occur prior to Tenant having given its written acknowledgement that Tenant agrees that all HVAC, plumbing, electrical and mechanical systems are in good working order as to each of the Phase I Premises and the Phase II Premises; provided, Tenant shall not unreasonably withhold such written acknowledgement.

4.2 Definition of Substantial Completion. For purposes of this Lease, the term "Substantially Complete" (and its grammatical variations, such as Substantial Completion) when used with reference to Landlord's Work, will mean that Landlord's Work has been completed in a defect-free manner to such an extent that Tenant can commence all work, if any, to be undertaken by Tenant, as described in Exhibit "C" to this Lease (the "Tenant's Work"), without material delay or interference due to the completion of Landlord's Work, or if no such Tenant's Work is to be undertaken, then such term will mean completed to such an extent that the Landlord's Work can be finally completed within 60 days and without material interference to Tenant's occupancy and use of the Premises.

4.3 Final Completion. Except for any items set forth on a written, detailed "punch-list" of excepted items delivered to Landlord upon the Lease Commencement Date, Tenant shall, upon giving the written acknowledgement described in Paragraph 4.1 above, be deemed to have (i) thoroughly inspected the Premises, and determined that, to the best of Tenant's knowledge, the Premises comply with all applicable laws and ordinances, and that the Premises are in first-class condition and repair, (ii) acknowledged that Landlord's Work has been Substantially Completed, (iii) accepted the Premises in its then as-is condition with no right to require Landlord to perform any additional work therein, except as set forth on the punch list, and (iv) waived any express or implied warranties regarding the condition of the Premises, including any implied warranties of fitness for a particular purpose or merchantability.

5. Use of Premises and Common Areas.

5.1 Permitted Use of Premises. Tenant may use the Premises for the Permitted Use specified in the Principal Lease Provisions and for no other use without Landlord's consent. Any change in the Permitted Use will require Landlord's prior written consent, which consent may be granted or withheld in Landlord's sole and exclusive discretion.

5.2 Compliance with Laws. Landlord covenants that the Premises will comply with all applicable statutes, codes, ordinances, orders, Rules and Regulations of any municipal or governmental entity whether in effect now or later, including ADA (as defined below) (collectively, "Laws") as of the Lease Commencement Date. Thereafter, Tenant shall comply with all Laws concerning the Premises and/or Tenant's use of the Premises, including without limitation the obligation at Tenant's sole cost to alter, maintain, or restore the Premises in compliance with all applicable laws, even if such Laws are enacted after the date of this Lease, and even if compliance entails costs to Tenant of a substantial nature. Such obligation to comply with Laws shall include without limitation compliance with Title III of the Americans With Disabilities Act of 1990 (42 U.S.C. 12181 et seq.) (the "ADA") as to any alterations, modifications or improvements to or use of the Premises made by Tenant. In addition to the foregoing obligations of Tenant relative to the Premises, if Tenant's particular use of the Premises (including the commencement of any Alterations, as defined below) results in the need for modifications or alterations

to any other portion of the Project in order to comply with the ADA or other Laws, then Tenant shall additionally be responsible, upon demand, for the cost of such modifications and alterations plus a supervisory fee of ten percent of such cost payable to Landlord. Each of Landlord and Tenant shall indemnify, defend, and hold the other (and its partners, members, shareholders, directors, officers, employees, agents, assigns, and any successors) harmless from and against any and all losses, costs, demands, damages, expenses (including reasonable attorneys' fees), claims, causes of action, judgments, penalties, fines, or liabilities, arising from the indemnifying party's failure to perform its obligations under this Paragraph including, without limitation, (i) any costs, expenses, and liabilities incurred by the indemnified party in connection with responding to any demand by any governmental authority to undertake any modifications or alterations to the Premises required by the ADA or similar Laws as a result of the indemnifying party's failure to perform its obligations under this Paragraph, and (ii) any attorneys' fees, costs, expenses, and liabilities incurred by the indemnified party in responding to, defending, pursuing, or otherwise being involved with any action, suit, or proceeding arising out of any claim relating to the non-compliance of the Premises with the ADA as a result of the indemnifying party's failure to perform its obligations under this Paragraph. Landlord additionally agrees to indemnify Tenant for any claims arising from any violation of the Common Areas of the ADA or other applicable Laws.

5.3 Condition During Periods of Non-Use. During any period of time in which Tenant has vacated the Premises, Tenant shall take such measures as may be necessary or desirable, in Landlord's reasonable opinion, to secure the Premises from break-ins and use by unauthorized persons, to minimize the appearance of non-use, and to otherwise maintain the interior and exterior portions of Tenant's Premises, including all windows and doors, in first class condition.

5.4 Use of Common Areas. Tenant's use of the Common Areas shall at all times comply with the provisions of all Rules (as defined below) regarding such use as Landlord may from time to time adopt. In no event shall the rights granted to Tenant to use the Common Areas include the right to store any property in the Common Areas, whether temporarily or permanently. Any property stored in the Common Areas may be removed by Landlord and disposed of, and the cost of such removal and disposal shall be payable by Tenant to Landlord upon demand. Additionally, in no event may Tenant use any portion of the Common Areas for loading, unloading, or parking, except in those areas specifically designated by Landlord for such purposes, nor for any group social event, sidewalk sale, employment fair or similar commercial or unauthorized purpose.

5.5 General Covenants and Limitations on Use. In addition to the Rules, Tenant's and Tenant's Invitees' (as defined below) use of the Premises and the Project, will be subject to the following additional general covenants and limitations on use.

5.5.1 Tenant shall not do, bring, or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises. If the rate of any insurance carried by Landlord is increased as a result of Tenant's use of the Premises, Tenant shall pay the amount of such increase to Landlord, within ten days after Landlord delivers to Tenant reasonably documentary evidence of such increase.

5.5.2 No noxious or unreasonably offensive activity shall be carried on, in or upon the Premises by Tenant or Tenant's Invitees, nor shall anything be done or kept in the Premises which may be or become a public nuisance or which may cause unreasonable embarrassment, disturbance, or annoyance to others in the Project, or on adjacent or nearby property. To that end, Tenant additionally covenants and agrees that no light shall be emitted _____ from the Premises which is unreasonably bright or causes unreasonable glare; no sounds shall be emitted from the Premises which are unreasonably loud or annoying; and no odor shall be emitted from the Premises which is or might be noxious or offensive to others in the Building, on the Project, or on adjacent or near-by property.

5.5.3 No unsightliness shall be permitted in the Premises which is visible from the Common Areas. Without limiting the generality of the foregoing, all equipment, objects, and materials shall be kept enclosed within the Premises and screened from view or in Common Areas trash enclosures; no refuse, scraps, debris, garbage, trash, bulk materials, or waste shall be kept, stored, or allowed to

accumulate except as may be properly enclosed within appropriate containers in the Premises and promptly and properly disposed of.

5.5.4 The Premises shall not be used for sleeping or washing clothes, nor shall the Premises be used for cooking or the preparation, manufacture, or mixing of anything that might emit any offensive odor or objectionable noises or lights onto the Project or nearby properties.

5.5.5 All pipes, wires, conduit, cabling, poles, antennas, and other equipment/facilities for or relating to utilities, telecommunications, computer equipment, or the transmission or reception of audio or visual signals must be kept and maintained enclosed within the Premises (except to the extent included as part of Landlord's Work, Tenant's Work, or otherwise approved by Landlord).

5.5.6 Tenant shall not keep or permit to be kept any bicycle, motorcycle, or other vehicle, nor any animal (excluding service animals), bird, reptile, or other exotic creature in the Premises.

5.5.7 Neither Tenant nor Tenant's Invitees shall do anything that will cause damage or waste to the Project. Neither the floor nor any other portion of the Premises shall be overloaded. Tenant shall be responsible for all structural engineering required to determine structural load for items placed in the Premises by Tenant. Tenant shall fasten all files, bookcases, and like furnishings to walls in a manner to prevent tipping over in the event of earth movements. Landlord shall not be responsible for any damage or liability for such events. No machinery, equipment, apparatus, or other appliance shall be used or operated in or on the Premises that will in any manner injure, vibrate, or shake all or any part of the Project or be allowed to interfere with the equipment of any other tenant within the Project (or other property owned by Landlord or its affiliates), including, without limitation, interference with transmission and reception of telephone, telecommunications, television, radio, or similar signals.

5.6 Access Rights. Tenant will have 24 hour-a-day, seven day-a-week access to the Building and the Premises commencing no later than the Lease Commencement Date. Notwithstanding the foregoing, no failure of such access rights will constitute an eviction (constructive or otherwise) or a disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease; except that Tenant shall be entitled to equitable abatement of its Rent (as defined below) obligations hereunder to the extent such lack of access is due to Landlord's gross negligence, intentional misconduct or failure to perform an obligation under this Lease and continues for a period in excess of three business days. Landlord will not be liable, under any circumstances, for a loss of or injury to property or for injury to or interference with Tenant's business, including loss of profits through, in connection with, or incidental to a failure to furnish access under this Paragraph. _____
Notwithstanding the foregoing, Landlord agrees to use reasonable efforts to promptly correct any such interruption of access.

5.7 Remedies for Breach. In the event of any breach of this Paragraph 5 by Tenant or Tenant's Invitees, Landlord, at its election and in addition to its other rights and remedies under this Lease, may pay the cost of correcting such breach and Tenant shall immediately, upon demand, pay Landlord the cost thereof, plus a supervisory fee in the amount of ten percent of such cost.

6. Security Deposit and Letter of Credit.

6.1 Security Deposit. Upon mutual execution of this Lease, Tenant shall deposit with Landlord good funds in the amount of the Security Deposit (if any) set forth in the Principal Lease Provisions, to secure the performance by Tenant of its obligations under this Lease, including without limitation Tenant's obligations (i) to pay Basic Monthly Rent and Additional Rent (as defined below), (ii) to repair damages to the Premises and/or the Project caused by Tenant or Tenant's agents, employees, contractors, licensees, and invitees (collectively, "Tenant's Invitees"), (iii) to surrender the Premises in the condition required by Paragraph 24, below, and (iv) to remedy any other defaults by Tenant in the performance of any of its obligations under this Lease. If Tenant commits any default under this Lease, Landlord may, at its election, use funds from the Security Deposit to pay the reasonable cost of curing such default, and to compensate Landlord for all damages actually suffered by Landlord which are directly attributable to such default, including, without limitation, reasonable attorneys' fees and costs

incurred by Landlord. Upon demand by Landlord, Tenant shall promptly pay to Landlord a sum equal to any portion of the Security Deposit so used by Landlord, in order to maintain the Security Deposit in the amount set forth in the Principal Lease Provisions above (subject to increase as set forth below). Within 30 days following the Expiration Date or earlier termination of this Lease, Landlord shall deliver to Tenant, at Tenant's last known address, any portion of the Security Deposit not used by Landlord, as provided in this Paragraph. Landlord may commingle the Security Deposit (and any advance Rent received by Landlord) with Landlord's other funds and Landlord shall not pay interest on such Security Deposit to Tenant. Tenant waives the provisions of any similar principals of law with respect to Landlord's ability to apply the Security Deposit against future rent damages. Furthermore, upon lawful termination of the Lease as a result of Tenant's default, Landlord shall be entitled to immediately apply the Security Deposit against damages without the requirement that Tenant first be given notice and an opportunity to cure, and notwithstanding that the damages have not been finally adjudicated by a court.

6.2 Letter of Credit. In addition to the Security Deposit, Tenant shall provide a letter of credit in the amount of \$1,750,000.00 naming Landlord as beneficiary thereunder (the "Letter of Credit"), which Letter of Credit shall be held by Landlord as third party security for the faithful performance by Tenant of all the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the Lease Term. If Tenant so elects, the following provisions shall apply:

6.2.1 Letter of Credit. The Letter of Credit shall be an unconditional, irrevocable, negotiable standby letter of credit running in favor of Landlord and shall be a signed draft. The issuer of the Letter of Credit (the "Issuer") shall (1) be a solvent, nationally recognized commercial bank that is acceptable to Landlord in its sole discretion, (2) have a branch located in San Diego County, California and Bellevue, Washington capable of honoring a demand upon such Letter of Credit, (3) be chartered under the laws of the United States, any State thereof or the District of Columbia, (4) be insured by the Federal Deposit Insurance Corporation; and (6) _____ have a long term rating of A or higher as rated by Standard & Poor's (collectively, the "Letter of Credit Issuer Requirements"). The Letter of Credit shall be maintained in effect, whether through replacement, renew or extension, throughout the entire Lease Term and for an additional one hundred twenty (120) days following the expiration or earlier termination of the Lease. The Letter of Credit, and any extensions or renewals thereof, shall be substantially in the form and content as attached hereto as Exhibit "E", shall be for a term of not less than one year, and shall be irrevocable during that term. The initial Letter of Credit shall be obtained and delivered to Landlord upon mutual execution of this Lease. The Letters of Credit covering subsequent periods shall be obtained and delivered to Landlord not less than thirty (30) days prior to the expiration of the then existing Letter of Credit, without any action whatsoever on the part of Landlord. The term for each such Letter of Credit shall begin no later than the expiration date of the previous Letter of Credit and shall comply with all requirements of this Section 6.2. The Letter of Credit shall be subject to "The Uniform Customs and Practice for Documentary Credits" (2007 Revision) International Chamber Of Commerce Publication No. 600.

6.2.2 Draws on Letter of Credit: Application of Proceeds. Landlord, or its then managing agent, shall have the right to draw upon the Letter of Credit or any renewal or extension thereof, in whole or in part, upon the occurrence of any one or more of the following events: (a) the occurrence of any default by Tenant under this Lease; (b) Tenant's failure to deliver to Landlord, no less than 30 days prior to the expiration date of the Letter of Credit or any renewal or extension thereof, a renewal or extension of the Letter of Credit for a term of not less than one year and otherwise satisfying the requirements of this Section 6.2; (c) receipt of notice from the Issuer that it will not be extending the terms of the Letter of Credit or otherwise intends to terminate the Letter of Credit prior to the date that is one hundred twenty (120) days after the expiration of the Term of this Lease, unless Tenant provides a substitute Letter of Credit from another financial institution acceptable to Landlord in its sole discretion and otherwise satisfying the requirements of this Section 6.2 at least fifteen (15) business days prior to the termination of the existing Letter of Credit; or (d) any action by Tenant or the Issuer which, in Landlord's reasonable judgment, may jeopardize its rights to draw on the Letter of Credit, including, without limitation, Tenant filing a voluntary petition under the Federal Bankruptcy Code or an involuntary petition being filed against Tenant under the Federal Bankruptcy Code. Landlord shall have sole authority and discretion to draw under the Letter of Credit in accordance with the terms thereof. Within five (5) days after any such draw, Tenant shall reinstate the amount available under the Letter of Credit to the required amount as provided herein, and Tenant's failure to do so shall constitute an incurable default by

Tenant under this Lease. Proceeds of any draw upon the Letter of Credit may be applied by Landlord to the payment of accrued and unpaid Rent, Additional Rent, interest, late charges, reserved Rent, future Rent, accelerated Rent, and any and all damages calculated pursuant to Article 25 of this Lease, or any other costs, liabilities or damages arising out of Tenant's obligations under this Lease, in such manner as Landlord in its sole discretion, deems appropriate. Any unused proceeds shall constitute the property of Landlord and need not be segregated from Landlord's other assets. The parties hereto (A) recite that the Letter of Credit is not intended to serve as a security deposit and all other Laws or principle of Law, rules and regulations applicable to security deposits in the commercial context (the "Security Deposit Law") shall have no applicability or relevancy thereto and (B) Tenant waives the provisions of any Law or principle of Law and all rights, duties and obligations either party may have now, or in the future, will have relating to or arising from the Security Deposit Law with respect to Landlord's ability to apply the proceeds of the Letter of Credit against reserved Rent, future Rent, accelerated Rent, and any and all damages calculated pursuant to Article 25 of this Lease. Furthermore, upon lawful termination of this Lease as a result of Tenant's default, Landlord shall be entitled to immediately apply the proceeds of the Letter of Credit against damages computed under this Lease and/or applicable Law (including, without limitation, accrued and unpaid Rent, reserved Rent, accelerated Rent, and any and all damages calculated pursuant to Article 25 of this Lease, without the requirement that Tenant first be given notice and an opportunity to cure, and notwithstanding that the damages have not been finally adjudicated by the court.

6.2.3 General Terms. Each Letter of Credit shall provide that it will be honored upon a signed statement by Landlord or its agent that moneys are due and owing to Landlord under this Lease, and shall require no signature or statement from any party other than Landlord or its agent. No notice to Tenant shall be required to enable Landlord to draw upon the Letter of Credit (provided that the foregoing shall not affect or reduce Landlord's obligations to provide notice and/or cure periods for Tenant defaults as and to the extent expressly required elsewhere in this Lease). Each Letter of Credit shall allow for partial draws. Each Letter of Credit shall be fully assignable by Landlord and provide that Landlord may, at any time and without notice to Tenant and without first obtaining Tenant's consent thereto, transfer all or any portion of its interest in and to the Letter of Credit to another party, person or entity, regardless of whether or not such transfer is separate from or as a part of the assignment by Landlord of its rights and interests in and to the Lease. In the event of a transfer of Landlord's interest in the Property (or any portion thereof containing the Premises), Landlord shall have the right to transfer the Letter of Credit in whole or in part (or cause a substitute letter of credit to be delivered, as applicable) to the transferee and thereupon shall, without any further agreement between the parties, be released by Tenant from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the Letter of Credit to a new landlord. Tenant shall cooperate with any such transfer of the Letter of Credit by Landlord, at no out-of-pocket expense to Tenant. If the Issuer shall admit in writing its inability to pay its debts generally as they become due, file a petition in bankruptcy or a petition to take advantage of any insolvency act, make an assignment for the benefit of its creditors consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, then Tenant shall obtain a replacement Letter of Credit within thirty (30) days of such act from another Issuer. Tenant further covenants and warrants that it will neither assign nor encumber the Letter of Credit or any part thereof and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

6.2.4 Independent Contract. Tenant acknowledges and agrees that the Letter of Credit constitutes a separate and independent contract between Landlord and the Issuer, and that Tenant is not a third party beneficiary of such. Tenant acknowledges and agrees that Landlord is entering into the Lease in material reliance upon the ability of Landlord to draw upon the Letter of Credit to the extent permitted to do so under the Lease. Tenant agrees not to interfere in any way with payment to Landlord of the proceeds of the Letter of Credit, either prior to or following a "draw" by Landlord of any portion of the Letter of Credit, regardless of whether any dispute exists between Tenant and Landlord as to Landlord's right to draw from the Letter of Credit. No condition or term of this Lease shall be deemed to render the Letter of Credit conditional to justify the Issuer in failing to honor a drawing upon such Letter of Credit in a timely manner. Tenant agrees and acknowledges that Tenant has no property interest whatsoever in the Letter of Credit or the proceeds thereof and that, in the event Tenant becomes a debtor under any chapter of the Federal Bankruptcy Code, neither the Letter of Credit nor any proceeds or right

to draw on the Letter of Credit will be considered property of the Tenant's bankruptcy estate, and neither Tenant, any trustee, nor Tenant's bankruptcy estate shall have any right to restrict or limit Landlord's claim and/or rights to the Letter of Credit and/or the proceeds thereof by application of any provision of the Federal Bankruptcy Code, including but not limited to Section 502(b)(6) of the Federal Bankruptcy Code [11 U.S.C.A. § 502(b)(6)].

6.2.5 _____ Notwithstanding anything to the contrary herein, if at any time the Letter of Credit Issuer Requirements are not met, or if the financial condition of the Issuer changes in any other materially adverse way, as determined by Landlord in its sole discretion, then Tenant shall within five (5) days of written notice from Landlord deliver to Landlord a replacement Letter of Credit which otherwise meets the requirements of this Lease, including without limitation, the Letter of Credit Issuer Requirements. Notwithstanding anything in the Lease to the contrary, Tenant's failure to replace the Letter of Credit and satisfy the Letter of Credit Issuer Requirements within such five (5) day period Landlord shall constitute a material default for which there shall be no notice or grace or cure periods being applicable thereto. In addition and without limiting the generality of the foregoing, if the Issuer is insolvent or is placed in receivership or conservatorship by the Federal Deposit Insurance Corporation, or any successor or similar entity, or if a trustee, receiver or liquidator is appointed for the issuer, then, effective as of the date of such occurrence, said Letter of Credit shall be deemed to not meet the requirements of this Section 6.2, and Tenant shall within five (5) days of written notice from Landlord deliver to Landlord a replacement Letter of Credit which otherwise meets the requirements of this Section 6.2 and that meets the Letter of Credit Issuer Requirements (and Tenant's failure to do so shall, notwithstanding anything in this Section 6.2 or the Lease to the contrary, constitute a material default for while there shall be no notice or grace or cure periods being applicable thereto other than the aforesaid five (5) day period).

6.2.6 Reductions to Letter of Credit. Provided Tenant is not in monetary or any other material default of any terms of this Lease beyond the applicable cure period at the time the Letter of Credit could otherwise be reduced, such Letter of Credit will be subject to five (5) reductions as detailed below, effective upon the 2^d, 3^d, 4th, 5th, and 6th anniversaries of the date of original issuance of such Letter of Credit (the "LOC Issuance Date"). Notwithstanding anything to the contrary set forth in Paragraph 6.2.7 below, from and after the LOC Issuance Date, in no event shall the Letter of Credit under this Lease at any time be less than \$300,000.00.

Letter of Credit Reduction Schedule:

Date of Reduction	Reduction	Letter of Credit Balance
2 ^d Anniversary of LOC Issuance Date	\$250,000.00	\$1,500,000.00
3 rd Anniversary of LOC Issuance Date	\$250,000.00	\$1,250,000.00
4 th Anniversary of LOC Issuance Date	\$250,000.00	\$1,000,000.00
5 th Anniversary of LOC Issuance Date	\$400,000.00	\$600,000.00
6 th Anniversary of LOC Issuance Date	\$300,000.00	\$300,000.00

In addition to the foregoing, if Tenant's financial statements (prepared in the manner described in Paragraph 49.2 below) evidence to Landlord's reasonable satisfaction that Tenant has earned an operating profit for eight consecutive quarters at any time after the commencement of the third year of the Lease Term, the Letter of Credit shall thereupon be immediately reduced to \$350,000.00 provided that Tenant is not in monetary or any other material default of any terms of this Lease beyond the applicable cure period.

6.2.7 Release of Letter of Credit. Provided there is no default or condition which but for the furnishing of notice or the passage of time would constitute a default under this Lease, Landlord shall release its rights in the Letter of Credit and surrender the Letter of Credit to the Issuer within sixty (60) days following the expiration or earlier termination of the Lease.

7. Rent and Rent Adjustments.

7.1 Basic Monthly Rent. Tenant shall pay to Landlord as minimum monthly rent, without deduction, setoff, prior notice, or demand, the Basic Monthly Rent described in the Principal Lease Provisions (subject to adjustment as provided in the attached Addendum No. 1), in advance, on or before the first day of each calendar month, beginning on the Phase I Premises Rent Commencement Date (for the Phase I Basic Monthly Rent) and upon the Phase II Premises Rent Commencement Date (for the Phase II Basic Monthly Rent) and thereafter throughout the Lease Term (each, a "Rent Commencement Date"). If either Rent Commencement Date is other than the first day of a calendar month, then the Basic Monthly Rent payable by Tenant for the second month of the Lease Term following the applicable Rent Commencement Date shall be prorated on the basis of the actual number of days during the Lease Term occurring during the first partial calendar month thereof.

7.2 Rental Adjustments. The Basic Monthly Rent shall be increased periodically in accordance with the provisions of attached Addendum No. 1 to this Lease.

7.3 Additional Rent. In addition to paying the Basic Monthly Rent pursuant to this Paragraph 7, Tenant shall pay to Landlord (in accordance with Paragraph 8 below), commencing on January 1, 2020, Tenant's Share (as defined below) of the annual Operating Expenses (as defined below) that are in excess of the Operating Expenses applicable to the Base Year. The amounts payable pursuant to this Paragraph, together with all other amounts of any kind (other than Basic Monthly Rent) payable by Tenant to Landlord under the terms of this Lease, are collectively and individually referred to in this Lease as "Additional Rent".

7.4 General Rental Provisions. All "Rent" (which includes Basic Monthly Rent and all Additional Rent hereunder) shall be paid to Landlord at the same address as notices are to be delivered to Landlord pursuant to the Principal Lease Provisions, as Landlord may change such address from time to time pursuant to the terms of this Lease. The parties agree that they have had the opportunity to verify the Rentable Square Footage of the Premises and agree that the Rentable Square Footage of the Premises set forth in the Principle Lease Provisions shall be conclusive for all purposes of this Lease.

8. Additional Rent.

8.1 Definitions. The following definitions apply throughout this Lease):

8.1.1 Operating Expenses. Subject to the Excluded Costs (as defined below) relating to the Project, the term "Operating Expenses" means all expenses, costs, and amounts of every kind or nature that Landlord pays or incurs because of or in connection with the ownership, operation, management, maintenance, or repair of the Building, Common Areas and Project. Operating Expenses include, without limitation, the following amounts paid or incurred by Landlord relative to the Building, Common Areas and Project: (a) the cost of supplying utilities to all portions of the Project (other than tenant suites), including without limitation water, waste deposit, power, electricity, heating, ventilation, and other utilities, including, without limitation, heating and condenser water to facilitate the production of air conditioning (collectively, "HVAC") (b) Tax Expenses and Insurance Expenses (as such terms are defined below), (c) the cost of providing janitorial services, window washing services and of operating, managing, maintaining, and repairing all building systems, including without limitation utility, mechanical, sanitary, storm drainage, and elevator systems, and the cost of consumable materials, supplies, tools, and equipment, as well as maintenance and service contracts in connection with those systems, (d) the cost of licenses, certificates, permits, and inspections relating to the operation of the Project, (e) the cost of contesting the validity or applicability of any government enactments that may affect the Operating Expenses, (f) the cost of maintenance, repair, and restoration of any parking areas or structures, including, without limitation, resurfacing, repainting, restriping, and cleaning costs, (g) fees, charges, and other costs, including administrative, management fees and accounting costs (or amounts in lieu of such fees), whether paid to Landlord, an affiliate of Landlord's, or a third party, consulting fees, legal fees, and accounting fees of all persons engaged by Landlord or otherwise reasonably incurred by Landlord in connection with the operation, management, maintenance, and repair of the Project, (h) wages, salaries, and other compensation and benefits of all persons engaged in the operation, maintenance, repair, or security of the Project plus employer's Social Security taxes, unemployment

taxes, insurance, and any other taxes imposed on Landlord that may be levied on those wages, salaries, and other compensation and benefits; provided that if any of Landlord's employees provide services for more than one project of Landlord's, only the prorated portion of those employees' wages, salaries, other compensation and benefits, and taxes reflecting the percentage of their working time devoted to the Project will be included in the Operating Expenses, (i) payments under any easement, CC&Rs, license, operating agreement, declaration, restrictive covenant, or other instrument relating to the sharing of costs affecting the Project, (j) amortization (including interest on the unamortized cost at a rate equal to the floating commercial loan rate announced from time to time by Bank of America as its "reference rate" (or a comparable rate selected by Landlord if such reference rate ceases to be published) plus three percentage points per annum) of the cost of acquiring, or the cost of renting, personal property used in the maintenance, repair, and operation of the Project, (k) reasonable reserves (it being acknowledged, that, among other amounts, any amount of reserves required by any holder of a deed of trust or mortgage encumbering the Project ("Lender"), will be deemed reasonable), (l) fees and expenses for consultants retained, from time to time, by Landlord for the purposes of energy conservation, waste treatment, and water recycling and for the costs of any capital improvements, equipment or devices installed or paid for by Landlord or, at Landlord option, an annual amount sufficient, on the basis of Landlord's experience or reasonable estimate, to establish in advance of the time for such installation a reserve to fund said costs, in order (i) to conform with any change in laws, rules, regulations or requirements of any governmental or quasi governmental authority having jurisdiction or of the board of fire underwriters or similar insurance body or, (ii) to effect a labor saving, energy saving, or other economy (including, without limitation, as related to water recycling, waste treatment, and energy generation), amortized over the useful life of such capital improvement, equipment, or device (as reasonably determined by Landlord), (m) the cost of maintenance of all heating, ventilating and air condition systems relating to individual premises and/or the Common Areas, other than HVAC systems exclusively serving other tenants' premises that are directly paid for, or reimbursed, by such other tenants, (n) reasonable allocation of costs to provide and operate free or discounted visitor parking for the Project, (o) depreciation or rental costs on personal property and equipment used in the management, operation, or maintenance of the Project which is or should be capitalized on the books of Landlord, and (p) any other costs, charges, and expenses that under generally accepted accounting principles would be regarded as management, maintenance, and operating expense. All capital expenditures shall be amortized (including interest on the unamortized cost at the rate stated in subparagraph U) of this Paragraph over their useful life, as reasonably determined by Landlord's certified public accountant. The preceding list is for definitional purposes only and does not impose any obligation on Landlord to incur such expenses to provide such services.

8.1.2 Excluded Costs. "Excluded Costs" means the following expenses, as they relate to the Operating Expenses: (i) depreciation, principal, interest, and fees on mortgages or ground lease payments, except as otherwise provided herein, (ii) legal fees incurred in negotiating and enforcing tenant leases, disputes with other tenants, (iii) real estate brokers' leasing commissions and advertising costs in connection with leasing space in the Project, (iv) improvements or alterations to tenant spaces in the Project, (v) the cost of providing any service directly to and paid directly by a single individual tenant, or costs incurred for the benefit of a single tenant, (vi) costs of any items to the extent Landlord actually receives reimbursement therefor from insurance proceeds, under warranties, or from a tenant or other third party (such costs shall be excluded or deducted - as appropriate - from Operating Expenses in the year in which the reimbursement is received), or which are paid out of reserves previously included in Operating Expenses, (vii) costs incurred due to Landlord's breach of a law or ordinance (including costs incurred by Landlord to cause the Premises or Building to comply with ADA or to abate Prohibited Substances to the extent that Landlord is required to do so under this Lease), (viii) repairs necessitated by the gross negligence or willful misconduct of Landlord or Landlord's employees, agents, or contractors, (ix) capital expenses other than those specifically included in the definition of Operating Expenses, (x) charitable or political contributions and membership fees or other payments to trade organizations, (xi) costs of Landlord's Work which are to be borne by Landlord pursuant to attached Exhibit "C", if any (xii) rent and similar charges for Landlord's on site management office and/or leasing office or any other offices of Landlord or its affiliates (xiii) Landlord's general overhead expenses not related to the Project.

8.1.3 Expense Year. "Expense Year" means the Base Year, and each calendar year after the Base Year, in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires.

8.1.4 Tenant's Share. "Tenant's Share" means a fraction, the numerator of which is the total aggregate Rentable Square Feet of the Premises, and the denominator of which is 497,049. As of the Lease Commencement Date, Tenant's Share will be (i) 6.9% with respect to the Phase I Premises, and (ii) 3.96% with respect to the Phase II Premises. If either the Premises or the Building are expanded or reduced, Tenant's Share shall be appropriately adjusted. Tenant's Share for the Expense Year in which any such change occurs shall be determined on the basis of the number of days during the Expense Year in which each such Tenant's Share was in effect.

8.2 Adjustment of Operating Expenses. Operating Expenses shall be adjusted as follows:

8.2.1 Gross Up Adjustment When a Project is Less Than Fully Occupied. If the occupancy of the total Rentable Square Footage of completed, partially occupied buildings within the Building during any part of any Expense Year (including the Base Year) is less than 95%, Landlord shall make an appropriate adjustment to the variable components of the Operating Expenses for that Expense Year, as estimated by Landlord in its sole discretion using sound accounting and management principles, to determine the amount of Operating Expenses that would have been incurred had the Building been 95% occupied. This amount shall be considered to have been the amount of Operating Expenses for that Expense Year. For purposes of this Paragraph 8.2. "variable components" include only those component expenses that are affected by variations in occupancy levels, such as nightly janitorial service or water usage.

8.2.2 Deleted.

8.2.3 Adjustment When Landlord Does Not Furnish a Service to All Tenants. If, during any part of any Expense Year (including the Base Year), Landlord is not furnishing a particular service or work (the cost of which, if furnished by Landlord, would be included in Operating Expenses) to a tenant (other than Tenant) that has undertaken to perform such service or work in lieu of receiving it from Landlord, Operating Expenses for that Expense Year shall be considered to be increased by an amount equal to the additional Operating Expenses that Landlord would reasonably have incurred during such period if Landlord had furnished such service or work to that tenant.

8.2.4 Additional Costs. If due to a change in the types of costs being incurred by Landlord as Operating Expenses (such as, for example, the commencement or cessation of security services-but not a mere change in how a particular cost is handled-such as going from an in-house to an outside landscaping service), the Base Year Operating Expenses need to be adjusted to eliminate the effect of such change, Landlord shall reasonably adjust the Base Year Operating Expenses and notify Tenant of such change in writing. Furthermore, Landlord shall have the right to reasonably decrease the amount of the Base Year Operating Expenses for purposes of calculating Increased Operating Expenses to eliminate the effect of abnormally high costs, or unusual costs, of a particular type or types (such as, by way of example, abnormally high energy costs associated with the "energy crisis" of 2001) occurring during the Base Year. There shall be no cap on Operating Expenses.

8.2.5 Common Areas. Landlord may elect to partition/separate portions of the Common Areas of the Project such that the Operating Expenses, Tax Expenses, and Insurance Expenses associated with such partitioned Common Areas are allocated to particular buildings or parcels within the Project.

8.2.6 Cost Pools. Landlord shall have the right, from time to time, to equitably allocate some or all of the Operating Expenses for the Project among different portions or occupants of the Project (the "Cost Pools"), in Landlord's reasonable discretion. Such Cost Pools may include, but shall not be limited to, the office space tenants of a building of the Project or of the Project, and the retail space tenants of a building of the Project or of the Project. The Operating Expenses within each such Cost Pool shall be allocated and charged to the tenants within such Cost Pool in an equitable manner.

8.3 Tax Expenses. "Taxes" means and refers to all federal, state, county, or local government or municipal taxes, school taxes, sewer rates, fees, charges, or other impositions of every kind or nature, whether general, special, ordinary, or extraordinary. Taxes include taxes, fees, and charges

such as real property taxes, general and special assessments, transit taxes, leasehold taxes, and personal property taxes imposed on Landlord's fixtures, machinery, equipment, apparatus, systems, appurtenances, and other personal property used in connection with the Project or the Building, as the case may be, along with reasonable legal and other professional fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce real property taxes. Notwithstanding the foregoing, the following shall be excluded from Taxes: (a) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal, state, and local income taxes, and Washington State business and occupation tax and any other taxes applied or measured by Landlord's general or net income and (b) personal property taxes attributable to property owned or installed by or for other tenants of the Project; "Tax Expenses" means the sum of all Taxes that are paid or incurred by Landlord because of or in connection with the ownership, leasing, and/or operation of the Project from time to time.

8.4 Calculation and Payment of Operating Expenses. Tenant's Share of the increased Operating Expenses shall be calculated and paid as follows:

8.4.1 Calculation of Excess. If Operating Expenses for any Expense Year occurring after the Base Year exceeds the amount of Operating Expenses applicable to the Base Year, Tenant shall pay as Additional Rent to Landlord an amount equal to Tenant's Share of that excess, in the manner stated below.

8.4.2 Statement/Payment of Operating Expenses. Tenant shall pay to Landlord, on the first day of each calendar month commencing January 1, 2020, as Additional Rent, without notice, demand, offset, or deduction (except as provided below), an amount ("Tenant's Monthly Payment") equal to one-twelfth of Tenant's Share of the amount by which the Operating Expenses for each Expense Year following the Base Year exceed the Base Year Operating Expenses (such excess being referred to herein as the "Increased Operating Expenses"), as estimated (and subsequently reconciled) by Landlord in the most recently delivered Estimated Statement (as defined below). Landlord shall deliver to Tenant, prior to the commencement of each Expense Year following the Base Year during the Lease Term, a written statement ("Estimated Statement") setting forth Landlord's estimate of the Operating Expenses and Increased Operating Expenses allocable to the ensuing Expense Year, and Tenant's Share of such Increased Operating Expenses. Landlord may, at its option, during any Expense Year, deliver to Tenant a revised Estimated Statement, revising Landlord's estimate of the Operating Expenses and Increased Operating Expenses, in accordance with Landlord's most current estimate. Within approximately 90 days after the end of each Expense Year during the Lease Term, Landlord shall deliver to Tenant a written statement ("Actual Statement") setting forth the actual Operating Expenses allocable to the preceding Expense Year. Tenant's failure to object to Landlord regarding the contents of an Actual Statement, in writing, within 90 days after delivery to Tenant of such Actual Statement, shall constitute Tenant's absolute and final acceptance and approval of the Actual Statement. If the sum of Tenant's Monthly Payments actually paid by Tenant during any Expense Year exceeds Tenant's Share of the actual Increased Operating Expenses allocable to such Expense Year, then such excess will be credited against future Tenant's Monthly Payments, unless such Expense Year was the Expense Year during which the Lease Expiration Date occurs (the "Last Calendar Year"), in which event either (i) such excess shall be credited against any then outstanding monetary obligation of Tenant under this Lease, or (ii) if there are no such monetary obligations, then Landlord shall promptly pay to Tenant such excess. If the sum of Tenant's Monthly Payments actually paid by Tenant during any Expense Year is less than Tenant's Share of the actual Increased Operating Expenses allocable to such Expense Year, then Tenant shall, within ten days of delivery of the Actual Statement, pay to Landlord the amount of such deficiency. Landlord's delay in delivering any Estimated Statement or Actual Statement will not release Tenant from its obligation to pay any Tenant's Monthly Payment or any such excess upon receipt of the Estimated Statement or the Actual Statement, as the case may be. The references in this Paragraph to the actual Increased Operating Expenses allocable to an Expense Year, shall include, if such Expense Year is the Last Calendar Year, the actual Increased Operating Expenses allocable to the portion of such year prior to the Lease Expiration Date, calculated on a pro rata basis, without regard to the date of a particular expenditure. The provisions of this Paragraph 8.4 shall survive the termination of this Lease, and even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Share of Operating Expenses for the year in which this Lease terminates, Tenant shall immediately pay any increase due over the estimated expenses paid by Tenant pursuant hereto and

conversely any overpayment made in Tenant's estimated payments shall be immediately rebated by Landlord to Tenant.

8.5 Landlord's Books and Records. If Tenant disputes the amount of Additional Rent stated in an Actual Statement within 90 days of Tenant's receipt thereof, Tenant may, upon at least five business days' notice to Landlord, request an opportunity to inspect and audit Landlord's records and supporting documentation regarding such Actual Statement. Such inspection and audit must be commenced by an independent certified public accountant within 180 days of the date Tenant received the Actual Statement, shall be at Tenant's sole cost and expense (except as provided below), and Landlord shall, at its election, either provide copies of such records and supporting documentation to Tenant or make such records and supporting documentation available to Tenant for its inspection at Landlord's business office during normal business hours. If Tenant fails to dispute the amount of Additional Rent stated in an Actual Statement within 90 days of Tenant's receipt thereof, or Tenant's audit fails to disclose a discrepancy in such Actual Statement within 210 days after Tenant's receipt of the Actual Statement in question, then the Actual Statement will be deemed binding on Tenant. If it is determined as a result of Tenant's timely audit of Landlord's records (and Landlord's certified public accountant's concurrence therein) that Tenant was overcharged relative to the Operating Expenses, such overcharge shall entitle Tenant to a credit against its next payment of Operating Expenses in the amount of the overcharge plus, in the case of an overcharge exceeding three percent of the Operating Expenses, the reasonable third party costs of such audit (and if such credit occurs following the expiration of the Lease Term, Landlord shall promptly pay the amount of such credit to Tenant). If it is determined as a result of Tenant's timely audit of Landlord's records (and Landlord's certified public accountant's concurrence therein), or otherwise, that Tenant was undercharged relative to the Operating Expenses, Tenant shall, within ten days of written demand, pay such undercharge to Landlord.

9. Utilities and Services.

9.1 Tenant's Utility Costs. Except as provided below, Tenant shall pay when due all bills for gas, electricity, and other utilities used at the Premises on and after (i) the Phase I Premises Rent Commencement Date (for the Phase I Premises), and (ii) the Phase II Premises Rent Commencement Date (for the Phase II Premises), and through and including the Expiration Date.

9.2 Standard Tenant Services. Subject to the terms and conditions contained herein, Landlord shall provide the following services during the Lease Term.

9.2.1 Subject to limitations imposed by all governmental rules, regulations and guidelines applicable thereto, Landlord shall provide HVAC when necessary for normal comfort for normal office use in the Premises during Building Standard Operating Hours.

9.2.2 Landlord shall provide adequate electrical wiring and facilities for connection to Tenant's lighting fixtures and incidental use equipment, provided that (i) the connected electrical load of the incidental use equipment does not exceed an average of four (4) watts per usable square foot of the Premises during Standard Building Operating Hours, calculated on a monthly basis, and the electricity so furnished for incidental use equipment will be at a nominal one hundred twenty (120) volts and no electrical circuit for the supply of such incidental use equipment will require a current capacity exceeding twenty (20) amperes, and (ii) the connected electrical load of Tenant's lighting fixtures does not exceed an average of one (1) watt per usable square foot of the Premises during Standard Building Operating Hours, calculated on a monthly basis, and the electricity so furnished for Tenant's lighting will be at a nominal two hundred seventy-seven (277) volts, which electrical usage shall be subject to applicable laws and regulations. Subject to the foregoing limitations regarding the electrical wiring and facilities to be provided by Landlord, Landlord shall only provide electricity for Tenant's lighting fixtures during the Building Standard Operating Hours. Tenant shall bear the cost of replacement of lamps, starters and ballasts for non-Building standard lighting fixtures within the Premises.

9.2.3 Landlord shall provide city water from the regular Building outlets for drinking, lavatory and toilet purposes in the Building Common Areas and the Premises.

9.2.4 Landlord shall provide five day per week ordinary and customary, basic janitorial services in and about the Premises in a manner consistent with other comparable buildings in the vicinity of the Building. Landlord shall not be required to provide janitorial services to above-Project-standard improvements installed in the Premises including but not limited to metallic trim, wood floor covering, glass panels, interior windows, kitchen/dining areas, executive washrooms, or shower facilities. Any janitorial services required by Tenant and provided by Landlord in excess of such ordinary and customary, basic janitorial services shall be separately paid for by Tenant, as Additional Rent, within ten days of written demand.

9.2.5 Landlord shall provide nonexclusive, non-attended automatic passenger elevator service during the Building Standard Operating Hours, shall have one elevator available at all other times, including on the holidays, and shall provide nonexclusive, non attended automatic passenger escalator service during Building Standard Operating Hours only.

9.2.6 Landlord shall provide nonexclusive freight elevator service subject to scheduling by Landlord.

Tenant shall cooperate fully with Landlord at all times and abide by all regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the HVAC, electrical, mechanical, and plumbing systems. Notwithstanding the foregoing, Tenant shall be responsible for all installation and recurring costs associated with utilities services at the Premises.

9.3 Over-Standard Tenant Use. Tenant shall not exceed the rated capacity of the Building's electrical and other utility systems, which systems will be consistent in capacity with other first class office buildings built at or about the same time as the Building. In the event of any damage to any of the Project's systems caused by Tenant's use thereof in excess of ordinary and customary usage for a professional office. Tenant shall be responsible for all costs and expenses incurred by Landlord as a result of such over-use. In addition, if Tenant requires any utilities or services described in this Paragraph 9, which are to be provided by Landlord, in excess of the standard levels being provided by Landlord, or during hours other than Building Standard Operating Hours, Landlord shall have the right to impose reasonable restrictions on such usage and/or commercially reasonable charges therefor. The initial charge to Tenant for heating and air conditioning during hours other than Building Standard Operating Hours will be \$50.00 per hour (or portion thereof), subject to increase over the Lease Term, including the Extension Term, if any. Such charges are Additional Rent relative to the provision of such services and are not an offset to any Operating Expenses.

9.4 Conduit and Wiring. Installation of all types of conduit and wiring exclusively serving the Premises (other than as part of Landlord's Work), including but not limited to Tenant's Work, is subject to the requirements of Paragraph 22, below, Exhibit "C", and the Landlord's reasonable approval of the location, manner of installation, and qualifications of the installing contractor. All such conduit and wiring will, at Landlord's option, become Landlord's property upon the expiration of the Lease Term. Upon expiration of the Lease Term, Landlord may elect by written notice delivered to Tenant prior to the Expiration Date to require Tenant to remove such conduit and wiring at Tenant's expense and return the Premises and the Common Areas to their pre-existing condition. If Landlord constructs new or additional utility facilities, including without limitation wiring, plumbing, conduits, and/or mains, resulting from Tenant's changed or increased utility requirements, Tenant shall on demand promptly pay (or advance) to Landlord the cost of such items as Additional Rent.

9.5 Utilities Generally. Tenant agrees that, except as provided below, Landlord will not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services) or for diminution in the quality or quantity of any service. Such failure, delay, or diminution will not constitute an eviction or a disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease, except that Tenant will be entitled to an equitable abatement of Rent for the period of such failure, delay, or diminution to the extent such failure, delay, or diminution is (i) is directly attributable to Landlord's gross negligence or intentional misconduct, (ii) prevents Tenant from using, and Tenant does not use, the Premises or the affected portion thereof for the conduct of Tenant's business operations therein, (iii) Tenant was using the Premises or such affected portion for the conduct

of Tenant's business operations immediately prior to the failure, and (iv) such failure, delay, or diminution continues for more than two consecutive business days (or ten business days in any twelve month period) after delivery of written notice of such failure, delay, or diminution from Tenant to Landlord. Landlord will not be liable, under any circumstances, for a loss of or injury to property or for injury to or interference with Tenant's business, including loss of profits through, in connection with, or incidental to a failure to furnish any of the utilities or services under this Paragraph. Notwithstanding the foregoing, Landlord agrees to use reasonable efforts to promptly correct any such interruption of utilities or services. If any governmental authority having jurisdiction over the Project imposes mandatory controls, or suggests voluntary guidelines applicable to the Project, relating to the use or conservation of water, gas, electricity, power, or the reduction of automobile emissions, Landlord, at its sole discretion, may comply with such mandatory controls or voluntary guidelines and, accordingly, require Tenant to so comply. Landlord shall not be liable for damages to persons or property for any such reduction, nor shall such reduction in any way be construed as a partial eviction of Tenant, cause an abatement of Rent, or operate to release Tenant from any of Tenant's obligations under this Lease, except as specifically provided in this Paragraph 9.5.

10. Maintenance.

10.1 Tenant's Duties. Tenant shall at its sole cost maintain, repair, replace, and repaint, all in first class condition, the interior of the Premises, all building systems exclusively serving the Premises and located within the Premises or the walls of the Premises, and any damage to the Premises or the Project resulting from the acts or omissions of Tenant or Tenant's Invitees Tenant shall maintain all communications conduit, equipment, and wiring serving the Premises, whether in the Premises or not (and specifically including all of Tenant's Work and all wiring, equipment, and conduit located on the roof of the Building), regardless of the ownership of said conduit or wiring, subject to Landlord's reasonable approval of Tenant's maintenance/ repair contractor and manner of maintenance/repair. Notwithstanding anything to the contrary contained herein, Tenant shall pay any and all maintenance and recurring costs for supplemental HVAC units exclusively serving the Premises, or any portion thereof, upon presentation of invoice from Landlord. If Tenant fails to maintain, repair, replace, or repaint any portion of the Premises or the Project as provided above then following ten days' written notice thereof to Tenant, Landlord may, at its election, maintain, repair, replace, or repaint any such portion of the Premises or the Project and Tenant shall promptly reimburse Landlord, as Additional Rent, for Landlord's actual cost thereof, plus a supervisory fee in the amount of ten percent of Landlord's actual cost. Notwithstanding the foregoing, if following Tenant's payment (or performance) of its obligations under this Paragraph, Landlord receives payment from an insurer for such work, Tenant will be entitled to receive such proceeds (after Landlord has first been fully reimbursed for its costs and expenses relative thereto including Landlord's costs and expenses in obtaining such proceeds) to the extent Tenant previously paid or incurred third party costs relative thereto.

10.2 Landlord's Duties. Landlord shall maintain, repair, replace, and repaint, all in good order and condition, consistent with other first-class office buildings in the vicinity of the Building, the Common Areas and all portions of the interior and exterior of the Building and any other buildings in the Project (including, without limitation, all electrical, mechanical, plumbing, fire/life safety, and other building systems), except to the extent of Tenant's obligations as set forth in Paragraph 10.1, above, Landlord's failure to perform its obligations set forth above will not release Tenant of its obligations under this Lease, including without limitation Tenant's obligation to pay Rent. If Landlord fails to perform any of its repair and maintenance obligations under this Paragraph 10.2 and such failure materially and adversely impairs Tenant's ability to use and occupy the Premises for the Permitted Use, Tenant will have the right, to perform such repairs and/or maintenance to the extent necessary to enable Tenant to resume its use and occupancy of the Premises. Notwithstanding the foregoing, prior to exercising such right, Tenant must, except as provided below in connection with an emergency, have given Landlord at least 30 days' prior written notice of the nature of the problem and Tenant's intention to exercise its rights under this Paragraph if such matter is not resolved within such 30-day period; provided, however, if the nature of the matter giving rise to such repair or maintenance obligation will reasonably require more than 30 days to remedy and Landlord is proceeding with due diligence to remedy such matter, then such 30 day period will be extended for such additional time as may be necessary for Landlord to complete such repairs or maintenance. Notwithstanding the preceding sentence, in the case of an emergency which poses an imminent threat of death, injury, or severe damage to persons or property,

the required notice from Tenant may be provided orally rather than in writing and for such shorter period of time (i.e., less than 30 days) as Tenant, in the exercise of its reasonable judgment deems appropriate under the exigent circumstances (however, at a minimum, Tenant shall at least contact Landlord telephonically prior to commencing such work so that Landlord may, at its election, make arrangements to handle such emergency itself). If Landlord fails to fulfill its repair and maintenance obligations under this Paragraph, and as a result thereof Tenant exercises the foregoing right to correct such matter, then Landlord shall reimburse Tenant for the reasonable third-party costs incurred by Tenant to complete such repairs and/or maintenance within 30 days after receipt of Tenant's written demand therefor, together with copies of the paid invoices evidencing the costs so incurred. Any such repairs or maintenance performed by Tenant, as permitted herein, must be performed in a good and workmanlike manner by licensed contractors. Under no circumstances may Tenant offset any amount it is owed by Landlord pursuant to this Paragraph (or otherwise) against any Rent obligation under this Lease. Costs incurred by Landlord in performing its obligations under this Paragraph shall be recoverable as Operating Expenses to the extent provided elsewhere in this Lease.

11. Parking.

11.1 General Parking Rights. Tenant shall have the right to rent from Landlord, commencing on the Lease Commencement Date, that number of parking passes determined by applying the Parking Pass Ratio set forth in Section 2.17 of the Principal Lease Provisions on a monthly basis throughout the Lease Term, which parking passes shall be for parking located in the Project parking facility (the "Parking Facility"). The location of the reserved parking spaces, if any, shall be designated by Landlord. For all such parking passes that are rented, Tenant shall pay to Landlord on a monthly basis the prevailing rate charged from time to time at the Parking Facility and such charges shall constitute Additional Rent. In addition, Tenant shall be responsible for the full amount of any taxes imposed by any governmental authority in connection with the renting of such parking passes by Tenant or the use of the Parking Facility by Tenant. Tenant's continued right to use the parking passes is conditioned upon Tenant abiding by all rules and regulations which are prescribed from time to time for the orderly operation and use of the Parking Facility where the parking passes are located (including any sticker or other identification system established by Landlord and the prohibition of vehicle repair and maintenance activities in the Parking Facility), Tenant's cooperation in seeing that Tenant's Invitees also comply with such rules and regulations and Tenant not being in default under this Lease. Such rules and regulations may include, in Landlord's sole discretion, rules limiting tenants of the Project (including, without limitation, Tenant) to the use of, or excluding the use of, certain parking spaces or certain portions of the Parking Facility in order to maintain the availability of accessible parking spaces for clients, guests, and invitees of tenants of the Project and rules limiting tenants of the Project (including without limitation Tenant), and their employees, to the use of a restricted number of parking spaces or a restricted area. If Tenant, or any of Tenant's Invitees, fails to comply with any of Landlord's rules or requirements (such as, by way of example, parking in areas designated as visitor parking only), then Landlord will have the right to either have such vehicles towed from the Project. Furthermore, Landlord shall have the right to immobilize such improperly parked vehicles by use of a "boot" or other device. Tenant's use of the Parking Facility shall be at Tenant's sole risk and Tenant acknowledges and agrees that Landlord shall have no liability whatsoever for damage to the vehicles of Tenant or Invitees, or for other personal injury or property damage or theft relating to or connected with the parking rights granted herein or any of Tenant's or Tenant's Invitees' use of the Parking Facility. Landlord specifically reserves the right to change the size, configuration, design, layout and all other aspects of the Parking Facility at any time and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of Rent under this Lease, from time to time, close-off or restrict access to the Parking Facility for purposes of permitting or facilitating any such construction, alteration or improvements. Landlord reserves the right to grant certain tenants in the Project the exclusive right to park in specified areas of the Parking Facility, to the exclusion of all other tenants. Tenant acknowledges that the exercise of the rights reserved to Landlord under this Paragraph may result in a decrease in the number of parking spaces (but not in the number of parking passes) available to Tenant and Tenant's Invitees, and no such decrease shall affect Tenant's obligations under this Paragraph or entitle Tenant to any abatement of Rent, provided the applicable parking ratio described in Section 2.17 above, is maintained or exceeded. Any parking passes rented by Tenant pursuant to this Article 11 are provided to Tenant solely for use by

Tenant's personnel and such passes may not be transferred, assigned, subleased or otherwise alienated by Tenant without Landlord's prior approval. Tenant may validate visitor parking by such methods as the Landlord may establish, at the validation rate from time to time generally applicable to visitor parking.

11.2 Parking Facility Operator. Landlord hereby reserves the right to enter into (or cause its affiliate to enter into) a management agreement or lease with an entity for all or any portion of the Parking Facility (a "Parking Facility Operator"). In such event, Tenant, upon request of Landlord, shall enter into a parking agreement with such Parking Facility Operator and, notwithstanding anything else herein to the contrary, Tenant shall pay such Parking Facility Operator, rather than Landlord (or its affiliates), the monthly charge established hereunder for the Spaces located in the portion of the Parking Facility covered by such parking agreement, and Landlord (and its affiliate) shall have no liability for claims arising through acts or omissions of any Parking Facility Operator unless caused by Landlord negligence or willful misconduct. It is understood and agreed that the identity of any Parking Facility Operator may change from time to time during the Term. In connection therewith, any parking lease or agreement entered into between Tenant and any Parking Facility Operator shall be freely assignable by such Parking Facility or any successors thereto.

12. Signs.

12.1 General Signage Conditions. Landlord may at any time change the name of either or both of the Building and/or the Project and install, affix, and maintain all signs on the exterior and interior of the Building and other buildings within the Project as Landlord may, in Landlord's sole discretion, desire. Tenant shall not have or acquire any property right or interest in the name of the Building or the Project. Subject to Tenant's signage rights under Paragraph 12.2 below, Tenant may not place, construct, or maintain any sign, advertisement, awning, banner, or other exterior decoration (collectively, "sign") inside or outside the Premises which is visible from the exterior of the Premises, or on the Building or any other portion of the Project, without Landlord's prior written consent. Any sign that Tenant is permitted by Landlord to place, construct, or maintain in the Premises or on the Building or the Project (including pursuant to Paragraph 12.2. below) must comply with Landlord's sign criteria applicable to the Project, including, without limitation, criteria relating to size, color, shape, graphics, and location (collectively, the "Sign Criteria"), and shall comply with all applicable laws, ordinances, CC&Rs (or similar recorded instruments), rules, or regulations, and Tenant shall obtain any approvals required by such laws, ordinances, CC&Rs (or similar recorded instruments), rules, and regulations. Landlord makes no representation or warranty with respect to Tenant's ability to obtain any such approval. Tenant shall, at Tenant's sole cost, make any changes to any sign, whether in the Premises or on the Building, as required by any new or revised applicable laws, ordinances, rules, or regulations or any changes in the Project Sign Criteria. Tenant shall, additionally, maintain, repair, and replace all of Tenant's signs (including, specifically, those installed pursuant to Paragraph 12.2. below) in first class condition. Nothing contained in this Paragraph 12 will limit the Landlord's right to grant signage rights to other tenants of the Building, or to affect the signage rights of any tenant of the Building.

12.2 Tenant's Individual Signage Rights. Subject to compliance with the requirements of Paragraph 12.1, above, Tenant is hereby granted the following signage rights in/on the Building and at the Project.

12.2.1 Directory/Suite Signage. Tenant shall be entitled to be listed on all lobby directory signs and floor directory signs (as to those floors upon which the Premises are located), subject to prior approval of the Tenant's graphics by Landlord, if applicable.

12.2.2 Full Floors. Subject to Landlord's prior written approval, in its sole discretion, and provided all signs are in keeping with the quality, design and style of the Building and Project, Tenant, if the Premises comprise an entire floor of the Building, at its sole cost and expense, may install identification signage anywhere in the Premises including in the elevator lobby of the Premises, provided that such signs must not be visible from the exterior of the Building.

12.2.3 Building Directory. A building directory is located in the lobby of the Building. Tenant shall have the right, at Landlord's sole cost and expense as to Tenant's initial entry, to have Tenant's name displayed on such directory.

12.2.4 Elevator Lobby Signage. Landlord shall, at Landlord's sole cost and expense, display Tenant's name on the elevator lobby directory located on the floor(s) on which the Premises are located.

12.2.5 Exterior Monument Signage. Upon written notice to Landlord from Tenant, at any time during the first year of the Lease Term, Landlord shall, at Tenant's sole expense (but which expense may be paid from any applicable tenant improvement allowance), install a sign strip on the monument in front of the Building (the "Monument Sign"), subject to the following requirements: (i) Tenant must obtain Landlord's and any applicable governmental entity's prior written approval for such signs (including all required permits); and (ii) all signs must be in keeping with the quality, design, and style of the Building and the rules and regulations and design criteria imposed by Landlord with respect to signage. Tenant's right to utilize the Monument Sign are contingent upon Tenant leasing a minimum of 34,000 Rentable Square Feet of space from Landlord in the Building.

13. Rules, Regulations, and Covenants. Tenant shall observe (and shall cause Tenant's Invitees to observe) faithfully and comply strictly with any rules and regulations which Landlord may from time to time adopt for the Project (and provide Tenant with a copy of), as well as any recorded easement agreements, maintenance agreements, CC&Rs or like instruments affecting the Building and/or the Project, whether now existing or hereafter adopted or amended from time to time (all of the foregoing, collectively, "Rules"). Landlord has no duty or obligation to enforce any Rule against any other tenant, and Landlord will not be liable to Tenant for violation of any Rule by any other tenant, or any other tenant's agents, employees, officers, independent contractors, customers, invitees, visitors, or licensees. Tenant acknowledges that Landlord reserves the right, from time to time, to enter into leases or other agreements by which Landlord agrees to restrict the use of all or any portion of the Project (including the Premises) from certain uses. All such leases and other agreements, whether now existing or entered into in the future, shall be binding upon Tenant and in no event shall Tenant utilize the Premises for any use so prohibited; provided, however, no such restriction may prevent Tenant from using the Premises for the Permitted Use.

14. Early Access/Insurance. If prior to the Lease Commencement Date Tenant is planning to make any Alterations (as defined below) to the Premises, perform any of the Tenant's Work, or install any of Tenant's personal property, then in addition to complying with the provisions of attached Exhibit "C", (i) Tenant shall obtain, and at all times maintain, all of the insurance to be maintained by Tenant during the Lease Term, and (ii) all obligations of Tenant under the provisions of this Lease other than those relating to the obligation to pay Rent, shall be operative. Any work pursuant to this Paragraph shall be subject to all of the provisions of Paragraph 22, below. Nothing in this Paragraph shall be construed as granting permission to Tenant to enter the Premises, or to make any Alterations, prior to the Lease Commencement Date and no such right shall exist unless specified in Exhibit "C" or agreed to by Landlord in its sole discretion.

15. Tenant's Liability Insurance. Tenant shall maintain, at Tenant's sole cost and expense, Commercial General Liability Insurance covering the insured against (i) any and all Claims (as defined below) of bodily injury, personal injury and property damage (including loss of use thereof) arising out of or connection with Tenant's use, occupancy and operations within the Premises and Building, and (ii) all contractual liabilities under this Lease, including, without limitation, indemnity provisions contained herein, for limits of liability of \$3,000,000 per occurrence and \$4,000,000 annual aggregate with such aggregate limit shall apply separately to each location and may be met with primary and excess liability policy.

16. Tenant's Property Insurance. Tenant shall maintain, at Tenant's sole cost and expense, property insurance covering (i) all office furniture, business and trade fixtures, office equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant, (ii) all Tenant improvements (installed and/or constructed per Exhibit "C" attached hereto), and any other improvements which exist in the Premises as of the Lease Commencement Date (excluding the base building structure and building systems), and (iii) all other improvements, Alterations, Personal Property and additions to the Premises. Such insurance shall be written on an "all risks" of physical loss or damage basis, for the full replacement cost value, new without deduction for depreciation of the covered items an

d shall include coverage for damage or other loss caused by fire or other peril including, but not limited to, earthquake, flood, terrorism, vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting or stoppage of pipes, coverage with respect to increased costs due to building ordinances, demolition coverage, boiler and machinery insurance and explosion. Such "full replacement cost value" shall be determined by the insurance company issuing such policy at the time the policy is initially obtained. Not more frequently than once every two years, either Landlord or Tenant may, at its election, notify the other that it elects to have the replacement cost value redetermined by an insurance company. Such redetermination shall be made promptly and in accordance with the rules and practices of the Board of Fire Underwriters, or a like board recognized and generally accepted by the insurance company, and Landlord and Tenant shall be promptly notified of the results by the company. Such policy shall be promptly adjusted according to such redetermination. Notwithstanding the foregoing, in no event shall Tenant be required to insure the Common Areas or the Building structure.

17. Tenant's Additional Insurance. In addition to the foregoing coverages, Tenant shall maintain, at Tenant's sole cost and expense:

17.1 Workers' compensation insurance in an amount not less than the statutory limits in the state in which the Project is located;

17.2 Employer's Liability with limits of at least \$1,000,000 bodily injury by disease-policy limit, \$1,000,000 bodily injury by disease -each employee and \$1,000,000 bodily injury by accident - each accident for the protection of its employees or other similar insurance pursuant to all applicable laws;

17.3 Business Interruption Insurance in amounts sufficient to reimburse Tenant (over a 12 month period) for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent tenants or attributable to prevention of access to the Premises or to the Project as a result of such perils, including, without limitation, reimbursement for payment of rental and all other monetary obligations required herein;

17.4 Automobile Liability with a combined single limit of \$3,000,000 per occurrence covering the operation, ownership, maintenance, and use of owned (if any), non owned, and hired automobiles, bodily injury and property damage, as aforesaid; and

17.5 In the event Tenant distributes, sells and/or manufactures liquor on the Premises, Tenant shall maintain liquor liability with limits of \$2,000,000 each claim and \$2,000,000 annual aggregate, such requirement may be met with primary and excess liability policy. Notwithstanding anything in the Lease, should Tenant maintain liquor on Premises for consumption, Tenant, at a minimum, shall maintain dram shop coverage with limits of \$2,000,000. Coverage shall be on a per occurrence form. Notwithstanding the foregoing, in no event shall Tenant be permitted to distribute, sell or manufacture liquor on the Premises without Landlord's prior written consent, which may be withheld by Landlord in its sole and absolute discretion.

18. Form of Tenant's Insurance Policies. The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance (i) shall name Landlord, American Assets Trust, Inc. and American Assets Trust, LP and any other party with an insurable interest in the Project which the Landlord so specifies by written notice to Tenant, as an additional insured, including Landlord's managing agent, American Assets Trust Management, LLC, as such agent may be changed from time to time; (ii) shall cover the liability assumed by Tenant under the indemnification provisions of this Lease; (iii) shall consist of "occurrence" based coverage, without provision for subsequent conversion to "claims" based coverage; (iv) shall be issued by an insurance company having a rating of not less than A XV in Best's Insurance Guide or which is otherwise acceptable to Landlord and authorized to do business in the state in which the Project is located; (v) shall be primary insurance and non contributing with respect to all Claims thereunder and any policies carried by Landlord and that any coverage carried by Landlord shall be excess insurance; (vi) be in form and content reasonably acceptable to Landlord; and (vii) shall provide that said insurance shall not be canceled or modified in coverage in a manner that would cause the insurance to no longer comply with the requirements of this Lease unless 30 days' prior notice shall have been given to Landlord, and

(viii) shall not provide for a deductible or co-insurance provision in excess of \$10,000. Tenant shall deliver said policy or policies or certificates and applicable endorsements thereof or reasonable evidence that such insurance is in place to Landlord on or before the Lease Commencement Date. In the event Tenant shall fail to procure such insurance, or to deliver such policies or certificate and applicable endorsements, Landlord may, at its option upon 5 business days' notice to Tenant, procure such policies for the account of Tenant unless Tenant provides same within such 5 day period, and the cost thereof shall be paid to Landlord within 5 days after delivery to Tenant of bills therefore. Tenant shall, at least 30 days prior to the expiration of each such policy, furnish Landlord with a renewal certificate and applicable endorsement of or "binder" extending such policy. Not more frequently than once every year, if in the opinion of Landlord the amount or scope of such insurance at that time is not adequate, Tenant shall increase such insurance as reasonably required by Landlord.

19. Waiver of Subrogation. Landlord and Tenant release each other, Tenant's Invitees, Landlord's guests, invitees, customers and licensees (collectively, "Landlord's Invitees") and Landlord's agents, affiliates, officers, directors and employees from all claims for damage, loss, or injury to the Project, to Tenant's Personal Property, and to the fixtures and Alterations of either Landlord or Tenant in or on the Project to the extent such damage, loss or injury is covered by any insurance policies carried by Landlord and Tenant and in force at the time of such damage, or which would have been covered by insurance policies required by this Lease to be carried by Tenant, but which Tenant failed to carry. Subject to the remaining provisions of this Paragraph, Landlord and Tenant shall each cause all insurance policies obtained by it pursuant to this Lease to provide that the insurance company waives all right of recovery by way of subrogation against Landlord, American Assets Trust, Inc., American Assets Trust, L.P., American Assets Trust Management, LLC, and Landlord's agents, employees and representatives and Tenant in connection with any damage, loss, or injury covered by such policy. Notwithstanding the foregoing, if any claim to which the foregoing release by Landlord and waiver of subrogation provision would apply is for an amount which is less than Landlord's applicable deductible, and Landlord elects not to submit such claim to its insurer, then the provisions of the foregoing release by Landlord shall not be applicable.

20. Landlord's Insurance. Landlord may, at its election, maintain any of the following insurance, and any other insurance deemed appropriate or necessary, in Landlord's sole discretion, in such amounts and with such limits as Landlord shall determine in its reasonable discretion: (i) Public liability and property damage insurance, and products liability insurance; (ii) Fire and extended coverage and special form insurance, coverage with respect to increased costs due to building ordinances, demolition coverage, and sprinkler leakage coverage; (iii) boiler and machinery insurance; (iv) fidelity insurance; (v) plate-glass insurance; (vi) earthquake insurance; (vii) terrorism insurance, (viii) flood insurance; (ix) rental interruption and/or business interruption insurance; and (x) pollution legal liability insurance. The premiums, costs, expenses, and deductibles (or similar costs or charges) of and/or with respect to any such insurance (all of the preceding, collectively, "Insurance Expenses") shall be included in Operating Expenses. Any such coverage may be part of an umbrella or blanket policy, whereupon the premiums, costs, and expenses hereof will be reasonably apportioned between the Building and the other properties so included under such policy(ies).

21. Personal Property Taxes. Tenant shall pay before delinquency all taxes, assessments, license fees, and other charges that are levied or assessed against, or based upon the value of, Tenant's personal property installed or located in or on the Premises including without limitation trade fixtures, furnishings, equipment, Alterations, and inventory (collectively, "Tenant's Personal Property"). On written demand by Landlord, Tenant shall furnish Landlord with satisfactory evidence of such payments. If any such taxes, assessments, license fees, and/or other charges are levied against Landlord or Landlord's property, or if the assessed value of the Premises is increased by the inclusion of a value placed on Tenant's Personal Property, and if Landlord pays such taxes, assessments, license fees, and/or other charges or any taxes based on the increased assessments caused by Tenant's Personal Property, then Tenant, on demand, shall immediately reimburse Landlord, as Additional Rent, for the sum of such taxes, assessments, license fees, and/or other charges so levied against Landlord, or the proportion of taxes resulting from such increase in Landlord's assessment. Landlord may, at its election, pay such taxes, assessments, license fees, and/or other charges or such proportion, and receive such reimbursement, regardless of the validity of the levy.

22. Alterations. Except with respect to the performance of Tenant's Work pursuant to the Work Letter attached hereto as Exhibit "C" Tenant shall not make any alterations, improvements, additions, installations, or changes of any nature in or to the Premises (any of the preceding, "Alterations") unless Tenant first obtains Landlord's written consent to such Alteration and otherwise complies with the provisions of this Paragraph 22; provided, however, no such consent will be required in connection with any Minor Alterations (as defined below).

22.1 Request for Consent. At least 15 days prior to making any Alterations, Tenant shall submit to Landlord, in written form, proposed detailed plans of such Alterations, which plans must (i) in the case of a Minor Alterations, be in sufficient detail to, among other things, provide Landlord with reasonable evidence that such Alterations are of a nature that Landlord's consent is not required, and (ii) in the case of any other Alterations, in sufficient detail to allow Landlord and its consultants to fully evaluate the proposed Alterations and their effect upon the Premises and the Project. Landlord will not unreasonably withhold, condition, or delay its consent to any Alterations for which consent is required; except that, in the case of exterior Alterations or Alterations which will be visible from outside the Premises or which will affect any structural components of the Project, Landlord shall have the right to grant or withhold its consent in the exercise of its sole discretion. In addition to the foregoing requirements, if the proposed Alteration requires approval by or notice to the lessor of a ground or underlying lease or the holder of a deed of trust encumbering the Project, no Alteration shall be commenced until such approval has been received, or such notice has been given, as the case may be, and all applicable conditions and provisions of said superior lease or deed of trust with respect to the proposed Alteration or Alterations have been met or complied with at Tenant's expense; and Landlord, if it approves the Alteration, will request such approval or give such notice expeditiously, as the case may be, and thereafter diligently pursue obtaining such approval.

22.2 Minor Alterations. Notwithstanding anything to the contrary contained herein, minor interior cosmetic Alterations such as painting, wall papering, carpeting or hanging pictures or moving furniture and temporary partitions or cubicles (the aggregate cost of which will not exceed \$150,000.00, and which Alterations will not be visible from outside the Premises or affect any structural components of the Project) will not require Landlord's prior consent so long as (i) Tenant notifies Landlord in accordance with Paragraph 22.1 (i) and (ii) Tenant complies with all reasonable conditions which may be imposed by Landlord including, but not limited to, the requirements of Paragraph 22.3 below, Landlord's selection of specific contractors or construction techniques and the requirements of the attached Exhibit "C". Any Alterations meeting the foregoing requirements to avoid the necessity of obtaining Landlord's consent are referred to herein as a "Minor Alterations".

22.3 Additional Requirements. Tenant shall, prior to the commencement of any Alterations, and at Tenant's sole cost, (i) acquire (and deliver to Landlord a copy of) any required permit from the appropriate governmental agencies to make such Alterations (any conditions of which permit Tenant shall comply with, at Tenant's sole cost, in a prompt and expeditious manner), (ii) provide Landlord with ten business days' prior written notice of the date the installation of the such Alterations is to commence, so that Landlord can post and record an appropriate notice of non-responsibility, (iii) pay Landlord the reasonable costs and expenses of Landlord for architectural, engineering, or other consultants which reasonably may be incurred by Landlord in determining whether to approve any such Alterations (excluding Minor Alterations), and (iv) if applicable, obtain (and deliver to Landlord proof of) reasonably adequate workers compensation insurance with respect to any of Tenant's employees installing or involved with such Alterations (which insurance Tenant shall maintain in accordance with the Washington State Industrial Insurance Act). In addition, Tenant shall comply with all reasonable conditions which may be imposed by Landlord relative to such Alterations including, but not limited to, Landlord's selection of specific contractors or construction techniques and the requirements of the attached Exhibit "C" applicable to Tenant's Work. Notwithstanding anything to the contrary contained in this Paragraph 22.3, in no event may Tenant remove any ceiling tiles or ceiling gridwork or lighting without Landlord's prior consent, and any such consent may be conditioned upon requiring Tenant to post a deposit to cover the cost of restoring the Premises to their prior condition upon termination of the Lease Term and to secure Tenant's obligation to so restore the Premises.

22.4 Ownership of Alterations. All Alterations shall, upon the Expiration Date of this Lease, become the property of Landlord and shall remain on and be surrendered with the Premises on the

Expiration Date; except that, Landlord may, at its election by written notice delivered to Tenant prior to the Expiration Date, require Tenant to remove any or all of the Alterations, provided that Landlord notifies Tenant in writing prior to commencement of the Alterations. If Landlord so elects to have the Alterations removed, Tenant shall, at its sole cost, on or before the Expiration Date, repair and restore the Premises to the condition of the Premises prior to the installation of the Alterations which are to be removed. Tenant shall pay all costs for Alterations and other construction done or caused to be done by Tenant and Tenant shall keep the Premises free and clear of all mechanics' and materialmen's liens resulting from or relating to any Alterations or other construction. Tenant may, at its election, contest the correctness or validity of any such lien provided that (a) within 20 days after written demand by Landlord, Tenant procures and records a lien release bond, issued by a corporation satisfactory to Landlord and authorized to issue surety bonds in Washington, in an amount equal to 150% of the amount of the claim of lien, which bond meets the requirements of any successor statute, and (b) Landlord may, at its election, require Tenant to pay Landlord's attorneys' fees and costs incurred in participating in such an action.

22.5 Tenant's Communications, Computer Lines and Wi-Fi Use.

(a) Lines. Tenant may install, maintain, replace, remove or use any communications or computer wires and cables serving the Premises (collectively, the "Lines"), provided that (i) Tenant shall obtain Landlord's prior written consent, use an experienced and qualified contractor approved in writing by Landlord, and comply with all of the other provisions of this Lease, including without limitation the provisions of Paragraph 10.1 and Article 22, (ii) an acceptable number of spare Lines and space for additional Lines shall be maintained for existing and future occupants of the Project, as determined in Landlord's reasonable opinion, (iii) the Lines therefor (including riser cables) shall be appropriately insulated to prevent excessive electromagnetic fields or radiation, shall be surrounded by a protective conduit reasonably acceptable to Landlord, and shall be identified in accordance with the "Identification Requirements", as that term is set forth herein below, (iv) any new or existing Lines servicing the Premises shall comply with all applicable governmental laws and regulations, (v) as a condition to permitting the installation of new Lines, Landlord may require that Tenant remove existing Lines located in or serving the Premises and repair any damage in connection with such removal, and (vi) Tenant shall pay all costs in connection therewith. All Lines shall be clearly marked with adhesive plastic labels (or plastic tags attached to such Lines with wire) to show Tenant's name, suite number, telephone number and the name of the person to contact in the case of an emergency (A) every four feet (4') outside the Premises (specifically including, but not limited to, the electrical room risers and other Common Areas), and (B) at the Lines' termination point(s) (collectively, the "Identification Requirements"). Landlord reserves the right, upon notice to Tenant prior to the expiration or earlier termination of this Lease, to require that Tenant, at Tenant's sole cost and expense, remove any Lines located in or serving the Premises prior to the expiration or earlier termination of this Lease.

(b) Wi-Fi. Tenant shall have the right to install, at its sole cost and expense, a wireless intranet, Internet, and communications network (also known as "Wi-Fi") utilizing IEEE 802.XX protocols within the Premises for the use of Tenant and its employees (the "Network") subject to the provisions of this Paragraph 22.5 and the other provisions of Paragraph All telecommunications service providers shall be subject to Landlord's prior written approval.

(c) No solicitation. Tenant shall not solicit, suffer, or permit other tenants or occupants of the Building to use the Network or any other communications service, including, without limitation, any wired or wireless Internet service that passes through, is transmitted through, or emanates from the Premises.

(d) Interference. Tenant agrees that the Network, the Lines, Tenant's communications equipment and the communications equipment of Tenant's service providers located in or about the Premises or installed in the Building to service the Premises including, without limitation, any antennas, switches, or other equipment (collectively, "Tenant's Communications Equipment") shall be of a type and, if applicable, a frequency that will not cause radio frequency, electromagnetic, or other interference to any other party or any equipment of any other party including, without limitation, Landlord, other tenants, or occupants of the Building, Landlord reserves the right to cause Tenant to operate on a channel or frequency band that Landlord selects, in its sole discretion. In the event that Tenant's Communications Equipment causes or is believed by Landlord to cause any such interference,

upon receipt of notice from Landlord of such interference, Tenant will promptly take all steps necessary to correct and eliminate the interference. If the interference is not eliminated within 24 hours (or a shorter period if Landlord believes a shorter period to be appropriate) then, upon notice from Landlord, Tenant shall use other channels or frequencies as determined solely by Landlord, or, at Landlord's election, shut down the Tenant's Communications Equipment pending resolution of the interference (with the exception of intermittent testing upon prior notice to, and with the prior approval of, Landlord). Landlord shall have no obligation or liability with respect to any interruption, curtailment or discontinuance of telecommunications services.

(e) Maintenance. Tenant shall maintain Tenant's Telecommunications Equipment in good order and repair at its sole cost and expense.

(f) Acknowledgment. Tenant acknowledges that Landlord has granted and/or may grant lease rights, licenses, and other rights to other tenants and/or occupants of the Building and to telecommunications service providers.

23. Surrender of Premises and Holding Over.

23.1 Surrender. On the Expiration Date, Tenant shall surrender to Landlord the Premises and all Alterations (except for Alterations that Tenant is obligated to remove as expressly set forth above) in a first class and clean condition, less any normal wear and tear, free of trash and debris including cleaning of all flooring; all walls shall be patched and painted; all signage installed by Tenant on any portion of the Buildings or Project shall be removed and the surfaces repaired, including restoration of the signage mounting surfaces to their pre-existing condition; all sign circuits, electrical circuits, and lighting fixtures shall be in good operating condition; all roof penetrations arising from Tenant's occupancy of the Premises shall be in a watertight condition; and all doors, windows, locks, and hardware shall be in operable condition upon the termination of this Lease. Tenant shall additionally, as of the Expiration Date, remove all of Tenant's Personal Property and perform all repairs and restoration required by the removal of any Alterations or Tenant's Personal Property, and Tenant shall surrender to Landlord all keys to the Premises (including without limitation any keys to any exterior or interior doors). Landlord may elect to retain or dispose of in any manner any Alterations or Tenant's Personal Property that Tenant does not remove from the Premises on the Expiration Date as required by this Lease by giving written notice to Tenant. Any such Alterations or Tenant's Personal Property that Landlord elects to retain or dispose of shall immediately upon notice to Tenant vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such Alterations or Tenant's Personal Property. Tenant will be liable to Landlord for Landlord's costs for storing, removing (including related restoration work), or disposing of any such Alterations or Tenant's Personal Property. If Tenant fails to surrender the Premises to Landlord on the Expiration Date in the condition required by this Paragraph, Tenant shall indemnify, defend, and hold Landlord harmless from and against all liabilities, damages, losses, costs, expenses, attorneys' fees and claims resulting from such failure, including without limitation any claim for damages made by a succeeding tenant.

23.2 Holding Over. If Tenant, with Landlord's consent, remains in possession of the Premises after the Expiration Date, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable on 30-days' written notice given at any time by Landlord or Tenant. During any such month-to-month tenancy, or any other holdover tenancy which is without Landlord's consent, Tenant shall pay, as Basic Monthly Rent, 125% of the Basic Monthly Rent in effect immediately prior to the Expiration Date; which rental amount Tenant acknowledges is fair and reasonable under all of the facts and circumstances existing as of the date of this Lease. All provisions of this Lease except for those pertaining to Term shall apply to any such tenancy. If Tenant holds over after the Expiration Date without the express written consent of Landlord, Tenant shall become a tenant at sufferance only, at a rental rate equal to 150% of the Basic Monthly Rent and Additional Rent in effect immediately prior to expiration of the Term (prorated on a daily basis), and otherwise subject to the terms, provisions, and conditions herein specified, so far as applicable. Acceptance by Landlord of rent after such expiration or earlier termination shall not constitute consent to a holdover tenancy hereunder or result in a renewal. The foregoing provisions this Paragraph 23.2 are in addition to, and do not affect, Landlord's right of re-entry or any rights of Landlord hereunder or as otherwise provided by law. Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon

expiration or other termination of this Lease. The provisions of this Paragraph 23.2 shall not be considered to limit or constitute a waiver of any other rights or remedies of Landlord provided in this Lease or at law. In addition to the foregoing, if Tenant fails to surrender the Premises to Landlord on the Expiration Date in the condition required by Paragraph 23.1, above, Tenant shall indemnify, defend, and hold harmless Landlord from and against all actions, demands, liabilities, damages, losses, costs, expenses, attorneys' fees, and claims resulting from such failure, including, without limitation, any claim for damages made by a succeeding tenant.

24. Default. In addition to any other default specifically described in this Lease, each of the following occurrences shall be a "Default":

- (a) Tenant's failure to pay any portion of Rent when due ("Monetary Default");
- (b) Tenant's failure (other than a Monetary Default) to comply with any term, provision, condition or covenant of this Lease, if the failure is not cured within ten (10) days after written notice to Tenant provided, however, if Tenant's failure to comply cannot reasonably be cured within ten (10) days, Tenant shall be allowed additional time (not to exceed sixty (60) days) as is reasonably necessary to cure the failure so long as Tenant begins the cure within ten (10) days and diligently pursues the cure to completion;
- (c) Tenant permits a Transfer without Landlord's required approval or otherwise in violation of Section 31 of this Lease;
- (d) Tenant fails to cure within two (2) days' notice thereof any condition which is hazardous, interferes with another tenant or the operating or leasing of any portion of the Property, or may cause the imposition of a fine, penalty or other remedy on Landlord or its agents or affiliates;
- (e) Tenant fails to restore the Security Deposit pursuant to Paragraph 6, above (or Letter of Credit, if applicable, pursuant to Paragraph 6, above), within ten days of written notice from Landlord demanding such restoration; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under applicable unlawful detainer statutes.
- (f) (1) Tenant or any Guarantor makes a general assignment for the benefit of creditors; (2) Tenant or any Guarantor files by or for reorganization or arrangement under any law relating to bankruptcy or insolvency (unless, in the case of a petition filed against Tenant, the same is dismissed within thirty (30) days); (3) appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located in the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; (4) attachment execution or other judicial seizure of substantially all of Tenant's assets located in the Premises or of Tenant's interest in this Lease; (5) Tenant or any Guarantor convene a meeting of its creditors or any class thereof for the purpose of effecting a moratorium upon or compositions of its debts; or (6) Tenant's or any Guarantor's insolvency or failure to, or admission of an inability to, pay debts as they mature;
- (g) the leasehold estate is taken by process or operation of Law (except if taken by Condemnation);
- (h) Tenant does not take possession of or abandons the Premises;
- (i) Tenant fails to deliver, within the ten (10) day period described in Paragraph 41 and 49.2 below, any estoppel certificate or financial statements requested by Landlord pursuant to Paragraph 41 and 49.2 below;
- (j) Tenant is in default beyond any notice and cure period under any other lease or agreement with Landlord at the Building or Project. If Landlord provides Tenant with notice of Tenant's failure to comply with any specific provision of this Lease on three (3) separate occasions during any twelve (12) month period, Tenant's subsequent violation of such provision shall, at Landlord's

option, be an incurable Default by Tenant. All notices sent under this Section shall be in satisfaction of, and not in addition to, notice required by Law. Notwithstanding the foregoing, if Tenant violates the same term or condition of this Lease on two (2) occasions during any twelve (12) month period, Landlord shall have the right to exercise all remedies for any violations of the same term or condition during the next twelve (12) months without providing further notice or any opportunity to cure; or

(k) if this Lease or any estate of Tenant hereunder shall be levied upon under any attachment or execution and such attachment or execution is not vacated within ten (10) days after levy thereof.

25. Landlord's Remedies.

25.1 Upon Default, Landlord shall have the right to pursue any one or more of the following remedies:

(a) Terminate this Lease, in which case Tenant shall immediately surrender the Premises to Landlord. If Tenant fails to surrender the Premises, Landlord, in compliance with Law, may enter upon and take possession of the Premises and remove Tenant, Tenant's Property and any party occupying the Premises. Tenant shall pay Landlord, on demand, all past due Rent (together with interest thereon as set forth in Paragraph 26, below) and other losses and damages Landlord suffers as a result of Tenant's Default, including, without limitation, all Costs of Reletting (defined below) and any deficiency that may arise from reletting or the failure to relet the Premises. "Costs of Reletting" shall include all reasonable costs and expenses incurred by Landlord in preparing the Premises to be relet for office use, plus the unamortized cost of broker commissions paid for this Lease, the unamortized cost of any Tenant Improvements installed by or paid for by Landlord, and the unamortized value of any rent-free occupancy periods granted to Tenant (all of which shall be amortized on a straight-line basis over eight years).

(b) Terminate Tenant's right to possession of the Premises and, in compliance with Law, remove Tenant, Tenant's Property and any parties occupying the Premises. Landlord may (but shall not be obligated to) relet all or any part of the Premises, without notice to _____ Tenant, for such period of time and on such terms and conditions (which may include concessions, free rent and work allowances) as Landlord in its absolute discretion shall determine. Landlord, at its option, may make such physical changes to the Premises as it considers advisable or necessary in connection with any such reletting or proposed reletting, without relieving Tenant of any liability under this Lease. If there is other vacant space in the Building, Landlord shall have no obligation to attempt to relet the Premises prior to leasing other space in the Building. Landlord may collect and receive all rents and other income from the reletting. Tenant shall pay Landlord on demand all past due Rent, all Costs of Reletting and any deficiency arising from the reletting or failure to relet the Premises. The re-entry or taking of possession of the Premises shall not be construed as an election by Landlord to terminate this Lease. To the extent permitted by law, Tenant expressly waives the service of any notice of intention to terminate this Lease or to retake the Premises, and waives service of any demand for payment to Rent or for possession, and of any every other notice or demand required or permitted under applicable law. To the extent permissible by law, if Landlord takes possession of the Premises pursuant to the authority herein granted, then Landlord shall have the right to keep in place and use all of the furniture, fixtures and equipment at the Premises, including that which was purchased with any tenant improvement allowance provided by Landlord to Tenant or that is leased to Tenant at all times prior to any foreclosure thereon by Landlord or repossession thereof by any lessor thereof or third party having a lien thereon. Landlord shall also have the right to remove from the Premises (without the necessity of obtaining a distress warrant, writ of sequestration or other legal process and without being liable for prosecution or any claim for damages therefor) all or any furniture, fixtures, equipment and other property located in the Premises and place the same in storage at any place convenient to Landlord or dispose of the same; and in such event, Tenant shall be liable to Landlord for costs incurred by Landlord in connection with such removal, storage, and/or disposal and shall indemnify and hold Landlord harmless from all loss, damage, cost, expense, and liability in connection with such removal, storage and/or disposal. Landlord shall also have the right to relinquish possession of all or any portion of such furniture, fixtures, equipment, and other property to any person ("Claimant") claiming to be entitled to possession thereof who presents to Landlord a copy of any instrument purporting to have been executed by Tenant (or any predecessor of Tenant) granting Claimant the right under various

circumstances to take possession of such furniture, fixtures, equipment or other property, without the necessity on the part of Landlord to inquire into the authenticity of said instrument and without the necessity of Landlord's making any investigation or inquiry as to the validity of the factual or legal basis upon which Claimant purports to act; and Tenant agrees to indemnify, defend and hold Landlord Parties harmless from all cost, expense, loss, damage, and liability incident to Landlord's relinquishment of possession of all or any portion of such furniture, fixtures, equipment, or other property to Claimant. Should Tenant abandon the Premises and leave property therein, Landlord may elect whether or not to accept the property, liquidate said property and apply the proceeds against any sums due and owing by Tenant, or to dispose of said property, and Tenant waives any claim to such property after any such abandonment. For purposes of the foregoing, Tenant shall be deemed to have abandoned its interest in such property if the same is not removed from the Premises by Tenant within ten days after Landlord's proper demand that Tenant remove same, or within ten days after expiration or earlier termination of this Lease, whichever first occurs. The provisions of this Paragraph 25.01 shall additionally apply at the time of Tenant's surrender of the Premises pursuant to Paragraph 23.1. The provisions hereof shall survive the termination of this Lease.

25.2 In lieu of calculating damages under Section 25.01, Landlord may elect to receive as damages the sum of (a) all unpaid Rent accrued through the date of termination of this Lease or Tenant's right to possession, and (b) an amount equal to the total Rent that Tenant would have been required to pay for the remainder of the Lease Term discounted to present value at the Prime Rate (defined below) then in effect, minus the then present fair rental value of the Premises for the remainder of the Lease Term, similarly discounted, after deducting all anticipated Costs of Relletting. "Prime Rate" shall be the per annum interest rate publicly announced as its prime or base rate by a federally insured bank selected by Landlord in the state in which the Building is located.

25.3 If Tenant is in Default of any of its non-monetary obligations under this Lease, Landlord shall have the right to perform such obligations. Tenant shall reimburse Landlord for the cost of such performance upon demand together with an administrative charge equal to ten percent (10%) of the cost of the work performed by Landlord. The repossession or re-entering of all or any part of the Premises shall not relieve Tenant of its liabilities and obligations under this Lease. No right or remedy of Landlord shall be exclusive of any other right or remedy. Each right and remedy shall be cumulative and in addition to any other right and remedy now or subsequently available to Landlord at Law or in equity.

25.4 The parties hereto specifically agree that Tenant's covenants to pay Rent or any other payments required of it hereunder are independent of all other covenants and agreements herein contained and, as such, among other things, Tenant shall have no offset rights against the Rent payable hereunder by Tenant to Landlord except as may be specifically permitted under this Lease.

26. Interest and Late Charges. Late payment by Tenant to Landlord of Rent or other charge will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which would be impracticable or extremely difficult to fix. Such costs include, without limitation, processing, collection and accounting charges, and late charges that may be imposed on Landlord by the terms of any deed of trust covering the Premises. Therefore, if any Rent or other charge (in the form of good funds) is not received by Landlord within ten days of its due date, then, without any requirement for notice to Tenant, Tenant shall owe and pay to Landlord an additional sum of five percent of such overdue amount as a late charge. Such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of any late payment by Tenant, and therefore this Paragraph is reasonable under the circumstances existing at the time this Lease is made. Acceptance of such late charge by Landlord shall not constitute a waiver or cure of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord under this Lease any or all of which may be exercised before, concurrently, or after Landlord's exercise of its rights hereunder. In addition to the late charge payable by Tenant, as provided above, if any such Rent or other charge is not paid within 30 days of the date such Rent or other charge was due, then Tenant shall pay to Landlord interest on such overdue Rent or other charge (from such 30th day until all amounts, including interest, are paid in full) at the rate of seven percent (7%) per annum above the "prime rate" announced from time to time by Bank of America, NT&SA or the maximum amount permitted by law, whichever is less (the "Default Rate"). If such prime rate ceases to be announced, then a comparable "prime rate" shall be utilized, as selected by Landlord.

27. Landlord Default - Tenant's Remedies. Landlord shall not be in default hereunder unless Landlord fails to perform the obligations required of Landlord when due, but in no event later than twenty (20) days after notice by Tenant to Landlord, and to the holder of any first mortgage or deed of trust covering the Premises, whose name and address shall have been furnished to Tenant, specifying the nature of Landlord's failure to perform; provided, however, that if the nature of Landlord's obligation is such that more than twenty (20) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such twenty (20) day period and thereafter diligently prosecutes the same to completion. In no event shall Landlord be liable under any circumstances for any consequential damages incurred by Tenant, including, without limitation, any injury to, or interference with, Tenant's business (including any loss of profits), arising in connection with this Lease. In the event of Landlord default, Tenant shall be entitled to pursue all legal and equitable remedies available, subject to any limitations set forth in this Lease, provided that nothing herein contained shall be interpreted to mean that Tenant is excused from paying Rent due hereunder as a result of any default by Landlord.

28. Quarterly Payments. If a late charge is payable under this Lease, whether or not collected, for two installments of Basic Monthly Rent or Additional Rent due under this Lease during any one calendar year during the Lease Term, then Landlord, by written notice to Tenant, may require that Basic Monthly Rent and Additional Rent be due and payable quarterly in advance, rather than monthly. All monies paid to Landlord under this Paragraph may be commingled with other monies of Landlord and shall not bear interest. If Tenant breaches any provision of this Lease, then any balance remaining from funds paid to Landlord under the provisions of this Paragraph may, at Landlord's election, be applied to the payment of any monetary default of Tenant.

29. Destruction. If the Building is totally or partially destroyed during the Lease Term, rendering the Premises totally or partially inaccessible or unusable, then, subject to the remainder of this Paragraph, (i) Landlord shall promptly commence work necessary to restore the Building to substantially the same condition as it was in immediately before such destruction and shall diligently prosecute such restoration work until completed, (ii) Landlord shall not be required to restore Tenant's Alterations or Tenant's Personal Property, unless they are an integral part of the Premises and they are specifically covered by insurance proceeds received by Landlord, such excluded items being the sole responsibility of Tenant to restore, (iii) such destruction shall not terminate this Lease (except as provided below), and (iv) all obligations of Tenant under this Lease shall remain in effect, except that the Basic Monthly Rent and Additional Rent shall be abated or reduced, between the date of such destruction and the date of Substantial Completion of restoration, by the ratio of (a) the Rentable Square Footage of the Premises rendered unusable or inaccessible by the destruction, to (b) the Rentable Square Footage of the Premises prior to such destruction. Notwithstanding anything to the contrary in this Paragraph, either party shall have ten business days from the date of Landlord's determination that this sentence applies to the subject destruction/reconstruction, in which to terminate this Lease if Landlord determines that (1) it will likely take more than either (A) 250 days following the date of such casualty, or (B) 180 days from obtaining all required permits for such reconstruction, in which to complete such work, (2) such destruction (which is not de minimus in nature) occurs during the last two years of the Lease Term, or (3) then-existing laws do not permit such restoration. Additionally, Landlord may, at its election, terminate this Lease by so notifying Tenant in writing on or before the later of 60 days after such destruction if (I) such destruction exceeds 20% of the then-replacement value of the Premises, the Building, or the Project, or (II) Landlord reasonably determines that the cost of such restoration will exceed the amount of insurance proceeds relating to such destruction actually received (or likely to be available) by Landlord from insurance maintained by Landlord, excluding deductibles, by more than five percent of such cost of restoration. If Landlord or Tenant so terminates this Lease, then (x) Landlord shall have no obligation to restore the Project, (y) Landlord shall retain all insurance proceeds relating to such destruction (except the proceeds of any insurance policies maintained by Tenant, unless Tenant or its agents, employees or contractors are found to be legally liable for the destruction, in which case Landlord shall be entitled to recover from Tenant any insurance proceeds paid or payable to Tenant to the extent necessary to pay the reasonable cost of restoration), and (z) this Lease shall terminate as of 30 days after such notice of termination from Landlord or Tenant, as applicable. Tenant hereby _____waives the provisions of any successor statute with respect to any destruction of the Premises. If Landlord fails to Substantially Complete any restoration work within six months after occurrence of the damage or destruction, Tenant may, by 30 days' written notice to Landlord delivered after the expiration of such six-month period, terminate this Lease.

29.1 Waiver of Statutory Provisions. The provisions of this Lease, including this Paragraph 29, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or the Project, and any statute or regulation of the State of Washington with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or the Project.

30. Condemnation. If during the Lease Term, or during the period of time between the execution of this Lease and the Lease Commencement Date, there is any taking of all or any part of the Premises or any interest in this Lease by the exercise of any governmental power, whether by legal proceedings or otherwise, by any public or quasi-public authority, or private corporation or individual, having the power of condemnation (any of the preceding a "Condemnor"), or a voluntary sale or transfer by Landlord to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending (any of the preceding, a "Condemnation"), the rights and obligations of Landlord and Tenant shall be determined pursuant to this Paragraph. If such Condemnation is of the entire Premises, then this Lease shall terminate on the date the Condemnor requires that Tenant vacate the Premises (the "Date of Condemnation"). If such Condemnation is of any portion, but not all, of the Premises, then this Lease shall remain in effect, except that, if the remaining portion of the Premises is rendered unsuitable for Tenant's continued use of the Premises, then Tenant may elect to terminate this Lease, by so notifying Landlord in writing (the "Termination Notice") within 30 days after the date that the nature and extent of the Condemnation have been determined. Such termination shall be effective on the earlier of (i) the date that is 30 days after the giving of the Termination Notice, or (ii) the Date of Condemnation. If Tenant does not give to Landlord the Termination Notice within such 30-day period, then all obligations of Tenant under this Lease shall remain in effect, except that (unless the Premises are restored as set forth below) Basic Monthly Rent shall be reduced by the ratio of (a) the Rentable Square Footage of the Premises taken to (b) the Rentable Square Footage of the Premises immediately prior to the Date of Condemnation. Unless Landlord restores the Premises pursuant to the preceding sentence, or unless Tenant gives to Landlord the Termination Notice within the relevant 30-day period, Tenant at its sole cost shall accomplish any restoration required by Tenant to use the Premises. A temporary Condemnation of the Premises, or any part of the Premises, for less than 180 days, shall not constitute a Condemnation under this Paragraph; but the Basic Monthly Rent shall abate as to the portion of the Premises affected during such temporary Condemnation. All compensation, sums, or anything of value awarded, paid, or received on a total or partial Condemnation (the "Award") shall belong to and be paid to Landlord. Tenant shall have no right to any part of the Award, and Tenant hereby assigns to Landlord all of Tenant's right, title, and interest in and to any part of the Award, except that Tenant shall receive from the Award any sum paid expressly to Tenant from the Condemnor for Tenant's Personal Property or for severance damages. Landlord and Tenant waive the provisions of any statute (including without limitation any successor statute) that allows Landlord or Tenant to petition the superior court (or any other court) to terminate this Lease in the event of a partial Condemnation of the Premises.

31. Assignment and Other Transfers.

31.1 Restriction on Transfer. Without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned, delayed or denied and except as permitted by Paragraph 31.3, below, none of the following shall occur (nor be permitted by Tenant to occur), voluntarily, involuntarily, by operation of law, or otherwise (any of the following, a "Transfer"): (i) any assignment, sublease, disposition, sale, concession, license, license agreement for the use of any portion of the Premises, mortgage, encumbrance, hypothecation, pledge, collateral assignment, or other transfer, by Tenant of this Lease, any interest in this Lease, or all or any portion of the Premises; or (ii) any assignment, disposition, sale, transfer, acquisition, or issuance of equitable interests (whether stock, partnership or otherwise) in Tenant, to or by any person, entity, or group of related persons or affiliated entities, whether in a single transaction or in a series of related or unrelated transactions, which results in such person, entity, or group holding (or assigning, transferring, disposing of, or selling) 50% or more of the aggregate issued and outstanding equitable interests in Tenant.

31.2 Transfer Provisions Generally.

31.2.1 Any Transfer made without Landlord's consent shall be voidable at Landlord's option. At least 30 days prior to entering into any proposed Transfer, Tenant shall submit to Landlord the sum of \$1,000.00 (as payment toward Landlord's and Landlord's attorneys' cost of reviewing, consenting to, rejecting and/or consummating any proposed Transfer), and a written notice ("Tenant's Notice") which includes (i) a fully executed copy of the instrument of transfer (i.e., the sublease or assignment) relating to the proposed Transfer, along with all related agreements, documents, instruments, exhibits, and escrow instructions, (ii) the name and address of the Proposed Transferee, (iii) an abstract of the terms and conditions of the proposed Transfer, including without limitation the economics of such Proposed Transfer and the commencement or effective date of the proposed Transfer, which shall be at least 30 days after Tenant's Notice is given, and (iv) the nature, character, and current banking, financial, and other credit information and references with respect to the Proposed Transferee and the business of the Proposed Transferee (including without limitation financial statements including, but not limited to, a profit and loss statements and balance sheets detailing cash flow for the three most recent years), in reasonably sufficient detail to enable Landlord to determine the Proposed Transferee's financial responsibility.

31.2.2 Within 10 business days after Landlord's receipt from Tenant of such sum and Tenant's Notice, and all documentation requested of Tenant by Landlord, Landlord shall notify Tenant whether Landlord has consented to the proposed Transfer. Any consent by Landlord to any proposed Transfer shall not constitute a consent with respect to any other Transfer. If Landlord consents to any proposed Transfer, and Tenant fails to consummate such Transfer within 30 days of the commencement or effective date of the proposed Transfer (as set forth in Tenant's Notice) or, if Tenant's Notice fails to identify such a date, then within 150 days of the Tenant's Notice, then such consent shall be deemed withdrawn and Tenant shall be required again to comply with this Paragraph before making a Transfer. Landlord shall not be deemed to have unreasonably withheld its consent with respect to any Transfer if (among other things) Landlord shall not have received such sum or Tenant's Notice, if the nature or character of the Proposed Transferee is not in keeping with the dignity and character of the Building and the surrounding area, if the Proposed Transferee's proposed use is materially and adversely different than the Permitted Use or Tenant's prior use, if the proposed Transfer will result in the diminution of the value or marketability of the Building or the Project, if Landlord is not reasonably satisfied that the Proposed Transferee is creditworthy, or if the proposed Transfer will conflict with or result in a breach of any of the provisions of, or constitute a default under, any agreement, instrument, or document to which Landlord is a party or by which the Project may be bound. No Transfer shall release or discharge Tenant from any liability, whether past, present, or future, under this Lease and Tenant shall continue to remain directly and primarily liable under this Lease (and not as a mere surety).

31.2.3 Unless otherwise agreed to by all parties, the Tenant's Security Deposit (if any) shall be retained by Landlord and returned to the lawful tenant in possession of the Premises at the time of the Lease termination, subject to the terms and conditions of Paragraph 6 of this Lease. Any Transfer documentation shall contain the following provisions, which provisions whether contained in such Transfer documentation or not, shall apply to such Transfer: (a) Such Transfer shall be subject to, and bound by, all provisions of this Lease; (b) No Proposed Transferee shall be permitted to enter into any Transfer without Landlord's prior written consent; and (c) At Landlord's option, in the event of cancellation or termination of this Lease for any reason or the surrender of this Lease, whether voluntarily, involuntarily, by operation of law or otherwise, prior to the expiration of such Transfer, the Proposed Transferee shall make full and complete attornment to Landlord for the balance of the term of such Transfer. Such attornment shall be evidenced by an agreement in form and substance reasonably satisfactory to Landlord that the Proposed Transferee shall execute and deliver to Landlord within five days after request by Landlord.

31.2.4 Tenant shall promptly reimburse Landlord for Landlord's reasonable and actual cost not to exceed \$5,000 of reviewing, consenting to, rejecting and/or consummating any proposed Transfer, including without limitation reasonable attorneys' fees and costs/fees of Landlord's Lender (if any) in connection therewith. If Tenant fails to pay such amount within ten business days of written demand, Tenant shall be in default hereunder and Landlord shall have the right, in addition to its other rights and remedies under this Lease, to revoke its prior approval of the proposed Transfer if such Proposed Transferee has not yet taken over possession of the Premises.

31.3 Excess Rent. Tenant shall promptly pay to Landlord, as and when received, 50% of all rents and other consideration after all of Tenant's reasonable third-party expenses incurred in connection with such Transfer are deducted, of whatever nature, payable by the Proposed Transferee (or receivable by Tenant) pursuant to or as a result of any Transfer, which exceed (i) in the case of a sublease of a portion of the Premises, the portion of the Basic Monthly Rent that is allocable to the portion of the Premises subleased (such allocation based on the Rentable Square Footage of the portion subleased), or (ii) in the case of any other Transfer, the Basic Monthly Rent.

31.4 Permitted Transferee. Notwithstanding anything to the contrary contained in Paragraphs 31.1 or 31.3, above, no consent of Landlord will be required for, and no amounts will be payable to Landlord in connection with, any Transfer to any of the following (any of which will constitute a "Permitted Transferee"):

31.4.1 Any parent, wholly-owned subsidiary, or other company of which Tenant owns all or substantially all of the voting and beneficial interests, or which company owns all or substantially all of the voting and beneficial interests in Tenant, and which parent, subsidiary, or other company has a net worth (determined in accordance with GAAP) equal to or greater than Tenant's net worth as of the day before such transaction or as of the Lease Commencement Date, whichever is less;

31.4.2 Any surviving or successor entity resulting from a merger, consolidation, or sale of substantially all of the assets of Tenant, where the net worth of the resulting or acquiring company exceeds (as determined in accordance with GAAP), the net worth of the Tenant as of the day prior to such transaction or as of the Lease Commencement Date, whichever is less; or

31.4.3 Any sale of stock as part of a "public offering" on one of the nationally recognized securities exchanges (such as, without limitation, NYSE or NASDAQ) or as part of an employee stock purchase program.

31.4.4 The sale or transfer of substantially all of Tenant's assets in the state the Premises are located.

Notwithstanding the foregoing, and as a condition precedent to the effectiveness of any such Transfer to a Permitted Transferee, at least 20 days prior to any proposed Transfer to a Permitted Transferee, Tenant shall notify Landlord in writing of its intention to undertake such a Transfer and provide Landlord with sufficient information to confirm that such entity will in fact be a Permitted Transferee and the assigning Tenant shall execute Landlord's form guaranty which guaranty shall serve to release such assigning Tenant from direct liability hereunder and such assigning Tenant will then only have liability for matters first accruing under this Lease thereafter pursuant to such guaranty (it being understood that if such assigning Tenant fails to execute such a Guaranty, then such assignment shall constitute an Event of Default, such Transfer will be void, and such assigning Tenant shall remain primarily liable hereunder). Landlord shall keep all such information confidential. Other than the right to engage in a Transfer to a Permitted Transferee without Landlord's consent, all other provisions of Paragraph 31.2 shall apply to such a Transfer.

32. Landlord's Reserved Rights.

32.1 General Rights Reserved. In addition to the specific reserved rights identified in Paragraph 32.2, below, Landlord, as owner of the Project, in addition to Landlord's other rights, reserves the right from time to time: (i) to temporarily utilize portions of the Common Areas for, among other things, entertainment, outdoor shows, displays, automobile and other product shows, the leasing of kiosks, or such other uses which, in Landlord's reasonable judgment, are appropriate; (ii) to utilize the lighting standards and other areas or improvements in the Common Areas for advertising, notice purposes, or other reasonable purposes; (iii) to close any of the Common Areas to the extent required in the opinion of Landlord's legal counsel to prevent a dedication of any of the Common Areas or the accrual of any rights to any person or to the public in and to any portion of the Common Areas; (iv) to close, temporarily, any of the Common Areas for maintenance purposes; (v) to designate other property outside the boundaries of the Project to become part of the Common Areas; (vi) to close off or otherwise utilize portions of the Common Areas while constructing improvements or making repairs or alterations

to any portion of the Project; (vii) to utilize portions of the Common Areas, on a temporary basis, as a staging area for any construction work by Landlord or its affiliates, agents, tenants, or contractors; and (viii) to make any changes to the Common Areas, or any part of the Project, including without limitation changes to buildings or other improvements, the addition of new buildings or other improvements, and/or changes in (among other things) the location of driveways, entrances, exits, vehicular parking spaces, or the direction of the flow of traffic. In exercising such rights, Landlord agrees to use commercially reasonable efforts to minimize any interference with Tenant's use of the Premises.

33. Easements. Landlord may, at its election, from time to time, grant such easements, rights and dedications, and cause the recordation of parcel maps, easement and operating agreements, and restrictions affecting the Premises and the Project, provided that no such acts materially and adversely affect Tenant's rights of ingress or egress to the Building and the Premises or Tenant's right to use the Premises. Tenant shall promptly sign any documents or instruments to accomplish the foregoing upon request by Landlord.

34. Access by Landlord. Landlord and any of Landlord's Invitees shall have the right to enter the Premises at all reasonable times, during normal business hours if feasible under the circumstances, and upon 24 hours' notice (except that no notice shall be required in the case of an emergency) (i) to determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease, (ii) to do any necessary maintenance or perform any restoration to the Premises that Landlord has the right or obligation to perform, (iii) to serve, post, or keep posted any notices required or allowed under this Lease, (v) to post "for sale" or "for rent" or "for lease" signs during the final nine months of the Term, (vi) to show the Premises to brokers, lenders, agents, prospective buyers, prospective tenants, or other persons interested in a listing of, financing, purchasing, or occupying the Project, the Premises or any portion of the Project or the Premises, and (vii) to shore the foundations, footings, and walls of the Project, and to erect scaffolding and protective barricades around and about the Premises, but not so as to prevent entry to the Premises, and to do any other act or thing necessary for the safety or preservation of the Premises if any excavation or other construction is undertaken or is about to be undertaken on any adjacent property or nearby street. In the event of an emergency Landlord shall have the right to enter the Premises at any time, without prior notice to Tenant. Landlord's rights under this Paragraph extend, with Landlord's consent, to the owner of adjacent property on which excavation or construction is to take place and the adjacent property owner's agents, employees, officers, and contractors. Landlord shall not be liable for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of any entry on the Premises as provided in this Paragraph except damage resulting directly from the grossly negligent acts or willful misconduct of Landlord or Landlord's Invitees. Tenant shall not be entitled to any abatement or reduction of Basic Monthly Rent or other Rent because of the exercise by Landlord of any rights under this Paragraph.

35. Indemnity. Tenant hereby agrees to indemnify, defend, protect, and hold harmless Landlord and its members, shareholders, officers, directors, agents, property managers, employees, contractors, and the partners comprising Landlord (if any) from and against all Claims (as defined below) and all costs, expenses, and attorneys' fees incurred in the defense or handling of any such Claims or any action or proceeding brought on any of such Claims. For purposes of this Lease, the term "Claims" shall mean all liabilities, damages, losses, costs, expenses, attorneys' fees, and claims (except to the extent they result from Landlord's negligent acts or willful misconduct) arising from or which seek to impose liability under or because of (i) Tenant's or Tenant's Invitees' use of the Premises, (ii) the conduct of Tenant's business, (iii) any activity, work, or things done, permitted, or suffered by Tenant or any of Tenant's Invitees in or about the Premises or elsewhere, (iv) any breach or default in the performance of any obligation to be performed by Tenant under this Lease, and/or (v) any negligence of Tenant or any of Tenant's Invitees. If any action or proceeding is brought against Landlord or its shareholders, officers, directors, agents, property managers, employees, contractors, or the partners comprising Landlord (if any) by reason of any such Claims, Tenant upon notice from Landlord shall defend such action or proceeding at Tenant's sole cost by legal counsel satisfactory to Landlord. Landlord hereby agrees to indemnify, defend, protect, and hold harmless Tenant from and against all liabilities, damages, losses, costs, expenses, attorneys' fees, and claims suffered by or asserted against Tenant to the extent arising from Landlord's negligent acts or willful misconduct.

35.1 _____ WAIVER OF IMMUNITY SOLELY FOR PURPOSES OF GIVING EFFECT TO THE FOREGOING DEFENSE AND INDEMNITY OBLIGATIONS, AND NOT FOR THE BENEFIT OF ANY THIRD-PARTY. TENANT HEREBY WAIVES ITS IMMUNITY WITH RESPECT TO THE PARTIES INDEMNIFIED UNDER THE PRECEDING PARAGRAPHS UNDER THE INDUSTRIAL INSURANCE ACT (RCW TITLE 51) AND/OR, AS ANY OF THE SAME MAY BE AMENDED, SUBSTITUTED OR REPLACED, AND EXPRESSLY AGREES TO ASSUME POTENTIAL LIABILITY FOR ACTIONS BROUGHT AGAINST AN INDEMNIFIED PARTY BY TENANT'S EMPLOYEES. THIS WAIVER HAS BEEN SPECIFICALLY NEGOTIATED BY THE PARTIES TO THIS LEASE AND EACH PARTY HAS HAD THE OPPORTUNITY TO, AND HAS BEEN ENCOURAGED TO, CONSULT WITH INDEPENDENT COUNSEL REGARDING THIS WAIVER.

36. Exemption of Landlord from Liability. Except to the extent caused by Landlord's negligent acts, willful misconduct, violation of law or failure to perform its obligations under this Lease, Tenant assumes all risk of, Tenant waives all claims against Landlord in respect of, and Landlord shall not be liable for, any of the matters set forth in the preceding Paragraph or any of the following: injury to Tenant's business, loss of income from such business, or damage or injury to the goods, wares, merchandise, or other property or the person of Tenant, Tenant's Invitees, or any other persons in, upon, or about the Premises, whether such damage, loss, or injury is caused by or results from criminal acts, fire, steam, electricity, gas, water, rain, the breakage, leakage, obstruction or other defects of pipes, sewer lines, sprinklers, wires, appliances, plumbing, air-conditioning or lighting fixtures, or any other cause, conditions arising upon the Premises, or other sources or places, and regardless of whether the cause of such damage, loss, or injury or the means of repairing such damage, loss, or injury is inaccessible to Tenant. This Lease shall not be affected or impaired by any change to any part of the Project or any sidewalks, streets or improvements nearby the Project.

37. Hazardous Substances.

37.1 Landlord's Covenants. Landlord shall not cause any unlawful accumulations of Hazardous Material (as defined below) to be generated, brought onto, used, stored, or disposed of in or about the Premises, the Building, or the Project by Landlord or its agents, employees, or contractors, except for limited quantities of standard office and janitorial supplies and petroleum and petroleum-related products commonly used on or at similar office projects. Furthermore, Landlord shall: (a) use, store, and dispose of all such permitted Hazardous Material in strict compliance with all applicable statutes, ordinances, and regulations in effect during the Lease Term that govern and/or relate to Hazardous Material, public health and safety and protection of the environment, and (b) comply at all times during the Lease Term with all environmental laws (as defined in Paragraph 37.2, below). Except as to those matters which are Tenant's responsibility pursuant to Paragraph 37.2, below, Landlord shall be responsible, at its expense (or the expense of others; but not as an Operating Expense) to cause any unlawful accumulations of Hazardous Materials or Asbestos-Containing Materials to be remediated in accordance with the requirements of all applicable environmental laws.

37.2 Tenant's Covenants. Tenant covenants, represents, and warrants to the Landlord that its use of the Premises, the Building, and the Project will be in full compliance with all environmental laws. Tenant hereby agrees to indemnify Landlord against all actions, liabilities, damages, losses, costs, expenses, attorneys' fees, and claims (except to the extent they arise as a result of Landlord's grossly negligent acts or willful misconduct), arising from or relating to: any discharges, releases, or threatened releases of any Hazardous Material into ambient air, water, or land by Tenant or Tenant's Invitee's from, on, under, or above the Premises, (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, or hazardous or toxic wastes, substances, or materials by Tenant or Tenant's Invitees, or otherwise from, on, or under, the Premises, or (iii) a violation by Tenant or Tenant's Invitees of any environmental law on, under, or above the Premises (for purposes of this Lease, "environmental laws" shall mean any Federal, State, or local law, statute, regulation, ordinance, guideline, or common law principle relating to public health or safety or the use or control of the environment, including without limitation the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Carpenter-Presley-Tanner Hazardous Substance Account Act, the Federal Clean Air Act, the Federal Clean Water Act, and the Federal Resource Conservation and Recovery Act and any other laws governing environmental or Hazardous Material matters in Washington).

Tenant agrees to promptly reimburse Landlord for all of Landlord's costs arising from periodic monitoring of Tenant's use, handling, or storage of Hazardous Substances at or surrounding the Premises. Tenant shall not cause or permit any Hazardous Material to be generated, brought onto, used, stored, or disposed of in or about the Premises, the Building, or the Project by Tenant or its agents, employees, contractors, subtenants, or invitees, except for limited quantities of standard office and janitorial supplies. Tenant shall: (a) use, store, and dispose of all such permitted Hazardous Material in strict compliance with all applicable statutes, ordinances, and regulations in effect during the Lease Term that govern and/or relate to Hazardous Material, public health and safety and protection of the environment, and (b) comply at all times during the Lease Term with all environmental laws. If the Premises are contaminated (or, due to the acts or omissions of Tenant or Tenant's Invitees, the Project is contaminated) by any Hazardous Material during the Lease Term, then (1) Tenant shall promptly notify Landlord in writing of such contamination, and (2) Landlord may elect to either (A) demand that Tenant perform all remediation required by Landlord (to Landlord's satisfaction and at Tenant's sole cost, necessary to return the Premises (and/or the Project) to at least as good a condition as the Premises (or the Project) are in as of the date of this Lease, which Tenant shall immediately do upon receipt of notice from Landlord, or (B) proceed to cause such investigation, clean-up, and remediation work which Landlord deems necessary or desirable to be undertaken, whereupon the entire cost thereof (plus a supervisory fee equal to ten percent of such cost) will be payable by Tenant to Landlord upon demand as Additional Rent. If, after demand by Landlord, as provided in this Paragraph, Tenant does not promptly commence and diligently pursue such remediation, then Landlord may, at Landlord's election, perform or cause to be performed such remediation and Tenant shall immediately, upon demand, pay the cost thereof to Landlord, plus a supervisory fee in the amount of ten percent of such cost. Tenant's obligations and liability under this Paragraph shall survive the termination of Tenant's tenancy and the Lease Term of this Lease, except that nothing contained in this Paragraph shall be deemed to impose liability on Tenant for any problem arising after the Lease Term provided neither Tenant nor Tenant's Invitees contributed to such problem during the Lease Term.

37.3 Definition of Hazardous Materials. As used in this Lease the term "Hazardous Material" shall mean any hazardous or toxic substance, material, or waste that is or becomes regulated by the United States, the State of Washington, or any local government authority having jurisdiction over the Building. Hazardous Material includes, without limitation: (a) any "hazardous substance", as that term is defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) (42 United States Code Sections 9601-9675); (b) "hazardous waste", as that term is defined in the Resource Conservation and Recovery Act of 1976 (RCRA) (42 United States Code Sections 6901-6992k); (c) any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance, within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders imposing liability or standards of conduct concerning any hazardous, dangerous, or toxic waste, substance, or material, now or hereafter in effect); (d) petroleum products; (e) radioactive material, including any source, special nuclear, or byproduct material as defined in 42 United States Code Sections 2011-2297; (f) asbestos in any form or condition; and (g) polychlorinated biphenyls (PCBs) and substances or compounds containing PCBs.

38. Prohibition Against Mold, Lead-Based Paint, and Asbestos-Containing Materials. Asbestos-Containing Materials. Tenant shall not allow or permit any lead-based paint to be used in the Premises, nor shall Tenant allow or permit any condition to occur which could result in the growth of mold within the Premises. Additionally, Tenant acknowledges and agrees that (i) the Project may have been constructed at a time when asbestos was commonly used in construction, (ii) asbestos and asbestos-containing materials (collectively, "Asbestos-Containing Materials") may be present at the Project, and (iii) airborne asbestos fibers may be released and result in a potential health hazard if proper Asbestos-Containing Materials containment, remediation and abatement procedures are not observed. Tenant shall not allow or permit any Asbestos-Containing Materials in any form or concentration to be used or stored in the Premises or used in the construction of any improvements or alterations to the Premises, including, without limitation, building or construction materials and supplies. Such prohibition against Asbestos-Containing Materials shall apply regardless of whether the Asbestos-Containing Materials may be considered safe or approved for use by a manufacturer, supplier, or governmental authority, or by common use or practice. Landlord shall have the right, upon 24-hours' notice, to enter upon and conduct inspections of the Premises to determine Tenant's compliance with this Paragraph. If Tenant violates the foregoing covenants relating to lead-based paint, mold, and Asbestos-Containing Materials (collectively

“Prohibited Substances”), then (a) Tenant shall, upon notice from Landlord, immediately remove and remediate any damage from such Prohibited Substances at Tenant’s sole cost, (b) such removal and remediation shall comply with all applicable laws, regulations, and requirements, (c) Tenant shall reimburse Landlord for all expenses incurred in connection with any inspection and testing of the Premises conducted by Landlord, and (d) unless Tenant completes such removal within 30 days after notice from Landlord, Landlord may, at its election, do either or both of the following: (i) declare an Event of Default (without the requirement of any notice under Paragraph 24.4) and exercise Landlord’s remedies hereunder, including, without limitation, terminate this Lease upon ten days prior written notice to Tenant, and/or (ii) remove and remediate such Prohibited Substances and obtain reimbursement from Tenant for the cost of such removal and remediation, including a supervisory fee payable to Landlord in the amount of ten percent of the removal and disposal cost. Tenant shall indemnify Landlord and Landlord’s directors, officers, employees, and agents against all costs, liabilities, expenses, penalties, and claims for damages, including, without limitation, litigation costs and attorneys’ fees, arising from the presence of Prohibited Substances upon the Premises, to the extent that such Prohibited Substances are used, stored, or otherwise permitted in the Premises or used in the construction of any Alterations by Tenant or Tenant’s agents, employees, representatives, or independent contractors, (B) any lawsuit, settlement, governmental order, or decree relating to the presence, handling, removal, or disposal of Prohibited Substances upon or from the Premises, to the extent that such Prohibited Substances are used, stored, or otherwise permitted in the Premises or used in the construction of any improvements or Alterations to the Premises by Tenant or Tenant’s agents, employees, representatives or independent contractors, or (C) Tenant’s failure to perform its obligations to remove such Prohibited Substances under this Paragraph. In connection with any modifications, alterations or improvements contemplated to be performed by Tenant in the Premises, Tenant (including its contractors and other agents) shall consult with Landlord and Landlord’s asbestos consultant concerning appropriate procedures to be followed in connection with Asbestos-Containing Materials prior to performing any such work in the Premises. All such work shall be subject to the terms of Paragraph 22 above. During the performance of any such work, Tenant (including its contractors and other agents) shall comply with all applicable laws, rules, regulations and other governmental requirements, as well as all directives of Landlord and Landlord’s asbestos consultant, relating to Asbestos-Containing Materials. Tenant hereby irrevocably appoints Landlord and Landlord’s asbestos consultant as Tenant’s attorney-in-fact for purposes of supervising and directing any Asbestos-Containing Materials-related aspects of Tenant’s contemplated work in the Premises (provided that such appointment shall not relieve Tenant from its obligations hereunder, nor impose any affirmative obligation on Landlord to provide such supervision or direction). In connection with any such work that may affect Asbestos Containing Materials in the Premises or the Project, Landlord shall have the right at any time to cause Tenant to immediately stop such work if such work has not been approved in writing by Landlord or if such work has deviated from the plans previously approved by Landlord for such work. The provisions of this Paragraph shall not apply to any Prohibited Substances brought onto the Premises by Landlord or Landlord’s Invitees or resulting from the acts of Landlord or Landlord’s Invitees.

/s/ ER /s/ SC /s/ JC
Landlord’s Initials Tenant’s Initials

39. Security Measures. Tenant acknowledges that, although the Building may contain a restricted access entry system (if provided for as part of Landlord’s Work), (i) the Basic Monthly Rent does not include the cost of any security measures for any portion of the Project (ii) Landlord shall have no obligation to provide any such security measures, (iii) Landlord has made no representation to Tenant regarding the safety or security of the Project, and (iv) Tenant will be solely responsible for providing any security it deems necessary to protect itself, its property, and Tenant’s Invitees in, on, or about the Project. If Landlord provides any security measures at any time, then the cost thereof shall be included as part of the Operating Expenses, but Landlord will not be obligated to continue providing such security measures for any period of time, Landlord may discontinue such security measures without notice and without liability to Tenant, and Landlord will not be obligated to provide such security measures with any particular standard of care. Tenant assumes all responsibility for the security and safety of Tenant, Tenant’s property, and Tenant’s Invitees. Tenant releases Landlord from all claims (other than due to Landlord’s gross negligence or intentional misconduct) for damage, loss, or injury to Tenant, Tenant’s

Invitees, and/or to the personal property of Tenant and/or of Tenant's Invitees, even if such damage, loss, or injury is caused by or results from the criminal, reckless, or negligent acts of third parties. In connection with the foregoing, Tenant hereby waives any defense which would limit any such release to matters known or suspected to exist by Tenant. Tenant is hereby instructed to conduct its own investigation through local police agencies regarding any criminal acts or dangerous conduct that has occurred in or near the Project. Landlord shall have no duty to warn Tenant of any criminal acts or dangerous conduct that has occurred in or near the Project, regardless of Landlord's knowledge of such crimes or conduct, and Tenant hereby undertakes to remain informed regarding such issues.

40. Subordination and Attornment. This Lease and Tenant's rights under this Lease are subject and subordinate to any mortgage, deed of trust, ground lease, or underlying lease (and to all renewals, modifications, consolidations, replacements, or extensions thereof), now or hereafter affecting the Premises. The provisions of this Paragraph shall be self-operative, and no further instrument of subordination shall be required. In confirmation of such subordination, however, Tenant shall promptly execute and deliver any commercially reasonable instruments that Landlord, any Lender, or the lessor under any ground or underlying lease, may request to evidence such subordination, provided such instrument contains customary non-disturbance language in favor of Tenant and is consistent with the provisions of the next sentence including, without limitation, a Subordination, Non-Disturbance and Attornment Agreement ("SNDA") in the form to be commercially reasonable and acceptable to Lender. If any Lender, or the lessor of any ground or underlying lease affecting the Premises, shall hereafter succeed to the rights of Landlord under this Lease, whether by foreclosure, deed in lieu of foreclosure, or otherwise, then (i) such successor landlord shall not be subject to any offsets or defenses which Tenant might have against Landlord, (ii) such successor landlord shall not be bound by any prepayment by Tenant of more than one month's installment of Basic Monthly Rent or any other Rent (except to the extent such prepayment is required under this Lease), (iii) such successor landlord shall not be subject to any liability or obligation of Landlord except those arising after such succession, (iv) Tenant shall attorn to and recognize such successor landlord as Tenant's landlord under this Lease, (v) Tenant shall promptly execute and deliver any commercially reasonable instruments that may be necessary to evidence such attornment, (vi) upon such attornment, this Lease shall continue in effect as a direct lease (whether separately documented or not) between such successor landlord and Tenant upon and subject to all of the provisions of this Lease, and (vii) Tenant shall be entitled to quiet enjoyment of the Premises for so long as Tenant is not in default under the terms of this Lease or any substitute lease referenced above. Notwithstanding the preceding provisions of this Paragraph, if any ground lessor or Lender elects to have this Lease prior to the lien of its ground lease, deed of trust, or mortgage, and gives written notice thereof to Tenant that this Lease shall be deemed prior to such ground lease, deed of trust, or mortgage, whether this Lease is dated prior or subsequent to the date of such ground lease, deed of trust, or mortgage, then this Lease shall be deemed to be prior to the lien of such ground lease or mortgage and such ground lease, deed of trust, or mortgage shall be deemed to be subordinate to this Lease. Notwithstanding the foregoing, Landlord shall make commercially reasonable efforts to provide an SONA on Landlord's lenders required form (which is attached as Exhibit "E") from the lender currently holding interest in the Building superior to this Lease, PNC Bank, National Association, within 30 days following the full execution of this Lease.

41. Estoppel Certificate. Within ten days after written request from Landlord, Tenant shall execute and deliver to Landlord, in recordable form, a certificate ("Estoppel Certificate") stating the following, to the extent truthful: (i) that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating all modifications, (ii) the then-current Basic Monthly Rent, (iii) the dates to which Basic Monthly Rent has been paid in advance, (iv) the amount of any security deposit (or letter of credit, if applicable), prepaid rent or other payment constituting Rent which has been paid, (v) whether or not Tenant or Landlord is in default under this Lease and whether there currently exist any defenses or rights of offset under the Lease in favor of Tenant, (vi) that any work required to be performed by Landlord under this Lease is complete (or stating any exceptions), (vii) that any tenant improvement allowance has been paid (or stating any exceptions), and (viii) such other matters as Landlord may reasonably request. Tenant's failure to deliver such certificate within such ten day period shall be conclusive upon Tenant for the benefit of Landlord, and any successor in interest to Landlord, any lender or proposed lender, and any purchaser or proposed purchaser of the Project that, except as may be represented by Landlord, this Lease is unmodified and in full force and effect, no Rent has been paid more than 30 days in advance, neither Tenant nor Landlord is in default under this Lease, no defenses or rights of offset under the Lease exist in favor of Tenant, and that all Landlord's Work required by this

Lease is complete. Landlord will similarly, in connection with any lending or Transfer transaction, upon ten days written request from Tenant, execute an estoppel certificate in favor of Tenant's proposed lender or Transferee confirming (i) that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating all modifications, the then-current Basic Monthly Rent, (iii) the dates to which Basic Monthly Rent has been paid in advance, (iv) the amount of any security deposit (or letter of credit, if applicable), prepaid rent, or other payment constituting Rent which has been paid, and (v) whether or not to the best of Landlord's knowledge Tenant is in default under this Lease. The requirement for Tenant to execute and deliver to Landlord, the Estoppel Certificate, as required above, shall not be delayed, conditioned, or withheld for any reason; this requirement shall be an independent covenant of Tenant under this Lease. If Tenant fails to execute and deliver to Landlord a requested estoppel certificate within ten days after its receipt of request therefor, then in addition to Landlord's other rights and remedies on account of such default, Tenant shall owe Landlord Additional Rent (which amount shall be payable upon demand) in an amount equal to \$100.00 for each day beyond such ten-day period that it delays in the execution and delivery thereof (as such daily sum may be increased from time-to-time pursuant to the Rules).

42. Waiver. No delay or omission in the exercise of any right or remedy of Landlord in the event of any default or Event of Default by Tenant shall impair such right or remedy or be construed as a waiver. The receipt and acceptance by Landlord of delinquent Rent shall not constitute a waiver of any default other than the particular Rent payment accepted. Landlord's receipt and acceptance from Tenant, on any date (the "Receipt Date"), of an amount less than the Rent actually due on such Receipt Date, or to become due at a later date but applicable to a period prior to such Receipt Date, shall not release Tenant of its obligation (i) to pay the full amount of such Rent due on such Receipt Date or (ii) to pay when due the full amount of such Rent to become due at a later date but applicable to a period prior to such Receipt Date. No act or conduct of Landlord, including without limitation, the acceptance of the keys to the Premises, shall constitute an acceptance by Landlord of the surrender of the Premises by Tenant before the Expiration Date. Only a written notice from Landlord to Tenant stating Landlord's election to terminate Tenant's right to possession of the Premises shall constitute acceptance of the surrender of the Premises and accomplish a termination of this Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any other or subsequent act by Tenant. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Lease. Tenant hereby waives any rights granted to Tenant and/or any successor statute(s). Tenant represents and warrants that if Tenant breaches this Lease and, as a result, this Lease is terminated, Tenant will not suffer any undue hardship as a result of such termination and, during the Lease Term, will make such alternative or other contingency plans to provide for its vacation of the Premises and relocation in the event of such termination. Tenant acknowledges that Tenant's waivers set forth in this Paragraph are a material part of the consideration for Landlord's entering into this Lease and that Landlord would not have entered into this Lease in the absence of such waivers.

43. Brokers. Tenant represents that no real estate broker, agent, finder, or other person is responsible for bringing about or negotiating this Lease other than the Tenant's broker, if any, listed in the Principal Lease Provisions, and Tenant has not dealt with any other real estate broker, agent, finder, or other person, relative to this Lease in any manner. Tenant shall indemnify, defend, and hold Landlord harmless from and against all liabilities, damages, losses, costs, expenses, attorneys' fees and claims arising from any claims that may be made against Landlord by any real estate broker, agent, finder, or other person (other than as set forth above), alleging to have acted on behalf of or to have dealt with Tenant. Landlord shall be solely responsible, upon satisfaction of the requirements of a separate written listing agreement between Landlord and Landlord's broker, for the payment of the commission due and owing to Landlord's brokers identified in the Principal Lease Provisions (or any other brokers engaged by Landlord), pursuant to such separate written agreement between Landlord and Landlord's broker. Landlord's broker will in turn split such commission with Tenant's broker as such parties may agree.

44. _____ Limitations on Landlord's Liability. If Landlord is in default of this Lease, and as a consequence Tenant recovers a money judgment against Landlord, such judgment shall be satisfied only out of the proceeds of sale received upon execution of such judgment and levy against the right, title, and interest of Landlord in the Project, and out of rent or other income from the Project receivable by Landlord or out of the consideration received by Landlord from the

sale or other disposition of all or any part of Landlord's right, title, and interest in the Project. Notwithstanding anything contained in this Lease to the contrary, under no circumstances whatsoever shall Landlord nor any of Landlord's shareholders, members, officers, directors, agents, property managers, employees, contractors, or the partners comprising Landlord (if any) be liable for any incidental, indirect, special, consequential or punitive damages, including, without limitation, lost profits, nor be personally liable for any deficiency.

45. Sale or Transfer of Project. If Landlord sells or transfers the Project (whether voluntarily or involuntarily), Landlord, on consummation of the sale or transfer, shall be released from any liability thereafter accruing under this Lease. If any security deposit or prepaid rent has been paid by Tenant (and if a letter of credit has been issued pursuant to this Lease), Landlord shall transfer the security deposit and/or prepaid rent (and Letter of Credit, if applicable) to Landlord's successor-in-interest and on such transfer Landlord shall be discharged from any further liability arising from the security deposit or prepaid rent (and letter of credit, if applicable).

46. Quitclaim Deed. Tenant shall execute and deliver to Landlord on the Expiration Date, promptly on Landlord's request, a quitclaim deed to the Premises, in recordable form, designating Landlord as transferee.

47. No Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation of this Lease, or a termination by Landlord, shall not work a merger, and shall, at the option of Landlord, terminate any existing subleases or may, at the option of Landlord, operate as an assignment to Landlord of any such subleases.

48. Confidentiality. Except as essential to the consummation of the transaction contemplated by this Lease (together with all amendments and addenda hereto):

48.1 Except to the extent required under applicable law to be disclosed, Tenant shall keep and maintain the terms of this Lease and the transactions contemplated by this Lease or any aspect of this Lease in strict confidence; and

48.2 Except to the extent required under applicable law to be disclosed, Tenant may not make or allow any notices, statements, disclosures, communication, or news releases concerning this Lease, the terms of this Lease and the transactions contemplated by this Lease or any aspect of this Lease.

48.3 Nothing provided herein, however, shall prevent Tenant from disclosing to its legal counsel and/or certified public accountants, prospective purchasers, equity investors, or lenders or prospective lenders the existence and terms of this Lease or any transaction under this Lease, or any aspect of this lease, or from complying with any governmental or court order or similar legal requirement which requires such party to disclose this Lease, the terms of this Lease, the transaction contemplated by this Lease and/or any aspect of this Lease; provided that such party uses reasonable and diligent good faith efforts to disclose no more than is absolutely required to be disclosed by such legal requirement. If Tenant violates this confidentiality provision, in addition to all other remedies to which Landlord may be entitled under law or in equity, Landlord shall be entitled to receive immediately the entire value of any rent relief, rent abatement, free rent, reimbursement, or other concession which Landlord has previously granted to Tenant.

48.4 Disclosure. Notwithstanding anything contained herein to the contrary, Landlord shall be entitled to disclose the terms of this Lease in connection with public filings and/or presentations of its parent and/or affiliates.

49. Miscellaneous.

49.1 This Lease may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one document.

49.2 Within ten days of written request, Tenant shall promptly furnish to Landlord, from time to time, financial statements certified by Tenant to be true and correct, reflecting Tenant's then

current financial condition. Such financial statements shall include a current balance sheet and a profit and loss statement covering the most recent 12-month period available. In addition, upon Landlord's written request, Tenant shall allow Landlord, or a certified public accountant of Landlord's choosing, to determine Tenant's current financial condition by reviewing Tenant's current financial books, records, and accounts. Landlord will hold said information confidential, except as may be required by any court or authority of competent jurisdiction or which information is already in the public domain, or except for the disclosure of such information to any Landlord Parties' prospective buyers and lenders or the advisers and professionals of any Landlord Affiliate or such prospective buyers and lenders. The individuals executing this Lease on Tenant's behalf represent and warrant that the financial statements and other information submitted to Landlord by Tenant relating to Tenant or any guarantor of this Lease prior to the execution hereof are true, complete, and accurate, were prepared in accordance with generally accepted cash accounting principles applied on a consistent basis, and accurately reflect Tenant's (and, if applicable, each guarantor's) net worth as of the effective date of this Lease.

49.3 Notwithstanding any other provision in this Lease to the contrary, Tenant shall refrain from selling or otherwise distributing any alcoholic beverages and such sales are expressly forbidden under this Lease notwithstanding the fact that Tenant may hold the appropriate license as issued and/or approved by the Washington State Liquor Control Board.

49.4 This Lease shall be governed by and construed in accordance with the laws of the state in which the Premises are located. If the Premises are located outside of Washington, then the references in this Lease to Washington statutes shall be deemed to include any relevant statute of the jurisdiction in which the Premises are located that is comparable to such Washington statutes.

49.5 For purposes of venue and jurisdiction, this Lease shall be deemed made and to be performed in the City of Bellevue, Washington (whether or not the Premises are located in Bellevue, Washington) and Landlord and Tenant hereby consent to the jurisdiction of the Courts of King County.

49.6 Tenant covenants and agrees not to protest or in any way oppose any application for a license to serve or sell liquor filed by tenants or other users of space within the Project.

49.7 _____ Whenever the context so requires, all words used in the singular shall be construed to have been used in the plural (and vice versa), each gender shall be construed to include any other genders, and the word "person" shall be construed to include a natural person, a corporation, a firm, a partnership, a joint venture, a limited liability company, a trust, an estate or any other entity.

49.8 Each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law. If any provision of this Lease or the application of such provision to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected by such invalidity or unenforceability, unless such provision or such application of such provision is essential to this Lease.

49.9 In the event any litigation, arbitration, mediation, or other proceeding ("Proceeding") is initiated by any party against any other party to enforce, interpret or otherwise obtain judicial or quasi-judicial relief in connection with this Lease the prevailing party in such Proceeding shall be entitled to recover from the unsuccessful party all costs, expenses, and reasonable attorney's fees and expert witness fees relating to or arising out of such Proceeding (whether or not such Proceeding proceeds to judgment), and any post-judgment or post-award proceeding including without limitation one to enforce any judgment or award resulting from any such Proceeding. Any such judgment or award shall contain a specific provision for the recovery of all such subsequently incurred costs, expenses, and actual attorney's fees and expert witness fees.

49.10 This Lease shall become effective and binding upon the parties on the date it has been executed by each of Landlord and Tenant, notwithstanding the fact that the Lease Term may commence after such date.

49.11 Subject to any restriction on transferability contained in this Lease, this Lease shall be binding upon and shall inure to the benefit of the successors-in-interest and assigns of each party to this Lease. Nothing in this Paragraph shall create any rights enforceable by any person not a party to this Lease, except for the rights of the successors-in-interest and assigns of each party to this Lease, unless such rights are expressly granted in this Lease to other specifically identified persons.

49.12 The headings of the Paragraphs of this Lease have been included only for convenience, and shall not be deemed in any manner to modify or limit any of the provisions of this Lease, or be used in any manner in the interpretation of this Lease.

49.13 Time and strict and punctual performance are of the essence with respect to each provision of this Lease. All references to "days" in this Lease will refer to calendar days, unless such reference specifically indicates that "business days" are intended. Business days will mean and refer to all calendar days other than Saturdays, Sundays, and national or Washington state holidays.

49.14 Each party to this Lease and its legal counsel has had an opportunity to review and revise this Lease. The rule of construction that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any Addendum or Exhibit to this Lease, and such rule of construction is hereby waived by Tenant.

49.15 _____ All notices required or permitted to be given by Tenant to Landlord shall be in writing and shall be personally delivered, sent by certified mail, postage prepaid, return receipt requested, or sent by a nationally or locally recognized overnight express courier service that provides written confirmation of delivery to Landlord at the address set forth in the Principal Lease Provisions of this Lease. Each such notice or other communication shall be deemed given, delivered and received upon its actual receipt, except that if it is sent by mail in accordance with this Paragraph, then it shall be deemed given, delivered and received three days after the date such notice or other communication is deposited with the United States Postal Service in accordance with this Paragraph, and if it is sent by nationally recognized overnight express courier service, it shall be deemed given one business day after deposit with the courier. Landlord or Tenant must give a notice of a change of its address to the other, if such address changes. All notices required or permitted to be given to Tenant by Landlord shall Landlord shall, except as otherwise provided in this Lease, be in writing, and such notice shall be personally delivered, sent by certified mail, postage prepaid, return receipt requested, or sent by a nationally recognized overnight express courier service that provides written confirmation of delivery, to Tenant at the address set forth in the Principal Lease Provisions of this Lease. Each such notice or other communication shall be deemed given, delivered and received upon its actual receipt, except that if it is sent by mail in accordance with this Paragraph, then it shall be deemed given, delivered and received three days after the date such notice or other communication is deposited with the United States Postal Service in accordance with this Paragraph. Notwithstanding the foregoing, routine correspondence between Landlord and Tenant shall be deliverable by regular U.S. mail, by fax, or by other such means of delivery as may become customary.

49.16 If more than one person is Tenant, then the obligations of Tenant under this Lease shall be the joint and several obligations of each of such persons; provided, however, that any act or signature of one or more of any of such persons and any notice or refund given to or served on any one of such persons shall be fully binding on each of such persons.

49.17 All provisions, whether covenants or conditions, to be performed or observed by Tenant shall be deemed to be both covenants and conditions. All indemnity, defense, and hold harmless obligations of Tenant hereunder shall survive the termination of this Lease.

49.18 Deleted.

49.19 All payments to be made by Tenant to Landlord under this Lease shall be in United States currency.

49.20 Any claim, demand, rights, or defense by Tenant that arises out of this Lease or the negotiations that preceded this Lease shall be barred unless Tenant commences an action thereon, or

interposes a defense by reason thereof, within 12 months after the date of the inaction, omission, event, or action that gave rise to such claim, demand, right, or defense. Tenant acknowledges and understands, after having consulted with its legal counsel, that the purpose of this Paragraph is to shorten the period within which Tenant would otherwise have to raise such claims, demands, rights, or defenses under applicable laws.

49.21 This Lease, the Exhibits and Addenda, if any, attached hereto (which are incorporated herein by this reference), constitute all of the covenants, promises, assurances, representations, warranties, statements, agreements, conditions and understandings between Landlord and Tenant concerning the Premises and the Project, and there are no other covenants, promises, assurances, representations, warranties, statements, conditions, or understandings, either oral or written, between them. Except as herein otherwise provided, no subsequent alteration, change, modification, or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by each of them. Notwithstanding the foregoing, the Landlord may, from time to time, establish and amend such Rules, regulations, and signage criteria, in a written form, for the benefit of the Project and Building, as it deems appropriate. Violations of such Rules, regulations, and signage criteria by Tenant or Tenant's Invitees shall constitute a material default of this Lease.

49.22 This Lease, upon full execution, supersedes and revokes any and all previous leases governing the Premises, lease negotiations, arrangements, letters of intents, offers to lease, lease proposals or drafts, brochures, representations, and information conveyed, whether oral or written, between parties hereto or their respective representations or any other person purported to represent Landlord or Tenant. The Tenant acknowledges it has not been induced to enter into this Lease by any representations not set forth in the Leases, nor has it relied on any such representations. No such representations should be used in the interpretation or construction of this Lease and the Landlord shall have no liability for any consequences arising as a result of any such representations.

49.23 LANDLORD AND TENANT WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CONTRACT OR TORT CLAIM, COUNTERCLAIM, CROSS COMPLAINT, OR CAUSE OF ACTION IN ANY ACTION, PROCEEDING, OR HEARING BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANYWAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, OR TENANT'S USE OR OCCUPANCY OF THE PREMISES, INCLUDING ANY CLAIM OF INJURY OR DAMAGE OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY CURRENT OR FUTURE LAW, STATUTE, REGULATION, CODE, OR ORDINANCE.

 /s/ ER /s/ SC /s/ JC
Landlord's Initials Tenant's Initials

49.24 Landlord and Tenant share a commitment to operating the Project, Premises and the Building in a sustainable, environmentally-friendly manner, so as to reduce energy consumption, nonrecycled wastes, and their collective carbon footprints. Landlord and Tenant agree to the following terms and conditions in order to pursue these goals:

49.24.1 Sustainability Practices. For the purposes of this Lease, the term "Sustainability Practices" shall mean Landlord's sustainability practices, programs, rules, and goals for the Project and/or the Building, as such practices, programs, rules, and goals may be adopted, modified, or amended from time to time.

49.24.2 Sustainable Building Operations. Tenant shall, at its sole cost and expense, comply with the requirements of the Sustainability Practices. Upon reasonable request from Tenant, Landlord shall promptly provide Tenant with a copy of Landlord's then current Sustainability Practices, if any.

49.24.3 Permitted Use. Tenant shall not use or operate the Premises in any manner that will cause the Project, the Building or any part thereof to fail to comply with the Sustainability Practices or with the requirements of any third-party sustainability certification or rating for the Building.

49.24.4 Recycling and Waste Management. Tenant shall, at its sole cost and expense: (a) comply with Landlord's recycling policy or program; (b) sort and separate its trash and recycling into such categories as required by Landlord; and (c) place sorted trash and recycling into receptacles as directed by Landlord.

49.24.5 Maintenance and Repairs. All maintenance and repairs performed by Tenant must comply with the Sustainability Practices.

49.24.6 Alterations. All Alterations performed by Tenant must comply with the Sustainability Practices. Such Sustainability Practices include, without limitation, the use of low or no-VOC paints, solvents, and adhesives.

49.24.7 Removal at End of Lease Term. To the extent any equipment, furnishings, improvements, or other items required to be removed from the Premises by Tenant at the end of the term or any earlier termination of the Lease are to be recycled or disposed of, Tenant shall conduct such recycling or disposal in an environmentally sustainable manner and in accordance with applicable Laws and the Sustainability Practices. Tenant shall pay all costs, expenses, fines, penalties, and damages that may be imposed on Landlord, the Project, the Building or Tenant by reason of Tenant's failure to comply with the provisions of this Section. The obligation of Tenant in the preceding sentence shall survive the expiration or earlier termination of the Lease.

49.24.8 Energy Providers. Landlord reserves the right to change electricity providers at any time and to purchase green or renewable energy for the Building.

49.24.9 Electricity Consumption. If Tenant is permitted or required pursuant to this Lease to contract directly with an electricity provider, Tenant shall pay all costs for separate electricity metering and shall submit to Landlord electricity consumption data in a format reasonably required by Landlord.

49.24.10 LEED Requirements. Tenant shall comply with such practices as Landlord deems appropriate in order for the Building or the Project to obtain or continue to comply with LEED certification requirements.

49.24.11 Reporting Requirements. Tenant shall provide information and data as reasonably requested by Landlord regarding Tenant's use and occupancy of the Premises as necessary to allow Landlord to comply with reporting requirements imposed by applicable Laws, to apply for or maintain certifications or ratings for the Project, the Building, or to apply for fee waivers related to green or sustainable improvements.

49.24.12 Tenant Improvements. In addition to the costs described in the Work Letter, the costs of Tenant's improvements shall include all reasonable costs associated with the Sustainability Practices, including any related documentation, registration, and certification. Tenant shall cause all contractors engaged by Tenant to comply with Landlord's rules and regulations for the Project or the Building, including without limitation, the Sustainability Practices.

49.24.13 Energy Management. Tenant agrees to use reasonable efforts to operate Building's mechanical, electrical, and plumbing systems efficiently so as to reduce water and energy usage and minimize waste and carbon emissions to the fullest extent possible. All electrical equipment or appliances installed by Tenant in the Premises must conform to the Building's standards for energy management and connect to Building controls and monitoring systems, if any.

49.24.14 Sustainability Reporting Requirements. If required by law or in order for Landlord to maintain its "LEED Building" designation, Tenant shall provide and deliver sustainability consumption information and data (collectively, "Sustainability Information") as reasonably requested by Landlord which shall include, without limitation, documentation relating to Tenant's specific use and occupancy of the Premises in regard to sustainability objectives. Additionally, Tenant authorizes Landlord to request Tenant's Sustainability Information from third parties including utility companies or vendors, as Landlord deems reasonably appropriate. Requested Sustainability Information

may include, but shall not be limited to: (a) energy consumption (including electrical, gas and other) using EnergyStar energy performance rating or other agreed upon system, (b) estimate of carbon and other greenhouse gas emissions, (c) water consumption, (d) waste generated, and (e) environmental characteristics (shading, bikes, etc.). Landlord shall be entitled to utilize such Sustainability Information as it deems reasonably necessary, including, without limitation, for the following purposes: (a) monitoring and improving utility usage, (b) benchmarking the Project or the Building against any sustainable targets, (c) confirming the compliance of its sustainability practices, (d) maintaining, submitting or obtaining certifications or rating for the Project or the Building, or (e) applying for fee waivers, credits and/or rebates related to green or sustainable improvements.

49.25 Anti-Money Laundering/OFAC Requirements. Tenant represents and warrants as follows, with the understanding that the Landlord will rely on the accuracy of these representations and warranties to establish the Landlord's compliance with the laws enforced by the United States Department of Treasury's Office of Foreign Assets Control ("OFAC"), and any other applicable laws, rules, regulations and other legal requirements relating to the combating of money laundering and/or terrorism (i.e., Patriot Act).

49.25.1 If Tenant is an entity (e.g., a corporation, partnership, limited liability company, trust), (i) Tenant has exercised due diligence to establish the identity of each person who possesses the power, directly or indirectly, to direct or cause the direction of Tenant's management and policies; (ii) if ownership interests in Tenant are not publicly traded on an exchange or an organized over-the-counter market that is regulated by any foreign government, or any governmental body or regulatory organization empowered by a foreign government to administer or enforce its laws as they relate to securities matters, Tenant has exercised due diligence to establish the identity of each person who holds, directly or indirectly, a beneficial interest in Tenant; and (iii) if Tenant is a financial intermediary (e.g., a bank, brokerage firm, depository), Tenant has exercised due diligence to establish the identity of each of its account holders (each of the foregoing persons listed in this Paragraph being an "Affiliated Person"). Tenant (x) maintains records of all documents it uses to verify the identities of its Affiliated Persons; (y) will maintain all such records for a period of at least five (5) years after the expiration of the Lease; and (z) will make such documentation available to the Landlord at any time upon request.

49.25.2 Tenant is not a "Prohibited Person" (as defined below), none of its Affiliated Persons is a Prohibited Person, and Tenant is not acquiring, and does not intend to enter into this Lease for the direct or indirect benefit of any Prohibited Person. Tenant acknowledges and agrees that if, at any time, the Landlord determines that Tenant is or may be a Prohibited Person, or that any Prohibited Person holds or may hold a direct or indirect interest in Tenant, the Landlord may, in its sole discretion, terminate the Lease.

49.25.3 For purposes of the foregoing representations and warranties, "Prohibited Person" means any person or entity that acts or has acted (i) in contravention of any statute, rule, regulation or other legal requirement to which that person is subject relating to the combating of terrorism and/or money laundering, or (ii) on behalf of any person or organization residing or having a place of business in a country or territory subject to embargo under laws enforced by OFAC, or (B) identified as a terrorist, terrorist organization, specially designated national or blocked person by OFAC, any other department, agency, division, board, bureau or other instrumentality of the United States Government, or any recognized international organization, multilateral expert group or governmental or industry publication. OFAC's lists of specially designated nationals, blocked persons and embargoed countries and territories can be found at www.treas.gov/ofac,

49.25.4 If Tenant becomes aware of any fact or circumstance that may render any of the foregoing representations and warranties inaccurate in any respect, Tenant will immediately notify the Landlord.

[Signature page to follow]

LANDLORD:

AAT CC BELLEVUE, LLC, a Delaware limited liability company

By: American Assets Trust Management, LLC, a Delaware limited liability company, as Agent

By: /s/ Ernest Rady
Ernest Rady
President and CEO

By: /s/ Steven M. Center
Steven M. Center
V.P. of Office Properties

Dated: 1/29/2018

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Jennifer Ceran

Name: Jennifer Ceran

Title: CFO

Dated: 1/26/2018

ADDENDUM NO. 1

TO OFFICE LEASE AGREEMENT

This Addendum No. 1 (“**Addendum**”) constitutes part of the Office Lease Agreement (“**Lease**”) dated as of January 29, 2018 between AAT CC BELLEVUE, LLC, a Delaware limited liability company (“**Landlord**”), and SMARTSHEET, INC., a Washington corporation (“**Tenant**”). The terms of this Addendum are incorporated in the Lease for all purposes. All capitalized terms not otherwise defined in this Addendum are defined by the terms of the Lease.

1. BASIC MONTHLY RENT

Basic Monthly Rent during the initial Lease Term for the Phase I Premises shall be as follows:

Lease Period	Approximate Basic Monthly Rent Per Rentable Square Foot	Monthly Basic Rent for the Premises
Phase I Premises Rent Commencement Date through the last day of the month in which the 1 st anniversary of the Phase I Premises Rent Commencement Date occurs	\$46.50	\$132,815.63
Months 13 - 24	\$47.75	\$136,385.94
Months 25 - 36	\$49.00	\$139,956.25
Months 37 - 48	\$50.25	\$143,526.56
Months 49 - 60	\$51.50	\$147,096.88
Months 61 - 72	\$52.75	\$150,667.19
Months 73 - 84	\$54.00	\$154,237.50
Month 85 through the Initial Expiration Date	\$55.25	\$157,807.81

Basic Monthly Rent during the initial Lease Term for the Phase II Premises shall be as follows:

Lease Period	Approximate Basic Monthly Rent Per Rentable Square Foot	Monthly Basic Rent for the Premises
Phase II Premises Rent Commencement Date through the last day of the month in which the 1 st anniversary of the Phase I Premises Rent Commencement Date occurs	\$46.50	\$76,325.88
Lease Period	Approximate Basic Monthly Rent Per Rentable Square Foot	Monthly Basic Rent for the Premises
Months 13- 24 of the Phase I Premises	\$47.75	\$78,377.65
Months 25 - 36 of the Phase I Premises	\$49.00	\$80,429.42
Months 37 - 48 of the Phase I Premises	\$50.25	\$82,481.19
Months 49 - 60 of the Phase I Premises	\$51.50	\$84,532.96
Months 61 - 72 of the Phase I Premises	\$52.75	\$86,584.73
Months 73 - 84 of the Phase I Premises	\$54.00	\$88,636.50
Month 85 through the Initial Expiration Date	\$55.25	\$90,688.27

2. CONDITION OF THE PREMISES

Tenant acknowledges that Tenant shall accept and occupy the Premises in its currently existing “as-is” condition pursuant to the terms of this Lease. Tenant acknowledges and agrees that Landlord has no obligation to improve the Premises, other than as may be set forth specifically in the Lease. In particular, Tenant acknowledges that any improvements or alterations needed to accommodate Tenant’s intended use shall be made solely at Tenant’s sole cost and expense, and strictly in accordance with the requirements of this Lease (including the requirement to obtain Landlord’s consent thereto), unless such improvements and alterations are specifically required of Landlord and expressly set forth in this Lease and in Exhibit “C”. Should tenant improvements be made to the Premises in the future, the Premises shall be constructed in accordance with the procedures outlined in Exhibit “C” of this Lease. Landlord shall have no responsibility to do any work required under any building codes or other governmental requirements not in effect or applicable on the Lease Commencement Date, including without limitation any requirements related to sprinkler retrofitting, seismic structural requirements, accommodation of disabled persons, or hazardous materials.

3. CONDITIONAL EXPANSION RIGHT (Suite 300)

Provided Tenant is not then in material default under this Lease beyond any applicable cure period, Tenant shall have the right (the “Conditional Expansion Right”) to lease Suite 300 in the

Building ("Suite 300") consisting of an agreed 19,697 Rentable Square Feet, in accordance with and subject to the provisions of this Section 3. The Conditional Expansion Right shall be subject and subordinate to the rights of the existing tenant of Suite 300, Wargaming (Seattle), Inc. ("Wargaming"), including, but not limited to, a renewal option held by Wargaming, but Landlord shall not otherwise grant rights in Suite 300 to any entity other than Wargaming without Tenant's written consent. If Wargaming declines to exercise (or fails to exercise) its option to renew the term of its lease for Suite 300, or if Landlord _____ and Wargaming do not agree to otherwise extend the term of the Wargaming lease for Suite 300, Landlord shall give Tenant prompt written notice of same and shall offer Tenant the right to lease Suite 300 upon the same terms, provisions, and conditions as are provided in this Lease for the Phase II Premises, including, without limitation, the Basic Monthly Rent amount then applicable to the Phase II Premises, except that (a) Tenant shall be provided an allowance for the build-out of Suite 300 equal to \$1,378,790 multiplied by the number of full months then remaining in the Lease Term, divided by 92, and (b) the lease for Suite 300 shall commence upon substantial completion of the tenant improvements that are anticipated to be constructed pursuant to such allowance. Within fifteen (15) business days after receipt of Landlord's notice, Tenant must give Landlord written notice pursuant to which Tenant shall either (i) elect to lease Suite 300; or (ii) decline to lease Suite 300, in which event Landlord may lease Suite 300 upon any terms it deems appropriate. In the event that Tenant does not so respond in writing to Landlord's notice within said 15 business day period, Tenant shall be deemed to have elected clause (ii) above. Should Tenant elect to lease Suite 300 pursuant to the Conditional Expansion Right, then Landlord shall promptly prepare and deliver to Tenant an amendment to this Lease consistent with the foregoing, and Tenant shall execute and return same to Landlord within ten (10) business days. Tenant's failure to timely return the amendment shall entitle Landlord to freely lease Suite 300 without regard to this paragraph and/or to pursue any other available legal remedy.

4. **RIGHT OF FIRST OFFER (Suites 300, 510, 700, 800 and 1000)**

Provided Tenant is not then in material default under this Lease beyond any applicable cure period, Tenant shall have the right (the "Right of First Offer") to offer to lease any or all available suites at the Building that are specifically described on, and subject to the terms set forth in, Schedule 1, below (the "ROFO Space"), in accordance with and subject to the provisions of this Section 4. Tenant's Right of First Offer shall be a one-time right for each designated portion of ROFO Space. At any time after the date of this Lease, but prior to leasing the ROFO Space, or any portion thereof, to any other party during the period that this Right of First Offer is in effect, Landlord shall give Tenant written notice of the basic economic terms including but not limited to the Basic Monthly Rent, which shall be Landlord's determination of the Then-Prevailing Rate as projected for the first day of the term for the ROFO Space or portion thereof, and increases, lease term (and any early access or construction buildout period), security deposit, letter of credit, and tenant improvement allowance (collectively, the "Economic Terms"), upon which Landlord is willing to lease such particular ROFO Space to Tenant; provided that the Economic Terms shall exclude brokerage commissions and other Landlord payments that do not directly inure to the tenant's benefit. It is understood that should Landlord intend to lease other space in addition to the ROFO Space as part of a single transaction, then Landlord's notice shall so provide and all such space shall collectively be considered ROFO Space in such instance only. Within fifteen (15) days after receipt of Landlord's notice, Tenant must give Landlord written notice (the "ROFO Response") pursuant to which Tenant shall elect to lease all of the ROFO Space specified in Landlord's notice (the "Designated Space"), upon such Economic Terms and the same non-Economic Terms as set forth in this Lease, or (ii) decline to lease the Designated Space on the proposed Economic Terms. In the event that Tenant does not respond in writing to Landlord's notice within said period, Tenant shall be deemed to have elected clause (ii) above. If Tenant declines to lease the Designated Space on the proposed Economic Terms, Tenant may propose revised Economic Terms upon which Tenant would be willing to lease the Designated Space, including, without limitation, indicating that Tenant disagrees with Landlord's determination of the Then-Prevailing Rate and setting forth Tenant's own determination of the Then-Prevailing Rate (a "Tenant Rate Disagreement"), as projected for the first day of the term for the Designated Space, in which case Landlord may elect to either (x) lease the Designated Space to Tenant upon such proposed Economic Terms and the same non-Economic Terms as set forth in this Lease, (y) in the event of a Tenant Rate Disagreement, dispute Tenant's determination of the Then-

Prevailing Rate (a "Rate Dispute"), in which event the resolution procedures set forth in the following paragraph shall apply, or (z) if Tenant has not set forth a Rate Disagreement in the ROFO Response, lease the Designated Space to any third party upon economic terms which are not materially more favorable to such party than those Economic Terms proposed by Tenant (but, in such event, shall re-offer the space to Tenant if the economic terms offered to such third party are materially more favorable).

In the event of a Rate Dispute as set forth above, Landlord and Tenant shall promptly meet and, in good faith, attempt to agree upon the Then-Prevailing Rate. If Landlord and Tenant are unable to reach agreement upon the Then-Prevailing Rate within ten (10) business days of the date of Landlord's receipt of the ROFO Response, then the parties shall resolve the dispute in arbitration in accordance with the provisions relating to arbitration set forth in Section 3.2.5 of this Lease. If the Then-Prevailing Rate is not resolved by arbitration within sixty (60) days of the date of Landlord's receipt of the ROFO Response, then either party shall have the right to terminate the discussions regarding the Designated Space upon written notice to the other party within five (5) days of such sixty (60) day period, whereupon neither party shall have any further rights, obligations or liability in connection with Tenant's Right of First Offer with respect to such Designated Space.

Should Landlord and Tenant agree to terms for any lease of the Designated Space, Landlord shall promptly prepare and deliver to Tenant an amendment to this Lease consistent with the foregoing, and Tenant shall execute and return same to Landlord within ten (10) business days. Such amendment shall provide that the Designated Space shall be included within the Premises and shall be subject to all terms and conditions of this Lease shall apply to the Designated Space (other than the Economic Terms and related provisions). Tenant's failure to timely return the amendment shall entitle Landlord to specifically enforce Tenant's commitment to lease the Designated Space, to lease such space to a third party, and/or to pursue any other available legal remedy.

Time is of essence with respect to all of the time periods set forth in this Section 4.

Notwithstanding the foregoing, Tenant's Right of First Offer shall be subordinate to (i) all rights existing as of the date of this Lease of tenants under leases of a ROFO Space or their permitted assignees ("Existing ROFO Space Tenants"), (ii) Landlord's right to extend an Existing ROFO Space Tenant's lease term or expand an Existing ROFO Space Tenant's premises into a ROFO Space, and (iii) all rights existing as of the date of this Lease of other tenants of the Building under leases existing as of the date hereof relating to a ROFO Space and their permitted assignees, each including any renewal, extension, expansion, first offer, first negotiation and other similar rights, regardless of whether such rights are executed strictly in accordance with their respective terms or pursuant to lease amendments or new leases.

SCHEDULE OF ROFO SPACE

Suite# and Existing Tenant	Space Measurement (approx.)	Current Expiration Date	Deadline for Exercise of next renewal option (if applicable)
Suite 510 - Vacant	8,398 RSF	VACANT	
Suite 700 - Caradigm USA LLC	13,741 RSF	December 31, 2021 (Current tenant has option to extend the term for an additional 5 year period).	November 1, 2020
Suite 1000- Caradigm USA LLC	18,583 RSF	December 31, 2021 (Current tenant has option to extend the term for an additional 5 year period).	November 1, 2020
Suite 300 (Provided Tenant has not exercised the Conditional Expansion Right pursuant to Section 3 of this Addendum No. 1, above) - Wargaming (Seattle), Inc.	19,697 RSF	October 31, 2019 (Current tenant has option to extend the term for an additional 3 year period).	February 1, 2019
Suite 800 (Provided Tenant has exercised the Conditional Expansion Right pursuant to Section 3 of the Addendum No. 1, above) - Nimbus Development, Inc.	18,216 RSF	October 31, 2020 (Current tenant has option to extend the term for an additional 3 year period).	February 1, 2020

[Signature page to follow]

LANDLORD:

AAT CC BELLEVUE, LLC, a Delaware limited liability company

By: American Assets Trust Management, LLC, a Delaware limited liability company, as Agent

By: /s/ Ernest Rady
Ernest Rady
President and CEO

By: /s/ Steven M. Carter
Steven M. Center
V.P. of Office Properties

Dated: 1/29/2018

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Jennifer Ceran

Name: Jennifer Ceran

Title: CFO

Dated: 1/26/2018

EXHIBIT "A"

Project Site Plan

EXHIBIT "B-1"
Floor Plan of Phase I Premises

EXHIBIT "B-2"
Floor Plan of Phase II Premises

EXHIBIT "C"

Work Letter

EXHIBIT "D"
BUILDING RULES AND REGULATIONS

EXHIBIT "E"
Form of SNDA

FIRST AMENDMENT TO LEASE

This First Amendment to Lease (this "Amendment") is made, for reference purposes only, this 12th day of December, 2018 (the "Effective Date"), by and between AAT CC BELLEVUE, LLC, a Delaware limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation ("Tenant"), with reference to the following facts:

RECITALS

- A. Landlord and Tenant are parties to that certain Office Lease Agreement dated as of January 29, 2018 (as amended, the "Lease") for that certain premises located at 500 108th Avenue NE, Suite 200 and Suite 400, Bellevue, Washington consisting of an aggregate of approximately 53,972 Rentable Square Feet of commercial office space (the "Existing Premises").
- B. The parties desire to amend the Lease as set forth in this Amendment.
- C. All capitalized terms used in this Amendment unless specifically defined herein shall have the same meaning as the capitalized terms used in the Lease.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are expressly acknowledged, Landlord and Tenant agree as follows:

AGREEMENT

1. **Initial Expiration Date**. Upon the Effective Date, Section 2.5.1 of the Lease shall be amended to provide that the "Initial Expiration Date" shall be December 31, 2026.
2. **Phase I Premises Rent Commencement Date**. Upon the Effective Date, Section 2.7 of the Lease shall be amended to provide that the "Phase I Premises Rent Commencement Date" shall be November 1, 2018.
3. **Premises**.

a) Effective upon the earlier of (i) October 1, 2019, or (ii) the earlier of (a) the date of Substantial Completion of Landlord's Work (pursuant to the Work Letter attached hereto as Exhibit "B" (the "Work Letter")) or (b) the date that Landlord's Work would have been Substantially Completed but for the occurrence of Tenant Delays (as defined in the Work Letter), (the "Phase III Premises Rent Commencement Date"), the Lease shall be amended to reflect the addition of commercial office space located in Suite 300 of the Building consisting of approximately 19,697 Rentable Square Feet of space, as more specifically set forth on the floor plan attached hereto as Exhibit "A" (the "Phase III Premises").

b) For purposes of this Amendment, the term "Substantial Completion" (and its grammatical variations, such as Substantially Complete) when used with reference to Landlord's Work, will mean (i) Landlord's Work in the Phase III Premises has been completed in accordance with the TI Plans to such an extent that Tenant can commence its work, if any, to be undertaken by Tenant, as described in the Work Letter, with the exception of any punch list items and any tenant fixtures, work stations, built-in furniture, or equipment to be installed by Tenant and otherwise legally occupy the space for the Permitted Use, and (ii) Landlord has obtained a certificate of occupancy, temporary certificate of occupancy, final inspector's signoff or other indication from the appropriate governmental authorities that the Phase III Premises may be legally occupied without material delay or interference due to the completion of Landlord's Work.

c) For the purposes of this Amendment and to redefine the term "Premises" as used in the Lease, effective as of the Phase III Premises Rent Commencement Date, "Premises" shall mean both the Existing Premises and the Phase III Premises, consisting of an aggregate of approximately 73,669 Rentable Square Feet.

d) Except as specifically set forth in the Work Letter, Tenant shall accept the Phase III Premises in its existing “as is” condition, and Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Phase III Premises. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty regarding the condition of the Phase III Premises or with respect to the suitability of the Phase III Premises for the conduct of Tenant’s business. Notwithstanding the foregoing, Landlord: (i) prior to the tender of possession of the Phase III Premises to Tenant, at Landlord’s sole cost, shall have caused all HVAC, plumbing, electrical and mechanical systems serving the Phase III Premises to be in good working order; and (ii) covenants that the Phase III Premises will comply with all Laws as of the Phase III Premises Rent Commencement Date.

4. **Rent.** Tenant shall pay to Landlord Basic Monthly Rent for the Existing Premises in advance on or before the first day of every calendar month, without any set-off or deduction, pursuant to the current rate as set forth in the Lease. However, as of the Phase III Premises Rent Commencement Date, Tenant’s Basic Monthly Rent for the Phase III Premises shall be as follows:

Basic Monthly Rent Phase III Premises		
Lease Period	<u>Approximate Rate per RSF</u>	Actual Total per Month
	<u>per Year</u>	
Phase III Premises Rent Commencement Date through 10/31/2019	\$46.50	\$76,325.88
11/1/2019-10/31/2020	\$47.75	\$78,377.65
11/1/2020 -10/31/2021	\$49.00	\$80,429.42
11/1/2021 -10/31/2022	\$50.25	\$82,481.19
11/1/2022 -10/31/2023	\$51.50	\$84,532.96
11/1/2023-10/31/2024	\$52.75	\$86,584.73
11/1/2024 -10/31/2025	\$54.00	\$88,636.50
11/1/2025-12/31/2026	\$55.25	\$90,688.27

5. **Operating Expenses, Tax Expenses and Insurance Expenses.** Upon the Phase III Premises Rent Commencement Date, for the purposes of calculating Tenant’s Share of Operating Expenses, Tax Expenses and Insurance Expenses for the Phase III Premises, Section of the Lease shall be amended to include that Tenant’s Share with respect to the Phase III Premises shall be 3.96%.

6. **Security Deposit.** Landlord is currently holding a Security Deposit in the amount of \$209,141.51 for the Existing Premises, which shall continue to be held for the Premises upon the Effective Date. Upon the execution by Tenant of this Amendment, Tenant shall submit payment to Landlord to increase the Security Deposit by the amount of \$90,688.27 (the “Additional Security Deposit”) Upon receipt of the Additional Security Deposit, the Security Deposit for the Premises shall be \$299,829.78 and shall continue to be subject to the terms and conditions set forth in Section 6 of the Lease.

7. **Termination Option.** Landlord and Tenant acknowledge and agree that Wargaming (Seattle), Inc. (“Wargaming”) is expected to vacate the Phase III Premises prior to May 31, 2019. Notwithstanding the foregoing expectation, Landlord shall not be liable to Tenant for any delays in delivery and/or tenancy of the Phase III Premises due to Wargaming “holding over” beyond such date. If Wargaming continues to “hold over” in any portion of the Phase III Premises for 90 days or more beyond May 31, 2019, Tenant, as its sole remedy, shall have the right to terminate this Amendment in its entirety

upon written notice to Landlord until such time as Landlord provides written notice to Tenant that Wargaming has vacated the Phase III Premises.

8. **Tenant Certification.** By execution of this Amendment, Tenant hereby certifies that as of the date hereof, neither Tenant nor, to the best of Tenant's knowledge, Landlord is in default of the performance of its obligations pursuant to the Lease, and Tenant has no claim, defense, or offset with respect to the Lease.

9. **Real Estate Brokers.** Tenant represents and warrants to Landlord that it has not authorized or employed, or acted by implication to authorize or employ, with any real estate broker or sales person to act for it in connection with this Amendment or dealt with any real estate broker or sales person in connection with this Amendment other than Washington Partners Corporate Real Estate, Inc. Tenant also agrees to indemnify, defend and hold harmless Landlord from and against any and all claims by any real estate broker or salesman whom the Tenant authorized or employed, or acted by implication to authorize or employ, to act for Tenant in connection with this Amendment, or with any broker or sales person with whom Tenant dealt in connection with this Amendment other than Washington Partners Corporate Real Estate, Inc.

10. **Confirmation.** Except, as and to the extent modified by this Amendment, all provisions of the Lease shall remain in full force and effect. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms in this Amendment shall control.

11. **Counterparts.** This Amendment may be executed in any number of counterparts, including counterparts transmitted by facsimile or electronic mail, each of which shall be deemed an original for all purposes, and all counterparts shall constitute one and the same instrument.

IN WITNESS WHEREOF, Landlord and Tenant agree to the foregoing as evidenced by affixing their signatures below.--

LANDLORD:

AAT CC BELLEVUE, LLC, a Delaware limited liability company

By: American Assets Trust Management, LLC, a Delaware limited liability company, as Agent

By: /s/ Ernest Rady
Ernest Rady
President and CEO

By: /s/ Steven M. Center
Steven M. Center
V.P. of Office Properties

Dated: 12/12/2018

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Jennifer Ceran

Name: Jennifer Ceran

Title: CFO

Dated: 12/11/2018

EXHIBIT "A"
PHASE III PREMISES

EXHIBIT "B"
WORK LETTER

SECOND AMENDMENT TO LEASE

This Second Amendment to Lease (this "Amendment") is made, for reference purposes only, on June 8, 2020 (the "Effective Date"), by and between AAT CC BELLEVUE, LLC, a Delaware limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation ("Tenant"), with reference to the following facts:

RECITALS

- A. Landlord and Tenant are parties to that certain Office Lease Agreement dated as of January 29, 2018, as amended by that certain Delivery of Possession of Phase I Premises dated as of November 1, 2018, as further amended by that certain Delivery of Possession of Phase II Premises dated as of November 1, 2018, as further amended by that certain First Amendment to Lease dated as of December 12, 2018, as further amended by that certain Delivery of Possession of Phase III Premises dated as of October 8, 2019 (collectively, as amended, the "Lease") for that certain premises located at 500 108th Avenue NE, Suite 200, Suite 300 and Suite 400, Bellevue, Washington 98004, consisting of an aggregate of approximately 73,669 Rentable Square Feet of commercial office space (the "Premises").
- B. In accordance with the terms and conditions set forth in the Lease, Landlord is currently the beneficiary of that certain Irrevocable Standby Letter of Credit No. SVBSF013489, dated as of December 26, 2018, issued by Silicon Valley Bank in the amount of \$1,750,000.00 (the "Existing Letter of Credit").
- C. The parties desire to amend the Lease as set forth in this Amendment.
- D. All capitalized terms used in this Amendment, unless specifically defined herein, shall have the same meaning as the capitalized terms used in the Lease.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are expressly acknowledged, Landlord and Tenant agree as follows:

AGREEMENT

1. **Security Deposit / Additional Letter of Credit**. Upon the Effective Date, the Lease shall be amended to provide that Tenant may replace the Security Deposit in the amount of \$299,829.78 with a Letter of Credit in the amount of \$299,829.78 naming Landlord as beneficiary thereunder (the "Additional Letter of Credit") pursuant to the following terms and conditions set forth below. Should Tenant replace the Security Deposit with the Additional Letter of Credit in accordance with the terms set forth herein, Landlord shall, within 30 days of Landlord's receipt of such Additional Letter of Credit, return the Security Deposit to Tenant. For clarity, Tenant may fulfill both the Existing Letter of Credit and the Additional Letter of Credit together by obtaining or maintaining a single Letter of Credit (or amending the Existing Letter of Credit) in an amount equal to the combined amount of the Existing Letter of Credit and the Additional Letter of Credit.

1.1 **Additional Letter of Credit**. If Tenant so elects to replace the Security Deposit with the Additional Letter of Credit, then the Additional Letter of Credit shall be held by Landlord as third party security for the faithful performance by Tenant of all the terms, covenants, and conditions of the Lease to be kept and performed by Tenant during the Lease Term and the following provisions shall apply:

1.1.1. **Additional Letter of Credit**. The Additional Letter of Credit shall be an unconditional, irrevocable, negotiable standby letter of credit running in favor of Landlord and shall be a signed draft. The issuer of the Additional Letter of Credit (the "Issuer") shall (1) be a solvent, nationally recognized commercial bank that is acceptable to Landlord in its reasonable discretion, (2) have a branch located in San Diego County, California and Bellevue, Washington (provided that if the Issuer is Silicon Valley Bank ("SVB"), it shall be sufficient to have a branch located in Santa Clara, California) capable of honoring a demand upon such Additional Letter of Credit and allow presentation of the Additional Letter

of Credit by overnight courier delivery and by facsimile presentation, (3) be chartered under the laws of the United States, any State thereof or the District of Columbia, (4) be insured by the Federal Deposit Insurance Corporation; and (5) have a long term rating of BBB+ or higher as rated by Standard & Poor's (collectively, the "Additional Letter of Credit Issuer Requirements"), Provided that SVB satisfies the Additional Letter of Credit Issuer Requirements, Landlord confirms that SVB is an acceptable Issuer. The Additional Letter of Credit shall be maintained in effect, whether through replacement, renew or extension, throughout the entire Lease Term and for an additional one hundred twenty (120) days following the expiration or earlier termination of the Lease. The Additional Letter of Credit, and any extensions or renewals thereof, shall be substantially in the form and content as attached hereto as Exhibit "A", shall be for a term of not less than one year or, if the remaining portion of the Lease Term is less than one year, then for such period plus one hundred twenty (120) days, and shall be irrevocable during that term. The Letters of Credit covering subsequent periods shall be obtained and delivered to Landlord not less than thirty (30) days prior to the expiration of the then-existing Additional Letter of Credit, without any action whatsoever on the part of Landlord. The term for each such Additional Letter of Credit shall begin no later than the expiration date of the previous Additional Letter of Credit and shall comply with all requirements of this Section 1.1. The Additional Letter of Credit shall be subject to The Uniform Customs and Practice for Documentary Credits" (2007 Revision) International Chamber Of Commerce Publication No. 600.

1.1.2. Draws on Additional Letter of Credit; Application of Proceeds. Landlord, or its then managing agent, shall have the right to draw upon the Additional Letter of Credit or any renewal or extension thereof, in whole or in part, upon the occurrence of any one or more of the following events: (a) the occurrence of any default by Tenant under this Lease (following the expiration of any applicable notice and cure periods); (b) Tenant's failure to deliver to Landlord, no less than 30 days prior to the expiration date of the Additional Letter of Credit or any renewal or extension thereof, a renewal or extension of the Additional Letter of Credit for a term of not less than one year and otherwise satisfying the requirements of this Section 1.1; (c) receipt of notice from the Issuer that it will not be extending the terms of the Additional Letter of Credit or otherwise intends to terminate the Additional Letter of Credit prior to the date that is one hundred twenty (120) days after the expiration of the Term of the Lease, unless Tenant provides a substitute Additional Letter of Credit from another financial institution acceptable to Landlord in its reasonable discretion and otherwise satisfying the requirements of this Section 1.1 at least fifteen (15) business days prior to the termination of the existing Additional Letter of Credit; or (d) any action by Tenant or the Issuer which, in Landlord's reasonable judgment, may jeopardize its rights to draw on the Additional Letter of Credit, including, without limitation, Tenant filing a voluntary petition under the Federal Bankruptcy Code or an involuntary petition being filed against Tenant under the Federal Bankruptcy Code. Landlord shall have sole authority and discretion to draw under the Additional Letter of Credit in accordance with the terms thereof. Within five (5) days after any such draw, Tenant shall reinstate the amount available under the Additional Letter of Credit to the required amount as provided herein, and Tenant's failure to do so shall constitute an incurable default by Tenant under this Lease. Proceeds of any draw upon the Additional Letter of Credit may be applied by Landlord to the payment of accrued and unpaid Rent, Additional Rent, interest, late charges, reserved Rent, future Rent, accelerated Rent, and any and all damages calculated pursuant to Article 25 of the Lease, or any other costs, liabilities or damages arising out of Tenant's obligations under this Lease, in such manner as Landlord in its sole discretion, deems appropriate. Any unused proceeds shall constitute the property of Landlord and need not be segregated from Landlord's other assets. The parties hereto (A) recite that the Additional Letter of Credit is not intended to serve as a security deposit and all other Laws or principle of Law, rules and regulations applicable to security deposits in the commercial context (the "Security Deposit Law") shall have no applicability or relevancy thereto and (8) Tenant waives the provisions of any Law or principle of Law and all rights, duties and obligations either party may have now, or in the future, will have relating to or arising from the Security Deposit Law with respect to Landlord's ability to apply the proceeds of the Additional Letter of Credit against reserved Rent, future Rent, accelerated Rent, and any and all damages calculated pursuant to Article 25 of the Lease, Furthermore, upon lawful termination of this Lease as a result of Tenant's default, Landlord shall be entitled to immediately apply the proceeds of the Additional Letter of Credit against damages computed under this Lease and/or applicable Law (including, without limitation, accrued and unpaid Rent, reserved Rent, accelerated Rent, and any and all damages calculated pursuant to Article 25 of the Lease, without the requirement that Tenant first be given notice and an opportunity to cure, and notwithstanding that the damages have not been finally adjudicated by the court).

1.1.3. **General Terms.** Each Additional Letter of Credit shall provide that it will be honored upon a signed statement by Landlord or its agent that moneys are due and owing to Landlord under the Lease, and shall require no signature or statement from any party other than Landlord or its agent. No notice to Tenant shall be required to enable Landlord to draw upon the Additional Letter of Credit (provided that the foregoing shall not affect or reduce Landlord's obligations to provide notice and/or cure periods for Tenant defaults as and to the extent expressly required elsewhere in this Lease). Each Additional Letter of Credit shall allow for partial draws. Each Additional Letter of Credit shall be fully assignable by Landlord and provide that Landlord may, at any time and Without notice to Tenant and without first obtaining Tenant's consent thereto, transfer all or any portion of its interest in and to the Additional Letter of Credit to another party, person or entity, regardless of whether or not such transfer is separate from or as a part of the assignment by Landlord of its rights and interests in and to the Lease. In the event of a transfer of Landlord's interest in the Property (or any portion thereof containing the Premises), Landlord shall have the right to transfer the Additional Letter of Credit in whole or in part (or cause a substitute Additional Letter of Credit to be delivered, as applicable) to the transferee and thereupon shall, without any further agreement between the parties, be released by Tenant from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the Additional Letter of Credit to a new landlord. Tenant shall cooperate with any such transfer of the Additional Letter of Credit by Landlord, at no out-of-pocket expense to Tenant. If the Issuer shall admit in writing its inability to pay its debts generally as they become due, file a petition in bankruptcy or a petition to take advantage of any insolvency act, make an assignment for the benefit of its creditors consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, then Tenant shall obtain a replacement Additional Letter of Credit within thirty (30) days of such act from another Issuer. Tenant further covenants and warrants that it will neither assign nor encumber the Additional Letter of Credit or any part thereof and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

1.1.5. **Independent Contract.** Tenant acknowledges and agrees that the Additional Letter of Credit constitutes a separate and independent contract between Landlord and the Issuer, and that Tenant is not a third party beneficiary of such. Tenant agrees not to interfere in any way with payment to Landlord of the proceeds of the Additional Letter of Credit, either prior to or following a "draw" by Landlord of any portion of the Additional Letter of Credit, regardless of whether any dispute exists between Tenant and Landlord as to Landlord's right to draw from the Additional Letter of Credit. No condition or term of this Lease shall be deemed to render the Additional Letter of Credit conditional to justify the Issuer in failing to honor a drawing upon such Additional Letter of Credit in a timely manner. Tenant agrees and acknowledges that Tenant has no property interest whatsoever in the Additional Letter of Credit or the proceeds thereof and that, in the event Tenant becomes a debtor under any chapter of the Federal Bankruptcy Code, neither the Additional Letter of Credit nor any proceeds or right to draw on the Additional Letter of Credit will be considered property of the Tenant's bankruptcy estate, and neither Tenant, any trustee, nor Tenant's bankruptcy estate shall have any right to restrict or limit Landlord's claim and/or rights to the Additional Letter of Credit and/or the proceeds thereof by application of any provision of the Federal Bankruptcy Code, including but not limited to Section 502(b)(6) of the Federal Bankruptcy Code [11 U.S.C.A. § 502(b)(6)].

1.1.5. **Release of Additional Letter of Credit.** Provided there is no default or condition which but for the furnishing of notice or the passage of time would constitute a default under this Lease, Landlord shall release its rights in the Additional Letter of Credit and surrender the Additional Letter of Credit to the Issuer within one hundred twenty (120) days following the expiration or earlier termination of the Lease.

2. **Reserved.**

3. **Real Estate Brokers.** Tenant represents and warrants to Landlord that it has not authorized or employed, or acted by implication to authorize or employ, with any real estate broker or sales person to act for it in connection with this Amendment or dealt with any real estate broker or sales person in connection with this Amendment other than Washington Partners Corporate Real Estate, Inc. Tenant also agrees to indemnify, defend and hold harmless Landlord from and against any and all claims

by any real estate broker or salesman whom the Tenant authorized or employed, or acted by implication to authorize or employ, to act for Tenant in connection with this Amendment, or with any broker or sales person with whom Tenant dealt in connection with this Amendment Washington Partners Corporate Real Estate, Inc.

4. **Confirmation**. Except, as and to the extent modified by this Amendment, all provisions of the Lease shall remain in full force and effect. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms in this Amendment shall control.

5. **Counterparts**. This Amendment may be executed in any number of counterparts, including counterparts transmitted by facsimile or electronic mail, each of which shall be deemed an original for all purposes, and all counterparts shall constitute one and the same instrument.

[Signature page to follow]

INWITNESS WHEREOF, Landlord and Tenant agree to the foregoing as evidenced by affixing their signature below:

LANDLORD:

AAT CC BELLEVUE, LLC, a Delaware limited liability company

By: American Assets Trust Management, LLC, a Delaware limited liability company, as Agent

By: /s/ Ernest Rady
Ernest Rady
President and CEO

By: /s/ Steven M. Center
Steven M. Center
V.P. of Office Properties

Dated: 6/8/2020

TENANT:

SMARTSHEET INC.,
a Washington corporation

By: /s/ Mark Mader

Name: Mark Mader

Title: CEO

Dated: 6/3/2020

EXHIBIT "A"
[FORM OF LETTER OF CREDIT]

OFFICE LEASE AGREEMENT

BETWEEN

AAT CC BELLEVUE, LLC

AS LANDLORD

AND

SMARTSHEET, INC.

AS TENANT

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OFFICE LEASE AGREEMENT

This Office Lease Agreement ("Lease") is entered into effective as of October 11, 2019 between AAT CC BELLEVUE, LLC, a Delaware limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation ("Tenant"), who agree as follows:

1. Agreement to Let. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon all of the terms, provisions, and conditions contained in this Lease, (i) those certain premises described in the Principal Lease Provisions below (the "Premises"), consisting of a portion of that certain building described in the Principal Lease Provisions below (the "Building"), which is in turn a part of the Project (as described in the Principal Lease Provisions below), along with (ii) the non-exclusive right to use, in common with Landlord, Landlord's invitees and licensees, and the other tenants and users of space within the Project, those portions of the Project intended for use by, or benefiting, tenants of the Project in common including, without limitation, the landscaped areas, passageways, walkways, hallways, elevators, parking areas, and driveways of the Building and the Project, but excluding all interior areas of the other buildings in the Project other than the Building (collectively, the "Common Areas"). This Lease confers no rights, however, to the roof, exterior walls, or utility raceways of the Building, nor rights to any other building in the Project, nor with regard to either the subsurface of the land below the ground level of the Project or with regard to the air space above the ceiling of the Premises; provided, however, that Tenant shall have the limited right to access systems and equipment exclusively serving the Premises (for which Tenant has maintenance and repair responsibilities pursuant to Paragraph 10.1, below) that may be located on the roof, in exterior or demising walls, in utility raceways, in the airspaces above the ceiling of the Premises, or in any other portion of the Building or the Common Areas for the sole purpose of maintaining, repairing, and replacing such systems and equipment.

2. Principal Lease Provisions. The following are the Principal Lease Provisions of this Lease. Other portions of this Lease explain and describe these Principal Lease Provisions in more detail and should be read in conjunction with this Paragraph. In the event of any conflict between the Principal Lease Provisions and the other portions of this Lease, the Principal Lease Provisions will control. (Terms shown in quotations are defined terms used elsewhere in this Lease)

2.1. "Project": That certain office project, commonly referred to as City Center Bellevue, in Bellevue, Washington, as more particularly depicted on the attached Exhibit "A".

2.2. "Building": That certain building within the Project as designated on the attached Exhibit "A", sometimes referred to as City Center Bellevue, whose mailing address is 500 108th Avenue NE, Bellevue, WA 98004.

2.3. "Premises": Suite 700; consisting of a portion of the the 7th floor of the Building, as more particularly described on the attached Exhibit "B-1" ("Suite 700"), and Suite 1000; consisting the 12th floor of the Building, as more particular described on the attached Exhibit "B-2" ("Suite 1000") (collectively, the "Premises").

2.4. "Area of the Premises": The Premises consist of 31,128 Rentable Square Feet of space (consisting of Suite 700 measuring an agreed 12,545 Rentable Square Feet and Suite 1000 measuring an agreed 18,583 Rentable Square Feet). The term "Rentable Square Feet", "Usable Square Footage", and similar terms dealing with Rentable or Usable means of describing measurements of square footages, will have the meanings of such term adopted by the Building Owners and Managers Association International (relative to *multi-tenant* floors). The Premises are not subject to remeasurement during the initial Lease Term through the Initial Expiration Date.

2.5. "Lease Term": The period beginning on the Lease Commencement Date and ending on the Expiration Date, as set forth in Paragraph 3.1 below.

2.5.1. "Lease Commencement Date": The date Landlord tenders possession of the Premises to Tenant in the condition required hereunder.

2.5.2. “Initial Expiration Date”: The last day of the eighty-fourth (84th) full calendar month following the Rent Commencement Date.

2.5.3. Extension Rights: Yes; One (1) Option to Extend for a period of five (5) years (Paragraph 3.2).

2.6. “Basic Monthly Rent”: Approximately \$5.125 per Rentable Square Foot, fully-serviced, subject to adjustment pursuant to attached Addendum No. 1. Basic Monthly Rent will always be due and payable on or before the first day of the applicable month, except that the first month’s Basic Monthly Rent will be due and payable upon the date of Landlord’s execution of this Lease.

2.7. “Rent Commencement Date”: The date which is the earlier to occur of (i) one hundred twenty (120) days following the Lease Commencement Date or the date the Lease Commencement Date would have occurred but for the occurrence of Tenant Delays, or (ii) the date Tenant begins conducting its business in the Premises.

2.8. “Security Deposit”: \$189,632.23 cash (“Security Deposit”), which is due and payable on the Lease Commencement Date and does not constitute last month’s rent, subject to the terms and conditions set forth in Paragraph 6 below. Last month’s rent must be separately paid by Tenant on or before the first day of the last month of the Lease Term. If Tenant exercises any Option to Extend (as defined below) contained herein, then as a condition precedent to the effectiveness of Tenant’s exercise of such Option to Extend, Tenant shall pay to Landlord an amount equal to the difference between the Basic Monthly Rent for the last year of the applicable Extension Term (as defined below) and the amount of the Security Deposit then held by Landlord; which additional amount will be added to, and constitute a part of, the Security Deposit from that point forward.

2.9. “Base Year”: Calendar year 2022.

2.10. Guarantor: None.

2.11. Address for Landlord:

AAT CC BELLEVUE, LLC
c/ o American Assets Trust Management, LLC
11455 El Camino Real, Suite 200
San Diego, CA 92130
Attn: Property Management (Office)

2.12. Addresses for Tenant:

Legal Notices Addresses

10500 NE 8th Street, Suite 1300, Bellevue, WA 98004

2.13. “Permitted Use”: The Premises shall be used for general office purposes including without limitation any and all uses in connection with the development, sales, marketing, and testing of SaaS products, in accordance with all applicable laws, statutes, ordinances, and regulations and the provisions of this Lease, and for no other use.

2.14. Building Standard Operating Hours:

Monday through Friday: 7:00 a.m.-6:00 p.m.
Saturday: 8:00 a.m.-1:00 p.m.
(excluding Sundays and any federal holidays)

2.15. Participating Brokers:

Landlord's: Broderick Group, Inc.

Tenant's: Washington Partners Corporate Real Estate, Inc.

2.16. Initial Payment Amounts: \$349,163.23 (which represents the Security Deposit of \$189,632.23, plus first month's Basic Monthly Rent for Suite 700 of \$64,293.13, plus the first month's Basic Monthly Rent for Suite 1000 of \$95,237.88) which amount is payable on the date Tenant executes this Lease.

2.17. Parking Pass Ratio: Two (2) unreserved parking passes for every 1,000 rentable square feet of the Premises, subject to the terms of Article 11 of the Lease. Said parking ratio includes all spaces within the Project, including without limitation reserved, unreserved, handicap, and visitor parking spaces, and is subject to temporary interruptions in connection with Landlord's continued development of the Project. All unreserved parking shall be provided on a free and unassigned basis (i.e., first come, first served).

3. Lease Term.

3.1. Description of Lease Term. The Lease Term shall commence on the "Lease Commencement Date", and shall expire on the "Initial Expiration Date", subject to (i) any extension rights described in Paragraph 3.2, below, and (ii) earlier termination by Landlord, as provided in this Lease. The term "Expiration Date", as used in this Lease, shall mean the Initial Expiration Date, any earlier date upon which this Lease is terminated by Landlord, as provided below, or if the Lease Term is extended pursuant to Paragraph 3.2, below, then the last day of any exercised Extension Term.

3.2. Extension Rights. Tenant shall, subject to all of the provisions of this Paragraph 3.2 (including all subparagraphs hereof), have the option to extend the Lease Term (the "Option to Extend") for one (1) additional term(s) of five (5) years (the "Extension Term"), provided Tenant is in occupancy of not less than 75% of the Premises at the time of exercise of the Option to Extend and Tenant gives Landlord written notice via overnight nationally-recognized courier (such as FedEx or UPS), with signature acknowledgement by recipient required, of its election to exercise the Option to Extend no less than 9 months and no more than 12 months prior to the then applicable Expiration Date. Such notice will constitute Tenant's irrevocable election to exercise the Option to Extend and may not subsequently be revoked by Tenant except as provided below. Time is of the essence with respect to the timing of such requirement to give notice to Landlord.

3.2.1. Restrictions on Transferability of Option. The Option to Extend is personal to the Tenant originally named in this Lease or any Permitted Transferee (as defined below) and may not be exercised by anyone other than such originally named Tenant or a Permitted Transferee.

3.2.2. Conditions Terminating Tenant's Rights to Exercise Option. Tenant shall not have the right to exercise the Option to Extend, notwithstanding anything set forth above to the contrary: (a) during any period of time commencing from the date Landlord gives to Tenant a written notice that Tenant is in default under any provision of this Lease (after giving effect to any applicable cure period) and continuing until the default alleged in said notice is cured; (b) during the period of time commencing on the day after a monetary obligation to Landlord is due from Tenant and unpaid (without any necessity for notice thereof to Tenant) and continuing until the obligation is paid; or (c) in the event that Landlord has given to Tenant two or more notices of default or two or more late charges have become payable under this Lease during the 12-month period prior to the time that Tenant attempts to exercise the Option to Extend. The period of time within which the Option to Extend may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise the Option to Extend because of the foregoing provisions of this Paragraph 3.2.2, even if the effect thereof is to eliminate Tenant's right to exercise the Option to Extend.

3.2.3. Conditions Terminating Tenant's Option Rights. All rights with respect to the Option to Extend (including rights as to subsequent Extension Terms, if any) shall terminate and be

of no further force or effect even after Tenant's due and timely exercise of the Option to Extend, if, after such exercise, but prior to the commencement of the Extension Term, (a) Tenant fails to pay to Landlord a monetary obligation of Tenant for a period of ten days after such obligation became due (without imposing any obligation on the part of Landlord to give notice thereof to Tenant); (b) Tenant fails to cure a non-monetary default within 30 days (or such longer period as may otherwise be applicable under this Lease) after the date the Landlord gives notice to Tenant of such default or (c) Landlord gives to Tenant two or more notices of default or two or more late charges become payable for any monetary defaults, whether or not such defaults are cured.

3.2.4. Terms and Conditions of Extension of Lease Term. If Tenant duly and timely exercises the Option to Extend, then this Lease shall remain in full force and effect for such additional five (5) year period, except that the Basic Monthly Rent will adjust as of the first day of the Extension Term such that for the first year of the Extension Term the Basic Monthly Rent shall be equal to the then prevailing base rental rate (taking into consideration tenant improvement and similar refurbishment or construction allowances, free rent, or similar lease concessions) for new and renewal leases of comparable Class A office space in the Bellevue CBD submarket, as projected for the first day of the applicable Extension Term and determined pursuant to Paragraph 3.2.5, below (the "Then-Prevailing Rate"). The Basic Monthly Rent will thereafter be adjusted in accordance with the provisions of attached Addendum No. 1.

3.2.5. Determination of Then-Prevailing Rate. If Tenant exercises the Option to Extend, then Landlord shall, within 15 business days of receipt of Tenant's written notice of exercise, provide Tenant with written notice of the Then-Prevailing Rate and the calculation of the new Basic Monthly Rent to be effective during the first year of the Extension Term. Tenant shall have ten business days from the date of Landlord's notice in which to (a) accept Landlord's determination of the Then-Prevailing Rate, (b) revoke Tenant's election to exercise the Option to Extend, in which case Tenant's option shall be null and void, or (c) dispute Landlord's determination of the Then-Prevailing Rate. If Tenant fails to notify Landlord, in writing, of its disagreement with Landlord's determination of the Then-Prevailing Rate within such ten business day period, then Tenant will be deemed to have accepted Landlord's determination and Landlord's determination shall be binding on both parties. If Tenant disputes such determination, then its notice to Landlord disputing such determination must set forth Tenant's determination of the Then-Prevailing Rate. Upon receipt of Tenant's notice, Landlord and Tenant shall promptly meet and, in good faith, attempt to agree upon the Then-Prevailing Rate. If Landlord and Tenant are unable to reach agreement upon the Then-Prevailing Rate within 30 days of the date of Landlord's receipt of Tenant's dispute notice, then the parties shall promptly submit such dispute to the Bellevue office of the American Arbitration Association (the "AAA"), or its successor, for resolution before a single arbitrator (who must have at least ten years' experience in the King County commercial real estate market as a real estate broker or MAI appraiser) in accordance with Real Estate Industry Arbitration Rules of the AAA. Within ten days of the commencement of the arbitration, Landlord and Tenant shall each provide the arbitrator with their respective written determination of the Then-Prevailing Rate—which determination need not be the same determination previously made by such party in any notice given under this Paragraph and will not be disclosed by the arbitrator until both parties have submitted their respective written determinations. The arbitrator's sole authority will be to select which of Landlord's or Tenant's respective written determinations of the Then-Prevailing Rate most closely approximates the then prevailing base rental rate (taking into consideration tenant improvement and similar refurbishment or construction allowances, free rent, or similar lease concessions) for new and renewal leases of comparable Class A office space in the Bellevue CBD submarket, as projected for the first day of the applicable Extension Term; provided, however, if either party fails to timely submit such a written determination to the arbitrator, then the arbitrator shall use the written determination of such party that was set forth in the notices described above in making such selection. In no event may such arbitrator select any amount as the Then-Prevailing Rate other than either Landlord's determination or Tenant's determination. The decision of the arbitrator shall be binding upon all parties and the cost of the arbitration shall be split equally between Landlord and Tenant.

4. Delivery of Possession.

4.1. Premises Delivery Requirements. Prior to the tender of possession of the Premises to Tenant, Landlord, at its cost, shall have Substantially Completed the work described in

Exhibit "C" to this Lease ("Landlord's Work") and caused all HVAC, plumbing, electrical and mechanical systems to be in good working order. Landlord's tender of possession of the Premises shall be deemed to have occurred upon Tenant's written acknowledgement that Landlord's Work has been Substantially Completed (which shall not be withheld for unfinished minor "punchlist" items) and is free from material defects and that all HVAC, plumbing, electrical and mechanical systems are in good working order (which acknowledgement shall not be unreasonably withheld or delayed) following Landlord's notification to Tenant (which notification may be telephonic, by written notice, or by electronic transmission—such as by facsimile or e-mail) that possession of the Premises is available to Tenant, and instructing Tenant that Tenant may obtain the keys to the Premises from Landlord's offices. Tenant's refusal to accept such tender (or avoidance thereof) shall not affect the Lease Commencement Date or delay the Rent Commencement Date and such date will be calculated as if no such refusal or avoidance had occurred. In no event shall the Rent Commencement Date, as applicable, occur prior to Tenant having given its written acknowledgement that Tenant agrees that all HVAC, plumbing, electrical and mechanical systems are in good working order; provided, Tenant shall not unreasonably withhold such written acknowledgement.

4.2. Definition of Substantial Completion. For purposes of this Lease, the term "Substantially Complete" (and its grammatical variations, such as Substantial Completion) when used with reference to Landlord's Work, will mean that Landlord's Work has been completed in a defect-free manner to such an extent that Tenant can commence all work, if any, to be undertaken by Tenant, as described in Exhibit "C" to this Lease (the "Tenant's Work"), without material delay or interference due to the completion of Landlord's Work, or if no such Tenant's Work is to be undertaken, then such term will mean completed to such an extent that the Landlord's Work can be finally completed within 60 days and without material interference to Tenant's occupancy and use of the Premises.

4.3. Final Completion. Except for any items set forth on a written, detailed "punch-list" of excepted items delivered to Landlord upon the Lease Commencement Date, Tenant shall, upon giving the written acknowledgement described in Paragraph 4.1 above, be deemed to have (i) thoroughly inspected the Premises, and determined that, to the best of Tenant's knowledge, the Premises comply with all applicable laws and ordinances, and that the Premises are in first-class condition and repair, (ii) acknowledged that Landlord's Work has been Substantially Completed, (iii) accepted the Premises in its then as-is condition with no right to require Landlord to perform any additional work therein, except as set forth on the punch list, and (iv) waived any express or implied warranties regarding the condition of the Premises, including any implied warranties of fitness for a particular purpose or merchantability.

5. Use of Premises and Common Areas.

5.1. Permitted Use of Premises. Tenant may use the Premises for the Permitted Use specified in the Principal Lease Provisions and for no other use without Landlord's consent. Any change in the Permitted Use will require Landlord's prior written consent, which consent may be granted or withheld in Landlord's sole and exclusive discretion.

5.2. Compliance with Laws. Landlord covenants that the Premises will comply with all applicable statutes, codes, ordinances, orders, Rules and Regulations of any municipal or governmental entity whether in effect now or later, including ADA (as defined below) (collectively, "Laws") as of the Lease Commencement Date. Thereafter, Tenant shall comply with all Laws concerning the Premises and/or Tenant's use of the Premises, including without limitation the obligation at Tenant's sole cost to alter, maintain, or restore the Premises in compliance with all applicable laws, even if such Laws are enacted after the date of this Lease, and even if compliance entails costs to Tenant of a substantial nature. Such obligation to comply with Laws shall include without limitation compliance with Title III of the Americans With Disabilities Act of 1990 (42 U.S.C. 12181 et seq.) (the "ADA") as to any alterations, modifications or improvements to or use of the Premises made by Tenant. In addition to the foregoing obligations of Tenant relative to the Premises, if Tenant's particular use of the Premises (including the commencement of any Alterations, as defined below) results in the need for modifications or alterations to any other portion of the Project in order to comply with the ADA or other Laws, then Tenant shall additionally be responsible, upon demand, for the cost of such modifications and alterations plus a supervisory fee of three percent of such cost payable to Landlord. Each of Landlord and Tenant shall indemnify, defend, and hold the other (and its partners, members, shareholders, directors, officers,

employees, agents, assigns, and any successors) harmless from and against any and all losses, costs, demands, damages, expenses (including reasonable attorneys' fees), claims, causes of action, judgments, penalties, fines, or liabilities, arising from the indemnifying party's failure to perform its obligations under this Paragraph including, without limitation, (i) any costs, expenses, and liabilities incurred by the indemnified party in connection with responding to any demand by any governmental authority to undertake any modifications or alterations to the Premises required by the ADA or similar Laws as a result of the indemnifying party's failure to perform its obligations under this Paragraph, and (ii) any attorneys' fees, costs, expenses, and liabilities incurred by the indemnified party in responding to, defending, pursuing, or otherwise being involved with any action, suit, or proceeding arising out of any claim relating to the non-compliance of the Premises with the ADA as a result of the indemnifying party's failure to perform its obligations under this Paragraph. Landlord additionally agrees to indemnify Tenant for any claims arising from any violation of the Common Areas of the ADA or other applicable Laws.

5.3. Condition During Periods of Non-Use. During any period of time in which Tenant has vacated the Premises, Tenant shall take such measures as may be necessary or desirable, in Landlord's reasonable opinion, to secure the Premises from break-ins and use by unauthorized persons, to minimize the appearance of non-use, and to otherwise maintain the interior and exterior portions of Tenant's Premises, including all windows and doors, in first class condition.

5.4. Use of Common Areas. Tenant's use of the Common Areas shall at all times comply with the provisions of all Rules (as defined below) regarding such use as Landlord may from time to time adopt. In no event shall the rights granted to Tenant to use the Common Areas include the right to store any property in the Common Areas, whether temporarily or permanently. Any property stored in the Common Areas may be removed by Landlord and disposed of, and the cost of such removal and disposal shall be payable by Tenant to Landlord upon demand. Additionally, in no event may Tenant use any portion of the Common Areas for loading, unloading, or parking, except in those areas specifically designated by Landlord for such purposes, nor for any group social event, sidewalk sale, employment fair or similar commercial or unauthorized purpose.

5.5. General Covenants and Limitations on Use. In addition to the Rules, Tenant's and Tenant's Invitees' (as defined below) use of the Premises and the Project, will be subject to the following additional general covenants and limitations on use.

5.5.1. Tenant shall not do, bring, or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises. If the rate of any insurance carried by Landlord is increased as a result of Tenant's use of the Premises, Tenant shall pay the amount of such increase to Landlord, within ten days after Landlord delivers to Tenant reasonably documentary evidence of such increase.

5.5.2. No noxious or unreasonably offensive activity shall be carried on, in or upon the Premises by Tenant or Tenant's Invitees, nor shall anything be done or kept in the Premises which may be or become a public nuisance or which may cause unreasonable embarrassment, disturbance, or annoyance to others in the Project, or on adjacent or nearby property. To that end, Tenant additionally covenants and agrees that no light shall be emitted from the Premises which is unreasonably bright or causes unreasonable glare; no sounds shall be emitted from the Premises which are unreasonably loud or annoying; and no odor shall be emitted from the Premises which is or might be noxious or offensive to others in the Building, on the Project, or on adjacent or near-by property.

5.5.3. No unsightliness shall be permitted in the Premises which is visible from the Common Areas. Without limiting the generality of the foregoing, all equipment, objects, and materials shall be kept enclosed within the Premises and screened from view or in Common Areas trash enclosures; no refuse, scraps, debris, garbage, trash, bulk materials, or waste shall be kept, stored, or allowed to accumulate except as may be properly enclosed within appropriate containers in the Premises and promptly and properly disposed of.

5.5.4. The Premises shall not be used for sleeping or washing clothes, nor shall the Premises be used for cooking or the preparation, manufacture, or mixing of anything that might emit any offensive odor or objectionable noises or lights onto the Project or nearby properties.

5.5.5. All pipes, wires, conduit, cabling, poles, antennas, and other equipment/facilities for or relating to utilities, telecommunications, computer equipment, or the transmission or reception of audio or visual signals must be kept and maintained enclosed within the Premises (except to the extent included as part of Landlord's Work, Tenant's Work, or otherwise approved by Landlord).

5.5.6. Tenant shall not keep or permit to be kept any bicycle, motorcycle, or other vehicle, nor any animal (excluding service animals), bird, reptile, or other exotic creature in the Premises.

5.5.7. Neither Tenant nor Tenant's Invitees shall do anything that will cause damage or waste to the Project. Neither the floor nor any other portion of the Premises shall be overloaded. Tenant shall be responsible for all structural engineering required to determine structural load for items placed in the Premises by Tenant. Tenant shall fasten all files, bookcases, and like furnishings to walls in a manner to prevent tipping over in the event of earth movements. Landlord shall not be responsible for any damage or liability for such events. No machinery, equipment, apparatus, or other appliance shall be used or operated in or on the Premises that will in any manner injure, vibrate, or shake all or any part of the Project or be allowed to interfere with the equipment of any other tenant within the Project (or other property owned by Landlord or its affiliates), including, without limitation, interference with transmission and reception of telephone, telecommunications, television, radio, or similar signals.

5.6. Access Rights. Tenant will have 24 hour-a-day, seven day-a-week access to the Building and the Premises commencing no later than the Lease Commencement Date. Notwithstanding the foregoing, no failure of such access rights will constitute an eviction (constructive or otherwise) or a disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease; except that Tenant shall be entitled to equitable abatement of its Rent (as defined below) obligations hereunder to the extent such lack of access is due to Landlord's gross negligence, intentional misconduct or failure to perform an obligation under this Lease and continues for a period in excess of three business days. Landlord will not be liable, under any circumstances, for a loss of or injury to property or for injury to or interference with Tenant's business, including loss of profits through, in connection with, or incidental to a failure to furnish access under this Paragraph. Notwithstanding the foregoing, Landlord agrees to use reasonable efforts to promptly correct any such interruption of access.

5.7. Remedies for Breach. In the event of any breach of this Paragraph 5 by Tenant or Tenant's Invitees, Landlord, at its election and in addition to its other rights and remedies under this Lease, may pay the cost of correcting such breach and Tenant shall immediately, upon demand, pay Landlord the cost thereof, plus a supervisory fee in the amount of ten percent of such cost.

6. Security Deposit.

6.1. Security Deposit. Upon mutual execution of this Lease, Tenant shall deposit with Landlord good funds in the amount of the Security Deposit (if any) set forth in the Principal Lease Provisions, to secure the performance by Tenant of its obligations under this Lease, including without limitation Tenant's obligations (i) to pay Basic Monthly Rent and Additional Rent (as defined below), (ii) to repair damages to the Premises and/or the Project caused by Tenant or Tenant's agents, employees, contractors, licensees, and invitees (collectively, "Tenant's Invitees"), (iii) to surrender the Premises in the condition required by Paragraph 24, below, and (iv) to remedy any other defaults by Tenant in the performance of any of its obligations under this Lease. If Tenant commits any default under this Lease, Landlord may, at its election, use funds from the Security Deposit to pay the reasonable cost of curing such default, and to compensate Landlord for all damages actually suffered by Landlord which are directly attributable to such default, including, without limitation, reasonable attorneys' fees and costs incurred by Landlord. Upon demand by Landlord, Tenant shall promptly pay to Landlord a sum equal to any portion of the Security Deposit so used by Landlord, in order to maintain the Security Deposit in the amount set forth in the Principal Lease Provisions above (subject to increase as set forth below). Within 30 days following the Expiration Date or earlier termination of this Lease, Landlord shall deliver to Tenant, at Tenant's last known address, any portion of the Security Deposit not used by Landlord, as provided in this Paragraph. Landlord may commingle the Security Deposit (and any advance Rent received by Landlord) with Landlord's other funds and Landlord shall not pay interest on such Security

Deposit to Tenant. Tenant waives the provisions of any similar principals of law with respect to Landlord's ability to apply the Security Deposit against future rent damages. Furthermore, upon lawful termination of the Lease as a result of Tenant's default, Landlord shall be entitled to immediately apply the Security Deposit against damages without the requirement that Tenant first be given notice and an opportunity to cure, and notwithstanding that the damages have not been finally adjudicated by a court.

7. Rent and Rent Adjustments.

7.1. Basic Monthly Rent. Tenant shall pay to Landlord as minimum monthly rent, without deduction, setoff, prior notice, or demand, the Basic Monthly Rent described in the Principal Lease Provisions (subject to adjustment as provided in the attached Addendum No. 1), in advance, on or before the first day of each calendar month, beginning on the Rent Commencement Date and thereafter throughout the Lease Term. If the Rent Commencement Date is other than the first day of a calendar month, then the Basic Monthly Rent payable by Tenant for the second month of the Lease Term following the Rent Commencement Date shall be prorated on the basis of the actual number of days during the Lease Term occurring during the first partial calendar month thereof.

7.2. Rental Adjustments. The Basic Monthly Rent shall be increased periodically in accordance with the provisions of attached Addendum No. 1 to this Lease.

7.3. Additional Rent. In addition to paying the Basic Monthly Rent pursuant to this Paragraph 7, Tenant shall pay to Landlord (in accordance with Paragraph 8 below), commencing on January 1, 2023, Tenant's Share (as defined below) of the annual Operating Expenses (as defined below) that are in excess of the Operating Expenses applicable to the Base Year. The amounts payable pursuant to this Paragraph, together with all other amounts of any kind (other than Basic Monthly Rent) payable by Tenant to Landlord under the terms of this Lease, are collectively and individually referred to in this Lease as "Additional Rent".

7.4. General Rental Provisions. All "Rent" (which includes Basic Monthly Rent and all Additional Rent hereunder) shall be paid to Landlord at the same address as notices are to be delivered to Landlord pursuant to the Principal Lease Provisions, as Landlord may change such address from time to time pursuant to the terms of this Lease. The parties agree that they have had the opportunity to verify the Rentable Square Footage of the Premises and agree that the Rentable Square Footage of the Premises set forth in the Principle Lease Provisions shall be conclusive for all purposes of this Lease.

8. Additional Rent.

8.1. Definitions. The following definitions apply throughout this Lease):

8.1.1. Operating Expenses. Subject to the Excluded Costs (as defined below) relating to the Project, the term "Operating Expenses" means all expenses, costs, and amounts of every kind or nature that Landlord pays or incurs because of or in connection with the ownership, operation, management, maintenance, or repair of the Building, Common Areas and Project. Operating Expenses include, without limitation, the following amounts paid or incurred by Landlord relative to the Building, Common Areas and Project: (a) the cost of supplying utilities to all portions of the Project (other than tenant suites), including without limitation water, waste deposit, power, electricity, heating, ventilation, and other utilities, including, without limitation, heating and condenser water to facilitate the production of air conditioning (collectively, "HVAC"); (b) Tax Expenses and Insurance Expenses (as such terms are defined below), (c) the cost of providing janitorial services, window washing services and of operating, managing, maintaining, and repairing all building systems, including without limitation utility, mechanical, sanitary, storm drainage, and elevator systems, and the cost of consumable materials, supplies, tools, and equipment, as well as maintenance and service contracts in connection with those systems, (d) the cost of licenses, certificates, permits, and inspections relating to the operation of the Project, (e) the cost of contesting the validity or applicability of any government enactments that may affect the Operating Expenses, (f) the cost of maintenance, repair, and restoration of any parking areas or structures, including, without limitation, resurfacing, repainting, restriping, and cleaning costs, (g) fees, charges, and other costs, including administrative, management fees and accounting costs (or amounts in lieu of such fees), whether paid to Landlord, an affiliate of Landlord's, or a third party, consulting fees,

legal fees, and accounting fees of all persons engaged by Landlord or otherwise reasonably incurred by Landlord in connection with the operation, management, maintenance, and repair of the Project, (h) wages, salaries, and other compensation and benefits of all persons engaged in the operation, maintenance, repair, or security of the Project plus employer's Social Security taxes, unemployment taxes, insurance, and any other taxes imposed on Landlord that may be levied on those wages, salaries, and other compensation and benefits; provided that if any of Landlord's employees provide services for more than one project of Landlord's, only the prorated portion of those employees' wages, salaries, other compensation and benefits, and taxes reflecting the percentage of their working time devoted to the Project will be included in the Operating Expenses, (i) payments under any easement, CC&Rs, license, operating agreement, declaration, restrictive covenant, or other instrument relating to the sharing of costs affecting the Project, (j) amortization (including interest on the unamortized cost at a rate equal to the floating commercial loan rate announced from time to time by Bank of America as its "reference rate" (or a comparable rate selected by Landlord if such reference rate ceases to be published) plus three percentage points per annum) of the cost of acquiring, or the cost of renting, personal property used in the maintenance, repair, and operation of the Project, (k) reasonable reserves (it being acknowledged, that, among other amounts, any amount of reserves required by any holder of a deed of trust or mortgage encumbering the Project ("Lender"), will be deemed reasonable), (l) fees and expenses for consultants retained, from time to time, by Landlord for the purposes of energy conservation, waste treatment, and water recycling and for the costs of any capital improvements, equipment or devices installed or paid for by Landlord or, at Landlord option, an annual amount sufficient, on the basis of Landlord's experience or reasonable estimate, to establish in advance of the time for such installation a reserve to fund said costs, in order (i) to conform with any change in laws, rules, regulations or requirements of any governmental or quasi-governmental authority having jurisdiction or of the board of fire underwriters or similar insurance body or, (ii) to effect a labor saving, energy saving, or other economy (including, without limitation, as related to water recycling, waste treatment, and energy generation), amortized over the useful life of such capital improvement, equipment, or device (as reasonably determined by Landlord), (m) the cost of maintenance of all heating, ventilating and air condition systems relating to individual premises and/or the Common Areas, other than HVAC systems exclusively serving other tenants' premises that are directly paid for, or reimbursed, by such other tenants, (n) reasonable allocation of costs to provide and operate free or discounted visitor parking for the Project, (o) depreciation or rental costs on personal property and equipment used in the management, operation, or maintenance of the Project which is or should be capitalized on the books of Landlord, and (p) any other costs, charges, and expenses that under generally accepted accounting principles would be regarded as management, maintenance, and operating expense. All capital expenditures shall be amortized (including interest on the unamortized cost at the rate stated in subparagraph (j) of this Paragraph) over their useful life, as reasonably determined by Landlord's certified public accountant. The preceding list is for definitional purposes only and does not impose any obligation on Landlord to incur such expenses to provide such services.

8.1.2. Excluded Costs. "Excluded Costs" means the following expenses, as they relate to the Operating Expenses: (i) depreciation, principal, interest, and fees on mortgages or ground lease payments, except as otherwise provided herein, (ii) legal fees incurred in negotiating and enforcing tenant leases, disputes with other tenants, (iii) real estate brokers' leasing commissions and advertising costs in connection with leasing space in the Project, (iv) improvements or alterations to tenant spaces in the Project, (v) the cost of providing any service directly to and paid directly by a single individual tenant, or costs incurred for the benefit of a single tenant, (vi) costs of any items to the extent Landlord actually receives reimbursement therefor from insurance proceeds, under warranties, or from a tenant or other third party (such costs shall be excluded or deducted – as appropriate – from Operating Expenses in the year in which the reimbursement is received), or which are paid out of reserves previously included in Operating Expenses, (vii) costs incurred due to Landlord's breach of a law or ordinance (including costs incurred by Landlord to cause the Premises or Building to comply with ADA or to abate Prohibited Substances to the extent that Landlord is required to do so under this Lease), (viii) repairs necessitated by the gross negligence or willful misconduct of Landlord or Landlord's employees, agents, or contractors, (ix) capital expenses other than those specifically included in the definition of Operating Expenses, (x) charitable or political contributions and membership fees or other payments to trade organizations, (xi) costs of Landlord's Work which are to be borne by Landlord pursuant to attached Exhibit "C", if any (xii) rent and similar charges for Landlord's on-site management office and/or leasing office or any other offices of Landlord or its affiliates (xiii) Landlord's general overhead expenses not related to the Project.

8.1.3. Expense Year. “Expense Year” means the Base Year, and each calendar year after the Base Year, in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires.

8.1.4. Tenant’s Share. “Tenant’s Share” means a fraction, the numerator of which is the total aggregate Rentable Square Feet of the Premises, and the denominator of which is 497,049. As of the Lease Commencement Date, Tenant’s Share will be (i) 2.52% with respect to Suite 700, and (ii) 3.74% with respect to Suite 1000. If either the Premises or the Building are expanded or reduced, Tenant’s Share shall be appropriately adjusted. Tenant’s Share for the Expense Year in which any such change occurs shall be determined on the basis of the number of days during the Expense Year in which each such Tenant’s Share was in effect.

8.2. Adjustment of Operating Expenses. Operating Expenses shall be adjusted as follows:

8.2.1. Gross Up Adjustment When a Project is Less Than Fully Occupied. If the occupancy of the total Rentable Square Footage of completed, partially occupied buildings within the Building during any part of any Expense Year (including the Base Year) is less than 95%, Landlord shall make an appropriate adjustment to the variable components of the Operating Expenses for that Expense Year, as estimated by Landlord in its sole discretion using sound accounting and management principles, to determine the amount of Operating Expenses that would have been incurred had the Building been 95% occupied. This amount shall be considered to have been the amount of Operating Expenses for that Expense Year. For purposes of this Paragraph 8.2. “variable components” include only those component expenses that are affected by variations in occupancy levels, such as nightly janitorial service or water usage.

8.2.2. Deleted.

8.2.3. Adjustment When Landlord Does Not Furnish a Service to All Tenants. If, during any part of any Expense Year (including the Base Year), Landlord is not furnishing a particular service or work (the cost of which, if furnished by Landlord, would be included in Operating Expenses) to a tenant (other than Tenant) that has undertaken to perform such service or work in lieu of receiving it from Landlord, Operating Expenses for that Expense Year shall be considered to be increased by an amount equal to the additional Operating Expenses that Landlord would reasonably have incurred during such period if Landlord had furnished such service or work to that tenant.

8.2.4. Additional Costs. If due to a change in the types of costs being incurred by Landlord as Operating Expenses (such as, for example, the commencement or cessation of security services—but not a mere change in how a particular cost is handled—such as going from an in-house to an outside landscaping service), the Base Year Operating Expenses need to be adjusted to eliminate the effect of such change, Landlord shall reasonably adjust the Base Year Operating Expenses and notify Tenant of such change in writing. Furthermore, Landlord shall have the right to reasonably decrease the amount of the Base Year Operating Expenses for purposes of calculating Increased Operating Expenses to eliminate the effect of abnormally high costs, or unusual costs, of a particular type or types (such as, by way of example, abnormally high energy costs associated with the “energy crisis” of 2001) occurring during the Base Year. There shall be no cap on Operating Expenses.

8.2.5. Common Areas. Landlord may elect to partition/separate portions of the Common Areas of the Project such that the Operating Expenses, Tax Expenses, and Insurance Expenses associated with such partitioned Common Areas are allocated to particular buildings or parcels within the Project.

8.2.6. Cost Pools. Landlord shall have the right, from time to time, to equitably allocate some or all of the Operating Expenses for the Project among different portions or occupants of the Project (the “Cost Pools”), in Landlord’s reasonable discretion. Such Cost Pools may include, but shall not be limited to, the office space tenants of a building of the Project or of the Project, and the retail space tenants of a building of the Project or of the Project. The Operating Expenses within each such Cost Pool shall be allocated and charged to the tenants within such Cost Pool in an equitable manner.

8.3. Tax Expenses. “Taxes” means and refers to all federal, state, county, or local government or municipal taxes, school taxes, sewer rates, fees, charges, or other impositions of every kind or nature, whether general, special, ordinary, or extraordinary. Taxes include taxes, fees, and charges such as real property taxes, general and special assessments, transit taxes, leasehold taxes, and personal property taxes imposed on Landlord’s fixtures, machinery, equipment, apparatus, systems, appurtenances, and other personal property used in connection with the Project or the Building, as the case may be, along with reasonable legal and other professional fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce real property taxes. Notwithstanding the foregoing, the following shall be excluded from Taxes: (a) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal, state, and local income taxes, and Washington State business and occupation tax and any other taxes applied or measured by Landlord’s general or net income and (b) personal property taxes attributable to property owned or installed by or for other tenants of the Project; “Tax Expenses” means the sum of all Taxes that are paid or incurred by Landlord because of or in connection with the ownership, leasing, and/or operation of the Project from time to time.

8.4. Calculation and Payment of Operating Expenses. Tenant’s Share of the increased Operating Expenses shall be calculated and paid as follows:

8.4.1. Calculation of Excess. If Operating Expenses for any Expense Year occurring after the Base Year exceeds the amount of Operating Expenses applicable to the Base Year, Tenant shall pay as Additional Rent to Landlord an amount equal to Tenant’s Share of that excess, in the manner stated below.

8.4.2. Statement/Payment of Operating Expenses. Tenant shall pay to Landlord, on the first day of each calendar month commencing January 1, 2023, as Additional Rent, without notice, demand, offset, or deduction (except as provided below), an amount (“Tenant’s Monthly Payment”) equal to one-twelfth of Tenant’s Share of the amount by which the Operating Expenses for each Expense Year following the Base Year exceed the Base Year Operating Expenses (such excess being referred to herein as the “Increased Operating Expenses”), as estimated (and subsequently reconciled) by Landlord in the most recently delivered Estimated Statement (as defined below). Landlord shall deliver to Tenant, prior to the commencement of each Expense Year following the Base Year during the Lease Term, a written statement (“Estimated Statement”) setting forth Landlord’s estimate of the Operating Expenses and Increased Operating Expenses allocable to the ensuing Expense Year, and Tenant’s Share of such Increased Operating Expenses. Landlord may, at its option, during any Expense Year, deliver to Tenant a revised Estimated Statement, revising Landlord’s estimate of the Operating Expenses and Increased Operating Expenses, in accordance with Landlord’s most current estimate. Within approximately 90 days after the end of each Expense Year during the Lease Term, Landlord shall deliver to Tenant a written statement (“Actual Statement”) setting forth the actual Operating Expenses allocable to the preceding Expense Year. Tenant’s failure to object to Landlord regarding the contents of an Actual Statement, in writing, within 90 days after delivery to Tenant of such Actual Statement, shall constitute Tenant’s absolute and final acceptance and approval of the Actual Statement. If the sum of Tenant’s Monthly Payments actually paid by Tenant during any Expense Year exceeds Tenant’s Share of the actual Increased Operating Expenses allocable to such Expense Year, then such excess will be credited against future Tenant’s Monthly Payments, unless such Expense Year was the Expense Year during which the Lease Expiration Date occurs (the “Last Calendar Year”), in which event either (i) such excess shall be credited against any then outstanding monetary obligation of Tenant under this Lease, or (ii) if there are no such monetary obligations, then Landlord shall promptly pay to Tenant such excess. If the sum of Tenant’s Monthly Payments actually paid by Tenant during any Expense Year is less than Tenant’s Share of the actual Increased Operating Expenses allocable to such Expense Year, then Tenant shall, within ten days of delivery of the Actual Statement, pay to Landlord the amount of such deficiency. Landlord’s delay in delivering any Estimated Statement or Actual Statement will not release Tenant from its obligation to pay any Tenant’s Monthly Payment or any such excess upon receipt of the Estimated Statement or the Actual Statement, as the case may be. The references in this Paragraph to the actual Increased Operating Expenses allocable to an Expense Year, shall include, if such Expense Year is the Last Calendar Year, the actual Increased Operating Expenses allocable to the portion of such year prior to the Lease Expiration Date, calculated on a pro rata basis, without regard to the date of a particular expenditure. The provisions of this Paragraph 8.4 shall survive the termination of this Lease, and even

though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Share of Operating Expenses for the year in which this Lease terminates, Tenant shall immediately pay any increase due over the estimated expenses paid by Tenant pursuant hereto and conversely any overpayment made in Tenant's estimated payments shall be immediately rebated by Landlord to Tenant.

8.5. Landlord's Books and Records. If Tenant disputes the amount of Additional Rent stated in an Actual Statement within 90 days of Tenant's receipt thereof, Tenant may, upon at least five business days' notice to Landlord, request an opportunity to inspect and audit Landlord's records and supporting documentation regarding such Actual Statement. Such inspection and audit must be commenced by an independent certified public accountant within 180 days of the date Tenant received the Actual Statement, shall be at Tenant's sole cost and expense (except as provided below), and Landlord shall, at its election, either provide copies of such records and supporting documentation to Tenant or make such records and supporting documentation available to Tenant for its inspection at Landlord's business office during normal business hours. If Tenant fails to dispute the amount of Additional Rent stated in an Actual Statement within 90 days of Tenant's receipt thereof, or Tenant's audit fails to disclose a discrepancy in such Actual Statement within 210 days after Tenant's receipt of the Actual Statement in question, then the Actual Statement will be deemed binding on Tenant. If it is determined as a result of Tenant's timely audit of Landlord's records (and Landlord's certified public accountant's concurrence therein) that Tenant was overcharged relative to the Operating Expenses, such overcharge shall entitle Tenant to a credit against its next payment of Operating Expenses in the amount of the overcharge plus, in the case of an overcharge exceeding three percent of the Operating Expenses, the reasonable third party costs of such audit (and if such credit occurs following the expiration of the Lease Term, Landlord shall promptly pay the amount of such credit to Tenant). If it is determined as a result of Tenant's timely audit of Landlord's records (and Landlord's certified public accountant's concurrence therein), or otherwise, that Tenant was undercharged relative to the Operating Expenses, Tenant shall, within ten days of written demand, pay such undercharge to Landlord.

9. Utilities and Services.

9.1. Tenant's Utility Costs. Except as provided below, Tenant shall pay when due all bills for gas, electricity, and other utilities used at the Premises on and after the Rent Commencement Date and through and including the Expiration Date.

9.2. Standard Tenant Services. Subject to the terms and conditions contained herein, Landlord shall provide the following services during the Lease Term.

9.2.1. Subject to limitations imposed by all governmental rules, regulations and guidelines applicable thereto, Landlord shall provide HVAC when necessary for normal comfort for normal office use in the Premises during Building Standard Operating Hours.

9.2.2. Landlord shall provide adequate electrical wiring and facilities for connection to Tenant's lighting fixtures and incidental use equipment, provided that (i) the connected electrical load of the incidental use equipment does not exceed an average of four (4) watts per usable square foot of the Premises during Standard Building Operating Hours, calculated on a monthly basis, and the electricity so furnished for incidental use equipment will be at a nominal one hundred twenty (120) volts and no electrical circuit for the supply of such incidental use equipment will require a current capacity exceeding twenty (20) amperes, and (ii) the connected electrical load of Tenant's lighting fixtures does not exceed an average of one (1) watt per usable square foot of the Premises during Standard Building Operating Hours, calculated on a monthly basis, and the electricity so furnished for Tenant's lighting will be at a nominal two hundred seventy-seven (277) volts, which electrical usage shall be subject to applicable laws and regulations. Subject to the foregoing limitations regarding the electrical wiring and facilities to be provided by Landlord, Landlord shall only provide electricity for Tenant's lighting fixtures during the Building Standard Operating Hours. Tenant shall bear the cost of replacement of lamps, starters and ballasts for non-Building standard lighting fixtures within the Premises.

9.2.3. Landlord shall provide city water from the regular Building outlets for drinking, lavatory and toilet purposes in the Building Common Areas and the Premises.

9.2.4. Landlord shall provide five day per week ordinary and customary, basic janitorial services in and about the Premises in a manner consistent with other comparable buildings in the vicinity of the Building. Landlord shall not be required to provide janitorial services to above-Project-standard improvements installed in the Premises including but not limited to metallic trim, wood floor covering, glass panels, interior windows, kitchen/dining areas, executive washrooms, or shower facilities. Any janitorial services required by Tenant and provided by Landlord in excess of such ordinary and customary, basic janitorial services shall be separately paid for by Tenant, as Additional Rent, within ten days of written demand.

9.2.5. Landlord shall provide nonexclusive, non-attended automatic passenger elevator service during the Building Standard Operating Hours, shall have one elevator available at all other times, including on the holidays, and shall provide nonexclusive, non-attended automatic passenger escalator service during Building Standard Operating Hours only.

9.2.6. Landlord shall provide nonexclusive freight elevator service subject to scheduling by Landlord.

Tenant shall cooperate fully with Landlord at all times and abide by all regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the HVAC, electrical, mechanical, and plumbing systems. Notwithstanding the foregoing, Tenant shall be responsible for all installation and recurring costs associated with utilities services at the Premises.

9.3. Over-Standard Tenant Use. Tenant shall not exceed the rated capacity of the Building's electrical and other utility systems, which systems will be consistent in capacity with other first class office buildings built at or about the same time as the Building. In the event of any damage to any of the Project's systems caused by Tenant's use thereof in excess of ordinary and customary usage for a professional office. Tenant shall be responsible for all costs and expenses incurred by Landlord as a result of such over-use. In addition, if Tenant requires any utilities or services described in this Paragraph 9, which are to be provided by Landlord, in excess of the standard levels being provided by Landlord, or during hours other than Building Standard Operating Hours, Landlord shall have the right to impose reasonable restrictions on such usage and/or commercially reasonable charges therefor. The initial charge to Tenant for heating and air conditioning during hours other than Building Standard Operating Hours will be \$50.00 per hour (or portion thereof), subject to increase over the Lease Term, including the Extension Term, if any. Such charges are Additional Rent relative to the provision of such services and are not an offset to any Operating Expenses.

9.4. Conduit and Wiring. Installation of all types of conduit and wiring exclusively serving the Premises (other than as part of Landlord's Work), including but not limited to Tenant's Work, is subject to the requirements of Paragraph 22, below, Exhibit "C", and the Landlord's reasonable approval of the location, manner of installation, and qualifications of the installing contractor. All such conduit and wiring will, at Landlord's option, become Landlord's property upon the expiration of the Lease Term. Upon expiration of the Lease Term, Landlord may elect by written notice delivered to Tenant prior to the Expiration Date to require Tenant to remove such conduit and wiring at Tenant's expense and return the Premises and the Common Areas to their pre-existing condition. If Landlord constructs new or additional utility facilities, including without limitation wiring, plumbing, conduits, and/or mains, resulting from Tenant's changed or increased utility requirements, Tenant shall on demand promptly pay (or advance) to Landlord the cost of such items as Additional Rent.

9.5. Utilities Generally. Tenant agrees that, except as provided below, Landlord will not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services) or for diminution in the quality or quantity of any service. Such failure, delay, or diminution will not constitute an eviction or a disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease, except that Tenant will be entitled to an equitable abatement of Rent for the period of such failure, delay, or diminution to the extent such failure, delay, or diminution is (i) is directly attributable to Landlord's gross negligence or intentional misconduct, (ii) prevents Tenant from using, and Tenant does not use, the Premises or the affected portion thereof for the conduct of Tenant's business operations therein, (iii) Tenant was using the Premises or such affected portion for the conduct

of Tenant's business operations immediately prior to the failure, and (iv) such failure, delay, or diminution continues for more than two consecutive business days (or ten business days in any twelve month period) after delivery of written notice of such failure, delay, or diminution from Tenant to Landlord. Landlord will not be liable, under any circumstances, for a loss of or injury to property or for injury to or interference with Tenant's business, including loss of profits through, in connection with, or incidental to a failure to furnish any of the utilities or services under this Paragraph. Notwithstanding the foregoing, Landlord agrees to use reasonable efforts to promptly correct any such interruption of utilities or services. If any governmental authority having jurisdiction over the Project imposes mandatory controls, or suggests voluntary guidelines applicable to the Project, relating to the use or conservation of water, gas, electricity, power, or the reduction of automobile emissions, Landlord, at its sole discretion, may comply with such mandatory controls or voluntary guidelines and, accordingly, require Tenant to so comply. Landlord shall not be liable for damages to persons or property for any such reduction, nor shall such reduction in any way be construed as a partial eviction of Tenant, cause an abatement of Rent, or operate to release Tenant from any of Tenant's obligations under this Lease, except as specifically provided in this Paragraph 9.5.

10. Maintenance.

10.1. Tenant's Duties. Tenant shall at its sole cost maintain, repair, replace, and repaint, all in first class condition, the interior of the Premises, all building systems exclusively serving the Premises and located within the Premises or the walls of the Premises, and any damage to the Premises or the Project resulting from the acts or omissions of Tenant or Tenant's Invitees. Tenant shall maintain all communications conduit, equipment, and wiring serving the Premises, whether in the Premises or not (and specifically including all of Tenant's Work and all wiring, equipment, and conduit located on the roof of the Building), regardless of the ownership of said conduit or wiring, subject to Landlord's reasonable approval of Tenant's maintenance/ repair contractor and manner of maintenance/repair. Notwithstanding anything to the contrary contained herein, Tenant shall pay any and all maintenance and recurring costs for supplemental HVAC units exclusively serving the Premises, or any portion thereof, upon presentation of invoice from Landlord. If Tenant fails to maintain, repair, replace, or repaint any portion of the Premises or the Project as provided above then following ten days' written notice thereof to Tenant, Landlord may, at its election, maintain, repair, replace, or repaint any such portion of the Premises or the Project and Tenant shall promptly reimburse Landlord, as Additional Rent, for Landlord's actual cost thereof, plus a supervisory fee in the amount of ten percent of Landlord's actual cost. Notwithstanding the foregoing, if following Tenant's payment (or performance) of its obligations under this Paragraph, Landlord receives payment from an insurer for such work, Tenant will be entitled to receive such proceeds (after Landlord has first been fully reimbursed for its costs and expenses relative thereto including Landlord's costs and expenses in obtaining such proceeds) to the extent Tenant previously paid or incurred third party costs relative thereto.

10.2. Landlord's Duties. Landlord shall maintain, repair, replace, and repaint, all in good order and condition, consistent with other first-class office buildings in the vicinity of the Building, the Common Areas and all portions of the interior and exterior of the Building and any other buildings in the Project (including, without limitation, all electrical, mechanical, plumbing, fire/life safety, and other building systems), except to the extent of Tenant's obligations as set forth in Paragraph 10.1. above. Landlord's failure to perform its obligations set forth above will not release Tenant of its obligations under this Lease, including without limitation Tenant's obligation to pay Rent. If Landlord fails to perform any of its repair and maintenance obligations under this Paragraph 10.2 and such failure materially and adversely impairs Tenant's ability to use and occupy the Premises for the Permitted Use, Tenant will have the right, to perform such repairs and/or maintenance to the extent necessary to enable Tenant to resume its use and occupancy of the Premises. Notwithstanding the foregoing, prior to exercising such right, Tenant must, except as provided below in connection with an emergency, have given Landlord at least 30 days' prior written notice of the nature of the problem and Tenant's intention to exercise its rights under this Paragraph if such matter is not resolved within such 30-day period; provided, however, if the nature of the matter giving rise to such repair or maintenance obligation will reasonably require more than 30 days to remedy and Landlord is proceeding with due diligence to remedy such matter, then such 30 day period will be extended for such additional time as may be necessary for Landlord to complete such repairs or maintenance. Notwithstanding the preceding sentence, in the case of an emergency which poses an imminent threat of death, injury, or severe damage to persons or property,

the required notice from Tenant may be provided orally rather than in writing and for such shorter period of time (i.e., less than 30 days) as Tenant, in the exercise of its reasonable judgment deems appropriate under the exigent circumstances (however, at a minimum, Tenant shall at least contact Landlord telephonically prior to commencing such work so that Landlord may, at its election, make arrangements to handle such emergency itself). If Landlord fails to fulfill its repair and maintenance obligations under this Paragraph, and as a result thereof Tenant exercises the foregoing right to correct such matter, then Landlord shall reimburse Tenant for the reasonable third-party costs incurred by Tenant to complete such repairs and/or maintenance within 30 days after receipt of Tenant's written demand therefor, together with copies of the paid invoices evidencing the costs so incurred. Any such repairs or maintenance performed by Tenant, as permitted herein, must be performed in a good and workmanlike manner by licensed contractors. Under no circumstances may Tenant offset any amount it is owed by Landlord pursuant to this Paragraph (or otherwise) against any Rent obligation under this Lease. Costs incurred by Landlord in performing its obligations under this Paragraph shall be recoverable as Operating Expenses to the extent provided elsewhere in this Lease.

11. Parking.

11.1. General Parking Rights. Tenant shall have the right to rent from Landlord, commencing on the Lease Commencement Date, that number of parking passes determined by applying the Parking Pass Ratio set forth in Section 2.17 of the Principal Lease Provisions on a monthly basis throughout the Lease Term, which parking passes shall be for parking located in the Project parking facility (the "Parking Facility"). The location of the reserved parking spaces, if any, shall be designated by Landlord. For all such parking passes that are rented, Tenant shall pay to Landlord on a monthly basis the prevailing rate charged from time to time at the Parking Facility and such charges shall constitute Additional Rent. In addition, Tenant shall be responsible for the full amount of any taxes imposed by any governmental authority in connection with the renting of such parking passes by Tenant or the use of the Parking Facility by Tenant. Tenant's continued right to use the parking passes is conditioned upon Tenant abiding by all rules and regulations which are prescribed from time to time for the orderly operation and use of the Parking Facility where the parking passes are located (including any sticker or other identification system established by Landlord and the prohibition of vehicle repair and maintenance activities in the Parking Facility), Tenant's cooperation in seeing that Tenant's Invitees also comply with such rules and regulations and Tenant not being in default under this Lease. Such rules and regulations may include, in Landlord's sole discretion, rules limiting tenants of the Project (including, without limitation, Tenant) to the use of, or excluding the use of, certain parking spaces or certain portions of the Parking Facility in order to maintain the availability of accessible parking spaces for clients, guests, and invitees of tenants of the Project and rules limiting tenants of the Project (including without limitation Tenant), and their employees, to the use of a restricted number of parking spaces or a restricted area. If Tenant, or any of Tenant's Invitees, fails to comply with any of Landlord's rules or requirements (such as, by way of example, parking in areas designated as visitor parking only), then Landlord will have the right to either have such vehicles towed from the Project. Furthermore, Landlord shall have the right to immobilize such improperly parked vehicles by use of a "boot" or other device. Tenant's use of the Parking Facility shall be at Tenant's sole risk and Tenant acknowledges and agrees that Landlord shall have no liability whatsoever for damage to the vehicles of Tenant or Invitees, or for other personal injury or property damage or theft relating to or connected with the parking rights granted herein or any of Tenant's or Tenant's Invitees' use of the Parking Facility. Landlord specifically reserves the right to change the size, configuration, design, layout and all other aspects of the Parking Facility at any time and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of Rent under this Lease, from time to time, close-off or restrict access to the Parking Facility for purposes of permitting or facilitating any such construction, alteration or improvements. Landlord reserves the right to grant certain tenants in the Project the exclusive right to park in specified areas of the Parking Facility, to the exclusion of all other tenants. Tenant acknowledges that the exercise of the rights reserved to Landlord under this Paragraph may result in a decrease in the number of parking spaces (but not in the number of parking passes) available to Tenant and Tenant's Invitees, and no such decrease shall affect Tenant's obligations under this Paragraph or entitle Tenant to any abatement of Rent, provided the applicable parking ratio described in Section 2.17 above, is maintained or exceeded. Any parking passes rented by Tenant pursuant to this Article 11 are provided to Tenant solely for use by Tenant's personnel and such passes may not be transferred, assigned, subleased or otherwise alienated by

Tenant without Landlord's prior approval. Tenant may validate visitor parking by such methods as the Landlord may establish, at the validation rate from time to time generally applicable to visitor parking.

11.2. **Parking Facility Operator.** Landlord hereby reserves the right to enter into (or cause its affiliate to enter into) a management agreement or lease with an entity for all or any portion of the Parking Facility (a "Parking Facility Operator"). In such event, Tenant, upon request of Landlord, shall enter into a parking agreement with such Parking Facility Operator and, notwithstanding anything else herein to the contrary, Tenant shall pay such Parking Facility Operator, rather than Landlord (or its affiliates), the monthly charge established hereunder for the Spaces located in the portion of the Parking Facility covered by such parking agreement, and Landlord (and its affiliate) shall have no liability for claims arising through acts or omissions of any Parking Facility Operator unless caused by Landlord negligence or willful misconduct. It is understood and agreed that the identity of any Parking Facility Operator may change from time to time during the Term. In connection therewith, any parking lease or agreement entered into between Tenant and any Parking Facility Operator shall be freely assignable by such Parking Facility or any successors thereto.

12. Signs.

12.1. **General Signage Conditions.** Landlord may at any time change the name of either or both of the Building and/or the Project and install, affix, and maintain all signs on the exterior and interior of the Building and other buildings within the Project as Landlord may, in Landlord's sole discretion, desire. Tenant shall not have or acquire any property right or interest in the name of the Building or the Project. Subject to Tenant's signage rights under Paragraph 12.2. below, Tenant may not place, construct, or maintain any sign, advertisement, awning, banner, or other exterior decoration (collectively, "sign") inside or outside the Premises which is visible from the exterior of the Premises, or on the Building or any other portion of the Project, without Landlord's prior written consent. Any sign that Tenant is permitted by Landlord to place, construct, or maintain in the Premises or on the Building or the Project (including pursuant to Paragraph 12.2. below) must comply with Landlord's sign criteria applicable to the Project, including, without limitation, criteria relating to size, color, shape, graphics, and location (collectively, the "Sign Criteria"), and shall comply with all applicable laws, ordinances, CC&Rs (or similar recorded instruments), rules, or regulations, and Tenant shall obtain any approvals required by such laws, ordinances, CC&Rs (or similar recorded instruments), rules, and regulations. Landlord makes no representation or warranty with respect to Tenant's ability to obtain any such approval. Tenant shall, at Tenant's sole cost, make any changes to any sign, whether in the Premises or on the Building, as required by any new or revised applicable laws, ordinances, rules, or regulations or any changes in the Project Sign Criteria. Tenant shall, additionally, maintain, repair, and replace all of Tenant's signs (including, specifically, those installed pursuant to Paragraph 12.2. below) in first class condition. Nothing contained in this Paragraph 12 will limit the Landlord's right to grant signage rights to other tenants of the Building, or to affect the signage rights of any tenant of the Building.

12.2. **Tenant's Individual Signage Rights.** Subject to compliance with the requirements of Paragraph 12.1, above, Tenant is hereby granted the following signage rights in/on the Building and at the Project.

12.2.1. **Directory/Suite Signage.** Tenant shall be entitled to be listed on all lobby directory signs and floor directory signs (as to those floors upon which the Premises are located), subject to prior approval of the Tenant's graphics by Landlord, if applicable.

12.2.2. **Full Floors.** Subject to Landlord's prior written approval, in its sole discretion, and provided all signs are in keeping with the quality, design and style of the Building and Project, Tenant, if the Premises comprise an entire floor of the Building, at its sole cost and expense, may install identification signage anywhere in the Premises including in the elevator lobby of the Premises, provided that such signs must not be visible from the exterior of the Building.

12.2.3. **Building Directory.** A building directory is located in the lobby of the Building. Tenant shall have the right, at Landlord's sole cost and expense as to Tenant's initial entry, to have Tenant's name displayed on such directory.

12.2.4. Elevator Lobby Signage. Landlord shall, at Landlord's sole cost and expense, display Tenant's name on the elevator lobby directory located on the floor(s) on which the Premises are located.

13. Rules, Regulations, and Covenants. Tenant shall observe (and shall cause Tenant's Invitees to observe) faithfully and comply strictly with any rules and regulations which Landlord may from time to time adopt for the Project (and provide Tenant with a copy of), as well as any recorded easement agreements, maintenance agreements, CC&Rs or like instruments affecting the Building and/or the Project, whether now existing or hereafter adopted or amended from time to time (all of the foregoing, collectively, "Rules"). Landlord has no duty or obligation to enforce any Rule against any other tenant, and Landlord will not be liable to Tenant for violation of any Rule by any other tenant, or any other tenant's agents, employees, officers, independent contractors, customers, invitees, visitors, or licensees. Tenant acknowledges that Landlord reserves the right, from time to time, to enter into leases or other agreements by which Landlord agrees to restrict the use of all or any portion of the Project (including the Premises) from certain uses. All such leases and other agreements, whether now existing or entered into in the future, shall be binding upon Tenant and in no event shall Tenant utilize the Premises for any use so prohibited; provided, however, no such restriction may prevent Tenant from using the Premises for the Permitted Use.

14. Early Access/Insurance. If prior to the Lease Commencement Date Tenant is planning to make any Alterations (as defined below) to the Premises, perform any of the Tenant's Work, or install any of Tenant's personal property, then in addition to complying with the provisions of attached Exhibit "C", (i) Tenant shall obtain, and at all times maintain, all of the insurance to be maintained by Tenant during the Lease Term, and (ii) all obligations of Tenant under the provisions of this Lease other than those relating to the obligation to pay Rent, shall be operative. Any work pursuant to this Paragraph shall be subject to all of the provisions of Paragraph 22, below. Nothing in this Paragraph shall be construed as granting permission to Tenant to enter the Premises, or to make any Alterations, prior to the Lease Commencement Date and no such right shall exist unless specified in Exhibit "C" or agreed to by Landlord in its sole discretion.

15. Tenant's Liability Insurance. Tenant shall maintain, at Tenant's sole cost and expense, Commercial General Liability Insurance covering the insured against (i) any and all Claims (as defined below) of bodily injury, personal injury and property damage (including loss of use thereof) arising out of or connection with Tenant's use, occupancy and operations within the Premises and Building, and (ii) all contractual liabilities under this Lease, including, without limitation, indemnity provisions contained herein, for limits of liability of \$3,000,000 per occurrence and \$4,000,000 annual aggregate with such aggregate limit shall apply separately to each location and may be met with primary and excess liability policy.

16. Tenant's Property Insurance. Tenant shall maintain, at Tenant's sole cost and expense, property insurance covering (i) all office furniture, business and trade fixtures, office equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant, (ii) all Tenant improvements (installed and/or constructed per Exhibit "C" attached hereto), and any other improvements which exist in the Premises as of the Lease Commencement Date (excluding the base building structure and building systems), and (iii) all other improvements, Alterations, Personal Property and additions to the Premises. Such insurance shall be written on an "all risks" of physical loss or damage basis, for the full replacement cost value, new without deduction for depreciation of the covered items and shall include coverage for damage or other loss caused by fire or other peril including, but not limited to, earthquake, flood, terrorism, vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting or stoppage of pipes, coverage with respect to increased costs due to building ordinances, demolition coverage, boiler and machinery insurance and explosion. Such "full replacement cost value" shall be determined by the insurance company issuing such policy at the time the policy is initially obtained. Not more frequently than once every two years, either Landlord or Tenant may, at its election, notify the other that it elects to have the replacement cost value redetermined by an insurance company. Such redetermination shall be made promptly and in accordance with the rules and practices of the Board of Fire Underwriters, or a like board recognized and generally accepted by the insurance company, and Landlord and Tenant shall be promptly notified of the results by the company. Such policy shall be promptly adjusted according to such

redetermination. Notwithstanding the foregoing, in no event shall Tenant be required to insure the Common Areas or the Building structure.

17. Tenant's Additional Insurance. In addition to the foregoing coverages, Tenant shall maintain, at Tenant's sole cost and expense:

17.1. Workers' compensation insurance in an amount not less than the statutory limits in the state in which the Project is located;

17.2. Employer's Liability with limits of at least \$1,000,000 bodily injury by disease – policy limit, \$1,000,000 bodily injury by disease each employee and \$1,000,000 bodily injury by accident – each accident for the protection of its employees or other similar insurance pursuant to all applicable laws;

17.3. Business Interruption Insurance in amounts sufficient to reimburse Tenant (over a 12 month period) for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent tenants or attributable to prevention of access to the Premises or to the Project as a result of such perils, including, without limitation, reimbursement for payment of rental and all other monetary obligations required herein;

17.4. Automobile Liability with a combined single limit of \$3,000,000 per occurrence covering the operation, ownership, maintenance, and use of owned (if any), non-owned, and hired automobiles, bodily injury and property damage, as aforesaid; and

17.5. In the event Tenant distributes, sells and/or manufactures liquor on the Premises, Tenant shall maintain liquor liability with limits of \$2,000,000 each claim and \$2,000,000 annual aggregate, such requirement may be met with primary and excess liability policy. Notwithstanding anything in the Lease, should Tenant maintain liquor on Premises for consumption, Tenant, at a minimum, shall maintain dram shop coverage with limits of \$2,000,000. Coverage shall be on a per occurrence form. Notwithstanding the foregoing, in no event shall Tenant be permitted to distribute, sell or manufacture liquor on the Premises without Landlord's prior written consent, which may be withheld by Landlord in its sole and absolute discretion.

18. Form of Tenant's Insurance Policies. The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance (i) shall name Landlord, American Assets Trust, Inc. and American Assets Trust, LP and any other party with an insurable interest in the Project which the Landlord so specifies by written notice to Tenant, as an additional insured, including Landlord's managing agent, American Assets Trust Management, LLC, as such agent may be changed from time to time; (ii) shall cover the liability assumed by Tenant under the indemnification provisions of this Lease; (iii) shall consist of "occurrence" based coverage, without provision for subsequent conversion to "claims" based coverage; (iv) shall be issued by an insurance company having a rating of not less than A XV in Best's Insurance Guide or which is otherwise acceptable to Landlord and authorized to do business in the state in which the Project is located; (v) shall be primary insurance and non-contributing with respect to all Claims thereunder and any policies carried by Landlord and that any coverage carried by Landlord shall be excess insurance; (vi) be in form and content reasonably acceptable to Landlord; and (vii) shall provide that said insurance shall not be canceled or modified in coverage in a manner that would cause the insurance to no longer comply with the requirements of this Lease unless 30 days' prior notice shall have been given to Landlord, and (viii) shall not provide for a deductible or co-insurance provision in excess of \$10,000. Tenant shall deliver said policy or policies or certificates and applicable endorsements thereof or reasonable evidence that such insurance is in place to Landlord on or before the Lease Commencement Date. In the event Tenant shall fail to procure such insurance, or to deliver such policies or certificate and applicable endorsements, Landlord may, at its option upon 5 business days' notice to Tenant, procure such policies for the account of Tenant unless Tenant provides same within such 5 day period, and the cost thereof shall be paid to Landlord within 5 days after delivery to Tenant of bills therefore. Tenant shall, at least 30 days prior to the expiration of each such policy, furnish Landlord with a renewal certificate and applicable endorsement of or "binder" extending such policy. Not more frequently than once every year, if in the

opinion of Landlord the amount or scope of such insurance at that time is not adequate, Tenant shall increase such insurance as reasonably required by Landlord.

19. Waiver of Subrogation. Landlord and Tenant release each other, Tenant's Invitees, Landlord's guests, invitees, customers and licensees (collectively, "Landlord's Invitees") and Landlord's agents, affiliates, officers, directors and employees from all claims for damage, loss, or injury to the Project, to Tenant's Personal Property, and to the fixtures and Alterations of either Landlord or Tenant in or on the Project to the extent such damage, loss or injury is covered by any insurance policies carried by Landlord and Tenant and in force at the time of such damage, or which would have been covered by insurance policies required by this Lease to be carried by Tenant, but which Tenant failed to carry. Subject to the remaining provisions of this Paragraph, Landlord and Tenant shall each cause all insurance policies obtained by it pursuant to this Lease to provide that the insurance company waives all right of recovery by way of subrogation against Landlord, American Assets Trust, Inc., American Assets Trust, L.P., American Assets Trust Management, LLC, and Landlord's agents, employees and representatives and Tenant in connection with any damage, loss, or injury covered by such policy. Notwithstanding the foregoing, if any claim to which the foregoing release by Landlord and waiver of subrogation provision would apply is for an amount which is less than Landlord's applicable deductible, and Landlord elects not to submit such claim to its insurer, then the provisions of the foregoing release by Landlord shall not be applicable.

20. Landlord's Insurance. Landlord may, at its election, maintain any of the following insurance, and any other insurance deemed appropriate or necessary, in Landlord's sole discretion, in such amounts and with such limits as Landlord shall determine in its reasonable discretion: (i) Public liability and property damage insurance, and products liability insurance; (ii) Fire and extended coverage and special form insurance, coverage with respect to increased costs due to building ordinances, demolition coverage, and sprinkler leakage coverage; (iii) boiler and machinery insurance; (iv) fidelity insurance; (v) plate-glass insurance; (vi) earthquake insurance; (vii) terrorism insurance, (viii) flood insurance; (ix) rental interruption and/or business interruption insurance; and (x) pollution legal liability insurance. The premiums, costs, expenses, and deductibles (or similar costs or charges) of and/or with respect to any such insurance (all of the preceding, collectively, "Insurance Expenses") shall be included in Operating Expenses. Any such coverage may be part of an umbrella or blanket policy, whereupon the premiums, costs, and expenses hereof will be reasonably apportioned between the Building and the other properties so included under such policy(ies).

21. Personal Property Taxes. Tenant shall pay before delinquency all taxes, assessments, license fees, and other charges that are levied or assessed against, or based upon the value of, Tenant's personal property installed or located in or on the Premises including without limitation trade fixtures, furnishings, equipment, Alterations, and inventory (collectively, "Tenant's Personal Property"). On written demand by Landlord, Tenant shall furnish Landlord with satisfactory evidence of such payments. If any such taxes, assessments, license fees, and/or other charges are levied against Landlord or Landlord's property, or if the assessed value of the Premises is increased by the inclusion of a value placed on Tenant's Personal Property, and if Landlord pays such taxes, assessments, license fees, and/or other charges or any taxes based on the increased assessments caused by Tenant's Personal Property, then Tenant, on demand, shall immediately reimburse Landlord, as Additional Rent, for the sum of such taxes, assessments, license fees, and/or other charges so levied against Landlord, or the proportion of taxes resulting from such increase in Landlord's assessment. Landlord may, at its election, pay such taxes, assessments, license fees, and/or other charges or such proportion, and receive such reimbursement, regardless of the validity of the levy.

22. Alterations. Except with respect to the performance of Tenant's Work pursuant to the Work Letter attached hereto as Exhibit "C", Tenant shall not make any alterations, improvements, additions, installations, or changes of any nature in or to the Premises (any of the preceding, "Alterations") unless Tenant first obtains Landlord's written consent to such Alteration and otherwise complies with the provisions of this Paragraph 22; provided, however, no such consent will be required in connection with any Minor Alterations (as defined below).

22.1. Request for Consent. At least 15 days prior to making any Alterations, Tenant shall submit to Landlord, in written form, proposed detailed plans of such Alterations, which plans must

(i) in the case of a Minor Alterations, be in sufficient detail to, among other things, provide Landlord with reasonable evidence that such Alterations are of a nature that Landlord's consent is not required, and (ii) in the case of any other Alterations, in sufficient detail to allow Landlord and its consultants to fully evaluate the proposed Alterations and their effect upon the Premises and the Project. Landlord will not unreasonably withhold, condition, or delay its consent to any Alterations for which consent is required; except that, in the case of exterior Alterations or Alterations which will be visible from outside the Premises or which will affect any structural components of the Project, Landlord shall have the right to grant or withhold its consent in the exercise of its sole discretion. In addition to the foregoing requirements, if the proposed Alteration requires approval by or notice to the lessor of a ground or underlying lease or the holder of a deed of trust encumbering the Project, no Alteration shall be commenced until such approval has been received, or such notice has been given, as the case may be, and all applicable conditions and provisions of said superior lease or deed of trust with respect to the proposed Alteration or Alterations have been met or complied with at Tenant's expense; and Landlord, if it approves the Alteration, will request such approval or give such notice expeditiously, as the case may be, and thereafter diligently pursue obtaining such approval.

22.2. Minor Alterations. Notwithstanding anything to the contrary contained herein, minor interior cosmetic Alterations such as painting, wall papering, carpeting or hanging pictures or moving furniture and temporary partitions or cubicles (the aggregate cost of which will not exceed \$150,000.00, and which Alterations will not be visible from outside the Premises or affect any structural components of the Project) will not require Landlord's prior consent so long as (i) Tenant notifies Landlord in accordance with Paragraph 22.1 (i) and (ii) Tenant complies with all reasonable conditions which may be imposed by Landlord including, but not limited to, the requirements of Paragraph 22.3 below, Landlord's selection of specific contractors or construction techniques and the requirements of the attached Exhibit "C". Any Alterations meeting the foregoing requirements to avoid the necessity of obtaining Landlord's consent are referred to herein as a "Minor Alterations".

22.3. Additional Requirements. Tenant shall, prior to the commencement of any Alterations, and at Tenant's sole cost, (i) acquire (and deliver to Landlord a copy of) any required permit from the appropriate governmental agencies to make such Alterations (any conditions of which permit Tenant shall comply with, at Tenant's sole cost, in a prompt and expeditious manner), (ii) provide Landlord with ten business days' prior written notice of the date the installation of the such Alterations is to commence, so that Landlord can post and record an appropriate notice of non-responsibility, (iii) pay Landlord the reasonable costs and expenses of Landlord for architectural, engineering, or other consultants which reasonably may be incurred by Landlord in determining whether to approve any such Alterations (excluding Minor Alterations), and (iv) if applicable, obtain (and deliver to Landlord proof of) reasonably adequate workers compensation insurance with respect to any of Tenant's employees installing or involved with such Alterations (which insurance Tenant shall maintain in accordance with the Washington State Industrial Insurance Act). In addition, Tenant shall comply with all reasonable conditions which may be imposed by Landlord relative to such Alterations including, but not limited to, Landlord's selection of specific contractors or construction techniques and the requirements of the attached Exhibit "C" applicable to Tenant's Work. Notwithstanding anything to the contrary contained in this Paragraph 22.3, in no event may Tenant remove any ceiling tiles or ceiling gridwork or lighting without Landlord's prior consent, and any such consent may be conditioned upon requiring Tenant to post a deposit to cover the cost of restoring the Premises to their prior condition upon termination of the Lease Term and to secure Tenant's obligation to so restore the Premises.

22.4. Ownership of Alterations. All Alterations shall, upon the Expiration Date of this Lease, become the property of Landlord and shall remain on and be surrendered with the Premises on the Expiration Date; except that, Landlord may, at its election by written notice delivered to Tenant prior to the Expiration Date, require Tenant to remove any or all of the Alterations, provided that Landlord notifies Tenant in writing prior to commencement of the Alterations. If Landlord so elects to have the Alterations removed, Tenant shall, at its sole cost, on or before the Expiration Date, repair and restore the Premises to the condition of the Premises prior to the installation of the Alterations which are to be removed. Tenant shall pay all costs for Alterations and other construction done or caused to be done by Tenant and Tenant shall keep the Premises free and clear of all mechanics' and materialmen's liens resulting from or relating to any Alterations or other construction. Tenant may, at its election, contest the correctness or validity of any such lien provided that (a) within 20 days after written demand by Landlord,

Tenant procures and records a lien release bond, issued by a corporation satisfactory to Landlord and authorized to issue surety bonds in Washington, in an amount equal to 150% of the amount of the claim of lien, which bond meets the requirements of any successor statute, and (b) Landlord may, at its election, require Tenant to pay Landlord's attorneys' fees and costs incurred in participating in such an action.

22.5. Tenant's Communications, Computer Lines and Wi-Fi Use.

(a) Tenant may install, maintain, replace, remove or use any communications or computer wires and cables serving the Premises (collectively, the "Lines"), provided that (i) Tenant shall obtain Landlord's prior written consent, use an experienced and qualified contractor approved in writing by Landlord, and comply with all of the other provisions of this Lease, including without limitation the provisions of Paragraph 10.1 and Article 22, (ii) an acceptable number of spare Lines and space for additional Lines shall be maintained for existing and future occupants of the Project, as determined in Landlord's reasonable opinion, (iii) the Lines therefor (including riser cables) shall be appropriately insulated to prevent excessive electromagnetic fields or radiation, shall be surrounded by a protective conduit reasonably acceptable to Landlord, and shall be identified in accordance with the "Identification Requirements", as that term is set forth herein below, (iv) any new or existing Lines servicing the Premises shall comply with all applicable governmental laws and regulations, (v) as a condition to permitting the installation of new Lines, Landlord may require that Tenant remove existing Lines located in or serving the Premises and repair any damage in connection with such removal, and (vi) Tenant shall pay all costs in connection therewith. All Lines shall be clearly marked with adhesive plastic labels (or plastic tags attached to such Lines with wire) to show Tenant's name, suite number, telephone number and the name of the person to contact in the case of an emergency (A) every four feet (4') outside the Premises (specifically including, but not limited to, the electrical room risers and other Common Areas), and (B) at the Lines' termination point(s) (collectively, the "Identification Requirements"). Landlord reserves the right, upon notice to Tenant prior to the expiration or earlier termination of this Lease, to require that Tenant, at Tenant's sole cost and expense, remove any Lines located in or serving the Premises prior to the expiration or earlier termination of this Lease.

(b) Wi-Fi. Tenant shall have the right to install, at its sole cost and expense, a wireless intranet, Internet, and communications network (also known as "Wi-Fi") utilizing IEEE 802.XX protocols within the Premises for the use of Tenant and its employees (the "Network") subject to the provisions of this Paragraph 22.5 and the other provisions of Paragraph 22. All telecommunications service providers shall be subject to Landlord's prior written approval.

(c) No solicitation. Tenant shall not solicit, suffer, or permit other tenants or occupants of the Building to use the Network or any other communications service, including, without limitation, any wired or wireless Internet service that passes through, is transmitted through, or emanates from the Premises.

(d) Interference. Tenant agrees that the Network, the Lines, Tenant's communications equipment and the communications equipment of Tenant's service providers located in or about the Premises or installed in the Building to service the Premises including, without limitation, any antennas, switches, or other equipment (collectively, "Tenant's Communications Equipment") shall be of a type and, if applicable, a frequency that will not cause radio frequency, electromagnetic, or other interference to any other party or any equipment of any other party including, without limitation, Landlord, other tenants, or occupants of the Building. Landlord reserves the right to cause Tenant to operate on a channel or frequency band that Landlord selects, in its sole discretion. In the event that Tenant's Communications Equipment causes or is believed by Landlord to cause any such interference, upon receipt of notice from Landlord of such interference, Tenant will promptly take all steps necessary to correct and eliminate the interference. If the interference is not eliminated within 24 hours (or a shorter period if Landlord believes a shorter period to be appropriate) then, upon notice from Landlord, Tenant shall use other channels or frequencies as determined solely by Landlord, or, at Landlord's election, shut down the Tenant's Communications Equipment pending resolution of the interference (with the exception of intermittent testing upon prior notice to, and with the prior approval of, Landlord). Landlord shall have no obligation or liability with respect to any interruption, curtailment or discontinuance of telecommunications services.

(e) Maintenance. Tenant shall maintain Tenant's Telecommunications Equipment in good order and repair at its sole cost and expense.

(f) Acknowledgment. Tenant acknowledges that Landlord has granted and/or may grant lease rights, licenses, and other rights to other tenants and/or occupants of the Building and to telecommunications service providers.

23. Surrender of Premises and Holding Over.

23.1. Surrender. On the Expiration Date, Tenant shall surrender to Landlord the Premises and all Alterations (except for Alterations that Tenant is obligated to remove as expressly set forth above) in a first class and clean condition, less any normal wear and tear, free of trash and debris including cleaning of all flooring; all walls shall be patched and painted; all signage installed by Tenant on any portion of the Buildings or Project shall be removed and the surfaces repaired, including restoration of the signage mounting surfaces to their pre-existing condition; all sign circuits, electrical circuits, and lighting fixtures shall be in good operating condition; all roof penetrations arising from Tenant's occupancy of the Premises shall be in a watertight condition; and all doors, windows, locks, and hardware shall be in operable condition upon the termination of this Lease. Tenant shall additionally, as of the Expiration Date, remove all of Tenant's Personal Property and perform all repairs and restoration required by the removal of any Alterations or Tenant's Personal Property, and Tenant shall surrender to Landlord all keys to the Premises (including without limitation any keys to any exterior or interior doors). Landlord may elect to retain or dispose of in any manner any Alterations or Tenant's Personal Property that Tenant does not remove from the Premises on the Expiration Date as required by this Lease by giving written notice to Tenant. Any such Alterations or Tenant's Personal Property that Landlord elects to retain or dispose of shall immediately upon notice to Tenant vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such Alterations or Tenant's Personal Property. Tenant will be liable to Landlord for Landlord's costs for storing, removing (including related restoration work), or disposing of any such Alterations or Tenant's Personal Property. If Tenant fails to surrender the Premises to Landlord on the Expiration Date in the condition required by this Paragraph, Tenant shall indemnify, defend, and hold Landlord harmless from and against all liabilities, damages, losses, costs, expenses, attorneys' fees and claims resulting from such failure, including without limitation any claim for damages made by a succeeding tenant.

23.2. Holding Over. If Tenant, with Landlord's consent, remains in possession of the Premises after the Expiration Date, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable on 30-days' written notice given at any time by Landlord or Tenant. During any such month-to-month tenancy, or any other holdover tenancy which is without Landlord's consent, Tenant shall pay, as Basic Monthly Rent, 125% of the Basic Monthly Rent in effect immediately prior to the Expiration Date; which rental amount Tenant acknowledges is fair and reasonable under all of the facts and circumstances existing as of the date of this Lease. All provisions of this Lease except for those pertaining to Term shall apply to any such tenancy. If Tenant holds over after the Expiration Date without the express written consent of Landlord, Tenant shall become a tenant at sufferance only, at a rental rate equal to 150% of the Basic Monthly Rent and Additional Rent in effect immediately prior to expiration of the Term (prorated on a daily basis), and otherwise subject to the terms, provisions, and conditions herein specified, so far as applicable. Acceptance by Landlord of rent after such expiration or earlier termination shall not constitute consent to a holdover tenancy hereunder or result in a renewal. The foregoing provisions this Paragraph 23.2 are in addition to, and do not affect, Landlord's right of re-entry or any rights of Landlord hereunder or as otherwise provided by law. Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon expiration or other termination of this Lease. The provisions of this Paragraph 23.2 shall not be considered to limit or constitute a waiver of any other rights or remedies of Landlord provided in this Lease or at law. In addition to the foregoing, if Tenant fails to surrender the Premises to Landlord on the Expiration Date in the condition required by Paragraph 23.1, above, Tenant shall indemnify, defend, and hold harmless Landlord from and against all actions, demands, liabilities, damages, losses, costs, expenses, attorneys' fees, and claims resulting from such failure, including, without limitation, any claim for damages made by a succeeding tenant.

24. Default. In addition to any other default specifically described in this Lease, each of the following occurrences shall be a “Default”:

- (a) Tenant’s failure to pay any portion of Rent when due (“Monetary Default”);
- (b) Tenant’s failure (other than a Monetary Default) to comply with any term, provision, condition or covenant of this Lease, if the failure is not cured within ten (10) days after written notice to Tenant provided, however, if Tenant’s failure to comply cannot reasonably be cured within ten (10) days, Tenant shall be allowed additional time (not to exceed sixty (60) days) as is reasonably necessary to cure the failure so long as Tenant begins the cure within ten (10) days and diligently pursues the cure to completion;
- (c) Tenant permits a Transfer without Landlord’s required approval or otherwise in violation of Section 31 of this Lease;
- (d) Tenant fails to cure within two (2) days’ notice thereof any condition which is hazardous, interferes with another tenant or the operating or leasing of any portion of the Property, or may cause the imposition of a fine, penalty or other remedy on Landlord or its agents or affiliates;
- (e) Tenant fails to restore the Security Deposit pursuant to Paragraph 6, above, within ten days of written notice from Landlord demanding such restoration; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under applicable unlawful detainer statutes.
- (f) (1) Tenant or any Guarantor makes a general assignment for the benefit of creditors; (2) Tenant or any Guarantor files by or for reorganization or arrangement under any law relating to bankruptcy or insolvency (unless, in the case of a petition filed against Tenant, the same is dismissed within thirty (30) days); (3) appointment of a trustee or receiver to take possession of substantially all of Tenant’s assets located in the Premises or of Tenant’s interest in this Lease, where possession is not restored to Tenant within thirty (30) days; (4) attachment execution or other judicial seizure of substantially all of Tenant’s assets located in the Premises or of Tenant’s interest in this Lease; (5) Tenant or any Guarantor convene a meeting of its creditors or any class thereof for the purpose of effecting a moratorium upon or compositions of its debts; or (6) Tenant’s or any Guarantor’s insolvency or failure to, or admission of an inability to, pay debts as they mature;
- (g) the leasehold estate is taken by process or operation of Law (except if taken by Condemnation);
- (h) Tenant does not take possession of or abandons the Premises;
- (i) Tenant fails to deliver, within the ten (10) day period described in Paragraph 41 and 49.2 below, any estoppel certificate or financial statements requested by Landlord pursuant to Paragraph 41 and 49.2 below;
- (j) Tenant is in default beyond any notice and cure period under any other lease or agreement with Landlord at the Building or Project. If Landlord provides Tenant with notice of Tenant’s failure to comply with any specific provision of this Lease on three (3) separate occasions during any twelve (12) month period, Tenant’s subsequent violation of such provision shall, at Landlord’s option, be an incurable Default by Tenant. All notices sent under this Section shall be in satisfaction of, and not in addition to, notice required by Law. Notwithstanding the foregoing, if Tenant violates the same term or condition of this Lease on two (2) occasions during any twelve (12) month period, Landlord shall have the right to exercise all remedies for any violations of the same term or condition during the next twelve (12) months without providing further notice or any opportunity to cure; or

(k) if this Lease or any estate of Tenant hereunder shall be levied upon under any attachment or execution and such attachment or execution is not vacated within ten (10) days after levy thereof.

25. Landlord's Remedies.

25.1. Upon Default, Landlord shall have the right to pursue any one or more of the following remedies:

(a) Terminate this Lease, in which case Tenant shall immediately surrender the Premises to Landlord. If Tenant fails to surrender the Premises, Landlord, in compliance with Law, may enter upon and take possession of the Premises and remove Tenant, Tenant's Property and any party occupying the Premises. Tenant shall pay Landlord, on demand, all past due Rent (together with interest thereon as set forth in Paragraph 26, below) and other losses and damages Landlord suffers as a result of Tenant's Default, including, without limitation, all Costs of Reletting (defined below) and any deficiency that may arise from reletting or the failure to relet the Premises. "Costs of Reletting" shall include all reasonable costs and expenses incurred by Landlord in preparing the Premises to be relet for office use, plus the unamortized cost of broker commissions paid for this Lease, the unamortized cost of any Tenant Improvements installed by or paid for by Landlord, and the unamortized value of any rent-free occupancy periods granted to Tenant (all of which shall be amortized on a straight-line basis over eight years).

(b) Terminate Tenant's right to possession of the Premises and, in compliance with Law, remove Tenant, Tenant's Property and any parties occupying the Premises. Landlord may (but shall not be obligated to) relet all or any part of the Premises, without notice to Tenant, for such period of time and on such terms and conditions (which may include concessions, free rent and work allowances) as Landlord in its absolute discretion shall determine. Landlord, at its option, may make such physical changes to the Premises as it considers advisable or necessary in connection with any such reletting or proposed reletting, without relieving Tenant of any liability under this Lease. If there is other vacant space in the Building, Landlord shall have no obligation to attempt to relet the Premises prior to leasing other space in the Building. Landlord may collect and receive all rents and other income from the reletting. Tenant shall pay Landlord on demand all past due Rent, all Costs of Reletting and any deficiency arising from the reletting or failure to relet the Premises. The re-entry or taking of possession of the Premises shall not be construed as an election by Landlord to terminate this Lease. To the extent permitted by law, Tenant expressly waives the service of any notice of intention to terminate this Lease or to retake the Premises, and waives service of any demand for payment to Rent or for possession, and of any every other notice or demand required or permitted under applicable law. To the extent permissible by law, if Landlord takes possession of the Premises pursuant to the authority herein granted, then Landlord shall have the right to keep in place and use all of the furniture, fixtures and equipment at the Premises, including that which was purchased with any tenant improvement allowance provided by Landlord to Tenant or that is leased to Tenant at all times prior to any foreclosure thereon by Landlord or repossession thereof by any lessor thereof or third party having a lien thereon. Landlord shall also have the right to remove from the Premises (without the necessity of obtaining a distress warrant, writ of sequestration or other legal process and without being liable for prosecution or any claim for damages therefor) all or any furniture, fixtures, equipment and other property located in the Premises and place the same in storage at any place convenient to Landlord or dispose of the same; and in such event, Tenant shall be liable to Landlord for costs incurred by Landlord in connection with such removal, storage, and/or disposal and shall indemnify and hold Landlord harmless from all loss, damage, cost, expense, and liability in connection with such removal, storage and/or disposal. Landlord shall also have the right to relinquish possession of all or any portion of such furniture, fixtures, equipment, and other property to any person ("Claimant") claiming to be entitled to possession thereof who presents to Landlord a copy of any instrument purporting to have been executed by Tenant (or any predecessor of Tenant) granting Claimant the right under various circumstances to take possession of such furniture, fixtures, equipment or other property, without the necessity on the part of Landlord to inquire into the authenticity of said instrument and without the necessity of Landlord's making any investigation or inquiry as to the validity of the factual or legal basis upon which Claimant purports to act; and Tenant agrees to indemnify, defend and hold Landlord Parties harmless from all cost, expense, loss, damage, and liability incident to Landlord's relinquishment of possession of all or any portion of such furniture, fixtures, equipment, or other property to Claimant. Should Tenant abandon the Premises and leave property therein, Landlord

may elect whether or not to accept the property, liquidate said property and apply the proceeds against any sums due and owing by Tenant, or to dispose of said property, and Tenant waives any claim to such property after any such abandonment. For purposes of the foregoing, Tenant shall be deemed to have abandoned its interest in such property if the same is not removed from the Premises by Tenant within ten days after Landlord's proper demand that Tenant remove same, or within ten days after expiration or earlier termination of this Lease, whichever first occurs. The provisions of this Paragraph 25.01 shall additionally apply at the time of Tenant's surrender of the Premises pursuant to Paragraph 23.1. The provisions hereof shall survive the termination of this Lease.

25.2. In lieu of calculating damages under Section 25.01, Landlord may elect to receive as damages the sum of (a) all unpaid Rent accrued through the date of termination of this Lease or Tenant's right to possession, and (b) an amount equal to the total Rent that Tenant would have been required to pay for the remainder of the Lease Term discounted to present value at the Prime Rate (defined below) then in effect, minus the then present fair rental value of the Premises for the remainder of the Lease Term, similarly discounted, after deducting all anticipated Costs of Reletting. "Prime Rate" shall be the per annum interest rate publicly announced as its prime or base rate by a federally insured bank selected by Landlord in the state in which the Building is located.

25.3. If Tenant is in Default of any of its non-monetary obligations under this Lease, Landlord shall have the right to perform such obligations. Tenant shall reimburse Landlord for the cost of such performance upon demand together with an administrative charge equal to ten percent (10%) of the cost of the work performed by Landlord. The repossession or re-entering of all or any part of the Premises shall not relieve Tenant of its liabilities and obligations under this Lease. No right or remedy of Landlord shall be exclusive of any other right or remedy. Each right and remedy shall be cumulative and in addition to any other right and remedy now or subsequently available to Landlord at Law or in equity.

25.4. The parties hereto specifically agree that Tenant's covenants to pay Rent or any other payments required of it hereunder are independent of all other covenants and agreements herein contained and, as such, among other things, Tenant shall have no offset rights against the Rent payable hereunder by Tenant to Landlord except as may be specifically permitted under this Lease.

26. Interest and Late Charges. Late payment by Tenant to Landlord of Rent or other charge will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which would be impracticable or extremely difficult to fix. Such costs include, without limitation, processing, collection and accounting charges, and late charges that may be imposed on Landlord by the terms of any deed of trust covering the Premises. Therefore, if any Rent or other charge (in the form of good funds) is not received by Landlord within ten days of its due date, then, without any requirement for notice to Tenant, Tenant shall owe and pay to Landlord an additional sum of five percent of such overdue amount as a late charge. Such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of any late payment by Tenant, and therefore this Paragraph is reasonable under the circumstances existing at the time this Lease is made. Acceptance of such late charge by Landlord shall not constitute a waiver or cure of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord under this Lease any or all of which may be exercised before, concurrently, or after Landlord's exercise of its rights hereunder. In addition to the late charge payable by Tenant, as provided above, if any such Rent or other charge is not paid within 30 days of the date such Rent or other charge was due, then Tenant shall pay to Landlord interest on such overdue Rent or other charge (from such 30th day until all amounts, including interest, are paid in full) at the rate of seven percent (7%) per annum above the "prime rate" announced from time to time by Bank of America, NT&SA or the maximum amount permitted by law, whichever is less (the "Default Rate"). If such prime rate ceases to be announced, then a comparable "prime rate" shall be utilized, as selected by Landlord.

27. Landlord Default – Tenant's Remedies. Landlord shall not be in default hereunder unless Landlord fails to perform the obligations required of Landlord when due, but in no event later than twenty (20) days after notice by Tenant to Landlord, and to the holder of any first mortgage or deed of trust covering the Premises, whose name and address shall have been furnished to Tenant, specifying the nature of Landlord's failure to perform; provided, however, that if the nature of Landlord's obligation is such that more than twenty (20) days are required for performance, then Landlord shall not be in default if

Landlord commences performance within such twenty (20) day period and thereafter diligently prosecutes the same to completion. In no event shall Landlord be liable under any circumstances for any consequential damages incurred by Tenant, including, without limitation, any injury to, or interference with, Tenant's business (including any loss of profits), arising in connection with this Lease. In the event of Landlord default, Tenant shall be entitled to pursue all legal and equitable remedies available, subject to any limitations set forth in this Lease, provided that nothing herein contained shall be interpreted to mean that Tenant is excused from paying Rent due hereunder as a result of any default by Landlord.

28. Quarterly Payments. If a late charge is payable under this Lease, whether or not collected, for two installments of Basic Monthly Rent or Additional Rent due under this Lease during any one calendar year during the Lease Term, then Landlord, by written notice to Tenant, may require that Basic Monthly Rent and Additional Rent be due and payable quarterly in advance, rather than monthly. All monies paid to Landlord under this Paragraph may be commingled with other monies of Landlord and shall not bear interest. If Tenant breaches any provision of this Lease, then any balance remaining from funds paid to Landlord under the provisions of this Paragraph may, at Landlord's election, be applied to the payment of any monetary default of Tenant.

29. Destruction. If the Building is totally or partially destroyed during the Lease Term, rendering the Premises totally or partially inaccessible or unusable, then, subject to the remainder of this Paragraph, (i) Landlord shall promptly commence work necessary to restore the Building to substantially the same condition as it was in immediately before such destruction and shall diligently prosecute such restoration work until completed, (ii) Landlord shall not be required to restore Tenant's Alterations or Tenant's Personal Property, unless they are an integral part of the Premises and they are specifically covered by insurance proceeds received by Landlord, such excluded items being the sole responsibility of Tenant to restore, (iii) such destruction shall not terminate this Lease (except as provided below), and (iv) all obligations of Tenant under this Lease shall remain in effect, except that the Basic Monthly Rent and Additional Rent shall be abated or reduced, between the date of such destruction and the date of Substantial Completion of restoration, by the ratio of (a) the Rentable Square Footage of the Premises rendered unusable or inaccessible by the destruction, to (b) the Rentable Square Footage of the Premises prior to such destruction. Notwithstanding anything to the contrary in this Paragraph, either party shall have ten business days from the date of Landlord's determination that this sentence applies to the subject destruction/reconstruction, in which to terminate this Lease if Landlord determines that (1) it will likely take more than either (A) 250 days following the date of such casualty, or (B) 180 days from obtaining all required permits for such reconstruction, in which to complete such work, (2) such destruction (which is not de minimus in nature) occurs during the last two years of the Lease Term, or (3) then-existing laws do not permit such restoration. Additionally, Landlord may, at its election, terminate this Lease by so notifying Tenant in writing on or before the later of 60 days after such destruction if (I) such destruction exceeds 20% of the then-replacement value of the Premises, the Building, or the Project, or (II) Landlord reasonably determines that the cost of such restoration will exceed the amount of insurance proceeds relating to such destruction actually received (or likely to be available) by Landlord from insurance maintained by Landlord, excluding deductibles, by more than five percent of such cost of restoration. If Landlord or Tenant so terminates this Lease, then (x) Landlord shall have no obligation to restore the Project, (y) Landlord shall retain all insurance proceeds relating to such destruction (except the proceeds of any insurance policies maintained by Tenant, unless Tenant or its agents, employees or contractors are found to be legally liable for the destruction, in which case Landlord shall be entitled to recover from Tenant any insurance proceeds paid or payable to Tenant to the extent necessary to pay the reasonable cost of restoration), and (z) this Lease shall terminate as of 30 days after such notice of termination from Landlord or Tenant, as applicable. Tenant hereby waives the provisions of any successor statute with respect to any destruction of the Premises. If Landlord fails to Substantially Complete any restoration work within six months after occurrence of the damage or destruction, Tenant may, by 30 days' written notice to Landlord delivered after the expiration of such six-month period, terminate this Lease.

29.1. Waiver of Statutory Provisions. The provisions of this Lease, including this Paragraph 29, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or the Project, and any statute or regulation of the State of Washington with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or

regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or the Project.

30. **Condemnation.** If during the Lease Term, or during the period of time between the execution of this Lease and the Lease Commencement Date, there is any taking of all or any part of the Premises or any interest in this Lease by the exercise of any governmental power, whether by legal proceedings or otherwise, by any public or quasi-public authority, or private corporation or individual, having the power of condemnation (any of the preceding a "Condemnor"), or a voluntary sale or transfer by Landlord to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending (any of the preceding, a "Condemnation"), the rights and obligations of Landlord and Tenant shall be determined pursuant to this Paragraph. If such Condemnation is of the entire Premises, then this Lease shall terminate on the date the Condemnor requires that Tenant vacate the Premises (the "Date of Condemnation"). If such Condemnation is of any portion, but not all, of the Premises, then this Lease shall remain in effect, except that, if the remaining portion of the Premises is rendered unsuitable for Tenant's continued use of the Premises, then Tenant may elect to terminate this Lease, by so notifying Landlord in writing (the "Termination Notice") within 30 days after the date that the nature and extent of the Condemnation have been determined. Such termination shall be effective on the earlier of (i) the date that is 30 days after the giving of the Termination Notice, or (ii) the Date of Condemnation. If Tenant does not give to Landlord the Termination Notice within such 30-day period, then all obligations of Tenant under this Lease shall remain in effect, except that (unless the Premises are restored as set forth below) Basic Monthly Rent shall be reduced by the ratio of (a) the Rentable Square Footage of the Premises taken to (b) the Rentable Square Footage of the Premises immediately prior to the Date of Condemnation. Unless Landlord restores the Premises pursuant to the preceding sentence, or unless Tenant gives to Landlord the Termination Notice within the relevant 30-day period, Tenant at its sole cost shall accomplish any restoration required by Tenant to use the Premises. A temporary Condemnation of the Premises, or any part of the Premises, for less than 180 days, shall not constitute a Condemnation under this Paragraph; but the Basic Monthly Rent shall abate as to the portion of the Premises affected during such temporary Condemnation. All compensation, sums, or anything of value awarded, paid, or received on a total or partial Condemnation (the "Award") shall belong to and be paid to Landlord. Tenant shall have no right to any part of the Award, and Tenant hereby assigns to Landlord all of Tenant's right, title, and interest in and to any part of the Award, except that Tenant shall receive from the Award any sum paid expressly to Tenant from the Condemnor for Tenant's Personal Property or for severance damages. Landlord and Tenant waive the provisions of any statute (including without limitation any successor statute) that allows Landlord or Tenant to petition the superior court (or any other court) to terminate this Lease in the event of a partial Condemnation of the Premises.

31. **Assignment and Other Transfers.**

31.1. **Restriction on Transfer.** Without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned, delayed or denied and except as permitted by Paragraph 31.3, below, none of the following shall occur (nor be permitted by Tenant to occur), voluntarily, involuntarily, by operation of law, or otherwise (any of the following, a "Transfer"): (i) any assignment, sublease, disposition, sale, concession, license, license agreement for the use of any portion of the Premises, mortgage, encumbrance, hypothecation, pledge, collateral assignment, or other transfer, by Tenant of this Lease, any interest in this Lease, or all or any portion of the Premises; or (ii) any assignment, disposition, sale, transfer, acquisition, or issuance of equitable interests (whether stock, partnership or otherwise) in Tenant, to or by any person, entity, or group of related persons or affiliated entities, whether in a single transaction or in a series of related or unrelated transactions, which results in such person, entity, or group holding (or assigning, transferring, disposing of, or selling) 50% or more of the aggregate issued and outstanding equitable interests in Tenant.

31.2. **Transfer Provisions Generally.**

31.2.1. Any Transfer made without Landlord's consent shall be voidable at Landlord's option. At least 30 days prior to entering into any proposed Transfer, Tenant shall submit to Landlord the sum of \$1,000.00 (as payment toward Landlord's and Landlord's attorneys' cost of reviewing, consenting to, rejecting and/or consummating any proposed Transfer), and a written notice ("Tenant's Notice") which includes (i) a fully executed copy of the instrument of transfer (i.e., the

sublease or assignment) relating to the proposed Transfer, along with all related agreements, documents, instruments, exhibits, and escrow instructions, (ii) the name and address of the Proposed Transferee, (iii) an abstract of the terms and conditions of the proposed Transfer, including without limitation the economics of such Proposed Transfer and the commencement or effective date of the proposed Transfer, which shall be at least 30 days after Tenant's Notice is given, and (iv) the nature, character, and current banking, financial, and other credit information and references with respect to the Proposed Transferee and the business of the Proposed Transferee (including without limitation financial statements including, but not limited to, a profit and loss statements and balance sheets detailing cash flow for the three most-recent years), in reasonably sufficient detail to enable Landlord to determine the Proposed Transferee's financial responsibility.

31.2.2. Within 10 business days after Landlord's receipt from Tenant of such sum and Tenant's Notice, and all documentation requested of Tenant by Landlord, Landlord shall notify Tenant whether Landlord has consented to the proposed Transfer. Any consent by Landlord to any proposed Transfer shall not constitute a consent with respect to any other Transfer. If Landlord consents to any proposed Transfer, and Tenant fails to consummate such Transfer within 30 days of the commencement or effective date of the proposed Transfer (as set forth in Tenant's Notice) or, if Tenant's Notice fails to identify such a date, then within 150 days of the Tenant's Notice, then such consent shall be deemed withdrawn and Tenant shall be required again to comply with this Paragraph before making a Transfer. Landlord shall not be deemed to have unreasonably withheld its consent with respect to any Transfer if (among other things) Landlord shall not have received such sum or Tenant's Notice, if the nature or character of the Proposed Transferee is not in keeping with the dignity and character of the Building and the surrounding area, if the Proposed Transferee's proposed use is materially and adversely different than the Permitted Use or Tenant's prior use, if the proposed Transfer will result in the diminution of the value or marketability of the Building or the Project, if Landlord is not reasonably satisfied that the Proposed Transferee is creditworthy, or if the proposed Transfer will conflict with or result in a breach of any of the provisions of, or constitute a default under, any agreement, instrument, or document to which Landlord is a party or by which the Project may be bound. No Transfer shall release or discharge Tenant from any liability, whether past, present, or future, under this Lease and Tenant shall continue to remain directly and primarily liable under this Lease (and not as a mere surety).

31.2.3. Unless otherwise agreed to by all parties, the Tenant's Security Deposit (if any) shall be retained by Landlord and returned to the lawful tenant in possession of the Premises at the time of the Lease termination, subject to the terms and conditions of Paragraph 6 of this Lease. Any Transfer documentation shall contain the following provisions, which provisions whether contained in such Transfer documentation or not, shall apply to such Transfer: (a) Such Transfer shall be subject to, and bound by, all provisions of this Lease; (b) No Proposed Transferee shall be permitted to enter into any Transfer without Landlord's prior written consent; and (c) At Landlord's option, in the event of cancellation or termination of this Lease for any reason or the surrender of this Lease, whether voluntarily, involuntarily, by operation of law or otherwise, prior to the expiration of such Transfer, the Proposed Transferee shall make full and complete attornment to Landlord for the balance of the term of such Transfer. Such attornment shall be evidenced by an agreement in form and substance reasonably satisfactory to Landlord that the Proposed Transferee shall execute and deliver to Landlord within five days after request by Landlord.

31.2.4. Tenant shall promptly reimburse Landlord for Landlord's reasonable and actual cost not to exceed \$5,000 of reviewing, consenting to, rejecting and/or consummating any proposed Transfer, including without limitation reasonable attorneys' fees and costs/fees of Landlord's Lender (if any) in connection therewith. If Tenant fails to pay such amount within ten business days of written demand, Tenant shall be in default hereunder and Landlord shall have the right, in addition to its other rights and remedies under this Lease, to revoke its prior approval of the proposed Transfer if such Proposed Transferee has not yet taken over possession of the Premises.

31.3. Excess Rent. Tenant shall promptly pay to Landlord, as and when received, 50% of all rents and other consideration after all of Tenant's reasonable third-party expenses incurred in connection with such Transfer are deducted, of whatever nature, payable by the Proposed Transferee (or receivable by Tenant) pursuant to or as a result of any Transfer, which exceed (i) in the case of a sublease of a portion of the Premises, the portion of the Basic Monthly Rent that is allocable to the portion of the

Premises subleased (such allocation based on the Rentable Square Footage of the portion subleased), or (ii) in the case of any other Transfer, the Basic Monthly Rent.

31.4. Permitted Transferee. Notwithstanding anything to the contrary contained in Paragraphs 31.1 or 31.3, above, no consent of Landlord will be required for, and no amounts will be payable to Landlord in connection with, any Transfer to any of the following (any of which will constitute a "Permitted Transferee"):

31.4.1. Any parent, wholly-owned subsidiary, or other company of which Tenant owns all or substantially all of the voting and beneficial interests, or which company owns all or substantially all of the voting and beneficial interests in Tenant, and which parent, subsidiary, or other company has a net worth (determined in accordance with GAAP) equal to or greater than Tenant's net worth as of the day before such transaction or as of the Lease Commencement Date, whichever is less;

31.4.2. Any surviving or successor entity resulting from a merger, consolidation, or sale of substantially all of the assets of Tenant, where the net worth of the resulting or acquiring company exceeds (as determined in accordance with GAAP), the net worth of the Tenant as of the day prior to such transaction or as of the Lease Commencement Date, whichever is less; or

31.4.3. Any sale of stock as part of a "public offering" on one of the nationally recognized securities exchanges (such as, without limitation, NYSE or NASDAQ) or as part of an employee stock purchase program.

31.4.4. The sale or transfer of substantially all of Tenant's assets in the state the Premises are located.

Notwithstanding the foregoing, and as a condition precedent to the effectiveness of any such Transfer to a Permitted Transferee, at least 20 days prior to any proposed Transfer to a Permitted Transferee, Tenant shall notify Landlord in writing of its intention to undertake such a Transfer and provide Landlord with sufficient information to confirm that such entity will in fact be a Permitted Transferee and the assigning Tenant shall execute Landlord's form guaranty—which guaranty shall serve to release such assigning Tenant from direct liability hereunder and such assigning Tenant will then only have liability for matters first accruing under this Lease thereafter pursuant to such guaranty (it being understood that if such assigning Tenant fails to execute such a Guaranty, then such assignment shall constitute an Event of Default, such Transfer will be void, and such assigning Tenant shall remain primarily liable hereunder). Landlord shall keep all such information confidential. Other than the right to engage in a Transfer to a Permitted Transferee without Landlord's consent, all other provisions of Paragraph 31.2 shall apply to such a Transfer.

32. Landlord's Reserved Rights.

32.1. General Rights Reserved. In addition to the specific reserved rights identified in Paragraph 32.2, below, Landlord, as owner of the Project, in addition to Landlord's other rights, reserves the right from time to time: (i) to temporarily utilize portions of the Common Areas for, among other things, entertainment, outdoor shows, displays, automobile and other product shows, the leasing of kiosks, or such other uses which, in Landlord's reasonable judgment, are appropriate; (ii) to utilize the lighting standards and other areas or improvements in the Common Areas for advertising, notice purposes, or other reasonable purposes; (iii) to close any of the Common Areas to the extent required in the opinion of Landlord's legal counsel to prevent a dedication of any of the Common Areas or the accrual of any rights to any person or to the public in and to any portion of the Common Areas; (iv) to close, temporarily, any of the Common Areas for maintenance purposes; (v) to designate other property outside the boundaries of the Project to become part of the Common Areas; (vi) to close off or otherwise utilize portions of the Common Areas while constructing improvements or making repairs or alterations to any portion of the Project; (vii) to utilize portions of the Common Areas, on a temporary basis, as a staging area for any construction work by Landlord or its affiliates, agents, tenants, or contractors; and (viii) to make any changes to the Common Areas, or any part of the Project, including without limitation changes to buildings or other improvements, the addition of new buildings or other improvements, and/or changes in (among other things) the location of driveways, entrances, exits, vehicular parking spaces, or

the direction of the flow of traffic. In exercising such rights, Landlord agrees to use commercially reasonable efforts to minimize any interference with Tenant's use of the Premises.

33. Easements. Landlord may, at its election, from time to time, grant such easements, rights and dedications, and cause the recordation of parcel maps, easement and operating agreements, and restrictions affecting the Premises and the Project, provided that no such acts materially and adversely affect Tenant's rights of ingress or egress to the Building and the Premises or Tenant's right to use the Premises. Tenant shall promptly sign any documents or instruments to accomplish the foregoing upon request by Landlord.

34. Access by Landlord. Landlord and any of Landlord's Invitees shall have the right to enter the Premises at all reasonable times, during normal business hours if feasible under the circumstances, and upon 24 hours' notice (except that no notice shall be required in the case of an emergency) (i) to determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease, (ii) to do any necessary maintenance or perform any restoration to the Premises that Landlord has the right or obligation to perform, (iii) to serve, post, or keep posted any notices required or allowed under this Lease, (v) to post "for sale" or "for rent" or "for lease" signs during the final nine months of the Term, (vi) to show the Premises to brokers, lenders, agents, prospective buyers, prospective tenants, or other persons interested in a listing of, financing, purchasing, or occupying the Project, the Premises or any portion of the Project or the Premises, and (vii) to shore the foundations, footings, and walls of the Project, and to erect scaffolding and protective barricades around and about the Premises, but not so as to prevent entry to the Premises, and to do any other act or thing necessary for the safety or preservation of the Premises if any excavation or other construction is undertaken or is about to be undertaken on any adjacent property or nearby street. In the event of an emergency Landlord shall have the right to enter the Premises at any time, without prior notice to Tenant. Landlord's rights under this Paragraph extend, with Landlord's consent, to the owner of adjacent property on which excavation or construction is to take place and the adjacent property owner's agents, employees, officers, and contractors. Landlord shall not be liable for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of any entry on the Premises as provided in this Paragraph except damage resulting directly from the grossly negligent acts or willful misconduct of Landlord or Landlord's Invitees. Tenant shall not be entitled to any abatement or reduction of Basic Monthly Rent or other Rent because of the exercise by Landlord of any rights under this Paragraph.

35. Indemnity. Tenant hereby agrees to indemnify, defend, protect, and hold harmless Landlord and its members, shareholders, officers, directors, agents, property managers, employees, contractors, and the partners comprising Landlord (if any) from and against all Claims (as defined below) and all costs, expenses, and attorneys' fees incurred in the defense or handling of any such Claims or any action or proceeding brought on any of such Claims. For purposes of this Lease, the term "Claims" shall mean all liabilities, damages, losses, costs, expenses, attorneys' fees, and claims (except to the extent they result from Landlord's negligent acts or willful misconduct) arising from or which seek to impose liability under or because of (i) Tenant's or Tenant's Invitees' use of the Premises, (ii) the conduct of Tenant's business, (iii) any activity, work, or things done, permitted, or suffered by Tenant or any of Tenant's Invitees in or about the Premises or elsewhere, (iv) any breach or default in the performance of any obligation to be performed by Tenant under this Lease, and/or (v) any negligence of Tenant or any of Tenant's Invitees. If any action or proceeding is brought against Landlord or its shareholders, officers, directors, agents, property managers, employees, contractors, or the partners comprising Landlord (if any) by reason of any such Claims, Tenant upon notice from Landlord shall defend such action or proceeding at Tenant's sole cost by legal counsel satisfactory to Landlord. Landlord hereby agrees to indemnify, defend, protect, and hold harmless Tenant from and against all liabilities, damages, losses, costs, expenses, attorneys' fees, and claims suffered by or asserted against Tenant to the extent arising from Landlord's negligent acts or willful misconduct.

35.1. WAIVER OF IMMUNITY. SOLELY FOR PURPOSES OF GIVING EFFECT TO THE FOREGOING DEFENSE AND INDEMNITY OBLIGATIONS, AND- NOT FOR THE BENEFIT OF ANY THIRD-PARTY, TENANT HEREBY WAIVES ITS IMMUNITY WITH RESPECT TO THE PARTIES INDEMNIFIED UNDER THE PRECEDING PARAGRAPHS UNDER THE INDUSTRIAL INSURANCE ACT (RCW TITLE 51) AND/OR, AS ANY OF THE SAME MAY BE AMENDED, SUBSTITUTED OR REPLACED, AND EXPRESSLY AGREES TO ASSUME

POTENTIAL LIABILITY FOR ACTIONS BROUGHT AGAINST AN INDEMNIFIED PARTY BY TENANT'S EMPLOYEES. THIS WAIVER HAS BEEN SPECIFICALLY NEGOTIATED BY THE PARTIES TO THIS LEASE AND EACH PARTY HAS HAD THE OPPORTUNITY TO, AND HAS BEEN ENCOURAGED TO, CONSULT WITH INDEPENDENT COUNSEL REGARDING THIS WAIVER.

36. Exemption of Landlord from Liability. Except to the extent caused by Landlord's negligent acts, willful misconduct, violation of law or failure to perform its obligations under this Lease, Tenant assumes all risk of, Tenant waives all claims against Landlord in respect of, and Landlord shall not be liable for, any of the matters set forth in the preceding Paragraph or any of the following: injury to Tenant's business, loss of income from such business, or damage or injury to the goods, wares, merchandise, or other property or the person of Tenant, Tenant's Invitees, or any other persons in, upon, or about the Premises, whether such damage, loss, or injury is caused by or results from criminal acts, fire, steam, electricity, gas, water, rain, the breakage, leakage, obstruction or other defects of pipes, sewer lines, sprinklers, wires, appliances, plumbing, air-conditioning or lighting fixtures, or any other cause, conditions arising upon the Premises, or other sources or places, and regardless of whether the cause of such damage, loss, or injury or the means of repairing such damage, loss, or injury is inaccessible to Tenant. This Lease shall not be affected or impaired by any change to any part of the Project or any sidewalks, streets or improvements nearby the Project.

37. Hazardous Substances.

37.1. Landlord's Covenants. Landlord shall not cause any unlawful accumulations of Hazardous Material (as defined below) to be generated, brought onto, used, stored, or disposed of in or about the Premises, the Building, or the Project by Landlord or its agents, employees, or contractors, except for limited quantities of standard office and janitorial supplies and petroleum and petroleum-related products commonly used on or at similar office projects. Furthermore, Landlord shall: (a) use, store, and dispose of all such permitted Hazardous Material in strict compliance with all applicable statutes, ordinances, and regulations in effect during the Lease Term that govern and/or relate to Hazardous Material, public health and safety and protection of the environment, and (b) comply at all times during the Lease Term with all environmental laws (as defined in Paragraph 37.2, below). Except as to those matters which are Tenant's responsibility pursuant to Paragraph 37.2, below, Landlord shall be responsible, at its expense (or the expense of others; but not as an Operating Expense) to cause any unlawful accumulations of Hazardous Materials or Asbestos-Containing Materials to be remediated in accordance with the requirements of all applicable environmental laws.

37.2. Tenant's Covenants. Tenant covenants, represents, and warrants to the Landlord that its use of the Premises, the Building, and the Project will be in full compliance with all environmental laws. Tenant hereby agrees to indemnify Landlord against all actions, liabilities, damages, losses, costs, expenses, attorneys' fees, and claims (except to the extent they arise as a result of Landlord's grossly negligent acts or willful misconduct), arising from or relating to: (i) any discharges, releases, or threatened releases of any Hazardous Material into ambient air, water, or land by Tenant or Tenant's Invitee's from, on, under, or above the Premises, (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, or hazardous or toxic wastes, substances, or materials by Tenant or Tenant's Invitees, or otherwise from, on, or under, the Premises, or (iii) a violation by Tenant or Tenant's Invitees of any environmental law on, under, or above the Premises (for purposes of this Lease, "environmental laws" shall mean any Federal, State, or local law, statute, regulation, ordinance, guideline, or common law principle relating to public health or safety or the use or control of the environment, including without limitation the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Carpenter-Presley-Tanner Hazardous Substance Account Act, the Federal Clean Air Act, the Federal Clean Water Act, and the Federal Resource Conservation and Recovery Act and any other laws governing environmental or Hazardous Material matters in Washington. Tenant agrees to promptly reimburse Landlord for all of Landlord's costs arising from periodic monitoring of Tenant's use, handling, or storage of Hazardous Substances at or surrounding the Premises. Tenant shall not cause or permit any Hazardous Material to be generated, brought onto, used, stored, or disposed of in or about the Premises, the Building, or the Project by Tenant or its agents, employees, contractors, subtenants, or invitees, except for limited quantities of standard office and janitorial supplies. Tenant shall: (a) use, store, and dispose of all such permitted

Hazardous Material in strict compliance with all applicable statutes, ordinances, and regulations in effect during the Lease Term that govern and/or relate to Hazardous Material, public health and safety and protection of the environment, and (b) comply at all times during the Lease Term with all environmental laws. If the Premises are contaminated (or, due to the acts or omissions of Tenant or Tenant's Invitees, the Project is contaminated) by any Hazardous Material during the Lease Term, then (1) Tenant shall promptly notify Landlord in writing of such contamination, and (2) Landlord may elect to either (A) demand that Tenant perform all remediation required by Landlord (to Landlord's satisfaction and at Tenant's sole cost, necessary to return the Premises (and/or the Project) to at least as good a condition as the Premises (or the Project) are in as of the date of this Lease, which Tenant shall immediately do upon receipt of notice from Landlord, or (B) proceed to cause such investigation, clean-up, and remediation work which Landlord deems necessary or desirable to be undertaken, whereupon the entire cost thereof (plus a supervisory fee equal to ten percent of such cost) will be payable by Tenant to Landlord upon demand as Additional Rent. If, after demand by Landlord, as provided in this Paragraph, Tenant does not promptly commence and diligently pursue such remediation, then Landlord may, at Landlord's election, perform or cause to be performed such remediation and Tenant shall immediately, upon demand, pay the cost thereof to Landlord, plus a supervisory fee in the amount of ten percent of such cost. Tenant's obligations and liability under this Paragraph shall survive the termination of Tenant's tenancy and the Lease Term of this Lease, except that nothing contained in this Paragraph shall be deemed to impose liability on Tenant for any problem arising after the Lease Term provided neither Tenant nor Tenant's Invitees contributed to such problem during the Lease Term.

37.3. Definition of Hazardous Materials. As used in this Lease the term "Hazardous Material" shall mean any hazardous or toxic substance, material, or waste that is or becomes regulated by the United States, the State of Washington, or any local government authority having jurisdiction over the Building. Hazardous Material includes, without limitation: (a) any "hazardous substance", as that term is defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) (42 United States Code Sections 9601-9675); (b) "hazardous waste", as that term is defined in the Resource Conservation and Recovery Act of 1976 (RCRA) (42 United States Code Sections 6901-6992k); (c) any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance, within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders imposing liability or standards of conduct concerning any hazardous, dangerous, or toxic waste, substance, or material, now or hereafter in effect); (d) petroleum products; (e) radioactive material, including any source, special nuclear, or byproduct material as defined in 42 United States Code Sections 2011-2297; (f) asbestos in any form or condition; and (g) polychlorinated biphenyls (PCBs) and substances or compounds containing PCBs.

38. Prohibition Against Mold, Lead-Based Paint, and Asbestos-Containing Materials. Asbestos-Containing Materials. Tenant shall not allow or permit any lead-based paint to be used in the Premises, nor shall Tenant allow or permit any condition to occur which could result in the growth of mold within the Premises. Additionally, Tenant acknowledges and agrees that (i) the Project may have been constructed at a time when asbestos was commonly used in construction, (ii) asbestos and asbestos-containing materials (collectively, "Asbestos-Containing Materials") may be present at the Project, and (iii) airborne asbestos fibers may be released and result in a potential health hazard if proper Asbestos-Containing Materials containment, remediation and abatement procedures are not observed. Tenant shall not allow or permit any Asbestos-Containing Materials in any form or concentration to be used or stored in the Premises or used in the construction of any improvements or alterations to the Premises, including, without limitation, building or construction materials and supplies. Such prohibition against Asbestos-Containing Materials shall apply regardless of whether the Asbestos-Containing Materials may be considered safe or approved for use by a manufacturer, supplier, or governmental authority, or by common use or practice. Landlord shall have the right, upon 24-hours' notice, to enter upon and conduct inspections of the Premises to determine Tenant's compliance with this Paragraph. If Tenant violates the foregoing covenants relating to lead-based paint, mold, and Asbestos-Containing Materials (collectively "Prohibited Substances"), then (a) Tenant shall, upon notice from Landlord, immediately remove and remediate any damage from such Prohibited Substances at Tenant's sole cost, (b) such removal and remediation shall comply with all applicable laws, regulations, and requirements, (c) Tenant shall reimburse Landlord for all expenses incurred in connection with any inspection and testing of the Premises conducted by Landlord, and (d) unless Tenant completes such removal within 30 days after notice from Landlord, Landlord may, at its election, do either or both of the following: (i) declare an

Event of Default (without the requirement of any notice under Paragraph 24.4) and exercise Landlord's remedies hereunder, including, without limitation, terminate this Lease upon ten days prior written notice to Tenant, and/or (ii) remove and remediate such Prohibited Substances and obtain reimbursement from Tenant for the cost of such removal and remediation, including a supervisory fee payable to Landlord in the amount of ten percent of the removal and disposal cost. Tenant shall indemnify Landlord and Landlord's directors, officers, employees, and agents against all costs, liabilities, expenses, penalties, and claims for damages, including, without limitation, litigation costs and attorneys' fees, arising from (A) the presence of Prohibited Substances upon the Premises, to the extent that such Prohibited Substances are used, stored, or otherwise permitted in the Premises or used in the construction of any Alterations by Tenant or Tenant's agents, employees, representatives, or independent contractors, (B) any lawsuit, settlement, governmental order, or decree relating to the presence, handling, removal, or disposal of Prohibited Substances upon or from the Premises, to the extent that such Prohibited Substances are used, stored, or otherwise permitted in the Premises or used in the construction of any improvements or Alterations to the Premises by Tenant or Tenant's agents, employees, representatives or independent contractors, or (C) Tenant's failure to perform its obligations to remove such Prohibited Substances under this Paragraph. In connection with any modifications, alterations or improvements contemplated to be performed by Tenant in the Premises, Tenant (including its contractors and other agents) shall consult with Landlord and Landlord's asbestos consultant concerning appropriate procedures to be followed in connection with Asbestos-Containing Materials prior to performing any such work in the Premises. All such work shall be subject to the terms of Paragraph 22 above. During the performance of any such work, Tenant (including its contractors and other agents) shall comply with all applicable laws, rules, regulations and other governmental requirements, as well as all directives of Landlord and Landlord's asbestos consultant, relating to Asbestos-Containing Materials. Tenant hereby irrevocably appoints Landlord and Landlord's asbestos consultant as Tenant's attorney-in-fact for purposes of supervising and directing any Asbestos-Containing Materials--related aspects of Tenant's contemplated work in the Premises (provided that such appointment shall not relieve Tenant from its obligations hereunder, nor impose any affirmative obligation on Landlord to provide such supervision or direction). In connection with any such work that may affect Asbestos-Containing Materials in the Premises or the Project, Landlord shall have the right at any time to cause Tenant to immediately stop such work if such work has not been approved in writing by Landlord or if such work has deviated from the plans previously approved by Landlord for such work. The provisions of this Paragraph shall not apply to any Prohibited Substances brought onto the Premises by Landlord or Landlord's Invitees or resulting from the acts of Landlord or Landlord's Invitees.

/s/ ER /s/ SC
Landlord's Initials

/s/ MPM
Tenant's Initials

39. Security Measures. Tenant acknowledges that, although the Building may contain a restricted access entry system (if provided for as part of Landlord's Work), (i) the Basic Monthly Rent does not include the cost of any security measures for any portion of the Project (ii) Landlord shall have no obligation to provide any such security measures, (iii) Landlord has made no representation to Tenant regarding the safety or security of the Project, and (iv) Tenant will be solely responsible for providing any security it deems necessary to protect itself, its property, and Tenant's Invitees in, on, or about the Project. If Landlord provides any security measures at any time, then the cost thereof shall be included as part of the Operating Expenses, but Landlord will not be obligated to continue providing such security measures for any period of time, Landlord may discontinue such security measures without notice and without liability to Tenant, and Landlord will not be obligated to provide such security measures with any particular standard of care. Tenant assumes all responsibility for the security and safety of Tenant, Tenant's property, and Tenant's Invitees. Tenant releases Landlord from all claims (other than due to Landlord's gross negligence or intentional misconduct) for damage, loss, or injury to Tenant, Tenant's Invitees, and/or to the personal property of Tenant and/or of Tenant's Invitees, even if such damage, loss, or injury is caused by or results from the criminal, reckless, or negligent acts of third parties. In connection with the foregoing, Tenant hereby waives any defense which would limit any such release to matters known or suspected to exist by Tenant. Tenant is hereby instructed to conduct its own investigation through local police agencies regarding any criminal acts or dangerous conduct that has occurred in or near the Project. Landlord shall have no duty to warn Tenant of any criminal acts or

dangerous conduct that has occurred in or near the Project, regardless of Landlord's knowledge of such crimes or conduct, and Tenant hereby undertakes to remain informed regarding such issues.

40. Subordination and Attornment. This Lease and Tenant's rights under this Lease are subject and subordinate to any mortgage, deed of trust, ground lease, or underlying lease (and to all renewals, modifications, consolidations, replacements, or extensions thereof), now or hereafter affecting the Premises. The provisions of this Paragraph shall be self-operative, and no further instrument of subordination shall be required. In confirmation of such subordination, however, Tenant shall promptly execute and deliver any commercially reasonable instruments that Landlord, any Lender, or the lessor under any ground or underlying lease, may request to evidence such subordination, provided such instrument contains customary non-disturbance language in favor of Tenant and is consistent with the provisions of the next sentence including, without limitation, a Subordination, Non-Disturbance and Attornment Agreement ("SNDA") in the form to be commercially reasonable and acceptable to Lender. If any Lender, or the lessor of any ground or underlying lease affecting the Premises, shall hereafter succeed to the rights of Landlord under this Lease, whether by foreclosure, deed in lieu of foreclosure, or otherwise, then (i) such successor landlord shall not be subject to any offsets or defenses which Tenant might have against Landlord, (ii) such successor landlord shall not be bound by any prepayment by Tenant of more than one month's installment of Basic Monthly Rent or any other Rent (except to the extent such prepayment is required under this Lease), (iii) such successor landlord shall not be subject to any liability or obligation of Landlord except those arising after such succession, (iv) Tenant shall attorn to and recognize such successor landlord as Tenant's landlord under this Lease, (v) Tenant shall promptly execute and deliver any commercially reasonable instruments that may be necessary to evidence such attornment, (vi) upon such attornment, this Lease shall continue in effect as a direct lease (whether separately documented or not) between such successor landlord and Tenant upon and subject to all of the provisions of this Lease, and (vii) Tenant shall be entitled to quiet enjoyment of the Premises for so long as Tenant is not in default under the terms of this Lease or any substitute lease referenced above. Notwithstanding the preceding provisions of this Paragraph, if any ground lessor or Lender elects to have this Lease prior to the lien of its ground lease, deed of trust, or mortgage, and gives written notice thereof to Tenant that this Lease shall be deemed prior to such ground lease, deed of trust, or mortgage, whether this Lease is dated prior or subsequent to the date of such ground lease, deed of trust, or mortgage, then this Lease shall be deemed to be prior to the lien of such ground lease or mortgage and such ground lease, deed of trust, or mortgage shall be deemed to be subordinate to this Lease. Notwithstanding the foregoing, Landlord shall make commercially reasonable efforts to provide an SDNA on Landlord's lenders required form (which is attached as Exhibit "E") from the lender currently holding interest in the Building superior to this Lease, PNC Bank, National Association, within 30 days following the full execution of this Lease.

41. Estoppel Certificate. Within ten days after written request from Landlord, Tenant shall execute and deliver to Landlord, in recordable form, a certificate ("Estoppel Certificate") stating the following, to the extent truthful: (i) that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating all modifications, (ii) the then-current Basic Monthly Rent, (iii) the dates to which Basic Monthly Rent has been paid in advance, (iv) the amount of any security deposit, prepaid rent or other payment constituting Rent which has been paid, (v) whether or not Tenant or Landlord is in default under this Lease and whether there currently exist any defenses or rights of offset under the Lease in favor of Tenant, (vi) that any work required to be performed by Landlord under this Lease is complete (or stating any exceptions), (vii) that any tenant improvement allowance has been paid (or stating any exceptions), and (viii) such other matters as Landlord may reasonably request. Tenant's failure to deliver such certificate within such ten day period shall be conclusive upon Tenant for the benefit of Landlord, and any successor in interest to Landlord, any lender or proposed lender, and any purchaser or proposed purchaser of the Project that, except as may be represented by Landlord, this Lease is unmodified and in full force and effect, no Rent has been paid more than 30 days in advance, neither Tenant nor Landlord is in default under this Lease, no defenses or rights of offset under the Lease exist in favor of Tenant, and that all Landlord's Work required by this Lease is complete. Landlord will similarly, in connection with any lending or Transfer transaction, upon ten days written request from Tenant, execute an estoppel certificate in favor of Tenant's proposed lender or Transferee confirming (i) that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating all modifications, (ii) the then-current Basic Monthly Rent, (iii) the dates to which Basic Monthly Rent has been paid in advance, (iv) the amount of any security deposit, prepaid rent, or other payment constituting Rent which has been paid, and (v) whether or not to the best of Landlord's knowledge Tenant is in default

under this Lease. The requirement for Tenant to execute and deliver to Landlord, the Estoppel Certificate, as required above, shall not be delayed, conditioned, or withheld for any reason; this requirement shall be an independent covenant of Tenant under this Lease. If Tenant fails to execute and deliver to Landlord a requested estoppel certificate within ten days after its receipt of request therefor, then in addition to Landlord's other rights and remedies on account of such default, Tenant shall owe Landlord Additional Rent (which amount shall be payable upon demand) in an amount equal to \$100.00 for each day beyond such ten-day period that it delays in the execution and delivery thereof (as such daily sum may be increased from time-to-time pursuant to the Rules).

42. Waiver. No delay or omission in the exercise of any right or remedy of Landlord in the event of any default or Event of Default by Tenant shall impair such right or remedy or be construed as a waiver. The receipt and acceptance by Landlord of delinquent Rent shall not constitute a waiver of any default other than the particular Rent payment accepted. Landlord's receipt and acceptance from Tenant, on any date (the "Receipt Date"), of an amount less than the Rent actually due on such Receipt Date, or to become due at a later date but applicable to a period prior to such Receipt Date, shall not release Tenant of its obligation (i) to pay the full amount of such Rent due on such Receipt Date or (ii) to pay when due the full amount of such Rent to become due at a later date but applicable to a period prior to such Receipt Date. No act or conduct of Landlord, including without limitation, the acceptance of the keys to the Premises, shall constitute an acceptance by Landlord of the surrender of the Premises by Tenant before the Expiration Date. Only a written notice from Landlord to Tenant stating Landlord's election to terminate Tenant's right to possession of the Premises shall constitute acceptance of the surrender of the Premises and accomplish a termination of this Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any other or subsequent act by Tenant. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Lease. Tenant hereby waives any rights granted to Tenant and/or any successor statute(s). Tenant represents and warrants that if Tenant breaches this Lease and, as a result, this Lease is terminated, Tenant will not suffer any undue hardship as a result of such termination and, during the Lease Term, will make such alternative or other contingency plans to provide for its vacation of the Premises and relocation in the event of such termination. Tenant acknowledges that Tenant's waivers set forth in this Paragraph are a material part of the consideration for Landlord's entering into this Lease and that Landlord would not have entered into this Lease in the absence of such waivers.

43. Brokers. Tenant represents that no real estate broker, agent, finder, or other person is responsible for bringing about or negotiating this Lease other than the Tenant's broker, if any, listed in the Principal Lease Provisions, and Tenant has not dealt with any other real estate broker, agent, finder, or other person, relative to this Lease in any manner. Tenant shall indemnify, defend, and hold Landlord harmless from and against all liabilities, damages, losses, costs, expenses, attorneys' fees and claims arising from any claims that may be made against Landlord by any real estate broker, agent, finder, or other person (other than as set forth above), alleging to have acted on behalf of or to have dealt with Tenant. Landlord shall be solely responsible, upon satisfaction of the requirements of a separate written listing agreement between Landlord and Landlord's broker, for the payment of the commission due and owing to Landlord's brokers identified in the Principal Lease Provisions (or any other brokers engaged by Landlord), pursuant to such separate written agreement between Landlord and Landlord's broker. Landlord's broker will in turn split such commission with Tenant's broker as such parties may agree.

44. Limitations on Landlord's Liability. If Landlord is in default of this Lease, and as a consequence Tenant recovers a money judgment against Landlord, such judgment shall be satisfied only out of the proceeds of sale received upon execution of such judgment and levy against the right, title, and interest of Landlord in the Project, and out of rent or other income from the Project receivable by Landlord or out of the consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title, and interest in the Project. Notwithstanding anything contained in this Lease to the contrary, under no circumstances whatsoever shall Landlord nor any of Landlord's shareholders, members, officers, directors, agents, property managers, employees, contractors, or the partners comprising Landlord (if any) be liable for any incidental, indirect, special, consequential or punitive damages, including, without limitation, lost profits, nor be personally liable for any deficiency.

45. Sale or Transfer of Project. If Landlord sells or transfers the Project (whether voluntarily or involuntarily), Landlord, on consummation of the sale or transfer, shall be released from any liability thereafter accruing under this Lease. If any security deposit or prepaid rent has been paid by Tenant, Landlord shall transfer the security deposit and/or prepaid rent to Landlord's successor-in-interest and on such transfer Landlord shall be discharged from any further liability arising from the security deposit or prepaid rent.

46. Quitclaim Deed. Tenant shall execute and deliver to Landlord on the Expiration Date, promptly on Landlord's request, a quitclaim deed to the Premises, in recordable form, designating Landlord as transferee.

47. No Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation of this Lease, or a termination by Landlord, shall not work a merger, and shall, at the option of Landlord, terminate any existing subleases or may, at the option of Landlord, operate as an assignment to Landlord of any such subleases.

48. Confidentiality. Except as essential to the consummation of the transaction contemplated by this Lease (together with all amendments and addenda hereto):

48.1. Except to the extent required under applicable law to be disclosed, Tenant shall keep and maintain the terms of this Lease and the transactions contemplated by this Lease or any aspect of this Lease in strict confidence; and

48.2. Except to the extent required under applicable law to be disclosed, Tenant may not make or allow any notices, statements, disclosures, communication, or news releases concerning this Lease, the terms of this Lease and the transactions contemplated by this Lease or any aspect of this Lease.

48.3. Nothing provided herein, however, shall prevent Tenant from disclosing to its legal counsel and/or certified public accountants, prospective purchasers, equity investors, or lenders or prospective lenders the existence and terms of this Lease or any transaction under this Lease, or any aspect of this lease, or from complying with any governmental or court order or similar legal requirement which requires such party to disclose this Lease, the terms of this Lease, the transaction contemplated by this Lease and/or any aspect of this Lease; provided that such party uses reasonable and diligent good faith efforts to disclose no more than is absolutely required to be disclosed by such legal requirement. If Tenant violates this confidentiality provision, in addition to all other remedies to which Landlord may be entitled under law or in equity, Landlord shall be entitled to receive immediately the entire value of any rent relief, rent abatement, free rent, reimbursement, or other concession which Landlord has previously granted to Tenant.

48.4. Disclosure. Notwithstanding anything contained herein to the contrary, Landlord shall be entitled to disclose the terms of this Lease in connection with public filings and/or presentations of its parent and/or affiliates.

49. Miscellaneous.

49.1. This Lease may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one document.

49.2. Within ten days of written request, Tenant shall promptly furnish to Landlord, from time to time, financial statements certified by Tenant to be true and correct, reflecting Tenant's then current financial condition. Such financial statements shall include a current balance sheet and a profit and loss statement covering the most recent 12-month period available. In addition, upon Landlord's written request, Tenant shall allow Landlord, or a certified public accountant of Landlord's choosing, to determine Tenant's current financial condition by reviewing Tenant's current financial books, records, and accounts. Landlord will hold said information confidential, except as may be required by any court or authority of competent jurisdiction or which information is already in the public domain, or except for the disclosure of such information to any Landlord Parties' prospective buyers and lenders or the advisers and professionals of any Landlord Affiliate or such prospective buyers and lenders. The individuals executing

this Lease on Tenant's behalf represent and warrant that the financial statements and other information submitted to Landlord by Tenant relating to Tenant or any guarantor of this Lease prior to the execution hereof are true, complete, and accurate, were prepared in accordance with generally accepted cash accounting principles applied on a consistent basis, and accurately reflect Tenant's (and, if applicable, each guarantor's) net worth as of the effective date of this Lease.

49.3. Notwithstanding any other provision in this Lease to the contrary, Tenant shall refrain from selling or otherwise distributing any alcoholic beverages and such sales are expressly forbidden under this Lease notwithstanding the fact that Tenant may hold the appropriate license as issued and/or approved by the Washington State Liquor Control Board.

49.4. This Lease shall be governed by and construed in accordance with the laws of the state in which the Premises are located. If the Premises are located outside of Washington, then the references in this Lease to Washington statutes shall be deemed to include any relevant statute of the jurisdiction in which the Premises are located that is comparable to such Washington statutes.

49.5. For purposes of venue and jurisdiction, this Lease shall be deemed made and to be performed in the City of Bellevue, Washington (whether or not the Premises are located in Bellevue, Washington) and Landlord and Tenant hereby consent to the jurisdiction of the Courts of King County.

49.6. Tenant covenants and agrees not to protest or in any way oppose any application for a license to serve or sell liquor filed by tenants or other users of space within the Project.

49.7. Whenever the context so requires, all words used in the singular shall be construed to have been used in the plural (and vice versa), each gender shall be construed to include any other genders, and the word "person" shall be construed to include a natural person, a corporation, a firm, a partnership, a joint venture, a limited liability company, a trust, an estate or any other entity.

49.8. Each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law. If any provision of this Lease or the application of such provision to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected by such invalidity or unenforceability, unless such provision or such application of such provision is essential to this Lease.

49.9. In the event any litigation, arbitration, mediation, or other proceeding ("Proceeding") is initiated by any party against any other party to enforce, interpret or otherwise obtain judicial or quasi-judicial relief in connection with this Lease the prevailing party in such Proceeding shall be entitled to recover from the unsuccessful party all costs, expenses, and reasonable attorney's fees and expert witness fees relating to or arising out of such Proceeding (whether or not such Proceeding proceeds to judgment), and any post-judgment or post-award proceeding including without limitation one to enforce any judgment or award resulting from any such Proceeding. Any such judgment or award shall contain a specific provision for the recovery of all such subsequently incurred costs, expenses, and actual attorney's fees and expert witness fees.

49.10. This Lease shall become effective and binding upon the parties on the date it has been executed by each of Landlord and Tenant, notwithstanding the fact that the Lease Term may commence after such date.

49.11. Subject to any restriction on transferability contained in this Lease, this Lease shall be binding upon and shall inure to the benefit of the successors-in-interest and assigns of each party to this Lease. Nothing in this Paragraph shall create any rights enforceable by any person not a party to this Lease, except for the rights of the successors-in-interest and assigns of each party to this Lease, unless such rights are expressly granted in this Lease to other specifically identified persons.

49.12. The headings of the Paragraphs of this Lease have been included only for convenience, and shall not be deemed in any manner to modify or limit any of the provisions of this Lease, or be used in any manner in the interpretation of this Lease.

49.13. Time and strict and punctual performance are of the essence with respect to each provision of this Lease. All references to “days” in this Lease will refer to calendar days, unless such reference specifically indicates that “business days” are intended. Business days will mean and refer to all calendar days other than Saturdays, Sundays, and national or Washington state holidays.

49.14. Each party to this Lease and its legal counsel has had an opportunity to review and revise this Lease. The rule of construction that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any Addendum or Exhibit to this Lease, and such rule of construction is hereby waived by Tenant.

49.15. All notices required or permitted to be given by Tenant to Landlord shall be in writing and shall be personally delivered, sent by certified mail, postage prepaid, return receipt requested, or sent by a nationally or locally recognized overnight express courier service that provides written confirmation of delivery to Landlord at the address set forth in the Principal Lease Provisions of this Lease. Each such notice or other communication shall be deemed given, delivered and received upon its actual receipt, except that if it is sent by mail in accordance with this Paragraph, then it shall be deemed given, delivered and received three days after the date such notice or other communication is deposited with the United States Postal Service in accordance with this Paragraph, and if it is sent by nationally recognized overnight express courier service, it shall be deemed given one business day after deposit with the courier. Landlord or Tenant must give a notice of a change of its address to the other, if such address changes. All notices required or permitted to be given to Tenant by Landlord shall Landlord shall, except as otherwise provided in this Lease, be in writing, and such notice shall be personally delivered, sent by certified mail, postage prepaid, return receipt requested, or sent by a nationally recognized overnight express courier service that provides written confirmation of delivery, to Tenant at the address set forth in the Principal Lease Provisions of this Lease. Each such notice or other communication shall be deemed given, delivered and received upon its actual receipt, except that if it is sent by mail in accordance with this Paragraph, then it shall be deemed given, delivered and received three days after the date such notice or other communication is deposited with the United States Postal Service in accordance with this Paragraph. Notwithstanding the foregoing, routine correspondence between Landlord and Tenant shall be deliverable by regular U.S. mail, by fax, or by other such means of delivery as may become customary.

49.16. If more than one person is Tenant, then the obligations of Tenant under this Lease shall be the joint and several obligations of each of such persons; provided, however, that any act or signature of one or more of any of such persons and any notice or refund given to or served on any one of such persons shall be fully binding on each of such persons.

49.17. All provisions, whether covenants or conditions, to be performed or observed by Tenant shall be deemed to be both covenants and conditions. All indemnity, defense, and hold harmless obligations of Tenant hereunder shall survive the termination of this Lease.

49.18. Deleted.

49.19. All payments to be made by Tenant to Landlord under this Lease shall be in United States currency.

49.20. Any claim, demand, rights, or defense by Tenant that arises out of this Lease or the negotiations that preceded this Lease shall be barred unless Tenant commences an action thereon, or interposes a defense by reason thereof, within 12 months after the date of the inaction, omission, event, or action that gave rise to such claim, demand, right, or defense. Tenant acknowledges and understands, after having consulted with its legal counsel, that the purpose of this Paragraph is to shorten the period within which Tenant would otherwise have to raise such claims, demands, rights, or defenses under applicable laws.

49.21. This Lease, the Exhibits and Addenda, if any, attached hereto (which are incorporated herein by this reference), constitute all of the covenants, promises, assurances, representations, warranties, statements, agreements, conditions and understandings between Landlord and Tenant concerning the Premises and the Project, and there are no other covenants, promises, assurances, representations, warranties, statements, conditions, or understandings, either oral or written, between

them. Except as herein otherwise provided, no subsequent alteration, change, modification, or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by each of them. Notwithstanding the foregoing, the Landlord may, from time to time, establish and amend such Rules, regulations, and signage criteria, in a written form, for the benefit of the Project and Building, as it deems appropriate. Violations of such Rules, regulations, and signage criteria by Tenant or Tenant's Invitees shall constitute a material default of this Lease.

49.22. This Lease, upon full execution, supersedes and revokes any and all previous leases governing the Premises, lease negotiations, arrangements, letters of intents, offers to lease, lease proposals or drafts, brochures, representations, and information conveyed, whether oral or written, between parties hereto or their respective representations or any other person purported to represent Landlord or Tenant. The Tenant acknowledges it has not been induced to enter into this Lease by any representations not set forth in the Leases, nor has it relied on any such representations. No such representations should be used in the interpretation or construction of this Lease and the Landlord shall have no liability for any consequences arising as a result of any such representations.

49.23. LANDLORD AND TENANT WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CONTRACT OR TORT CLAIM, COUNTERCLAIM, CROSS COMPLAINT, OR CAUSE OF ACTION IN ANY ACTION, PROCEEDING, OR HEARING BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, OR TENANT'S USE OR OCCUPANCY OF THE PREMISES, INCLUDING ANY CLAIM OF INJURY OR DAMAGE OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY CURRENT OR FUTURE LAW, STATUTE, REGULATION, CODE, OR ORDINANCE.

/s/ ER /s/ SC
LANDLORD'S INITIALS

/s/ MPM
TENANT'S INITIALS

49.24. Landlord and Tenant share a commitment to operating the Project, Premises and the Building in a sustainable, environmentally-friendly manner, so as to reduce energy consumption, nonrecycled wastes, and their collective carbon footprints. Landlord and Tenant agree to the following terms and conditions in order to pursue these goals:

49.24.1. Sustainability Practices. For the purposes of this Lease, the term "Sustainability Practices" shall mean Landlord's sustainability practices, programs, rules, and goals for the Project and/or the Building, as such practices, programs, rules, and goals may be adopted, modified, or amended from time to time.

49.24.2. Sustainable Building Operations. Tenant shall, at its sole cost and expense, comply with the requirements of the Sustainability Practices. Upon reasonable request from Tenant, Landlord shall promptly provide Tenant with a copy of Landlord's then current Sustainability Practices, if any.

49.24.3. Permitted Use. Tenant shall not use or operate the Premises in any manner that will cause the Project, the Building or any part thereof to fail to comply with the Sustainability Practices or with the requirements of any third-party sustainability certification or rating for the Building.

49.24.4. Recycling and Waste Management. Tenant shall, at its sole cost and expense: (a) comply with Landlord's recycling policy or program; (b) sort and separate its trash and recycling into such categories as required by Landlord; and (c) place sorted trash and recycling into receptacles as directed by Landlord.

49.24.5. Maintenance and Repairs. All maintenance and repairs performed by Tenant must comply with the Sustainability Practices.

49.24.6. Alterations. All Alterations performed by Tenant must comply with the Sustainability Practices. Such Sustainability Practices include, without limitation, the use of low or no-VOC paints, solvents, and adhesives.

49.24.7. Removal at End of Lease Term. To the extent any equipment, furnishings, improvements, or other items required to be removed from the Premises by Tenant at the end of the term or any earlier termination of the Lease are to be recycled or disposed of, Tenant shall conduct such recycling or disposal in an environmentally sustainable manner and in accordance with applicable Laws and the Sustainability Practices. Tenant shall pay all costs, expenses, fines, penalties, and damages that may be imposed on Landlord, the Project, the Building or Tenant by reason of Tenant's failure to comply with the provisions of this Section. The obligation of Tenant in the preceding sentence shall survive the expiration or earlier termination of the Lease.

49.24.8. Energy Providers. Landlord reserves the right to change electricity providers at any time and to purchase green or renewable energy for the Building.

49.24.9. Electricity Consumption. If Tenant is permitted or required pursuant to this Lease to contract directly with an electricity provider, Tenant shall pay all costs for separate electricity metering and shall submit to Landlord electricity consumption data in a format reasonably required by Landlord.

49.24.10. LEED Requirements. Tenant shall comply with such practices as Landlord deems appropriate in order for the Building or the Project to obtain or continue to comply with LEED certification requirements.

49.24.11. Reporting Requirements. Tenant shall provide information and data as reasonably requested by Landlord regarding Tenant's use and occupancy of the Premises as necessary to allow Landlord to comply with reporting requirements imposed by applicable Laws, to apply for or maintain certifications or ratings for the Project, the Building, or to apply for fee waivers related to green or sustainable improvements.

49.24.12. Tenant Improvements. In addition to the costs described in the Work Letter, the costs of Tenant's improvements shall include all reasonable costs associated with the Sustainability Practices, including any related documentation, registration, and certification. Tenant shall cause all contractors engaged by Tenant to comply with Landlord's rules and regulations for the Project or the Building, including without limitation, the Sustainability Practices.

49.24.13. Energy Management. Tenant agrees to use reasonable efforts to operate Building's mechanical, electrical, and plumbing systems efficiently so as to reduce water and energy usage and minimize waste and carbon emissions to the fullest extent possible. All electrical equipment or appliances installed by Tenant in the Premises must conform to the Building's standards for energy management and connect to Building controls and monitoring systems, if any.

49.24.14. Sustainability Reporting Requirements. If required by law or in order for Landlord to maintain its "LEED Building" designation, Tenant shall provide and deliver sustainability consumption information and data (collectively, "Sustainability Information") as reasonably requested by Landlord which shall include, without limitation, documentation relating to Tenant's specific use and occupancy of the Premises in regard to sustainability objectives. Additionally, Tenant authorizes Landlord to request Tenant's Sustainability Information from third parties including utility companies or vendors, as Landlord deems reasonably appropriate. Requested Sustainability Information may include, but shall not be limited to: (a) energy consumption (including electrical, gas and other) using EnergyStar energy performance rating or other agreed upon system, (b) estimate of carbon and other greenhouse gas emissions, (c) water consumption, (d) waste generated, and (e) environmental characteristics (shading, bikes, etc.). Landlord shall be entitled to utilize such Sustainability Information as it deems reasonably necessary, including, without limitation, for the following purposes: (a) monitoring and improving utility usage, (b) benchmarking the Project or the Building against any sustainable targets, (c) confirming the compliance of its sustainability practices, (d) maintaining, submitting or obtaining

certifications or rating for the Project or the Building, or (e) applying for fee waivers, credits and/or rebates related to green or sustainable improvements.

49.25. Anti-Money Laundering/OFAC Requirements. Tenant represents and warrants as follows, with the understanding that the Landlord will rely on the accuracy of these representations and warranties to establish the Landlord's compliance with the laws enforced by the United States Department of Treasury's Office of Foreign Assets Control ("OFAC"), and any other applicable laws, rules, regulations and other legal requirements relating to the combating of money laundering and/or terrorism (i.e., Patriot Act).

49.25.1. If Tenant is an entity (e.g., a corporation, partnership, limited liability company, trust), (i) Tenant has exercised due diligence to establish the identity of each person who possesses the power, directly or indirectly, to direct or cause the direction of Tenant's management and policies; (ii) if ownership interests in Tenant are not publicly traded on an exchange or an organized over-the-counter market that is regulated by any foreign government, or any governmental body or regulatory organization empowered by a foreign government to administer or enforce its laws as they relate to securities matters, Tenant has exercised due diligence to establish the identity of each person who holds, directly or indirectly, a beneficial interest in Tenant; and (iii) if Tenant is a financial intermediary (e.g., a bank, brokerage firm, depository), Tenant has exercised due diligence to establish the identity of each of its account holders (each of the foregoing persons listed in this Paragraph being an "Affiliated Person"). Tenant (x) maintains records of all documents it uses to verify the identities of its Affiliated Persons; (y) will maintain all such records for a period of at least five (5) years after the expiration of the Lease; and (z) will make such documentation available to the Landlord at any time upon request.

49.25.2. Tenant is not a "Prohibited Person" (as defined below), none of its Affiliated Persons is a Prohibited Person, and Tenant is not acquiring, and does not intend to enter into this Lease for the direct or indirect benefit of any Prohibited Person. Tenant acknowledges and agrees that if, at any time, the Landlord determines that Tenant is or may be a Prohibited Person, or that any Prohibited Person holds or may hold a direct or indirect interest in Tenant, the Landlord may, in its sole discretion, terminate the Lease.

49.25.3. For purposes of the foregoing representations and warranties, "Prohibited Person" means any person or entity that acts or has acted (i) in contravention of any statute, rule, regulation or other legal requirement to which that person is subject relating to the combating of terrorism and/or money laundering, or (ii) on behalf of any person or organization (A) residing or having a place of business in a country or territory subject to embargo under laws enforced by OFAC, or (B) identified as a terrorist, terrorist organization, specially designated national or blocked person by OFAC, any other department, agency, division, board, bureau or other instrumentality of the United States Government, or any recognized international organization, multilateral expert group or governmental or industry publication. OFAC's lists of specially designated nationals, blocked persons and embargoed countries and territories can be found at www.treas.gov/ofac.

49.25.4. If Tenant becomes aware of any fact or circumstance that may render any of the foregoing representations and warranties inaccurate in any respect, Tenant will immediately notify the Landlord.

50. Original Lease. Landlord and Tenant are parties to that certain Office Lease Agreement dated as of January 29, 2018, as amended by that certain First Amendment to Lease dated as of December 12, 2018 (collectively, the "Original Lease") for those certain premises known as Suite 200 and Suite 400 in the Building. Tenant hereby acknowledges and agrees that an Event of Default under this Lease shall also be deemed Event of Default under the Original Lease, such that Landlord shall have the right to exercise all rights and remedies available to it in connection with such Event of Default that are available to it under the Original Lease (in addition to those available to it under this Lease), including, without limitation, applying the Security Deposit and/or the drawing on Letter of Credit (each as defined in the Original Lease), which Landlord is holding pursuant to the Original Lease, in accordance with the terms of the Original Lease.

[Signature page to follow]

LANDLORD:

AAT CC BELLEVUE, LLC, a Delaware limited liability company

By: American Assets Trust Management,
LLC, a Delaware limited liability
company, as Agent

By: /s/ Ernest Rady
Ernest Rady
President and CEO

By: /s/ Steven M. Center
Steven M. Center
V.P. of Office Properties

Dated: 10/11/2019

TENANT:

SMARTSHEET, INC., a Washington corporation

By: /s/ Mark Mader

Name: Mark Mader

Title: CEO

Dated: October 9th, 2019

**ADDENDUM NO. 1
TO OFFICE LEASE AGREEMENT**

This Addendum No. 1 (“Addendum”) constitutes part of the Office Lease Agreement (“Lease”) dated as of October 11, 2019 between AAT CC BELLEVUE, LLC, a Delaware limited liability company (“Landlord”), and SMARTSHEET, INC., a Washington corporation (“Tenant”). The terms of this Addendum are incorporated in the Lease for all purposes. All capitalized terms not otherwise defined in this Addendum are defined by the terms of the Lease.

1. BASIC MONTHLY RENT

Basic Monthly Rent during the initial Lease Term for the Suite 700 shall be as follows:

Lease Period	Approximate Basic Monthly Rent Per Rentable Square Foot	Monthly Basic Rent for the Premises
Months 1 – 10	\$5.125	\$64,293.13
Months 11 – 22	\$5.25333333	\$65,900.45
Months 23 – 34	\$5.38416667	\$67,547.96
Months 35 – 46	\$5.51916667	\$69,236.66
Months 47 – 58	\$5.65666667	\$70,967.58
Months 59 – 70	\$5.79833333	\$72,741.77
Months 71 – 82	\$5.94333333	\$74,560.31
Months 83 – 84	\$6.09166667	\$76,424.32

Basic Monthly Rent during the initial Lease Term for the Suite 1000 shall be as follows:

Lease Period	Approximate Basic Monthly Rent Per Rentable Square Foot	Monthly Basic Rent for the Premises
Months 1 – 10	\$5.125	\$95,237.88
Months 11 – 22	\$5.25333333	\$97,618.82
Months 23 – 34	\$5.38416667	\$100,059.29
Months 35 – 46	\$5.51916667	\$102,560.77
Months 47 – 58	\$5.65666667	\$105,124.79
Months 59 – 70	\$5.79833333	\$107,752.91
Months 71 – 82	\$5.94333333	\$110,446.74
Months 83 – 84	\$6.09166667	\$113,207.91

2. CONDITION OF THE PREMISES

Tenant acknowledges that Tenant shall accept and occupy the Premises in its currently existing "as-is" condition pursuant to the terms of this Lease. Tenant acknowledges and agrees that Landlord has no obligation to improve the Premises, other than as may be set forth specifically in the Lease. In particular, Tenant acknowledges that any improvements or alterations needed to accommodate Tenant's intended use shall be made solely at Tenant's sole cost and expense, and strictly in accordance with the requirements of this Lease (including the requirement to obtain Landlord's consent thereto), unless such improvements and alterations are specifically required of Landlord and expressly set forth in this Lease and in Exhibit "C". Should tenant improvements be made to the Premises in the future, the Premises shall be constructed in accordance with the procedures outlined in Exhibit "C" of this Lease. Landlord shall have no responsibility to do any work required under any building codes or other governmental requirements not in effect or applicable on the Lease Commencement Date, including without limitation any requirements related to sprinkler retrofitting, seismic structural requirements, accommodation of disabled persons, or hazardous materials.

3. RIGHT OF FIRST OFFER (Suites 500, 600, 740, 760 and 765)

Provided Tenant is not then in material default under this Lease beyond any applicable cure period, Tenant shall have the right (the "Right of First Offer") to offer to lease any or all available suites at the Building that are specifically described on, and subject to the terms set forth in, Schedule 1, below (the "ROFO Space"), in accordance with and subject to the provisions of this Section 4. Tenant's Right of First Offer shall be a one-time right for each designated portion of ROFO Space. At any time after the date of this Lease, but prior to leasing the ROFO Space, or any portion thereof, to any other party during the period that this Right of First Offer is in effect, Landlord shall give Tenant written notice of the basic economic terms including but not limited to the Basic Monthly Rent, which shall be Landlord's determination of the Then-Prevailing Rate as projected for the first day of the term for the ROFO Space or portion thereof, and increases, lease term (and any early access or construction buildout period), security deposit, letter of credit, and tenant improvement allowance (collectively, the "Economic Terms"), upon which Landlord is willing to lease such particular ROFO Space to Tenant; provided that the Economic Terms shall exclude brokerage commissions and other Landlord payments that do not directly inure to the tenant's benefit. It is understood that should Landlord intend to lease other space in addition to the ROFO Space as part of a single transaction, then Landlord's notice shall so provide and all such space shall collectively be considered ROFO Space in such instance only. Within fifteen (15) days after receipt of Landlord's notice, Tenant must give Landlord written notice (the "ROFO Response") pursuant to which Tenant shall elect to (i) lease all of the ROFO Space specified in Landlord's notice (the "Designated Space"), upon such Economic Terms and the same non-Economic Terms as set forth in this Lease, or (ii) decline to lease the Designated Space on the proposed Economic Terms. In the event that Tenant does not respond in writing to Landlord's notice within said period, Tenant shall be deemed to have elected clause (ii) above. If Tenant declines to lease the Designated Space on the proposed Economic Terms, Tenant may propose revised Economic Terms upon which Tenant would be willing to lease the Designated Space, including, without limitation, indicating that Tenant disagrees with Landlord's determination of the Then-Prevailing Rate and setting forth Tenant's own determination of the Then-Prevailing Rate (a "Tenant Rate Disagreement"), as projected for the first day of the term for the Designated Space, in which case Landlord may elect to either (x) lease the Designated Space to Tenant upon such proposed Economic Terms and the same non-Economic Terms as set forth in this Lease, (y) in the event of a Tenant Rate Disagreement, dispute Tenant's determination of the Then-Prevailing Rate (a "Rate Dispute"), in which event the resolution procedures set forth in the following paragraph shall apply, or (z) if Tenant has not set forth a Rate Disagreement in the ROFO Response, lease the Designated Space to any third party upon economic terms which are not materially more favorable to such party than those Economic Terms proposed by Tenant (but, in such event, shall re-offer the space to Tenant if the economic terms offered to such third party are materially more favorable).

In the event of a Rate Dispute as set forth above, Landlord and Tenant shall promptly meet and, in good faith, attempt to agree upon the Then-Prevailing Rate. If Landlord and Tenant are unable to reach agreement upon the Then-Prevailing Rate within ten (10) business days of the date of Landlord's receipt of the ROFO Response, then the parties shall resolve the dispute in arbitration in accordance with the provisions relating to arbitration set forth in Section 3.2.5 of this Lease. If the Then-Prevailing Rate is not resolved by arbitration within sixty (60) days of the date of Landlord's receipt of the ROFO Response, then either party shall have the right to terminate the discussions regarding the Designated Space upon written notice to the other party within five (5) days of such sixty (60) day period, whereupon neither party shall have any further rights, obligations or liability in connection with Tenant's Right of First Offer with respect to such Designated Space.

Should Landlord and Tenant agree to terms for any lease of the Designated Space, Landlord shall promptly prepare and deliver to Tenant an amendment to this Lease consistent with the foregoing, and Tenant shall execute and return same to Landlord within ten (10) business days. Such amendment shall provide that the Designated Space shall be included within the Premises and shall be subject to all terms and conditions of this Lease shall apply to the Designated Space (other than the Economic Terms and related provisions). Tenant's failure to timely return the amendment shall entitle Landlord to specifically enforce Tenant's commitment to lease the Designated Space, to lease such space to a third party, and/or to pursue any other available legal remedy.

Time is of essence with respect to all of the time periods set forth in this Section 3.

Notwithstanding the foregoing, Tenant's Right of First Offer shall be subordinate to (i) all rights existing as of the date of this Lease of tenants under leases of a ROFO Space or their permitted assignees ("Existing ROFO Space Tenants"), (ii) Landlord's right to extend an Existing ROFO Space Tenant's lease term or expand an Existing ROFO Space Tenant's premises into a ROFO Space, and (iii) all rights existing as of the date of this Lease of other tenants of the Building under leases existing as of the date hereof relating to a ROFO Space and their permitted assignees, each including any renewal, extension, expansion, first offer, first negotiation and other similar rights, regardless of whether such rights are executed strictly in accordance with their respective terms or pursuant to lease amendments or new leases.

SCHEDULE OF ROFO SPACE

Suite # and Existing Tenant	Space Measurement (approx.)	Current Expiration Date	Deadline for Exercise of next renewal option (if applicable)
Suite 500 – Cisco Systems, Inc.	8,398 RSF	February 28, 2023 (Current tenant has 2 options to extend the term for an additional 3 year period each).	June 1, 2022
Suite 600 – Cisco Systems, Inc.	18,907 RSF	February 28, 2023 (Current tenant has 2 options to extend the term for an additional 3 year period each).	June 1, 2022
Suite 740 – Vreeland Law PLLC	2,598 RSF	October 31, 2024	
Suite 760 – Binjiang Limited Partnership	1,214 RSF	October 31, 2024	
Suite 765 – Klevens Capital Management	1,888 RSF	May 31, 2022	

[Signature page to follow]

Unless modified by this Addendum, each Lease Term remains unamended and in full force. The parties have executed this Addendum as of the date of the Lease.

LANDLORD:

AAT CC BELLEVUE, LLC, a Delaware limited liability company

By: American Assets Trust Management,
LLC, a Delaware limited liability
company, as Agent

By: /s/ Ernest Rady
Ernest Rady
President and CEO

By: /s/ Steven M. Center
Steven M. Center
V.P. of Office Properties

Dated: 10/11/2019

TENANT:

SMARTSHEET, INC., a Washington corporation

By: /s/ Mark Mader

Name: Mark Mader

Title: CEO

Dated: October 9th, 2019

EXHIBIT "A"
Project Site Plan

EXHIBIT "B-1"
Floor Plan Suite 700

EXHIBIT “B-2”
Floor Plan Suite 1000

EXHIBIT "C"
WORK LETTER

EXHIBIT "D"
BUILDING RULES AND REGULATIONS

EXHIBIT "E"
FORM OF SNDA

FIRST AMENDMENT TO LEASE

This First Amendment to Lease (this "Amendment") is made, for reference purposes only, on June 8th, 2020 (the "Effective Date"), by and between AAT CC BELLEVUE, LLC, a Delaware limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation ("Tenant"), with reference to the following facts:

RECITALS

- A. Landlord and Tenant are parties to that certain Office Lease Agreement dated as of October 11, 2019 (as amended, the "Lease") for that certain premises located at 500 108th Avenue NE, Suite 700 and Suite 1000, Bellevue, Washington 98004, consisting of approximately 12,545 Rentable Square Feet of commercial office space for Suite 700 and approximately 18,583 Rentable Square Feet of commercial office space for Suite 1000 (collectively, the "Premises" totaling 31,128 Rentable Square Feet in the aggregate).
- B. The parties desire to amend the Lease as set forth in this Amendment.
- C. All capitalized terms used in this Amendment unless specifically defined herein shall have the same meaning as the capitalized terms used in the Lease.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are expressly acknowledged, Landlord and Tenant agree as follows:

AGREEMENT

1. Lease Commencement Date. Upon the Effective Date, Section 2.5.1 of the Lease shall be amended to provide that the Lease Commencement Date shall occur on or around November 1, 2020.

2. Initial Expiration Date. Upon the Effective Date, Section 2.5.2 of the Lease shall be amended to provide that the Initial Expiration Date shall be the last day of the ninety-eighth (98th) full calendar month following the Rent Commencement Date.

3. Basic Monthly Rent. Upon the Effective Date:

a. Section 2.6 of the Lease shall be amended to provide that the Basic Monthly Rent shall be approximately \$5.00 per Rentable Square Foot of the Premises, subject to increase as set forth in Section 3.b., below.

b. Section 2.16 of the Lease shall be amended to provide that the first month's Basic Monthly Rent for (i) Suite 700 shall be \$62,725.00 and (ii) Suite 1000 shall be \$92,915.00. Landlord shall apply the balance of \$3,891.01 of the first month's Basic Monthly Rent previously paid by Tenant against the second month's Basic Monthly Rent due from Tenant.

c. Section 1 of the Addendum No. 1 to Office Lease Agreement, as attached to the Lease, shall be deleted and replaced in its entirety by the following:

1. BASIC MONTHLY RENT

Basic Monthly Rent during the initial Lease Term for Suite 700 (12,545 Rentable Square Feet) shall be as follows:

Lease Period	Approximate Basic Monthly Rent Per Rentable Square Foot	Monthly Basic Rent for the Premises
Rent Commencement Date through the last day of the month in which the 1st anniversary of the Rent Commencement Date occurs	\$5.00	\$62,725.00
Months 13 – 24	\$5.125	\$64,293.13
Months 25 – 36	\$5.25333333	\$65,900.45
Months 37 – 48	\$5.38416667	\$67,547.96
Months 49 – 60	\$5.51916667	\$69,236.66
Months 61 – 72	\$5.65666667	\$70,967.58
Months 73 – 84	\$5.79833333	\$72,741.77
Months 85 – 96	\$5.94333333	\$74,560.31
Months 97 – 98	\$6.09166667	\$76,424.32

Basic Monthly Rent during the initial Lease Term for Suite 1000 (18,583 Rentable Square Feet) shall be as follows:

Lease Period	Approximate Basic Monthly Rent Per Rentable Square Foot	Monthly Basic Rent for the Premises
Rent Commencement Date through the last day of the month in which the 1 st anniversary of the Rent Commencement Date occurs	\$5.00	\$92,915.00
Months 13 – 24	\$5.125	\$95,237.88
Months 25 – 36	\$5.25333333	\$97,618.82
Months 37 – 48	\$5.38416667	\$100,059.29
Months 49 – 60	\$5.51916667	\$102,560.77
Months 61 – 72	\$5.65666667	\$105,124.79
Months 73 – 84	\$5.79833333	\$107,752.91
Months 85 – 96	\$5.94333333	\$110,446.74
Months 97 – 98	\$6.09166667	\$113,207.91

4. **Base Year, Operating Expenses and Tenant's Monthly Payment.** Upon the Effective Date:
- a. Section 2.9 of the Lease shall be amended to provide that the Base Year shall be calendar year 2021.
 - b. Section 7.3 of the Lease shall be amended to provide that Tenant shall commence payment of Tenant's Share of Operating Expenses on January 1, 2022.
 - c. Section 8.4.2 of the Lease shall be amended to provide that Tenant shall commence payment of Tenant's Monthly Payment on January 1, 2022.
5. **Allowance.** Upon the Effective Date, Section 4 of Exhibit "C" as attached to the Lease shall be amended to provide that the amount of the Allowance shall be a maximum of \$1,927,757.04 (calculated at a rate of \$61.93 per Rentable Square Foot of the Premises (\$61.93 x 31,128 RSF)).
6. **Amendment Contingencies.** Tenant acknowledges that the Premises are currently being leased by Landlord to GE Healthcare IITS USA Corp. ("GE") and GE is subleasing the Premises to Alibaba Group (U.S.) Inc. ("Alibaba"). This Amendment is entirely contingent upon (i) Landlord and GE entering into a mutually agreeable amendment to terminate the existing lease for the Premises, and (ii) GE and Alibaba vacating the Premises in sufficient time such that Landlord can timely deliver the Premises as required in this Amendment (collectively, the "Amendment Contingencies"). Except as expressly set forth in this Section 6, Landlord shall not be liable to Tenant for any delays in delivery and/or tenancy of the Premises due to either GE or Alibaba "holding over" beyond October 31, 2020 or if Landlord and GE are unable to enter into a mutually agreeable amendment to terminate the existing lease for the Premises. If GE and/or Alibaba continues to "hold over" in the Premises or Landlord and GE are unable to enter into a mutually agreeable amendment to terminate the existing lease for the Premises for 90 days or more beyond October 31, 2020, then Tenant (as Tenant's sole remedy) shall have the right to terminate this Amendment upon written notice to Landlord until such time as Landlord provides written notice to Tenant that GE and/or Alibaba, as applicable, has vacated the Premises.
7. [INTENTIONALLY OMITTED].
8. **Real Estate Brokers.** Tenant represents and warrants to Landlord that it has not authorized or employed, or acted by implication to authorize or employ, with any real estate broker or sales person to act for it in connection with this Amendment or dealt with any real estate broker or sales person in connection with this Amendment other than Washington Partners Corporate Real Estate, Inc. Tenant also agrees to indemnify, defend and hold harmless Landlord from and against any and all claims by any real estate broker or salesman whom the Tenant authorized or employed, or acted by implication to authorize or employ, to act for Tenant in connection with this Amendment, or with any broker or sales person with whom Tenant dealt in connection with this Amendment other than Washington Partners Corporate Real Estate, Inc.
9. **Confirmation.** Except, as and to the extent modified by this Amendment, all provisions of the Lease shall remain in full force and effect. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms in this Amendment shall control.
10. **Counterparts.** This Amendment may be executed in any number of counterparts, including counterparts transmitted by facsimile or electronic mail, each of which shall be deemed an original for all purposes, and all counterparts shall constitute one and the same instrument.

IN WITNESS WHEREOF, Landlord and Tenant agree to the foregoing as evidenced by affixing their signatures below.

LANDLORD:

AAT CC BELLEVUE, LLC,
a Delaware limited liability company

By: American Assets Trust Management,
LLC, a Delaware limited liability
company, as Agent

By: /s/ Ernest Rady
Ernest Rady
President and CEO

By: /s/ Steven M. Center
Steven M. Center
V.P. of Office Properties

Dated: 6/8/2020

TENANT:

SMARTSHEET, INC.,
a Washington corporation

By: /s/ Mark Mader

Name: Mark Mader

Title: CEO

Dated: 6/30/2020

SECOND AMENDMENT TO LEASE

This Second Amendment to Lease (this "Amendment") is made, for reference purposes only, on June 8th, 2020 (the "Effective Date"), by and between AAT CC BELLEVUE, LLC, a Delaware limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation ("Tenant"), with reference to the following facts:

RECITALS

- A. Landlord and Tenant are parties to that certain Office Lease Agreement dated as of October 11, 2019, as amended by that certain First Amendment to Lease dated as of June 8, 2020 (collectively, as amended, the "Lease") for that certain premises located at 500 108th Avenue NE, Suite 700 and Suite 1000, Bellevue, Washington 98004, consisting of an aggregate of approximately 31,128 Rentable Square Feet of commercial office space (the "Premises").
- B. The parties desire to amend the Lease as set forth in this Amendment.
- C. All capitalized terms used in this Amendment, unless specifically defined herein, shall have the same meaning as the capitalized terms used in the Lease.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are expressly acknowledged, Landlord and Tenant agree as follows:

AGREEMENT

1. **Security Deposit / Letter of Credit.** Upon the Effective Date, the Lease shall be amended to provide that Tenant may replace the Security Deposit in the amount of \$189,632.23 with a Letter of Credit in the amount of \$189,632.23 naming Landlord as beneficiary thereunder (the "Letter of Credit") pursuant to the following terms and conditions set forth below. Should Tenant replace the Security Deposit with the Letter of Credit in accordance with the terms set forth herein, Landlord shall, within 30 days of Landlord's receipt of such Letter of Credit, return the Security Deposit to Tenant.

1.1. **Letter of Credit.** If Tenant so elects to replace the Security Deposit with the Letter of Credit, then the Letter of Credit shall be held by Landlord as third party security for the faithful performance by Tenant of all the terms, covenants, and conditions of the Lease to be kept and performed by Tenant during the Lease Term and the following provisions shall apply:

1.1.1. **Letter of Credit.** The Letter of Credit shall be an unconditional, irrevocable, negotiable standby letter of credit running in favor of Landlord and shall be a signed draft. The issuer of the Letter of Credit (the "Issuer") shall (1) be a solvent, nationally recognized commercial bank that is acceptable to Landlord in its reasonable discretion, (2) have a branch located in San Diego County, California and Bellevue, Washington (provided that if the Issuer is Silicon Valley Bank ("SVB"), it shall be sufficient to have a branch located in Santa Clara, California) capable of honoring a demand upon such Letter of Credit and allow presentation of the Letter of Credit by overnight courier delivery and by facsimile presentation, (3) be chartered under the laws of the United States, any State thereof or the District of Columbia, (4) be insured by the Federal Deposit Insurance Corporation; and (5) have a long term rating of BBB+ or higher as rated by Standard & Poor's (collectively, the "Letter of Credit Issuer Requirements"). Provided that SVB satisfies the Letter of Credit Issuer Requirements, Landlord confirms that SVB is an acceptable Issuer. The Letter of Credit shall be maintained in effect, whether through replacement, renew or extension, throughout the entire Lease Term and for an additional one hundred twenty (120) days following the expiration or earlier termination of the Lease. The Letter of Credit, and any extensions or renewals thereof, shall be substantially in the form and content as attached hereto as Exhibit "A", shall be for a term of not less than one year or, if the remaining portion of the Lease Term is less than one year, then for such period plus one hundred twenty (120) days, and shall be irrevocable during that term. The Letters of Credit covering subsequent periods shall be obtained and delivered to Landlord not less than thirty (30) days prior to the expiration of the then-existing Letter of Credit, without any action whatsoever on the part of Landlord. The term for each such Letter of Credit shall begin no later

than the expiration date of the previous Letter of Credit and shall comply with all requirements of this Section 1.1. The Letter of Credit shall be subject to The Uniform Customs and Practice for Documentary Credits” (2007 Revision) International Chamber Of Commerce Publication No. 600.

1.1.2. Draws on Letter of Credit; Application of Proceeds. Landlord, or its then managing agent, shall have the right to draw upon the Letter of Credit or any renewal or extension thereof, in whole or in part, upon the occurrence of any one or more of the following events: (a) the occurrence of any default by Tenant under this Lease (following the expiration of any applicable notice and cure periods); (b) Tenant’s failure to deliver to Landlord, no less than 30 days prior to the expiration date of the Letter of Credit or any renewal or extension thereof, a renewal or extension of the Letter of Credit for a term of not less than one year and otherwise satisfying the requirements of this Section 1.1; (c) receipt of notice from the Issuer that it will not be extending the terms of the Letter of Credit or otherwise intends to terminate the Letter of Credit prior to the date that is one hundred twenty (120) days after the expiration of the Term of the Lease, unless Tenant provides a substitute Letter of Credit from another financial institution acceptable to Landlord in its reasonable discretion and otherwise satisfying the requirements of this Section 1.1 at least fifteen (15) business days prior to the termination of the existing Letter of Credit; or (d) any action by Tenant or the Issuer which, in Landlord’s reasonable judgment, may jeopardize its rights to draw on the Letter of Credit, including, without limitation, Tenant filing a voluntary petition under the Federal Bankruptcy Code or an involuntary petition being filed against Tenant under the Federal Bankruptcy Code. Landlord shall have sole authority and discretion to draw under the Letter of Credit in accordance with the terms thereof. Within five (5) days after any such draw, Tenant shall reinstate the amount available under the Letter of Credit to the required amount as provided herein, and Tenant’s failure to do so shall constitute an incurable default by Tenant under this Lease. Proceeds of any draw upon the Letter of Credit may be applied by Landlord to the payment of accrued and unpaid Rent, Additional Rent, interest, late charges, reserved Rent, future Rent, accelerated Rent, and any and all damages calculated pursuant to Article 25 of the Lease, or any other costs, liabilities or damages arising out of Tenant’s obligations under this Lease, in such manner as Landlord in its sole discretion, deems appropriate. Any unused proceeds shall constitute the property of Landlord and need not be segregated from Landlord’s other assets. The parties hereto (A) recite that the Letter of Credit is not intended to serve as a security deposit and all other Laws or principle of Law, rules and regulations applicable to security deposits in the commercial context (the “Security Deposit Law”) shall have no applicability or relevancy thereto and (B) Tenant waives the provisions of any Law or principle of Law and all rights, duties and obligations either party may have now, or in the future, will have relating to or arising from the Security Deposit Law with respect to Landlord’s ability to apply the proceeds of the Letter of Credit against reserved Rent, future Rent, accelerated Rent, and any and all damages calculated pursuant to Article 25 of the Lease. Furthermore, upon lawful termination of this Lease as a result of Tenant’s default, Landlord shall be entitled to immediately apply the proceeds of the Letter of Credit against damages computed under this Lease and/or applicable Law (including, without limitation, accrued and unpaid Rent, reserved Rent, accelerated Rent, and any and all damages calculated pursuant to Article 25 of the Lease, without the requirement that Tenant first be given notice and an opportunity to cure, and notwithstanding that the damages have not been finally adjudicated by the court).

1.1.3. General Terms. Each Letter of Credit shall provide that it will be honored upon a signed statement by Landlord or its agent that moneys are due and owing to Landlord under the Lease, and shall require no signature or statement from any party other than Landlord or its agent. No notice to Tenant shall be required to enable Landlord to draw upon the Letter of Credit (provided that the foregoing shall not affect or reduce Landlord’s obligations to provide notice and/or cure periods for Tenant defaults as and to the extent expressly required elsewhere in this Lease). Each Letter of Credit shall allow for partial draws. Each Letter of Credit shall be fully assignable by Landlord and provide that Landlord may, at any time and without notice to Tenant and without first obtaining Tenant’s consent thereto, transfer all or any portion of its interest in and to the Letter of Credit to another party, person or entity, regardless of whether or not such transfer is separate from or as a part of the assignment by Landlord of its rights and interests in and to the Lease. In the event of a transfer of Landlord’s interest in the Property (or any portion thereof containing the Premises), Landlord shall have the right to transfer the Letter of Credit in whole or in part (or cause a substitute letter of credit to be delivered, as applicable) to the transferee and thereupon shall, without any further agreement between the parties, be released by Tenant from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the Letter of Credit to a new landlord. Tenant shall cooperate with any such transfer of the

Letter of Credit by Landlord, at no out-of-pocket expense to Tenant. If the Issuer shall admit in writing its inability to pay its debts generally as they become due, file a petition in bankruptcy or a petition to take advantage of any insolvency act, make an assignment for the benefit of its creditors consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, then Tenant shall obtain a replacement Letter of Credit within thirty (30) days of such act from another Issuer. Tenant further covenants and warrants that it will neither assign nor encumber the Letter of Credit or any part thereof and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

1.1.4. **Independent Contract.** Tenant acknowledges and agrees that the Letter of Credit constitutes a separate and independent contract between Landlord and the Issuer, and that Tenant is not a third party beneficiary of such. Tenant agrees not to interfere in any way with payment to Landlord of the proceeds of the Letter of Credit, either prior to or following a "draw" by Landlord of any portion of the Letter of Credit, regardless of whether any dispute exists between Tenant and Landlord as to Landlord's right to draw from the Letter of Credit. No condition or term of this Lease shall be deemed to render the Letter of Credit conditional to justify the Issuer in failing to honor a drawing upon such Letter of Credit in a timely manner. Tenant agrees and acknowledges that Tenant has no property interest whatsoever in the Letter of Credit or the proceeds thereof and that, in the event Tenant becomes a debtor under any chapter of the Federal Bankruptcy Code, neither the Letter of Credit nor any proceeds or right to draw on the Letter of Credit will be considered property of the Tenant's bankruptcy estate, and neither Tenant, any trustee, nor Tenant's bankruptcy estate shall have any right to restrict or limit Landlord's claim and/or rights to the Letter of Credit and/or the proceeds thereof by application of any provision of the Federal Bankruptcy Code, including but not limited to Section 502(b)(6) of the Federal Bankruptcy Code [11 U.S.C.A. § 502(b)(6)].

1.1.5. **Release of Letter of Credit.** Provided there is no default or condition which but for the furnishing of notice or the passage of time would constitute a default under this Lease, Landlord shall release its rights in the Letter of Credit and surrender the Letter of Credit to the Issuer within one hundred twenty (120) days following the expiration or earlier termination of the Lease.

2. Reserved.

3. Real Estate Brokers. Tenant represents and warrants to Landlord that it has not authorized or employed, or acted by implication to authorize or employ, with any real estate broker or sales person to act for it in connection with this Amendment or dealt with any real estate broker or sales person in connection with this Amendment other than Washington Partners Corporate Real Estate, Inc. Tenant also agrees to indemnify, defend and hold harmless Landlord from and against any and all claims by any real estate broker or salesman whom the Tenant authorized or employed, or acted by implication to authorize or employ, to act for Tenant in connection with this Amendment, or with any broker or sales person with whom Tenant dealt in connection with this Amendment Washington Partners Corporate Real Estate, Inc.

4. Confirmation. Except, as and to the extent modified by this Amendment, all provisions of the Lease shall remain in full force and effect. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms in this Amendment shall control.

5. Counterparts. This Amendment may be executed in any number of counterparts, including counterparts transmitted by facsimile or electronic mail, each of which shall be deemed an original for all purposes, and all counterparts shall constitute one and the same instrument.

[Signature page to follow]

IN WITNESS WHEREOF, Landlord and Tenant agree to the foregoing as evidenced by affixing their signatures below.

LANDLORD:

AAT CC BELLEVUE, LLC,
a Delaware limited liability company

By: American Assets Trust Management,
LLC, a Delaware limited liability
company, as Agent

By: /s/ Ernest Rady
Ernest Rady
President and CEO

By: /s/ Steven M. Center
Steven M. Center
V.P. of Office Properties

Dated: 6/30/2020

TENANT:

SMARTSHEET, INC.,
a Washington corporation

By: /s/ Mark Mader

Name: Mark Mader

Title: CEO

Dated: 6/30/2020

EXHIBIT "A"

[FORM OF LETTER OF CREDIT]

OFFICE LEASE AGREEMENT

BETWEEN

AAT CC BELLEVUE, LLC

AS LANDLORD

AND

SMARTSHEET, INC.

AS TENANT

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OFFICE LEASE AGREEMENT

This Office Lease Agreement ("Lease") is entered into effective as of October 11, 2019 between AAT CC BELLEVUE, LLC, a Delaware limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation ("Tenant"), who agree as follows:

1. Agreement to Let. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon all of the terms, provisions, and conditions contained in this Lease, (i) those certain premises described in the Principal Lease Provisions below (the "Premises"), consisting of a portion of that certain building described in the Principal Lease Provisions below (the "Building"), which is in turn a part of the Project (as described in the Principal Lease Provisions below), along with (ii) the non-exclusive right to use, in common with Landlord, Landlord's invitees and licensees, and the other tenants and users of space within the Project, those portions of the Project intended for use by, or benefiting, tenants of the Project in common including, without limitation, the landscaped areas, passageways, walkways, hallways, elevators, parking areas, and driveways of the Building and the Project, but excluding all interior areas of the other buildings in the Project other than the Building (collectively, the "Common Areas"). This Lease confers no rights, however, to the roof, exterior walls, or utility raceways of the Building, nor rights to any other building in the Project, nor with regard to either the subsurface of the land below the ground level of the Project or with regard to the air space above the ceiling of the Premises; provided, however, that Tenant shall have the limited right to access systems and equipment exclusively serving the Premises (for which Tenant has maintenance and repair responsibilities pursuant to Paragraph 10.1, below) that may be located on the roof, in exterior or demising walls, in utility raceways, in the airspaces above the ceiling of the Premises, or in any other portion of the Building or the Common Areas for the sole purpose of maintaining, repairing, and replacing such systems and equipment.

2. Principal Lease Provisions. The following are the Principal Lease Provisions of this Lease. Other portions of this Lease explain and describe these Principal Lease Provisions in more detail and should be read in conjunction with this Paragraph. In the event of any conflict between the Principal Lease Provisions and the other portions of this Lease, the Principal Lease Provisions will control. (Terms shown in quotations are defined terms used elsewhere in this Lease)

2.1. "Project": That certain office project, commonly referred to as City Center Bellevue, in Bellevue, Washington, as more particularly depicted on the attached Exhibit "A".

2.2. "Building": That certain building within the Project as designated on the attached Exhibit "A", sometimes referred to as City Center Bellevue, whose mailing address is 500 108th Avenue NE, Bellevue, WA 98004.

2.3. "Premises": Suite 800; consisting of the 8th floor of the Building, as more particularly described on the attached Exhibit "B".

2.4. Area of the Premises: The Premises consist of 18,244 Rentable Square Feet of space. The term "Rentable Square Feet", "Usable Square Footage", and similar terms dealing with Rentable or Usable means of describing measurements of square footages, will have the meanings of such term adopted by the Building Owners and Managers Association International (relative to *multi-tenant* floors). The Premises are not subject to remeasurement during the initial Lease Term through the Initial Expiration Date.

2.5. "Lease Term": The period beginning on the Lease Commencement Date and ending on the Expiration Date, as set forth in Paragraph 3.1 below.

2.5.1. "Lease Commencement Date": The date Landlord tenders possession of the Premises to Tenant in the condition required hereunder.

2.5.2. "Initial Expiration Date": The last day of the ninety-eighth (98th) full calendar month following the Rent Commencement Date.

2.5.3. Extension Rights: Yes; One (1) Option to Extend for a period of five (5) years (Paragraph 3.2).

2.6. Basic Monthly Rent: \$5.00 per Rentable Square Foot, fully-serviced, subject to adjustment pursuant to attached Addendum No. 1. Basic Monthly Rent will always be due and payable on or before the first day of the applicable month, except that the first month's Basic Monthly Rent will be due and payable upon the date of Landlord's execution of this Lease.

2.7. Rent Commencement Date: The date which is the earlier to occur of (i) one hundred twenty (120) days following the Lease Commencement Date or the date the Lease Commencement Date would have occurred but for the occurrence of Tenant Delays, or (ii) the date Tenant begins conducting its business in the Premises.

2.8. Security Deposit: \$111,142.71 cash (Security Deposit), which is due and payable on the Lease Commencement Date and does not constitute last month's rent, subject to the terms and conditions set forth in Paragraph 6 below. Last month's rent must be separately paid by Tenant on or before the first day of the last month of the Lease Term. If Tenant exercises any Option to Extend (as defined below) contained herein, then as a condition precedent to the effectiveness of Tenant's exercise of such Option to Extend, Tenant shall pay to Landlord an amount equal to the difference between the Basic Monthly Rent for the last year of the applicable Extension Term (as defined below) and the amount of the Security Deposit then held by Landlord; which additional amount will be added to, and constitute a part of, the Security Deposit from that point forward.

2.9. Base Year: Calendar year 2021.

2.10. Guarantor: None.

2.11. Address for Landlord:

AAT CC BELLEVUE, LLC
c/ o American Assets Trust Management, LLC
11455 El Camino Real, Suite 200
San Diego, CA 92130
Attn: Property Management (Office)

2.12. Addresses for Tenant:

Legal Notices Addresses

10500 NE 8th Street, Suite 1300, Bellevue, WA 98004

2.13. Permitted Use: The Premises shall be used for general office purposes including without limitation any and all uses in connection with the development, sales, marketing, and testing of SaaS products, in accordance with all applicable laws, statutes, ordinances, and regulations and the provisions of this Lease, and for no other use.

2.14. Building Standard Operating Hours:

Monday through Friday: 7:00 a.m.-6:00 p.m.
Saturday: 8:00 a.m.-1:00 p.m.
(excluding Sundays and any federal holidays)

2.15. Participating Brokers:

Landlord's: Broderick Group, Inc.

Tenant's: Washington Partners Corporate Real Estate, Inc.

2.16. Initial Payment Amounts: \$202,362.71 (which represents the Security Deposit of \$111,142.71, plus first month's Basic Monthly Rent for the Premises of \$91,220.00) which amount is payable on the date Tenant executes this Lease.

2.17. Parking Pass Ratio: Two (2) unreserved parking passes for every 1,000 rentable square feet of the Premises, subject to the terms of Article 11 of the Lease. Said parking ratio includes all spaces within the Project, including without limitation reserved, unreserved, handicap, and visitor parking spaces, and is subject to temporary interruptions in connection with Landlord's continued development of the Project. All unreserved parking shall be provided on a free and unassigned basis (i.e., first come, first served).

3. Lease Term.

3.1. Description of Lease Term. The Lease Term shall commence on the "Lease Commencement Date", and shall expire on the "Initial Expiration Date", subject to (i) any extension rights described in Paragraph 3.2, below, and (ii) earlier termination by Landlord, as provided in this Lease. The term "Expiration Date", as used in this Lease, shall mean the Initial Expiration Date, any earlier date upon which this Lease is terminated by Landlord, as provided below, or if the Lease Term is extended pursuant to Paragraph 3.2, below, then the last day of any exercised Extension Term.

3.2. Extension Rights. Tenant shall, subject to all of the provisions of this Paragraph 3.2 (including all subparagraphs hereof), have the option to extend the Lease Term (the "Option to Extend") for one (1) additional term(s) of five (5) years (the "Extension Term"), provided Tenant is in occupancy of not less than 75% of the Premises at the time of exercise of the Option to Extend and Tenant gives Landlord written notice via overnight nationally-recognized courier (such as FedEx or UPS), with signature acknowledgement by recipient required, of its election to exercise the Option to Extend no less than 9 months and no more than 12 months prior to the then applicable Expiration Date. Such notice will constitute Tenant's irrevocable election to exercise the Option to Extend and may not subsequently be revoked by Tenant except as provided below. Time is of the essence with respect to the timing of such requirement to give notice to Landlord.

3.2.1. Restrictions on Transferability of Option. The Option to Extend is personal to the Tenant originally named in this Lease or any Permitted Transferee (as defined below) and may not be exercised by anyone other than such originally named Tenant or a Permitted Transferee.

3.2.2. Conditions Terminating Tenant's Rights to Exercise Option. Tenant shall not have the right to exercise the Option to Extend, notwithstanding anything set forth above to the contrary: (a) during any period of time commencing from the date Landlord gives to Tenant a written notice that Tenant is in default under any provision of this Lease (after giving effect to any applicable cure period) and continuing until the default alleged in said notice is cured; (b) during the period of time commencing on the day after a monetary obligation to Landlord is due from Tenant and unpaid (without any necessity for notice thereof to Tenant) and continuing until the obligation is paid; or (c) in the event that Landlord has given to Tenant two or more notices of default or two or more late charges have become payable under this Lease during the 12-month period prior to the time that Tenant attempts to exercise the Option to Extend. The period of time within which the Option to Extend may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise the Option to Extend because of the foregoing provisions of this Paragraph 3.2.2, even if the effect thereof is to eliminate Tenant's right to exercise the Option to Extend.

3.2.3. Conditions Terminating Tenant's Option Rights. All rights with respect to the Option to Extend (including rights as to subsequent Extension Terms, if any) shall terminate and be of no further force or effect even after Tenant's due and timely exercise of the Option to Extend, if, after such exercise, but prior to the commencement of the Extension Term, (a) Tenant fails to pay to Landlord a monetary obligation of Tenant for a period of ten days after such obligation became due (without imposing any obligation on the part of Landlord to give notice thereof to Tenant); (b) Tenant fails to cure a non-monetary default within 30 days (or such longer period as may otherwise be applicable under this Lease) after the date the Landlord gives notice to Tenant of such default or (c) Landlord gives to Tenant

two or more notices of default or two or more late charges become payable for any monetary defaults, whether or not such defaults are cured.

3.2.4. Terms and Conditions of Extension of Lease Term. If Tenant duly and timely exercises the Option to Extend, then this Lease shall remain in full force and effect for such additional five (5) year period, except that the Basic Monthly Rent will adjust as of the first day of the Extension Term such that for the first year of the Extension Term the Basic Monthly Rent shall be equal to the then prevailing base rental rate (taking into consideration tenant improvement and similar refurbishment or construction allowances, free rent, or similar lease concessions) for new and renewal leases of comparable Class A office space in the Bellevue CBD submarket, as projected for the first day of the applicable Extension Term and determined pursuant to Paragraph 3.2.5, below (the "Then-Prevailing Rate"). The Basic Monthly Rent will thereafter be adjusted in accordance with the provisions of attached Addendum No. 1.

3.2.5. Determination of Then-Prevailing Rate. If Tenant exercises the Option to Extend, then Landlord shall, within 15 business days of receipt of Tenant's written notice of exercise, provide Tenant with written notice of the Then-Prevailing Rate and the calculation of the new Basic Monthly Rent to be effective during the first year of the Extension Term. Tenant shall have ten business days from the date of Landlord's notice in which to (a) accept Landlord's determination of the Then-Prevailing Rate, (b) revoke Tenant's election to exercise the Option to Extend, in which case Tenant's Option to Extend shall be null and void or (c) dispute Landlord's determination of the Then-Prevailing Rate. If Tenant fails to notify Landlord, in writing, of its disagreement with Landlord's determination of the Then-Prevailing Rate within such ten business day period, then Tenant will be deemed to have accepted Landlord's determination and Landlord's determination shall be binding on both parties. If Tenant disputes such determination, then its notice to Landlord disputing such determination must set forth Tenant's determination of the Then-Prevailing Rate. Upon receipt of Tenant's notice, Landlord and Tenant shall promptly meet and, in good faith, attempt to agree upon the Then-Prevailing Rate. If Landlord and Tenant are unable to reach agreement upon the Then-Prevailing Rate within 30 days of the date of Landlord's receipt of Tenant's dispute notice, then the parties shall promptly submit such dispute to the Bellevue office of the American Arbitration Association (the "AAA"), or its successor, for resolution before a single arbitrator (who must have at least ten years' experience in the King County commercial real estate market as a real estate broker or MAI appraiser) in accordance with Real Estate Industry Arbitration Rules of the AAA. Within ten days of the commencement of the arbitration, Landlord and Tenant shall each provide the arbitrator with their respective written determination of the Then-Prevailing Rate—which determination need not be the same determination previously made by such party in any notice given under this Paragraph and will not be disclosed by the arbitrator until both parties have submitted their respective written determinations. The arbitrator's sole authority will be to select which of Landlord's or Tenant's respective written determinations of the Then-Prevailing Rate most closely approximates the then prevailing base rental rate (taking into consideration tenant improvement and similar refurbishment or construction allowances, free rent, or similar lease concessions) for new and renewal leases of comparable Class A office space in the Bellevue CBD submarket, as projected for the first day of the applicable Extension Term; provided, however, if either party fails to timely submit such a written determination to the arbitrator, then the arbitrator shall use the written determination of such party that was set forth in the notices described above in making such selection. In no event may such arbitrator select any amount as the Then-Prevailing Rate other than either Landlord's determination or Tenant's determination. The decision of the arbitrator shall be binding upon all parties and the cost of the arbitration shall be split equally between Landlord and Tenant.

4. Delivery of Possession.

4.1. Premises Delivery Requirements. Prior to the tender of possession of the Premises to Tenant, Landlord, at its cost, shall cause all HVAC, plumbing, electrical and mechanical systems to be in good working order. Landlord's tender of possession of the Premises shall be deemed to have occurred upon Tenant's written acknowledgement that Landlord's Work has been Substantially Completed (which shall not be withheld for unfinished minor "punchlist" items) and is free from material defects and that all HVAC, plumbing, electrical and mechanical systems are in good working order (which acknowledgement shall not be unreasonably withheld or delayed) following Landlord's notification to Tenant (which notification may be telephonic, by written notice, or by electronic

transmission—such as by facsimile or e-mail) that possession of the Premises is available to Tenant, and instructing Tenant that Tenant may obtain the keys to the Premises from Landlord's offices. Tenant's refusal to accept such tender (or avoidance thereof) shall not affect the Lease Commencement Date or delay the Rent Commencement Date and such date will be calculated as if no such refusal or avoidance had occurred. In no event shall the Rent Commencement Date, as applicable, occur prior to Tenant having given its written acknowledgement that Tenant agrees that all HVAC, plumbing, electrical and mechanical systems are in good working order; provided, Tenant shall not unreasonably withhold such written acknowledgement.

4.2. Definition of Substantial Completion. For purposes of this Lease, the term "Substantially Complete" (and its grammatical variations, such as Substantial Completion) when used with reference to Landlord's Work, will mean that Landlord's Work has been completed in a defect-free manner to such an extent that Tenant can commence all work, if any, to be undertaken by Tenant, as described in Exhibit "C" to this Lease (the "Tenant's Work"), without material delay or interference due to the completion of Landlord's Work, or if no such Tenant's Work is to be undertaken, then such term will mean completed to such an extent that the Landlord's Work can be finally completed within 60 days and without material interference to Tenant's occupancy and use of the Premises.

4.3. Final Completion. Except for any items set forth on a written, detailed "punch-list" of excepted items delivered to Landlord upon the Lease Commencement Date, Tenant shall, upon giving the written acknowledgement described in Paragraph 4.1 above, be deemed to have (i) thoroughly inspected the Premises, and determined that, to the best of Tenant's knowledge, the Premises comply with all applicable laws and ordinances, and that the Premises are in first-class condition and repair, (ii) acknowledged that Landlord's Work has been Substantially Completed, (iii) accepted the Premises in its then as-is condition with no right to require Landlord to perform any additional work therein, except as set forth on the punch list, and (iv) waived any express or implied warranties regarding the condition of the Premises, including any implied warranties of fitness for a particular purpose or merchantability.

5. Use of Premises and Common Areas.

5.1. Permitted Use of Premises. Tenant may use the Premises for the Permitted Use specified in the Principal Lease Provisions and for no other use without Landlord's consent. Any change in the Permitted Use will require Landlord's prior written consent, which consent may be granted or withheld in Landlord's sole and exclusive discretion.

5.2. Compliance with Laws. Landlord covenants that the Premises will comply with all applicable statutes, codes, ordinances, orders, Rules and Regulations of any municipal or governmental entity whether in effect now or later, including ADA (as defined below) (collectively, "Laws") as of the Lease Commencement Date. Thereafter, Tenant shall comply with all Laws concerning the Premises and/or Tenant's use of the Premises, including without limitation the obligation at Tenant's sole cost to alter, maintain, or restore the Premises in compliance with all applicable laws, even if such Laws are enacted after the date of this Lease, and even if compliance entails costs to Tenant of a substantial nature. Such obligation to comply with Laws shall include without limitation compliance with Title III of the Americans With Disabilities Act of 1990 (42 U.S.C. 12181 et seq.) (the "ADA") as to any alterations, modifications or improvements to or use of the Premises made by Tenant. In addition to the foregoing obligations of Tenant relative to the Premises, if Tenant's particular use of the Premises (including the commencement of any Alterations, as defined below) results in the need for modifications or alterations to any other portion of the Project in order to comply with the ADA or other Laws, then Tenant shall additionally be responsible, upon demand, for the cost of such modifications and alterations plus a supervisory fee of three percent of such cost payable to Landlord. Each of Landlord and Tenant shall indemnify, defend, and hold the other (and its partners, members, shareholders, directors, officers, employees, agents, assigns, and any successors) harmless from and against any and all losses, costs, demands, damages, expenses (including reasonable attorneys' fees), claims, causes of action, judgments, penalties, fines, or liabilities, arising from the indemnifying party's failure to perform its obligations under this Paragraph including, without limitation, (i) any costs, expenses, and liabilities incurred by the indemnified party in connection with responding to any demand by any governmental authority to undertake any modifications or alterations to the Premises required by the ADA or similar Laws as a result of the indemnifying party's failure to perform its obligations under this Paragraph, and (ii) any

attorneys' fees, costs, expenses, and liabilities incurred by the indemnified party in responding to, defending, pursuing, or otherwise being involved with any action, suit, or proceeding arising out of any claim relating to the non-compliance of the Premises with the ADA as a result of the indemnifying party's failure to perform its obligations under this Paragraph. Landlord additionally agrees to indemnify Tenant for any claims arising from any violation of the Common Areas of the ADA or other applicable Laws.

5.3. Condition During Periods of Non-Use. During any period of time in which Tenant has vacated the Premises, Tenant shall take such measures as may be necessary or desirable, in Landlord's reasonable opinion, to secure the Premises from break-ins and use by unauthorized persons, to minimize the appearance of non-use, and to otherwise maintain the interior and exterior portions of Tenant's Premises, including all windows and doors, in first class condition.

5.4. Use of Common Areas. Tenant's use of the Common Areas shall at all times comply with the provisions of all Rules (as defined below) regarding such use as Landlord may from time to time adopt. In no event shall the rights granted to Tenant to use the Common Areas include the right to store any property in the Common Areas, whether temporarily or permanently. Any property stored in the Common Areas may be removed by Landlord and disposed of, and the cost of such removal and disposal shall be payable by Tenant to Landlord upon demand. Additionally, in no event may Tenant use any portion of the Common Areas for loading, unloading, or parking, except in those areas specifically designated by Landlord for such purposes, nor for any group social event, sidewalk sale, employment fair or similar commercial or unauthorized purpose.

5.5. General Covenants and Limitations on Use. In addition to the Rules, Tenant's and Tenant's Invitees' (as defined below) use of the Premises and the Project, will be subject to the following additional general covenants and limitations on use.

5.5.1. Tenant shall not do, bring, or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises. If the rate of any insurance carried by Landlord is increased as a result of Tenant's use of the Premises, Tenant shall pay the amount of such increase to Landlord, within ten days after Landlord delivers to Tenant reasonably documentary evidence of such increase.

5.5.2. No noxious or unreasonably offensive activity shall be carried on, in or upon the Premises by Tenant or Tenant's Invitees, nor shall anything be done or kept in the Premises which may be or become a public nuisance or which may cause unreasonable embarrassment, disturbance, or annoyance to others in the Project, or on adjacent or nearby property. To that end, Tenant additionally covenants and agrees that no light shall be emitted from the Premises which is unreasonably bright or causes unreasonable glare; no sounds shall be emitted from the Premises which are unreasonably loud or annoying; and no odor shall be emitted from the Premises which is or might be noxious or offensive to others in the Building, on the Project, or on adjacent or near-by property.

5.5.3. No unsightliness shall be permitted in the Premises which is visible from the Common Areas. Without limiting the generality of the foregoing, all equipment, objects, and materials shall be kept enclosed within the Premises and screened from view or in Common Areas trash enclosures; no refuse, scraps, debris, garbage, trash, bulk materials, or waste shall be kept, stored, or allowed to accumulate except as may be properly enclosed within appropriate containers in the Premises and promptly and properly disposed of.

5.5.4. The Premises shall not be used for sleeping or washing clothes, nor shall the Premises be used for cooking or the preparation, manufacture, or mixing of anything that might emit any offensive odor or objectionable noises or lights onto the Project or nearby properties.

5.5.5. All pipes, wires, conduit, cabling, poles, antennas, and other equipment/facilities for or relating to utilities, telecommunications, computer equipment, or the transmission or reception of audio or visual signals must be kept and maintained enclosed within the Premises (except to the extent included as part of Landlord's Work, Tenant's Work, or otherwise approved by Landlord).

5.5.6. Tenant shall not keep or permit to be kept any bicycle, motorcycle, or other vehicle, nor any animal (excluding service animals), bird, reptile, or other exotic creature in the Premises.

5.5.7. Neither Tenant nor Tenant's Invitees shall do anything that will cause damage or waste to the Project. Neither the floor nor any other portion of the Premises shall be overloaded. Tenant shall be responsible for all structural engineering required to determine structural load for items placed in the Premises by Tenant. Tenant shall fasten all files, bookcases, and like furnishings to walls in a manner to prevent tipping over in the event of earth movements. Landlord shall not be responsible for any damage or liability for such events. No machinery, equipment, apparatus, or other appliance shall be used or operated in or on the Premises that will in any manner injure, vibrate, or shake all or any part of the Project or be allowed to interfere with the equipment of any other tenant within the Project (or other property owned by Landlord or its affiliates), including, without limitation, interference with transmission and reception of telephone, telecommunications, television, radio, or similar signals.

5.6. Access Rights. Tenant will have 24 hour-a-day, seven day-a-week access to the Building and the Premises commencing no later than the Lease Commencement Date. Notwithstanding the foregoing, no failure of such access rights will constitute an eviction (constructive or otherwise) or a disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease; except that Tenant shall be entitled to equitable abatement of its Rent (as defined below) obligations hereunder to the extent such lack of access is due to Landlord's gross negligence, intentional misconduct or failure to perform an obligation under this Lease and continues for a period in excess of three business days. Landlord will not be liable, under any circumstances, for a loss of or injury to property or for injury to or interference with Tenant's business, including loss of profits through, in connection with, or incidental to a failure to furnish access under this Paragraph. Notwithstanding the foregoing, Landlord agrees to use reasonable efforts to promptly correct any such interruption of access.

5.7. Remedies for Breach. In the event of any breach of this Paragraph 5 by Tenant or Tenant's Invitees, Landlord, at its election and in addition to its other rights and remedies under this Lease, may pay the cost of correcting such breach and Tenant shall immediately, upon demand, pay Landlord the cost thereof, plus a supervisory fee in the amount of ten percent of such cost.

6. Security Deposit.

6.1. Security Deposit. Upon mutual execution of this Lease, Tenant shall deposit with Landlord good funds in the amount of the Security Deposit (if any) set forth in the Principal Lease Provisions, to secure the performance by Tenant of its obligations under this Lease, including without limitation Tenant's obligations (i) to pay Basic Monthly Rent and Additional Rent (as defined below), (ii) to repair damages to the Premises and/or the Project caused by Tenant or Tenant's agents, employees, contractors, licensees, and invitees (collectively, "Tenant's Invitees"), (iii) to surrender the Premises in the condition required by Paragraph 24, below, and (iv) to remedy any other defaults by Tenant in the performance of any of its obligations under this Lease. If Tenant commits any default under this Lease, Landlord may, at its election, use funds from the Security Deposit to pay the reasonable cost of curing such default, and to compensate Landlord for all damages actually suffered by Landlord which are directly attributable to such default, including, without limitation, reasonable attorneys' fees and costs incurred by Landlord. Upon demand by Landlord, Tenant shall promptly pay to Landlord a sum equal to any portion of the Security Deposit so used by Landlord, in order to maintain the Security Deposit in the amount set forth in the Principal Lease Provisions above (subject to increase as set forth below). Within 30 days following the Expiration Date or earlier termination of this Lease, Landlord shall deliver to Tenant, at Tenant's last known address, any portion of the Security Deposit not used by Landlord, as provided in this Paragraph. Landlord may commingle the Security Deposit (and any advance Rent received by Landlord) with Landlord's other funds and Landlord shall not pay interest on such Security Deposit to Tenant. Tenant waives the provisions of any similar principals of law with respect to Landlord's ability to apply the Security Deposit against future rent damages. Furthermore, upon lawful termination of the Lease as a result of Tenant's default, Landlord shall be entitled to immediately apply the Security Deposit against damages without the requirement that Tenant first be given notice and an opportunity to cure, and notwithstanding that the damages have not been finally adjudicated by a court.

7. Rent and Rent Adjustments.

7.1. Basic Monthly Rent. Tenant shall pay to Landlord as minimum monthly rent, without deduction, setoff, prior notice, or demand, the Basic Monthly Rent described in the Principal Lease Provisions (subject to adjustment as provided in the attached Addendum No. 1), in advance, on or before the first day of each calendar month, beginning on the Rent Commencement Date and thereafter throughout the Lease Term. If the Rent Commencement Date is other than the first day of a calendar month, then the Basic Monthly Rent payable by Tenant for the second month of the Lease Term following the Rent Commencement Date shall be prorated on the basis of the actual number of days during the Lease Term occurring during the first partial calendar month thereof.

7.2. Rental Adjustments. The Basic Monthly Rent shall be increased periodically in accordance with the provisions of attached Addendum No. 1 to this Lease.

7.3. Additional Rent. In addition to paying the Basic Monthly Rent pursuant to this Paragraph 7, Tenant shall pay to Landlord (in accordance with Paragraph 8 below), commencing on January 1, 2022, Tenant's Share (as defined below) of the annual Operating Expenses (as defined below) that are in excess of the Operating Expenses applicable to the Base Year. The amounts payable pursuant to this Paragraph, together with all other amounts of any kind (other than Basic Monthly Rent) payable by Tenant to Landlord under the terms of this Lease, are collectively and individually referred to in this Lease as "Additional Rent".

7.4. General Rental Provisions. All "Rent" (which includes Basic Monthly Rent and all Additional Rent hereunder) shall be paid to Landlord at the same address as notices are to be delivered to Landlord pursuant to the Principal Lease Provisions, as Landlord may change such address from time to time pursuant to the terms of this Lease. The parties agree that they have had the opportunity to verify the Rentable Square Footage of the Premises and agree that the Rentable Square Footage of the Premises set forth in the Principle Lease Provisions shall be conclusive for all purposes of this Lease.

8. Additional Rent.

8.1. Definitions. The following definitions apply throughout this Lease):

8.1.1. Operating Expenses. Subject to the Excluded Costs (as defined below) relating to the Project, the term "Operating Expenses" means all expenses, costs, and amounts of every kind or nature that Landlord pays or incurs because of or in connection with the ownership, operation, management, maintenance, or repair of the Building, Common Areas and Project. Operating Expenses include, without limitation, the following amounts paid or incurred by Landlord relative to the Building, Common Areas and Project: (a) the cost of supplying utilities to all portions of the Project (other than tenant suites), including without limitation water, waste deposit, power, electricity, heating, ventilation, and other utilities, including, without limitation, heating and condenser water to facilitate the production of air conditioning (collectively, "HVAC") (b) Tax Expenses and Insurance Expenses (as such terms are defined below), (c) the cost of providing janitorial services, window washing services and of operating, managing, maintaining, and repairing all building systems, including without limitation utility, mechanical, sanitary, storm drainage, and elevator systems, and the cost of consumable materials, supplies, tools, and equipment, as well as maintenance and service contracts in connection with those systems, (d) the cost of licenses, certificates, permits, and inspections relating to the operation of the Project, (e) the cost of contesting the validity or applicability of any government enactments that may affect the Operating Expenses, (f) the cost of maintenance, repair, and restoration of any parking areas or structures, including, without limitation, resurfacing, repainting, restriping, and cleaning costs, (g) fees, charges, and other costs, including administrative, management fees and accounting costs (or amounts in lieu of such fees), whether paid to Landlord, an affiliate of Landlord's, or a third party, consulting fees, legal fees, and accounting fees of all persons engaged by Landlord or otherwise reasonably incurred by Landlord in connection with the operation, management, maintenance, and repair of the Project, (h) wages, salaries, and other compensation and benefits of all persons engaged in the operation, maintenance, repair, or security of the Project plus employer's Social Security taxes, unemployment taxes, insurance, and any other taxes imposed on Landlord that may be levied on those wages, salaries, and other compensation and benefits; provided that if any of Landlord's employees provide services for

more than one project of Landlord's, only the prorated portion of those employees' wages, salaries, other compensation and benefits, and taxes reflecting the percentage of their working time devoted to the Project will be included in the Operating Expenses, (i) payments under any easement, CC&Rs, license, operating agreement, declaration, restrictive covenant, or other instrument relating to the sharing of costs affecting the Project, (j) amortization (including interest on the unamortized cost at a rate equal to the floating commercial loan rate announced from time to time by Bank of America as its "reference rate" (or a comparable rate selected by Landlord if such reference rate ceases to be published) plus three percentage points per annum) of the cost of acquiring, or the cost of renting, personal property used in the maintenance, repair, and operation of the Project, (k) reasonable reserves (it being acknowledged, that, among other amounts, any amount of reserves required by any holder of a deed of trust or mortgage encumbering the Project ("Lender"), will be deemed reasonable), (l) fees and expenses for consultants retained, from time to time, by Landlord for the purposes of energy conservation, waste treatment, and water recycling and for the costs of any capital improvements, equipment or devices installed or paid for by Landlord or, at Landlord option, an annual amount sufficient, on the basis of Landlord's experience or reasonable estimate, to establish in advance of the time for such installation a reserve to fund said costs, in order (i) to conform with any change in laws, rules, regulations or requirements of any governmental or quasi-governmental authority having jurisdiction or of the board of fire underwriters or similar insurance body or, (ii) to effect a labor saving, energy saving, or other economy (including, without limitation, as related to water recycling, waste treatment, and energy generation), amortized over the useful life of such capital improvement, equipment, or device (as reasonably determined by Landlord), (m) the cost of maintenance of all heating, ventilating and air condition systems relating to individual premises and/or the Common Areas, other than HVAC systems exclusively serving other tenants' premises that are directly paid for, or reimbursed, by such other tenants, (n) reasonable allocation of costs to provide and operate free or discounted visitor parking for the Project, (o) depreciation or rental costs on personal property and equipment used in the management, operation, or maintenance of the Project which is or should be capitalized on the books of Landlord, and (p) any other costs, charges, and expenses that under generally accepted accounting principles would be regarded as management, maintenance, and operating expense. All capital expenditures shall be amortized (including interest on the unamortized cost at the rate stated in subparagraph (j) of this Paragraph) over their useful life, as reasonably determined by Landlord's certified public accountant. The preceding list is for definitional purposes only and does not impose any obligation on Landlord to incur such expenses to provide such services.

8.1.2. Excluded Costs. "Excluded Costs" means the following expenses, as they relate to the Operating Expenses: (i) depreciation, principal, interest, and fees on mortgages or ground lease payments, except as otherwise provided herein, (ii) legal fees incurred in negotiating and enforcing tenant leases, disputes with other tenants, (iii) real estate brokers' leasing commissions and advertising costs in connection with leasing space in the Project, (iv) improvements or alterations to tenant spaces in the Project, (v) the cost of providing any service directly to and paid directly by a single individual tenant, or costs incurred for the benefit of a single tenant, (vi) costs of any items to the extent Landlord actually receives reimbursement therefor from insurance proceeds, under warranties, or from a tenant or other third party (such costs shall be excluded or deducted – as appropriate – from Operating Expenses in the year in which the reimbursement is received), or which are paid out of reserves previously included in Operating Expenses, (vii) costs incurred due to Landlord's breach of a law or ordinance (including costs incurred by Landlord to cause the Premises or Building to comply with ADA or to abate Prohibited Substances to the extent that Landlord is required to do so under this Lease), (viii) repairs necessitated by the gross negligence or willful misconduct of Landlord or Landlord's employees, agents, or contractors, (ix) capital expenses other than those specifically included in the definition of Operating Expenses, (x) charitable or political contributions and membership fees or other payments to trade organizations, (xi) costs of Landlord's Work which are to be borne by Landlord pursuant to attached Exhibit "C", if any (xii) rent and similar charges for Landlord's on-site management office and/or leasing office or any other offices of Landlord or its affiliates (xiii) Landlord's general overhead expenses not related to the Project.

8.1.3. Expense Year. "Expense Year" means the Base Year, and each calendar year after the Base Year, in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires.

8.1.4. Tenant's Share. "Tenant's Share" means a fraction, the numerator of which is the total aggregate Rentable Square Feet of the Premises, and the denominator of which is

497,049. As of the Lease Commencement Date, Tenant's Share will be 3.67%. If either the Premises or the Building are expanded or reduced, Tenant's Share shall be appropriately adjusted. Tenant's Share for the Expense Year in which any such change occurs shall be determined on the basis of the number of days during the Expense Year in which each such Tenant's Share was in effect.

8.2. Adjustment of Operating Expenses. Operating Expenses shall be adjusted as follows:

8.2.1. Gross Up Adjustment When a Project is Less Than Fully Occupied. If the occupancy of the total Rentable Square Footage of completed, partially occupied buildings within the Building during any part of any Expense Year (including the Base Year) is less than 95%, Landlord shall make an appropriate adjustment to the variable components of the Operating Expenses for that Expense Year, as estimated by Landlord in its sole discretion using sound accounting and management principles, to determine the amount of Operating Expenses that would have been incurred had the Building been 95% occupied. This amount shall be considered to have been the amount of Operating Expenses for that Expense Year. For purposes of this Paragraph 8.2. "variable components" include only those component expenses that are affected by variations in occupancy levels, such as nightly janitorial service or water usage.

8.2.2. Deleted.

8.2.3. Adjustment When Landlord Does Not Furnish a Service to All Tenants. If, during any part of any Expense Year (including the Base Year), Landlord is not furnishing a particular service or work (the cost of which, if furnished by Landlord, would be included in Operating Expenses) to a tenant (other than Tenant) that has undertaken to perform such service or work in lieu of receiving it from Landlord, Operating Expenses for that Expense Year shall be considered to be increased by an amount equal to the additional Operating Expenses that Landlord would reasonably have incurred during such period if Landlord had furnished such service or work to that tenant.

8.2.4. Additional Costs. If due to a change in the types of costs being incurred by Landlord as Operating Expenses (such as, for example, the commencement or cessation of security services—but not a mere change in how a particular cost is handled—such as going from an in-house to an outside landscaping service), the Base Year Operating Expenses need to be adjusted to eliminate the effect of such change, Landlord shall reasonably adjust the Base Year Operating Expenses and notify Tenant of such change in writing. Furthermore, Landlord shall have the right to reasonably decrease the amount of the Base Year Operating Expenses for purposes of calculating Increased Operating Expenses to eliminate the effect of abnormally high costs, or unusual costs, of a particular type or types (such as, by way of example, abnormally high energy costs associated with the "energy crisis" of 2001) occurring during the Base Year. There shall be no cap on Operating Expenses.

8.2.5. Common Areas. Landlord may elect to partition/separate portions of the Common Areas of the Project such that the Operating Expenses, Tax Expenses, and Insurance Expenses associated with such partitioned Common Areas are allocated to particular buildings or parcels within the Project.

8.2.6. Cost Pools. Landlord shall have the right, from time to time, to equitably allocate some or all of the Operating Expenses for the Project among different portions or occupants of the Project (the "Cost Pools"), in Landlord's reasonable discretion. Such Cost Pools may include, but shall not be limited to, the office space tenants of a building of the Project or of the Project, and the retail space tenants of a building of the Project or of the Project. The Operating Expenses within each such Cost Pool shall be allocated and charged to the tenants within such Cost Pool in an equitable manner.

8.3. Tax Expenses. "Taxes" means and refers to all federal, state, county, or local government or municipal taxes, school taxes, sewer rates, fees, charges, or other impositions of every kind or nature, whether general, special, ordinary, or extraordinary. Taxes include taxes, fees, and charges such as real property taxes, general and special assessments, transit taxes, leasehold taxes, and personal property taxes imposed on Landlord's fixtures, machinery, equipment, apparatus, systems, appurtenances, and other personal property used in connection with the Project or the Building, as the case may be, along

with reasonable legal and other professional fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce real property taxes. Notwithstanding the foregoing, the following shall be excluded from Taxes: (a) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal, state, and local income taxes, and Washington State business and occupation tax and any other taxes applied or measured by Landlord's general or net income and (b) personal property taxes attributable to property owned or installed by or for other tenants of the Project; "Tax Expenses" means the sum of all Taxes that are paid or incurred by Landlord because of or in connection with the ownership, leasing, and/or operation of the Project from time to time.

8.4. Calculation and Payment of Operating Expenses. Tenant's Share of the increased Operating Expenses shall be calculated and paid as follows:

8.4.1. Calculation of Excess. If Operating Expenses for any Expense Year occurring after the Base Year exceeds the amount of Operating Expenses applicable to the Base Year, Tenant shall pay as Additional Rent to Landlord an amount equal to Tenant's Share of that excess, in the manner stated below.

8.4.2. Statement/Payment of Operating Expenses. Tenant shall pay to Landlord, on the first day of each calendar month commencing January 1, 2022, as Additional Rent, without notice, demand, offset, or deduction (except as provided below), an amount ("Tenant's Monthly Payment") equal to one-twelfth of Tenant's Share of the amount by which the Operating Expenses for each Expense Year following the Base Year exceed the Base Year Operating Expenses (such excess being referred to herein as the "Increased Operating Expenses"), as estimated (and subsequently reconciled) by Landlord in the most recently delivered Estimated Statement (as defined below). Landlord shall deliver to Tenant, prior to the commencement of each Expense Year following the Base Year during the Lease Term, a written statement ("Estimated Statement") setting forth Landlord's estimate of the Operating Expenses and Increased Operating Expenses allocable to the ensuing Expense Year, and Tenant's Share of such Increased Operating Expenses. Landlord may, at its option, during any Expense Year, deliver to Tenant a revised Estimated Statement, revising Landlord's estimate of the Operating Expenses and Increased Operating Expenses, in accordance with Landlord's most current estimate. Within approximately 90 days after the end of each Expense Year during the Lease Term, Landlord shall deliver to Tenant a written statement ("Actual Statement") setting forth the actual Operating Expenses allocable to the preceding Expense Year. Tenant's failure to object to Landlord regarding the contents of an Actual Statement, in writing, within 90 days after delivery to Tenant of such Actual Statement, shall constitute Tenant's absolute and final acceptance and approval of the Actual Statement. If the sum of Tenant's Monthly Payments actually paid by Tenant during any Expense Year exceeds Tenant's Share of the actual Increased Operating Expenses allocable to such Expense Year, then such excess will be credited against future Tenant's Monthly Payments, unless such Expense Year was the Expense Year during which the Lease Expiration Date occurs (the "Last Calendar Year"), in which event either (i) such excess shall be credited against any then outstanding monetary obligation of Tenant under this Lease, or (ii) if there are no such monetary obligations, then Landlord shall promptly pay to Tenant such excess. If the sum of Tenant's Monthly Payments actually paid by Tenant during any Expense Year is less than Tenant's Share of the actual Increased Operating Expenses allocable to such Expense Year, then Tenant shall, within ten days of delivery of the Actual Statement, pay to Landlord the amount of such deficiency. Landlord's delay in delivering any Estimated Statement or Actual Statement will not release Tenant from its obligation to pay any Tenant's Monthly Payment or any such excess upon receipt of the Estimated Statement or the Actual Statement, as the case may be. The references in this Paragraph to the actual Increased Operating Expenses allocable to an Expense Year, shall include, if such Expense Year is the Last Calendar Year, the actual Increased Operating Expenses allocable to the portion of such year prior to the Lease Expiration Date, calculated on a pro rata basis, without regard to the date of a particular expenditure. The provisions of this Paragraph 8.4 shall survive the termination of this Lease, and even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Share of Operating Expenses for the year in which this Lease terminates, Tenant shall immediately pay any increase due over the estimated expenses paid by Tenant pursuant hereto and conversely any overpayment made in Tenant's estimated payments shall be immediately rebated by Landlord to Tenant.

8.5. Landlord's Books and Records. If Tenant disputes the amount of Additional Rent stated in an Actual Statement within 90 days of Tenant's receipt thereof, Tenant may, upon at least five business days' notice to Landlord, request an opportunity to inspect and audit Landlord's records and supporting documentation regarding such Actual Statement. Such inspection and audit must be commenced by an independent certified public accountant within 180 days of the date Tenant received the Actual Statement, shall be at Tenant's sole cost and expense (except as provided below), and Landlord shall, at its election, either provide copies of such records and supporting documentation to Tenant or make such records and supporting documentation available to Tenant for its inspection at Landlord's business office during normal business hours. If Tenant fails to dispute the amount of Additional Rent stated in an Actual Statement within 90 days of Tenant's receipt thereof, or Tenant's audit fails to disclose a discrepancy in such Actual Statement within 210 days after Tenant's receipt of the Actual Statement in question, then the Actual Statement will be deemed binding on Tenant. If it is determined as a result of Tenant's timely audit of Landlord's records (and Landlord's certified public accountant's concurrence therein) that Tenant was overcharged relative to the Operating Expenses, such overcharge shall entitle Tenant to a credit against its next payment of Operating Expenses in the amount of the overcharge plus, in the case of an overcharge exceeding three percent of the Operating Expenses, the reasonable third party costs of such audit (and if such credit occurs following the expiration of the Lease Term, Landlord shall promptly pay the amount of such credit to Tenant). If it is determined as a result of Tenant's timely audit of Landlord's records (and Landlord's certified public accountant's concurrence therein), or otherwise, that Tenant was undercharged relative to the Operating Expenses, Tenant shall, within ten days of written demand, pay such undercharge to Landlord.

9. Utilities and Services.

9.1. Tenant's Utility Costs. Except as provided below, Tenant shall pay when due all bills for gas, electricity, and other utilities used at the Premises on and after the Rent Commencement Date and through and including the Expiration Date.

9.2. Standard Tenant Services. Subject to the terms and conditions contained herein, Landlord shall provide the following services during the Lease Term.

9.2.1. Subject to limitations imposed by all governmental rules, regulations and guidelines applicable thereto, Landlord shall provide HVAC when necessary for normal comfort for normal office use in the Premises during Building Standard Operating Hours.

9.2.2. Landlord shall provide adequate electrical wiring and facilities for connection to Tenant's lighting fixtures and incidental use equipment, provided that (i) the connected electrical load of the incidental use equipment does not exceed an average of four (4) watts per usable square foot of the Premises during Standard Building Operating Hours, calculated on a monthly basis, and the electricity so furnished for incidental use equipment will be at a nominal one hundred twenty (120) volts and no electrical circuit for the supply of such incidental use equipment will require a current capacity exceeding twenty (20) amperes, and (ii) the connected electrical load of Tenant's lighting fixtures does not exceed an average of one (1) watt per usable square foot of the Premises during Standard Building Operating Hours, calculated on a monthly basis, and the electricity so furnished for Tenant's lighting will be at a nominal two hundred seventy-seven (277) volts, which electrical usage shall be subject to applicable laws and regulations. Subject to the foregoing limitations regarding the electrical wiring and facilities to be provided by Landlord, Landlord shall only provide electricity for Tenant's lighting fixtures during the Building Standard Operating Hours. Tenant shall bear the cost of replacement of lamps, starters and ballasts for non-Building standard lighting fixtures within the Premises.

9.2.3. Landlord shall provide city water from the regular Building outlets for drinking, lavatory and toilet purposes in the Building Common Areas and the Premises.

9.2.4. Landlord shall provide five day per week ordinary and customary, basic janitorial services in and about the Premises in a manner consistent with other comparable buildings in the vicinity of the Building. Landlord shall not be required to provide janitorial services to above-Project-standard improvements installed in the Premises including but not limited to metallic trim, wood floor covering, glass panels, interior windows, kitchen/dining areas, executive washrooms, or shower facilities.

Any janitorial services required by Tenant and provided by Landlord in excess of such ordinary and customary, basic janitorial services shall be separately paid for by Tenant, as Additional Rent, within ten days of written demand.

9.2.5. Landlord shall provide nonexclusive, non-attended automatic passenger elevator service during the Building Standard Operating Hours, shall have one elevator available at all other times, including on the holidays, and shall provide nonexclusive, non-attended automatic passenger escalator service during Building Standard Operating Hours only.

9.2.6. Landlord shall provide nonexclusive freight elevator service subject to scheduling by Landlord.

Tenant shall cooperate fully with Landlord at all times and abide by all regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the HVAC, electrical, mechanical, and plumbing systems. Notwithstanding the foregoing, Tenant shall be responsible for all installation and recurring costs associated with utilities services at the Premises.

9.3. Over-Standard Tenant Use. Tenant shall not exceed the rated capacity of the Building's electrical and other utility systems, which systems will be consistent in capacity with other first class office buildings built at or about the same time as the Building. In the event of any damage to any of the Project's systems caused by Tenant's use thereof in excess of ordinary and customary usage for a professional office. Tenant shall be responsible for all costs and expenses incurred by Landlord as a result of such over-use. In addition, if Tenant requires any utilities or services described in this Paragraph 9, which are to be provided by Landlord, in excess of the standard levels being provided by Landlord, or during hours other than Building Standard Operating Hours, Landlord shall have the right to impose reasonable restrictions on such usage and/or commercially reasonable charges therefor. The initial charge to Tenant for heating and air conditioning during hours other than Building Standard Operating Hours will be \$50.00 per hour (or portion thereof), subject to increase over the Lease Term, including the Extension Term, if any. Such charges are Additional Rent relative to the provision of such services and are not an offset to any Operating Expenses.

9.4. Conduit and Wiring. Installation of all types of conduit and wiring exclusively serving the Premises (other than as part of Landlord's Work), including but not limited to Tenant's Work, is subject to the requirements of Paragraph 22, below, Exhibit "C", and the Landlord's reasonable approval of the location, manner of installation, and qualifications of the installing contractor. All such conduit and wiring will, at Landlord's option, become Landlord's property upon the expiration of the Lease Term. Upon expiration of the Lease Term, Landlord may elect by written notice delivered to Tenant prior to the Expiration Date to require Tenant to remove such conduit and wiring at Tenant's expense and return the Premises and the Common Areas to their pre-existing condition. If Landlord constructs new or additional utility facilities, including without limitation wiring, plumbing, conduits, and/or mains, resulting from Tenant's changed or increased utility requirements, Tenant shall on demand promptly pay (or advance) to Landlord the cost of such items as Additional Rent.

9.5. Utilities Generally. Tenant agrees that, except as provided below, Landlord will not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services) or for diminution in the quality or quantity of any service. Such failure, delay, or diminution will not constitute an eviction or a disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease, except that Tenant will be entitled to an equitable abatement of Rent for the period of such failure, delay, or diminution to the extent such failure, delay, or diminution is (i) is directly attributable to Landlord's gross negligence or intentional misconduct, (ii) prevents Tenant from using, and Tenant does not use, the Premises or the affected portion thereof for the conduct of Tenant's business operations therein, (iii) Tenant was using the Premises or such affected portion for the conduct of Tenant's business operations immediately prior to the failure, and (iv) such failure, delay, or diminution continues for more than two consecutive business days (or ten business days in any twelve month period) after delivery of written notice of such failure, delay, or diminution from Tenant to Landlord. Landlord will not be liable, under any circumstances, for a loss of or injury to property or for injury to or interference with Tenant's business, including loss of profits through, in connection with, or

incidental to a failure to furnish any of the utilities or services under this Paragraph. Notwithstanding the foregoing, Landlord agrees to use reasonable efforts to promptly correct any such interruption of utilities or services. If any governmental authority having jurisdiction over the Project imposes mandatory controls, or suggests voluntary guidelines applicable to the Project, relating to the use or conservation of water, gas, electricity, power, or the reduction of automobile emissions, Landlord, at its sole discretion, may comply with such mandatory controls or voluntary guidelines and, accordingly, require Tenant to so comply. Landlord shall not be liable for damages to persons or property for any such reduction, nor shall such reduction in any way be construed as a partial eviction of Tenant, cause an abatement of Rent, or operate to release Tenant from any of Tenant's obligations under this Lease, except as specifically provided in this Paragraph 9.5.

10. Maintenance.

10.1. Tenant's Duties. Tenant shall at its sole cost maintain, repair, replace, and repaint, all in first class condition, the interior of the Premises, all building systems exclusively serving the Premises and located within the Premises or the walls of the Premises, and any damage to the Premises or the Project resulting from the acts or omissions of Tenant or Tenant's Invitees. Tenant shall maintain all communications conduit, equipment, and wiring serving the Premises, whether in the Premises or not (and specifically including all of Tenant's Work and all wiring, equipment, and conduit located on the roof of the Building), regardless of the ownership of said conduit or wiring, subject to Landlord's reasonable approval of Tenant's maintenance/repair contractor and manner of maintenance/repair. Notwithstanding anything to the contrary contained herein, Tenant shall pay any and all maintenance and recurring costs for supplemental HVAC units exclusively serving the Premises, or any portion thereof, upon presentation of invoice from Landlord. If Tenant fails to maintain, repair, replace, or repaint any portion of the Premises or the Project as provided above then following ten days' written notice thereof to Tenant, Landlord may, at its election, maintain, repair, replace, or repaint any such portion of the Premises or the Project and Tenant shall promptly reimburse Landlord, as Additional Rent, for Landlord's actual cost thereof, plus a supervisory fee in the amount of ten percent of Landlord's actual cost. Notwithstanding the foregoing, if following Tenant's payment (or performance) of its obligations under this Paragraph, Landlord receives payment from an insurer for such work, Tenant will be entitled to receive such proceeds (after Landlord has first been fully reimbursed for its costs and expenses relative thereto including Landlord's costs and expenses in obtaining such proceeds) to the extent Tenant previously paid or incurred third party costs relative thereto.

10.2. Landlord's Duties. Landlord shall maintain, repair, replace, and repaint, all in good order and condition, consistent with other first-class office buildings in the vicinity of the Building, the Common Areas and all portions of the interior and exterior of the Building and any other buildings in the Project (including, without limitation, all electrical, mechanical, plumbing, fire/life safety, and other building systems), except to the extent of Tenant's obligations as set forth in Paragraph 10.1, above. Landlord's failure to perform its obligations set forth above will not release Tenant of its obligations under this Lease, including without limitation Tenant's obligation to pay Rent. If Landlord fails to perform any of its repair and maintenance obligations under this Paragraph 10.2 and such failure materially and adversely impairs Tenant's ability to use and occupy the Premises for the Permitted Use, Tenant will have the right, to perform such repairs and/or maintenance to the extent necessary to enable Tenant to resume its use and occupancy of the Premises. Notwithstanding the foregoing, prior to exercising such right, Tenant must, except as provided below in connection with an emergency, have given Landlord at least 30 days' prior written notice of the nature of the problem and Tenant's intention to exercise its rights under this Paragraph if such matter is not resolved within such 30-day period; provided, however, if the nature of the matter giving rise to such repair or maintenance obligation will reasonably require more than 30 days to remedy and Landlord is proceeding with due diligence to remedy such matter, then such 30 day period will be extended for such additional time as may be necessary for Landlord to complete such repairs or maintenance. Notwithstanding the preceding sentence, in the case of an emergency which poses an imminent threat of death, injury, or severe damage to persons or property, the required notice from Tenant may be provided orally rather than in writing and for such shorter period of time (i.e., less than 30 days) as Tenant, in the exercise of its reasonable judgment deems appropriate under the exigent circumstances (however, at a minimum, Tenant shall at least contact Landlord telephonically prior to commencing such work so that Landlord may, at its election, make arrangements to handle such emergency itself). If Landlord fails to fulfill its repair and maintenance obligations under

this Paragraph, and as a result thereof Tenant exercises the foregoing right to correct such matter, then Landlord shall reimburse Tenant for the reasonable third-party costs incurred by Tenant to complete such repairs and/or maintenance within 30 days after receipt of Tenant's written demand therefor, together with copies of the paid invoices evidencing the costs so incurred. Any such repairs or maintenance performed by Tenant, as permitted herein, must be performed in a good and workmanlike manner by licensed contractors. Under no circumstances may Tenant offset any amount it is owed by Landlord pursuant to this Paragraph (or otherwise) against any Rent obligation under this Lease. Costs incurred by Landlord in performing its obligations under this Paragraph shall be recoverable as Operating Expenses to the extent provided elsewhere in this Lease.

11. Parking.

11.1. General Parking Rights. Tenant shall have the right to rent from Landlord, commencing on the Lease Commencement Date, that number of parking passes determined by applying the Parking Pass Ratio set forth in Section 2.17 of the Principal Lease Provisions on a monthly basis throughout the Lease Term, which parking passes shall be for parking located in the Project parking facility (the "Parking Facility"). The location of the reserved parking spaces, if any, shall be designated by Landlord. For all such parking passes that are rented, Tenant shall pay to Landlord on a monthly basis the prevailing rate charged from time to time at the Parking Facility and such charges shall constitute Additional Rent. In addition, Tenant shall be responsible for the full amount of any taxes imposed by any governmental authority in connection with the renting of such parking passes by Tenant or the use of the Parking Facility by Tenant. Tenant's continued right to use the parking passes is conditioned upon Tenant abiding by all rules and regulations which are prescribed from time to time for the orderly operation and use of the Parking Facility where the parking passes are located (including any sticker or other identification system established by Landlord and the prohibition of vehicle repair and maintenance activities in the Parking Facility), Tenant's cooperation in seeing that Tenant's Invitees also comply with such rules and regulations and Tenant not being in default under this Lease. Such rules and regulations may include, in Landlord's sole discretion, rules limiting tenants of the Project (including, without limitation, Tenant) to the use of, or excluding the use of, certain parking spaces or certain portions of the Parking Facility in order to maintain the availability of accessible parking spaces for clients, guests, and invitees of tenants of the Project and rules limiting tenants of the Project (including without limitation Tenant), and their employees, to the use of a restricted number of parking spaces or a restricted area. If Tenant, or any of Tenant's Invitees, fails to comply with any of Landlord's rules or requirements (such as, by way of example, parking in areas designated as visitor parking only), then Landlord will have the right to either have such vehicles towed from the Project. Furthermore, Landlord shall have the right to immobilize such improperly parked vehicles by use of a "boot" or other device. Tenant's use of the Parking Facility shall be at Tenant's sole risk and Tenant acknowledges and agrees that Landlord shall have no liability whatsoever for damage to the vehicles of Tenant or Invitees, or for other personal injury or property damage or theft relating to or connected with the parking rights granted herein or any of Tenant's or Tenant's Invitees' use of the Parking Facility. Landlord specifically reserves the right to change the size, configuration, design, layout and all other aspects of the Parking Facility at any time and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of Rent under this Lease, from time to time, close-off or restrict access to the Parking Facility for purposes of permitting or facilitating any such construction, alteration or improvements. Landlord reserves the right to grant certain tenants in the Project the exclusive right to park in specified areas of the Parking Facility, to the exclusion of all other tenants. Tenant acknowledges that the exercise of the rights reserved to Landlord under this Paragraph may result in a decrease in the number of parking spaces (but not in the number of parking passes) available to Tenant and Tenant's Invitees, and no such decrease shall affect Tenant's obligations under this Paragraph or entitle Tenant to any abatement of Rent, provided the applicable parking ratio described in Section 2.17 above, is maintained or exceeded. Any parking passes rented by Tenant pursuant to this Article 11 are provided to Tenant solely for use by Tenant's personnel and such passes may not be transferred, assigned, subleased or otherwise alienated by Tenant without Landlord's prior approval. Tenant may validate visitor parking by such methods as the Landlord may establish, at the validation rate from time to time generally applicable to visitor parking.

11.2. Parking Facility Operator. Landlord hereby reserves the right to enter into (or cause its affiliate to enter into) a management agreement or lease with an entity for all or any portion of the Parking Facility (a "Parking Facility Operator"). In such event, Tenant, upon request of Landlord,

shall enter into a parking agreement with such Parking Facility Operator and, notwithstanding anything else herein to the contrary, Tenant shall pay such Parking Facility Operator, rather than Landlord (or its affiliates), the monthly charge established hereunder for the Spaces located in the portion of the Parking Facility covered by such parking agreement, and Landlord (and its affiliate) shall have no liability for claims arising through acts or omissions of any Parking Facility Operator unless caused by Landlord negligence or willful misconduct. It is understood and agreed that the identity of any Parking Facility Operator may change from time to time during the Term. In connection therewith, any parking lease or agreement entered into between Tenant and any Parking Facility Operator shall be freely assignable by such Parking Facility or any successors thereto.

12. Signs.

12.1. **General Signage Conditions.** Landlord may at any time change the name of either or both of the Building and/or the Project and install, affix, and maintain all signs on the exterior and interior of the Building and other buildings within the Project as Landlord may, in Landlord's sole discretion, desire. Tenant shall not have or acquire any property right or interest in the name of the Building or the Project. Subject to Tenant's signage rights under Paragraph 12.2. below, Tenant may not place, construct, or maintain any sign, advertisement, awning, banner, or other exterior decoration (collectively, "sign") inside or outside the Premises which is visible from the exterior of the Premises, or on the Building or any other portion of the Project, without Landlord's prior written consent. Any sign that Tenant is permitted by Landlord to place, construct, or maintain in the Premises or on the Building or the Project (including pursuant to Paragraph 12.2. below) must comply with Landlord's sign criteria applicable to the Project, including, without limitation, criteria relating to size, color, shape, graphics, and location (collectively, the "Sign Criteria"), and shall comply with all applicable laws, ordinances, CC&Rs (or similar recorded instruments), rules, or regulations, and Tenant shall obtain any approvals required by such laws, ordinances, CC&Rs (or similar recorded instruments), rules, and regulations. Landlord makes no representation or warranty with respect to Tenant's ability to obtain any such approval. Tenant shall, at Tenant's sole cost, make any changes to any sign, whether in the Premises or on the Building, as required by any new or revised applicable laws, ordinances, rules, or regulations or any changes in the Project Sign Criteria. Tenant shall, additionally, maintain, repair, and replace all of Tenant's signs (including, specifically, those installed pursuant to Paragraph 12.2. below) in first class condition. Nothing contained in this Paragraph 12 will limit the Landlord's right to grant signage rights to other tenants of the Building, or to affect the signage rights of any tenant of the Building.

12.2. **Tenant's Individual Signage Rights.** Subject to compliance with the requirements of Paragraph 12.1, above, Tenant is hereby granted the following signage rights in/on the Building and at the Project.

12.2.1. **Directory/Suite Signage.** Tenant shall be entitled to be listed on all lobby directory signs and floor directory signs (as to those floors upon which the Premises are located), subject to prior approval of the Tenant's graphics by Landlord, if applicable.

12.2.2. **Full Floors.** Subject to Landlord's prior written approval, in its sole discretion, and provided all signs are in keeping with the quality, design and style of the Building and Project, Tenant, if the Premises comprise an entire floor of the Building, at its sole cost and expense, may install identification signage anywhere in the Premises including in the elevator lobby of the Premises, provided that such signs must not be visible from the exterior of the Building.

12.2.3. **Building Directory.** A building directory is located in the lobby of the Building. Tenant shall have the right, at Landlord's sole cost and expense as to Tenant's initial entry, to have Tenant's name displayed on such directory.

12.2.4. **Elevator Lobby Signage.** Landlord shall, at Landlord's sole cost and expense, display Tenant's name on the elevator lobby directory located on the floor(s) on which the Premises are located.

13. **Rules, Regulations, and Covenants.** Tenant shall observe (and shall cause Tenant's Invitees to observe) faithfully and comply strictly with any rules and regulations which Landlord may

from time to time adopt for the Project (and provide Tenant with a copy of), as well as any recorded easement agreements, maintenance agreements, CC&Rs or like instruments affecting the Building and/or the Project, whether now existing or hereafter adopted or amended from time to time (all of the foregoing, collectively, "Rules"). Landlord has no duty or obligation to enforce any Rule against any other tenant, and Landlord will not be liable to Tenant for violation of any Rule by any other tenant, or any other tenant's agents, employees, officers, independent contractors, customers, invitees, visitors, or licensees. Tenant acknowledges that Landlord reserves the right, from time to time, to enter into leases or other agreements by which Landlord agrees to restrict the use of all or any portion of the Project (including the Premises) from certain uses. All such leases and other agreements, whether now existing or entered into in the future, shall be binding upon Tenant and in no event shall Tenant utilize the Premises for any use so prohibited; provided, however, no such restriction may prevent Tenant from using the Premises for the Permitted Use.

14. Early Access/Insurance. If prior to the Lease Commencement Date Tenant is planning to make any Alterations (as defined below) to the Premises, perform any of the Tenant's Work, or install any of Tenant's personal property, then in addition to complying with the provisions of attached Exhibit "C", (i) Tenant shall obtain, and at all times maintain, all of the insurance to be maintained by Tenant during the Lease Term, and (ii) all obligations of Tenant under the provisions of this Lease other than those relating to the obligation to pay Rent, shall be operative. Any work pursuant to this Paragraph shall be subject to all of the provisions of Paragraph 22, below. Nothing in this Paragraph shall be construed as granting permission to Tenant to enter the Premises, or to make any Alterations, prior to the Lease Commencement Date and no such right shall exist unless specified in Exhibit "C" or agreed to by Landlord in its sole discretion.

15. Tenant's Liability Insurance. Tenant shall maintain, at Tenant's sole cost and expense, Commercial General Liability Insurance covering the insured against (i) any and all Claims (as defined below) of bodily injury, personal injury and property damage (including loss of use thereof) arising out of or connection with Tenant's use, occupancy and operations within the Premises and Building, and (ii) all contractual liabilities under this Lease, including, without limitation, indemnity provisions contained herein, for limits of liability of \$3,000,000 per occurrence and \$4,000,000 annual aggregate with such aggregate limit shall apply separately to each location and may be met with primary and excess liability policy.

16. Tenant's Property Insurance. Tenant shall maintain, at Tenant's sole cost and expense, property insurance covering (i) all office furniture, business and trade fixtures, office equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant, (ii) all Tenant improvements (installed and/or constructed per Exhibit "C" attached hereto), and any other improvements which exist in the Premises as of the Lease Commencement Date (excluding the base building structure and building systems), and (iii) all other improvements, Alterations, Personal Property and additions to the Premises. Such insurance shall be written on an "all risks" of physical loss or damage basis, for the full replacement cost value, new without deduction for depreciation of the covered items and shall include coverage for damage or other loss caused by fire or other peril including, but not limited to, earthquake, flood, terrorism, vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting or stoppage of pipes, coverage with respect to increased costs due to building ordinances, demolition coverage, boiler and machinery insurance and explosion. Such "full replacement cost value" shall be determined by the insurance company issuing such policy at the time the policy is initially obtained. Not more frequently than once every two years, either Landlord or Tenant may, at its election, notify the other that it elects to have the replacement cost value redetermined by an insurance company. Such redetermination shall be made promptly and in accordance with the rules and practices of the Board of Fire Underwriters, or a like board recognized and generally accepted by the insurance company, and Landlord and Tenant shall be promptly notified of the results by the company. Such policy shall be promptly adjusted according to such redetermination. Notwithstanding the foregoing, in no event shall Tenant be required to insure the Common Areas or the Building structure.

17. Tenant's Additional Insurance. In addition to the foregoing coverages, Tenant shall maintain, at Tenant's sole cost and expense:

17.1. Workers' compensation insurance in an amount not less than the statutory limits in the state in which the Project is located;

17.2. Employer's Liability with limits of at least \$1,000,000 bodily injury by disease – policy limit, \$1,000,000 bodily injury by disease each employee and \$1,000,000 bodily injury by accident – each accident for the protection of its employees or other similar insurance pursuant to all applicable laws;

17.3. Business Interruption Insurance in amounts sufficient to reimburse Tenant (over a 12 month period) for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent tenants or attributable to prevention of access to the Premises or to the Project as a result of such perils, including, without limitation, reimbursement for payment of rental and all other monetary obligations required herein;

17.4. Automobile Liability with a combined single limit of \$3,000,000 per occurrence covering the operation, ownership, maintenance, and use of owned (if any), non-owned, and hired automobiles, bodily injury and property damage, as aforesaid; and

17.5. In the event Tenant distributes, sells and/or manufactures liquor on the Premises, Tenant shall maintain liquor liability with limits of \$2,000,000 each claim and \$2,000,000 annual aggregate, such requirement may be met with primary and excess liability policy. Notwithstanding anything in the Lease, should Tenant maintain liquor on Premises for consumption, Tenant, at a minimum, shall maintain dram shop coverage with limits of \$2,000,000. Coverage shall be on a per occurrence form. Notwithstanding the foregoing, in no event shall Tenant be permitted to distribute, sell or manufacture liquor on the Premises without Landlord's prior written consent, which may be withheld by Landlord in its sole and absolute discretion.

18. Form of Tenant's Insurance Policies. The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance (i) shall name Landlord, American Assets Trust, Inc. and American Assets Trust, LP and any other party with an insurable interest in the Project which the Landlord so specifies by written notice to Tenant, as an additional insured, including Landlord's managing agent, American Assets Trust Management, LLC, as such agent may be changed from time to time; (ii) shall cover the liability assumed by Tenant under the indemnification provisions of this Lease; (iii) shall consist of "occurrence" based coverage, without provision for subsequent conversion to "claims" based coverage; (iv) shall be issued by an insurance company having a rating of not less than A XV in Best's Insurance Guide or which is otherwise acceptable to Landlord and authorized to do business in the state in which the Project is located; (v) shall be primary insurance and non-contributing with respect to all Claims thereunder and any policies carried by Landlord and that any coverage carried by Landlord shall be excess insurance; (vi) be in form and content reasonably acceptable to Landlord; and (vii) shall provide that said insurance shall not be canceled or modified in coverage in a manner that would cause the insurance to no longer comply with the requirements of this Lease unless 30 days' prior notice shall have been given to Landlord, and (viii) shall not provide for a deductible or co-insurance provision in excess of \$10,000. Tenant shall deliver said policy or policies or certificates and applicable endorsements thereof or reasonable evidence that such insurance is in place to Landlord on or before the Lease Commencement Date. In the event Tenant shall fail to procure such insurance, or to deliver such policies or certificate and applicable endorsements, Landlord may, at its option upon 5 business days' notice to Tenant, procure such policies for the account of Tenant unless Tenant provides same within such 5 day period, and the cost thereof shall be paid to Landlord within 5 days after delivery to Tenant of bills therefore. Tenant shall, at least 30 days prior to the expiration of each such policy, furnish Landlord with a renewal certificate and applicable endorsement of or "binder" extending such policy. Not more frequently than once every year, if in the opinion of Landlord the amount or scope of such insurance at that time is not adequate, Tenant shall increase such insurance as reasonably required by Landlord.

19. Waiver of Subrogation. Landlord and Tenant release each other, Tenant's Invitees, Landlord's guests, invitees, customers and licensees (collectively, "Landlord's Invitees") and Landlord's agents, affiliates, officers, directors and employees from all claims for damage, loss, or injury to the Project, to Tenant's Personal Property, and to the fixtures and Alterations of either Landlord or Tenant in or on the Project to the extent such damage, loss or injury is covered by any insurance policies carried by Landlord and Tenant and in force at the time of such damage, or which would have been covered by insurance policies required by this Lease to be carried by Tenant, but which Tenant failed to carry. Subject to the remaining provisions of this Paragraph, Landlord and Tenant shall each cause all insurance policies obtained by it pursuant to this Lease to provide that the insurance company waives all right of recovery by way of subrogation against Landlord, American Assets Trust, Inc., American Assets Trust, L.P., American Assets Trust Management, LLC, and Landlord's agents, employees and representatives and Tenant in connection with any damage, loss, or injury covered by such policy. Notwithstanding the foregoing, if any claim to which the foregoing release by Landlord and waiver of subrogation provision would apply is for an amount which is less than Landlord's applicable deductible, and Landlord elects not to submit such claim to its insurer, then the provisions of the foregoing release by Landlord shall not be applicable.

20. Landlord's Insurance. Landlord may, at its election, maintain any of the following insurance, and any other insurance deemed appropriate or necessary, in Landlord's sole discretion, in such amounts and with such limits as Landlord shall determine in its reasonable discretion: (i) Public liability and property damage insurance, and products liability insurance; (ii) Fire and extended coverage and special form insurance, coverage with respect to increased costs due to building ordinances, demolition coverage, and sprinkler leakage coverage; (iii) boiler and machinery insurance; (iv) fidelity insurance; (v) plate-glass insurance; (vi) earthquake insurance; (vii) terrorism insurance, (viii) flood insurance; (ix) rental interruption and/or business interruption insurance; and (x) pollution legal liability insurance. The premiums, costs, expenses, and deductibles (or similar costs or charges) of and/or with respect to any such insurance (all of the preceding, collectively, "Insurance Expenses") shall be included in Operating Expenses. Any such coverage may be part of an umbrella or blanket policy, whereupon the premiums, costs, and expenses hereof will be reasonably apportioned between the Building and the other properties so included under such policy(ies).

21. Personal Property Taxes. Tenant shall pay before delinquency all taxes, assessments, license fees, and other charges that are levied or assessed against, or based upon the value of, Tenant's personal property installed or located in or on the Premises including without limitation trade fixtures, furnishings, equipment, Alterations, and inventory (collectively, "Tenant's Personal Property"). On written demand by Landlord, Tenant shall furnish Landlord with satisfactory evidence of such payments. If any such taxes, assessments, license fees, and/or other charges are levied against Landlord or Landlord's property, or if the assessed value of the Premises is increased by the inclusion of a value placed on Tenant's Personal Property, and if Landlord pays such taxes, assessments, license fees, and/or other charges or any taxes based on the increased assessments caused by Tenant's Personal Property, then Tenant, on demand, shall immediately reimburse Landlord, as Additional Rent, for the sum of such taxes, assessments, license fees, and/or other charges so levied against Landlord, or the proportion of taxes resulting from such increase in Landlord's assessment. Landlord may, at its election, pay such taxes, assessments, license fees, and/or other charges or such proportion, and receive such reimbursement, regardless of the validity of the levy.

22. Alterations. Except with respect to the performance of Tenant's Work pursuant to the Work Letter attached hereto as Exhibit "C", Tenant shall not make any alterations, improvements, additions, installations, or changes of any nature in or to the Premises (any of the preceding, "Alterations") unless Tenant first obtains Landlord's written consent to such Alteration and otherwise complies with the provisions of this Paragraph 22; provided, however, no such consent will be required in connection with any Minor Alterations (as defined below).

22.1. Request for Consent. At least 15 days prior to making any Alterations, Tenant shall submit to Landlord, in written form, proposed detailed plans of such Alterations, which plans must (i) in the case of a Minor Alterations, be in sufficient detail to, among other things, provide Landlord with reasonable evidence that such Alterations are of a nature that Landlord's consent is not required, and (ii) in the case of any other Alterations, in sufficient detail to allow Landlord and its consultants to fully

evaluate the proposed Alterations and their effect upon the Premises and the Project. Landlord will not unreasonably withhold, condition, or delay its consent to any Alterations for which consent is required; except that, in the case of exterior Alterations or Alterations which will be visible from outside the Premises or which will affect any structural components of the Project, Landlord shall have the right to grant or withhold its consent in the exercise of its sole discretion. In addition to the foregoing requirements, if the proposed Alteration requires approval by or notice to the lessor of a ground or underlying lease or the holder of a deed of trust encumbering the Project, no Alteration shall be commenced until such approval has been received, or such notice has been given, as the case may be, and all applicable conditions and provisions of said superior lease or deed of trust with respect to the proposed Alteration or Alterations have been met or complied with at Tenant's expense; and Landlord, if it approves the Alteration, will request such approval or give such notice expeditiously, as the case may be, and thereafter diligently pursue obtaining such approval.

22.2. Minor Alterations. Notwithstanding anything to the contrary contained herein, minor interior cosmetic Alterations such as painting, wall papering, carpeting or hanging pictures or moving furniture and temporary partitions or cubicles (the aggregate cost of which will not exceed \$150,000.00, and which Alterations will not be visible from outside the Premises or affect any structural components of the Project) will not require Landlord's prior consent so long as (i) Tenant notifies Landlord in accordance with Paragraph 22.1 (i) and (ii) Tenant complies with all reasonable conditions which may be imposed by Landlord including, but not limited to, the requirements of Paragraph 22.3 below, Landlord's selection of specific contractors or construction techniques and the requirements of the attached Exhibit "C". Any Alterations meeting the foregoing requirements to avoid the necessity of obtaining Landlord's consent are referred to herein as a "Minor Alterations".

22.3. Additional Requirements. Tenant shall, prior to the commencement of any Alterations, and at Tenant's sole cost, (i) acquire (and deliver to Landlord a copy of) any required permit from the appropriate governmental agencies to make such Alterations (any conditions of which permit Tenant shall comply with, at Tenant's sole cost, in a prompt and expeditious manner), (ii) provide Landlord with ten business days' prior written notice of the date the installation of the such Alterations is to commence, so that Landlord can post and record an appropriate notice of non-responsibility, (iii) pay Landlord the reasonable costs and expenses of Landlord for architectural, engineering, or other consultants which reasonably may be incurred by Landlord in determining whether to approve any such Alterations (excluding Minor Alterations), and (iv) if applicable, obtain (and deliver to Landlord proof of) reasonably adequate workers compensation insurance with respect to any of Tenant's employees installing or involved with such Alterations (which insurance Tenant shall maintain in accordance with the Washington State Industrial Insurance Act). In addition, Tenant shall comply with all reasonable conditions which may be imposed by Landlord relative to such Alterations including, but not limited to, Landlord's selection of specific contractors or construction techniques and the requirements of the attached Exhibit "C" applicable to Tenant's Work. Notwithstanding anything to the contrary contained in this Paragraph 22.3, in no event may Tenant remove any ceiling tiles or ceiling gridwork or lighting without Landlord's prior consent, and any such consent may be conditioned upon requiring Tenant to post a deposit to cover the cost of restoring the Premises to their prior condition upon termination of the Lease Term and to secure Tenant's obligation to so restore the Premises.

22.4. Ownership of Alterations. All Alterations shall, upon the Expiration Date of this Lease, become the property of Landlord and shall remain on and be surrendered with the Premises on the Expiration Date; except that, Landlord may, at its election by written notice delivered to Tenant prior to the Expiration Date, require Tenant to remove any or all of the Alterations, provided that Landlord notifies Tenant in writing prior to commencement of the Alterations. If Landlord so elects to have the Alterations removed, Tenant shall, at its sole cost, on or before the Expiration Date, repair and restore the Premises to the condition of the Premises prior to the installation of the Alterations which are to be removed. Tenant shall pay all costs for Alterations and other construction done or caused to be done by Tenant and Tenant shall keep the Premises free and clear of all mechanics' and materialmen's liens resulting from or relating to any Alterations or other construction. Tenant may, at its election, contest the correctness or validity of any such lien provided that (a) within 20 days after written demand by Landlord, Tenant procures and records a lien release bond, issued by a corporation satisfactory to Landlord and authorized to issue surety bonds in Washington, in an amount equal to 150% of the amount of the claim

of lien, which bond meets the requirements of any successor statute, and (b) Landlord may, at its election, require Tenant to pay Landlord's attorneys' fees and costs incurred in participating in such an action.

22.5. Tenant's Communications, Computer Lines and Wi-Fi Use.

(a) Tenant may install, maintain, replace, remove or use any communications or computer wires and cables serving the Premises (collectively, the "Lines"), provided that (i) Tenant shall obtain Landlord's prior written consent, use an experienced and qualified contractor approved in writing by Landlord, and comply with all of the other provisions of this Lease, including without limitation the provisions of Paragraph 10.1 and Article 22, (ii) an acceptable number of spare Lines and space for additional Lines shall be maintained for existing and future occupants of the Project, as determined in Landlord's reasonable opinion, (iii) the Lines therefor (including riser cables) shall be appropriately insulated to prevent excessive electromagnetic fields or radiation, shall be surrounded by a protective conduit reasonably acceptable to Landlord, and shall be identified in accordance with the "Identification Requirements", as that term is set forth herein below, (iv) any new or existing Lines servicing the Premises shall comply with all applicable governmental laws and regulations, (v) as a condition to permitting the installation of new Lines, Landlord may require that Tenant remove existing Lines located in or serving the Premises and repair any damage in connection with such removal, and (vi) Tenant shall pay all costs in connection therewith. All Lines shall be clearly marked with adhesive plastic labels (or plastic tags attached to such Lines with wire) to show Tenant's name, suite number, telephone number and the name of the person to contact in the case of an emergency (A) every four feet (4') outside the Premises (specifically including, but not limited to, the electrical room risers and other Common Areas), and (B) at the Lines' termination point(s) (collectively, the "Identification Requirements"). Landlord reserves the right, upon notice to Tenant prior to the expiration or earlier termination of this Lease, to require that Tenant, at Tenant's sole cost and expense, remove any Lines located in or serving the Premises prior to the expiration or earlier termination of this Lease.

(b) Wi-Fi. Tenant shall have the right to install, at its sole cost and expense, a wireless intranet, Internet, and communications network (also known as "Wi-Fi") utilizing IEEE 802.XX protocols within the Premises for the use of Tenant and its employees (the "Network") subject to the provisions of this Paragraph 22.5 and the other provisions of Paragraph 22. All telecommunications service providers shall be subject to Landlord's prior written approval.

(c) No solicitation. Tenant shall not solicit, suffer, or permit other tenants or occupants of the Building to use the Network or any other communications service, including, without limitation, any wired or wireless Internet service that passes through, is transmitted through, or emanates from the Premises.

(d) Interference. Tenant agrees that the Network, the Lines, Tenant's communications equipment and the communications equipment of Tenant's service providers located in or about the Premises or installed in the Building to service the Premises including, without limitation, any antennas, switches, or other equipment (collectively, "Tenant's Communications Equipment") shall be of a type and, if applicable, a frequency that will not cause radio frequency, electromagnetic, or other interference to any other party or any equipment of any other party including, without limitation, Landlord, other tenants, or occupants of the Building. Landlord reserves the right to cause Tenant to operate on a channel or frequency band that Landlord selects, in its sole discretion. In the event that Tenant's Communications Equipment causes or is believed by Landlord to cause any such interference, upon receipt of notice from Landlord of such interference, Tenant will promptly take all steps necessary to correct and eliminate the interference. If the interference is not eliminated within 24 hours (or a shorter period if Landlord believes a shorter period to be appropriate) then, upon notice from Landlord, Tenant shall use other channels or frequencies as determined solely by Landlord, or, at Landlord's election, shut down the Tenant's Communications Equipment pending resolution of the interference (with the exception of intermittent testing upon prior notice to, and with the prior approval of, Landlord). Landlord shall have no obligation or liability with respect to any interruption, curtailment or discontinuance of telecommunications services.

(e) Maintenance. Tenant shall maintain Tenant's Telecommunications Equipment in good order and repair at its sole cost and expense.

(f) Acknowledgment. Tenant acknowledges that Landlord has granted and/or may grant lease rights, licenses, and other rights to other tenants and/or occupants of the Building and to telecommunications service providers.

23. Surrender of Premises and Holding Over.

23.1. Surrender. On the Expiration Date, Tenant shall surrender to Landlord the Premises and all Alterations (except for Alterations that Tenant is obligated to remove as expressly set forth above) in a first class and clean condition, less any normal wear and tear, free of trash and debris including cleaning of all flooring; all walls shall be patched and painted; all signage installed by Tenant on any portion of the Buildings or Project shall be removed and the surfaces repaired, including restoration of the signage mounting surfaces to their pre-existing condition; all sign circuits, electrical circuits, and lighting fixtures shall be in good operating condition; all roof penetrations arising from Tenant's occupancy of the Premises shall be in a watertight condition; and all doors, windows, locks, and hardware shall be in operable condition upon the termination of this Lease. Tenant shall additionally, as of the Expiration Date, remove all of Tenant's Personal Property and perform all repairs and restoration required by the removal of any Alterations or Tenant's Personal Property, and Tenant shall surrender to Landlord all keys to the Premises (including without limitation any keys to any exterior or interior doors). Landlord may elect to retain or dispose of in any manner any Alterations or Tenant's Personal Property that Tenant does not remove from the Premises on the Expiration Date as required by this Lease by giving written notice to Tenant. Any such Alterations or Tenant's Personal Property that Landlord elects to retain or dispose of shall immediately upon notice to Tenant vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such Alterations or Tenant's Personal Property. Tenant will be liable to Landlord for Landlord's costs for storing, removing (including related restoration work), or disposing of any such Alterations or Tenant's Personal Property. If Tenant fails to surrender the Premises to Landlord on the Expiration Date in the condition required by this Paragraph, Tenant shall indemnify, defend, and hold Landlord harmless from and against all liabilities, damages, losses, costs, expenses, attorneys' fees and claims resulting from such failure, including without limitation any claim for damages made by a succeeding tenant.

23.2. Holding Over. If Tenant, with Landlord's consent, remains in possession of the Premises after the Expiration Date, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable on 30-days' written notice given at any time by Landlord or Tenant. During any such month-to-month tenancy, or any other holdover tenancy which is without Landlord's consent, Tenant shall pay, as Basic Monthly Rent, 125% of the Basic Monthly Rent in effect immediately prior to the Expiration Date; which rental amount Tenant acknowledges is fair and reasonable under all of the facts and circumstances existing as of the date of this Lease. All provisions of this Lease except for those pertaining to Term shall apply to any such tenancy. If Tenant holds over after the Expiration Date without the express written consent of Landlord, Tenant shall become a tenant at sufferance only, at a rental rate equal to 150% of the Basic Monthly Rent and Additional Rent in effect immediately prior to expiration of the Term (prorated on a daily basis), and otherwise subject to the terms, provisions, and conditions herein specified, so far as applicable. Acceptance by Landlord of rent after such expiration or earlier termination shall not constitute consent to a holdover tenancy hereunder or result in a renewal. The foregoing provisions this Paragraph 23.2 are in addition to, and do not affect, Landlord's right of re-entry or any rights of Landlord hereunder or as otherwise provided by law. Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon expiration or other termination of this Lease. The provisions of this Paragraph 23.2 shall not be considered to limit or constitute a waiver of any other rights or remedies of Landlord provided in this Lease or at law. In addition to the foregoing, if Tenant fails to surrender the Premises to Landlord on the Expiration Date in the condition required by Paragraph 23.1, above, Tenant shall indemnify, defend, and hold harmless Landlord from and against all actions, demands, liabilities, damages, losses, costs, expenses, attorneys' fees, and claims resulting from such failure, including, without limitation, any claim for damages made by a succeeding tenant.

24. Default. In addition to any other default specifically described in this Lease, each of the following occurrences shall be a “Default”:

- (a) Tenant’s failure to pay any portion of Rent when due (“Monetary Default”);
- (b) Tenant’s failure (other than a Monetary Default) to comply with any term, provision, condition or covenant of this Lease, if the failure is not cured within ten (10) days after written notice to Tenant provided, however, if Tenant’s failure to comply cannot reasonably be cured within ten (10) days, Tenant shall be allowed additional time (not to exceed sixty (60) days) as is reasonably necessary to cure the failure so long as Tenant begins the cure within ten (10) days and diligently pursues the cure to completion;
- (c) Tenant permits a Transfer without Landlord’s required approval or otherwise in violation of Section 31 of this Lease;
- (d) Tenant fails to cure within two (2) days’ notice thereof any condition which is hazardous, interferes with another tenant or the operating or leasing of any portion of the Property, or may cause the imposition of a fine, penalty or other remedy on Landlord or its agents or affiliates;
- (e) Tenant fails to restore the Security Deposit pursuant to Paragraph 6, above, within ten days of written notice from Landlord demanding such restoration; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under applicable unlawful detainer statutes.
- (f) (1) Tenant or any Guarantor makes a general assignment for the benefit of creditors; (2) Tenant or any Guarantor files by or for reorganization or arrangement under any law relating to bankruptcy or insolvency (unless, in the case of a petition filed against Tenant, the same is dismissed within thirty (30) days); (3) appointment of a trustee or receiver to take possession of substantially all of Tenant’s assets located in the Premises or of Tenant’s interest in this Lease, where possession is not restored to Tenant within thirty (30) days; (4) attachment execution or other judicial seizure of substantially all of Tenant’s assets located in the Premises or of Tenant’s interest in this Lease; (5) Tenant or any Guarantor convene a meeting of its creditors or any class thereof for the purpose of effecting a moratorium upon or compositions of its debts; or (6) Tenant’s or any Guarantor’s insolvency or failure to, or admission of an inability to, pay debts as they mature;
- (g) the leasehold estate is taken by process or operation of Law (except if taken by Condemnation);
- (h) Tenant does not take possession of or abandons the Premises;
- (i) Tenant fails to deliver, within the ten (10) day period described in Paragraph 41 and 49.2 below, any estoppel certificate or financial statements requested by Landlord pursuant to Paragraph 41 and 49.2 below;
- (j) Tenant is in default beyond any notice and cure period under any other lease or agreement with Landlord at the Building or Project. If Landlord provides Tenant with notice of Tenant’s failure to comply with any specific provision of this Lease on three (3) separate occasions during any twelve (12) month period, Tenant’s subsequent violation of such provision shall, at Landlord’s option, be an incurable Default by Tenant. All notices sent under this Section shall be in satisfaction of, and not in addition to, notice required by Law. Notwithstanding the foregoing, if Tenant violates the same term or condition of this Lease on two (2) occasions during any twelve (12) month period, Landlord shall have the right to exercise all remedies for any violations of the same term or condition during the next twelve (12) months without providing further notice or any opportunity to cure; or

(k) if this Lease or any estate of Tenant hereunder shall be levied upon under any attachment or execution and such attachment or execution is not vacated within ten (10) days after levy thereof.

25. Landlord's Remedies.

25.1. Upon Default, Landlord shall have the right to pursue any one or more of the following remedies:

(a) Terminate this Lease, in which case Tenant shall immediately surrender the Premises to Landlord. If Tenant fails to surrender the Premises, Landlord, in compliance with Law, may enter upon and take possession of the Premises and remove Tenant, Tenant's Property and any party occupying the Premises. Tenant shall pay Landlord, on demand, all past due Rent (together with interest thereon as set forth in Paragraph 26, below) and other losses and damages Landlord suffers as a result of Tenant's Default, including, without limitation, all Costs of Reletting (defined below) and any deficiency that may arise from reletting or the failure to relet the Premises. "Costs of Reletting" shall include all reasonable costs and expenses incurred by Landlord in preparing the Premises to be relet for office use, plus the unamortized cost of broker commissions paid for this Lease, the unamortized cost of any Tenant Improvements installed by or paid for by Landlord, and the unamortized value of any rent-free occupancy periods granted to Tenant (all of which shall be amortized on a straight-line basis over eight years).

(b) Terminate Tenant's right to possession of the Premises and, in compliance with Law, remove Tenant, Tenant's Property and any parties occupying the Premises. Landlord may (but shall not be obligated to) relet all or any part of the Premises, without notice to Tenant, for such period of time and on such terms and conditions (which may include concessions, free rent and work allowances) as Landlord in its absolute discretion shall determine. Landlord, at its option, may make such physical changes to the Premises as it considers advisable or necessary in connection with any such reletting or proposed reletting, without relieving Tenant of any liability under this Lease. If there is other vacant space in the Building, Landlord shall have no obligation to attempt to relet the Premises prior to leasing other space in the Building. Landlord may collect and receive all rents and other income from the reletting. Tenant shall pay Landlord on demand all past due Rent, all Costs of Reletting and any deficiency arising from the reletting or failure to relet the Premises. The re-entry or taking of possession of the Premises shall not be construed as an election by Landlord to terminate this Lease. To the extent permitted by law, Tenant expressly waives the service of any notice of intention to terminate this Lease or to retake the Premises, and waives service of any demand for payment to Rent or for possession, and of any every other notice or demand required or permitted under applicable law. To the extent permissible by law, if Landlord takes possession of the Premises pursuant to the authority herein granted, then Landlord shall have the right to keep in place and use all of the furniture, fixtures and equipment at the Premises, including that which was purchased with any tenant improvement allowance provided by Landlord to Tenant or that is leased to Tenant at all times prior to any foreclosure thereon by Landlord or repossession thereof by any lessor thereof or third party having a lien thereon. Landlord shall also have the right to remove from the Premises (without the necessity of obtaining a distress warrant, writ of sequestration or other legal process and without being liable for prosecution or any claim for damages therefor) all or any furniture, fixtures, equipment and other property located in the Premises and place the same in storage at any place convenient to Landlord or dispose of the same; and in such event, Tenant shall be liable to Landlord for costs incurred by Landlord in connection with such removal, storage, and/or disposal and shall indemnify and hold Landlord harmless from all loss, damage, cost, expense, and liability in connection with such removal, storage and/or disposal. Landlord shall also have the right to relinquish possession of all or any portion of such furniture, fixtures, equipment, and other property to any person ("Claimant") claiming to be entitled to possession thereof who presents to Landlord a copy of any instrument purporting to have been executed by Tenant (or any predecessor of Tenant) granting Claimant the right under various circumstances to take possession of such furniture, fixtures, equipment or other property, without the necessity on the part of Landlord to inquire into the authenticity of said instrument and without the necessity of Landlord's making any investigation or inquiry as to the validity of the factual or legal basis upon which Claimant purports to act; and Tenant agrees to indemnify, defend and hold Landlord Parties harmless from all cost, expense, loss, damage, and liability incident to Landlord's relinquishment of possession of all or any portion of such furniture, fixtures, equipment, or other property to Claimant. Should Tenant abandon the Premises and leave property therein, Landlord

may elect whether or not to accept the property, liquidate said property and apply the proceeds against any sums due and owing by Tenant, or to dispose of said property, and Tenant waives any claim to such property after any such abandonment. For purposes of the foregoing, Tenant shall be deemed to have abandoned its interest in such property if the same is not removed from the Premises by Tenant within ten days after Landlord's proper demand that Tenant remove same, or within ten days after expiration or earlier termination of this Lease, whichever first occurs. The provisions of this Paragraph 25.01 shall additionally apply at the time of Tenant's surrender of the Premises pursuant to Paragraph 23.1. The provisions hereof shall survive the termination of this Lease.

25.2. In lieu of calculating damages under Section 25.01, Landlord may elect to receive as damages the sum of (a) all unpaid Rent accrued through the date of termination of this Lease or Tenant's right to possession, and (b) an amount equal to the total Rent that Tenant would have been required to pay for the remainder of the Lease Term discounted to present value at the Prime Rate (defined below) then in effect, minus the then present fair rental value of the Premises for the remainder of the Lease Term, similarly discounted, after deducting all anticipated Costs of Reletting. "Prime Rate" shall be the per annum interest rate publicly announced as its prime or base rate by a federally insured bank selected by Landlord in the state in which the Building is located.

25.3. If Tenant is in Default of any of its non-monetary obligations under this Lease, Landlord shall have the right to perform such obligations. Tenant shall reimburse Landlord for the cost of such performance upon demand together with an administrative charge equal to ten percent (10%) of the cost of the work performed by Landlord. The repossession or re-entering of all or any part of the Premises shall not relieve Tenant of its liabilities and obligations under this Lease. No right or remedy of Landlord shall be exclusive of any other right or remedy. Each right and remedy shall be cumulative and in addition to any other right and remedy now or subsequently available to Landlord at Law or in equity.

25.4. The parties hereto specifically agree that Tenant's covenants to pay Rent or any other payments required of it hereunder are independent of all other covenants and agreements herein contained and, as such, among other things, Tenant shall have no offset rights against the Rent payable hereunder by Tenant to Landlord except as may be specifically permitted under this Lease.

26. Interest and Late Charges. Late payment by Tenant to Landlord of Rent or other charge will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which would be impracticable or extremely difficult to fix. Such costs include, without limitation, processing, collection and accounting charges, and late charges that may be imposed on Landlord by the terms of any deed of trust covering the Premises. Therefore, if any Rent or other charge (in the form of good funds) is not received by Landlord within ten days of its due date, then, without any requirement for notice to Tenant, Tenant shall owe and pay to Landlord an additional sum of five percent of such overdue amount as a late charge. Such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of any late payment by Tenant, and therefore this Paragraph is reasonable under the circumstances existing at the time this Lease is made. Acceptance of such late charge by Landlord shall not constitute a waiver or cure of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord under this Lease any or all of which may be exercised before, concurrently, or after Landlord's exercise of its rights hereunder. In addition to the late charge payable by Tenant, as provided above, if any such Rent or other charge is not paid within 30 days of the date such Rent or other charge was due, then Tenant shall pay to Landlord interest on such overdue Rent or other charge (from such 30th day until all amounts, including interest, are paid in full) at the rate of seven percent (7%) per annum above the "prime rate" announced from time to time by Bank of America, NT&SA or the maximum amount permitted by law, whichever is less (the "Default Rate"). If such prime rate ceases to be announced, then a comparable "prime rate" shall be utilized, as selected by Landlord.

27. Landlord Default – Tenant's Remedies. Landlord shall not be in default hereunder unless Landlord fails to perform the obligations required of Landlord when due, but in no event later than twenty (20) days after notice by Tenant to Landlord, and to the holder of any first mortgage or deed of trust covering the Premises, whose name and address shall have been furnished to Tenant, specifying the nature of Landlord's failure to perform; provided, however, that if the nature of Landlord's obligation is such that more than twenty (20) days are required for performance, then Landlord shall not be in default if

Landlord commences performance within such twenty (20) day period and thereafter diligently prosecutes the same to completion. In no event shall Landlord be liable under any circumstances for any consequential damages incurred by Tenant, including, without limitation, any injury to, or interference with, Tenant's business (including any loss of profits), arising in connection with this Lease. In the event of Landlord default, Tenant shall be entitled to pursue all legal and equitable remedies available, subject to any limitations set forth in this Lease, provided that nothing herein contained shall be interpreted to mean that Tenant is excused from paying Rent due hereunder as a result of any default by Landlord.

28. Quarterly Payments. If a late charge is payable under this Lease, whether or not collected, for two installments of Basic Monthly Rent or Additional Rent due under this Lease during any one calendar year during the Lease Term, then Landlord, by written notice to Tenant, may require that Basic Monthly Rent and Additional Rent be due and payable quarterly in advance, rather than monthly. All monies paid to Landlord under this Paragraph may be commingled with other monies of Landlord and shall not bear interest. If Tenant breaches any provision of this Lease, then any balance remaining from funds paid to Landlord under the provisions of this Paragraph may, at Landlord's election, be applied to the payment of any monetary default of Tenant.

29. Destruction. If the Building is totally or partially destroyed during the Lease Term, rendering the Premises totally or partially inaccessible or unusable, then, subject to the remainder of this Paragraph, (i) Landlord shall promptly commence work necessary to restore the Building to substantially the same condition as it was in immediately before such destruction and shall diligently prosecute such restoration work until completed, (ii) Landlord shall not be required to restore Tenant's Alterations or Tenant's Personal Property, unless they are an integral part of the Premises and they are specifically covered by insurance proceeds received by Landlord, such excluded items being the sole responsibility of Tenant to restore, (iii) such destruction shall not terminate this Lease (except as provided below), and (iv) all obligations of Tenant under this Lease shall remain in effect, except that the Basic Monthly Rent and Additional Rent shall be abated or reduced, between the date of such destruction and the date of Substantial Completion of restoration, by the ratio of (a) the Rentable Square Footage of the Premises rendered unusable or inaccessible by the destruction, to (b) the Rentable Square Footage of the Premises prior to such destruction. Notwithstanding anything to the contrary in this Paragraph, either party shall have ten business days from the date of Landlord's determination that this sentence applies to the subject destruction/reconstruction, in which to terminate this Lease if Landlord determines that (1) it will likely take more than either (A) 250 days following the date of such casualty, or (B) 180 days from obtaining all required permits for such reconstruction, in which to complete such work, (2) such destruction (which is not de minimus in nature) occurs during the last two years of the Lease Term, or (3) then-existing laws do not permit such restoration. Additionally, Landlord may, at its election, terminate this Lease by so notifying Tenant in writing on or before the later of 60 days after such destruction if (I) such destruction exceeds 20% of the then-replacement value of the Premises, the Building, or the Project, or (II) Landlord reasonably determines that the cost of such restoration will exceed the amount of insurance proceeds relating to such destruction actually received (or likely to be available) by Landlord from insurance maintained by Landlord, excluding deductibles, by more than five percent of such cost of restoration. If Landlord or Tenant so terminates this Lease, then (x) Landlord shall have no obligation to restore the Project, (y) Landlord shall retain all insurance proceeds relating to such destruction (except the proceeds of any insurance policies maintained by Tenant, unless Tenant or its agents, employees or contractors are found to be legally liable for the destruction, in which case Landlord shall be entitled to recover from Tenant any insurance proceeds paid or payable to Tenant to the extent necessary to pay the reasonable cost of restoration), and (z) this Lease shall terminate as of 30 days after such notice of termination from Landlord or Tenant, as applicable. Tenant hereby waives the provisions of any successor statute with respect to any destruction of the Premises. If Landlord fails to Substantially Complete any restoration work within six months after occurrence of the damage or destruction, Tenant may, by 30 days' written notice to Landlord delivered after the expiration of such six-month period, terminate this Lease.

29.1. Waiver of Statutory Provisions. The provisions of this Lease, including this Paragraph 29, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or the Project, and any statute or regulation of the State of Washington with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or

regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or the Project.

30. **Condemnation.** If during the Lease Term, or during the period of time between the execution of this Lease and the Lease Commencement Date, there is any taking of all or any part of the Premises or any interest in this Lease by the exercise of any governmental power, whether by legal proceedings or otherwise, by any public or quasi-public authority, or private corporation or individual, having the power of condemnation (any of the preceding a "Condemnor"), or a voluntary sale or transfer by Landlord to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending (any of the preceding, a "Condemnation"), the rights and obligations of Landlord and Tenant shall be determined pursuant to this Paragraph. If such Condemnation is of the entire Premises, then this Lease shall terminate on the date the Condemnor requires that Tenant vacate the Premises (the "Date of Condemnation"). If such Condemnation is of any portion, but not all, of the Premises, then this Lease shall remain in effect, except that, if the remaining portion of the Premises is rendered unsuitable for Tenant's continued use of the Premises, then Tenant may elect to terminate this Lease, by so notifying Landlord in writing (the "Termination Notice") within 30 days after the date that the nature and extent of the Condemnation have been determined. Such termination shall be effective on the earlier of (i) the date that is 30 days after the giving of the Termination Notice, or (ii) the Date of Condemnation. If Tenant does not give to Landlord the Termination Notice within such 30-day period, then all obligations of Tenant under this Lease shall remain in effect, except that (unless the Premises are restored as set forth below) Basic Monthly Rent shall be reduced by the ratio of (a) the Rentable Square Footage of the Premises taken to (b) the Rentable Square Footage of the Premises immediately prior to the Date of Condemnation. Unless Landlord restores the Premises pursuant to the preceding sentence, or unless Tenant gives to Landlord the Termination Notice within the relevant 30-day period, Tenant at its sole cost shall accomplish any restoration required by Tenant to use the Premises. A temporary Condemnation of the Premises, or any part of the Premises, for less than 180 days, shall not constitute a Condemnation under this Paragraph; but the Basic Monthly Rent shall abate as to the portion of the Premises affected during such temporary Condemnation. All compensation, sums, or anything of value awarded, paid, or received on a total or partial Condemnation (the "Award") shall belong to and be paid to Landlord. Tenant shall have no right to any part of the Award, and Tenant hereby assigns to Landlord all of Tenant's right, title, and interest in and to any part of the Award, except that Tenant shall receive from the Award any sum paid expressly to Tenant from the Condemnor for Tenant's Personal Property or for severance damages. Landlord and Tenant waive the provisions of any statute (including without limitation any successor statute) that allows Landlord or Tenant to petition the superior court (or any other court) to terminate this Lease in the event of a partial Condemnation of the Premises.

31. **Assignment and Other Transfers.**

31.1. **Restriction on Transfer.** Without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned, delayed or denied and except as permitted by Paragraph 31.3, below, none of the following shall occur (nor be permitted by Tenant to occur), voluntarily, involuntarily, by operation of law, or otherwise (any of the following, a "Transfer"): (i) any assignment, sublease, disposition, sale, concession, license, license agreement for the use of any portion of the Premises, mortgage, encumbrance, hypothecation, pledge, collateral assignment, or other transfer, by Tenant of this Lease, any interest in this Lease, or all or any portion of the Premises; or (ii) any assignment, disposition, sale, transfer, acquisition, or issuance of equitable interests (whether stock, partnership or otherwise) in Tenant, to or by any person, entity, or group of related persons or affiliated entities, whether in a single transaction or in a series of related or unrelated transactions, which results in such person, entity, or group holding (or assigning, transferring, disposing of, or selling) 50% or more of the aggregate issued and outstanding equitable interests in Tenant.

31.2. **Transfer Provisions Generally.**

31.2.1. Any Transfer made without Landlord's consent shall be voidable at Landlord's option. At least 30 days prior to entering into any proposed Transfer, Tenant shall submit to Landlord the sum of \$1,000.00 (as payment toward Landlord's and Landlord's attorneys' cost of reviewing, consenting to, rejecting and/or consummating any proposed Transfer), and a written notice ("Tenant's Notice") which includes (i) a fully executed copy of the instrument of transfer (i.e., the

sublease or assignment) relating to the proposed Transfer, along with all related agreements, documents, instruments, exhibits, and escrow instructions, (ii) the name and address of the Proposed Transferee, (iii) an abstract of the terms and conditions of the proposed Transfer, including without limitation the economics of such Proposed Transfer and the commencement or effective date of the proposed Transfer, which shall be at least 30 days after Tenant's Notice is given, and (iv) the nature, character, and current banking, financial, and other credit information and references with respect to the Proposed Transferee and the business of the Proposed Transferee (including without limitation financial statements including, but not limited to, a profit and loss statements and balance sheets detailing cash flow for the three most-recent years), in reasonably sufficient detail to enable Landlord to determine the Proposed Transferee's financial responsibility.

31.2.2. Within 10 business days after Landlord's receipt from Tenant of such sum and Tenant's Notice, and all documentation requested of Tenant by Landlord, Landlord shall notify Tenant whether Landlord has consented to the proposed Transfer. Any consent by Landlord to any proposed Transfer shall not constitute a consent with respect to any other Transfer. If Landlord consents to any proposed Transfer, and Tenant fails to consummate such Transfer within 30 days of the commencement or effective date of the proposed Transfer (as set forth in Tenant's Notice) or, if Tenant's Notice fails to identify such a date, then within 150 days of the Tenant's Notice, then such consent shall be deemed withdrawn and Tenant shall be required again to comply with this Paragraph before making a Transfer. Landlord shall not be deemed to have unreasonably withheld its consent with respect to any Transfer if (among other things) Landlord shall not have received such sum or Tenant's Notice, if the nature or character of the Proposed Transferee is not in keeping with the dignity and character of the Building and the surrounding area, if the Proposed Transferee's proposed use is materially and adversely different than the Permitted Use or Tenant's prior use, if the proposed Transfer will result in the diminution of the value or marketability of the Building or the Project, if Landlord is not reasonably satisfied that the Proposed Transferee is creditworthy, or if the proposed Transfer will conflict with or result in a breach of any of the provisions of, or constitute a default under, any agreement, instrument, or document to which Landlord is a party or by which the Project may be bound. No Transfer shall release or discharge Tenant from any liability, whether past, present, or future, under this Lease and Tenant shall continue to remain directly and primarily liable under this Lease (and not as a mere surety).

31.2.3. Unless otherwise agreed to by all parties, the Tenant's Security Deposit (if any) shall be retained by Landlord and returned to the lawful tenant in possession of the Premises at the time of the Lease termination, subject to the terms and conditions of Paragraph 6 of this Lease. Any Transfer documentation shall contain the following provisions, which provisions whether contained in such Transfer documentation or not, shall apply to such Transfer: (a) Such Transfer shall be subject to, and bound by, all provisions of this Lease; (b) No Proposed Transferee shall be permitted to enter into any Transfer without Landlord's prior written consent; and (c) At Landlord's option, in the event of cancellation or termination of this Lease for any reason or the surrender of this Lease, whether voluntarily, involuntarily, by operation of law or otherwise, prior to the expiration of such Transfer, the Proposed Transferee shall make full and complete attornment to Landlord for the balance of the term of such Transfer. Such attornment shall be evidenced by an agreement in form and substance reasonably satisfactory to Landlord that the Proposed Transferee shall execute and deliver to Landlord within five days after request by Landlord.

31.2.4. Tenant shall promptly reimburse Landlord for Landlord's reasonable and actual cost not to exceed \$5,000 of reviewing, consenting to, rejecting and/or consummating any proposed Transfer, including without limitation reasonable attorneys' fees and costs/fees of Landlord's Lender (if any) in connection therewith. If Tenant fails to pay such amount within ten business days of written demand, Tenant shall be in default hereunder and Landlord shall have the right, in addition to its other rights and remedies under this Lease, to revoke its prior approval of the proposed Transfer if such Proposed Transferee has not yet taken over possession of the Premises.

31.3. Excess Rent. Tenant shall promptly pay to Landlord, as and when received, 50% of all rents and other consideration after all of Tenant's reasonable third-party expenses incurred in connection with such Transfer are deducted, of whatever nature, payable by the Proposed Transferee (or receivable by Tenant) pursuant to or as a result of any Transfer, which exceed (i) in the case of a sublease of a portion of the Premises, the portion of the Basic Monthly Rent that is allocable to the portion of the

Premises subleased (such allocation based on the Rentable Square Footage of the portion subleased), or (ii) in the case of any other Transfer, the Basic Monthly Rent.

31.4. Permitted Transferee. Notwithstanding anything to the contrary contained in Paragraphs 31.1 or 31.3, above, no consent of Landlord will be required for, and no amounts will be payable to Landlord in connection with, any Transfer to any of the following (any of which will constitute a "Permitted Transferee"):

31.4.1. Any parent, wholly-owned subsidiary, or other company of which Tenant owns all or substantially all of the voting and beneficial interests, or which company owns all or substantially all of the voting and beneficial interests in Tenant, and which parent, subsidiary, or other company has a net worth (determined in accordance with GAAP) equal to or greater than Tenant's net worth as of the day before such transaction or as of the Lease Commencement Date, whichever is less;

31.4.2. Any surviving or successor entity resulting from a merger, consolidation, or sale of substantially all of the assets of Tenant, where the net worth of the resulting or acquiring company exceeds (as determined in accordance with GAAP), the net worth of the Tenant as of the day prior to such transaction or as of the Lease Commencement Date, whichever is less; or

31.4.3. Any sale of stock as part of a "public offering" on one of the nationally recognized securities exchanges (such as, without limitation, NYSE or NASDAQ) or as part of an employee stock purchase program.

31.4.4. The sale or transfer of substantially all of Tenant's assets in the state the Premises are located.

Notwithstanding the foregoing, and as a condition precedent to the effectiveness of any such Transfer to a Permitted Transferee, at least 20 days prior to any proposed Transfer to a Permitted Transferee, Tenant shall notify Landlord in writing of its intention to undertake such a Transfer and provide Landlord with sufficient information to confirm that such entity will in fact be a Permitted Transferee and the assigning Tenant shall execute Landlord's form guaranty—which guaranty shall serve to release such assigning Tenant from direct liability hereunder and such assigning Tenant will then only have liability for matters first accruing under this Lease thereafter pursuant to such guaranty (it being understood that if such assigning Tenant fails to execute such a Guaranty, then such assignment shall constitute an Event of Default, such Transfer will be void, and such assigning Tenant shall remain primarily liable hereunder). Landlord shall keep all such information confidential. Other than the right to engage in a Transfer to a Permitted Transferee without Landlord's consent, all other provisions of Paragraph 31.2 shall apply to such a Transfer.

32. Landlord's Reserved Rights.

32.1. General Rights Reserved. In addition to the specific reserved rights identified in Paragraph 32.2, below, Landlord, as owner of the Project, in addition to Landlord's other rights, reserves the right from time to time: (i) to temporarily utilize portions of the Common Areas for, among other things, entertainment, outdoor shows, displays, automobile and other product shows, the leasing of kiosks, or such other uses which, in Landlord's reasonable judgment, are appropriate; (ii) to utilize the lighting standards and other areas or improvements in the Common Areas for advertising, notice purposes, or other reasonable purposes; (iii) to close any of the Common Areas to the extent required in the opinion of Landlord's legal counsel to prevent a dedication of any of the Common Areas or the accrual of any rights to any person or to the public in and to any portion of the Common Areas; (iv) to close, temporarily, any of the Common Areas for maintenance purposes; (v) to designate other property outside the boundaries of the Project to become part of the Common Areas; (vi) to close off or otherwise utilize portions of the Common Areas while constructing improvements or making repairs or alterations to any portion of the Project; (vii) to utilize portions of the Common Areas, on a temporary basis, as a staging area for any construction work by Landlord or its affiliates, agents, tenants, or contractors; and (viii) to make any changes to the Common Areas, or any part of the Project, including without limitation changes to buildings or other improvements, the addition of new buildings or other improvements, and/or changes in (among other things) the location of driveways, entrances, exits, vehicular parking spaces, or

the direction of the flow of traffic. In exercising such rights, Landlord agrees to use commercially reasonable efforts to minimize any interference with Tenant's use of the Premises.

33. Easements. Landlord may, at its election, from time to time, grant such easements, rights and dedications, and cause the recordation of parcel maps, easement and operating agreements, and restrictions affecting the Premises and the Project, provided that no such acts materially and adversely affect Tenant's rights of ingress or egress to the Building and the Premises or Tenant's right to use the Premises. Tenant shall promptly sign any documents or instruments to accomplish the foregoing upon request by Landlord.

34. Access by Landlord. Landlord and any of Landlord's Invitees shall have the right to enter the Premises at all reasonable times, during normal business hours if feasible under the circumstances, and upon 24 hours' notice (except that no notice shall be required in the case of an emergency) (i) to determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease, (ii) to do any necessary maintenance or perform any restoration to the Premises that Landlord has the right or obligation to perform, (iii) to serve, post, or keep posted any notices required or allowed under this Lease, (v) to post "for sale" or "for rent" or "for lease" signs during the final nine months of the Term, (vi) to show the Premises to brokers, lenders, agents, prospective buyers, prospective tenants, or other persons interested in a listing of, financing, purchasing, or occupying the Project, the Premises or any portion of the Project or the Premises, and (vii) to shore the foundations, footings, and walls of the Project, and to erect scaffolding and protective barricades around and about the Premises, but not so as to prevent entry to the Premises, and to do any other act or thing necessary for the safety or preservation of the Premises if any excavation or other construction is undertaken or is about to be undertaken on any adjacent property or nearby street. In the event of an emergency Landlord shall have the right to enter the Premises at any time, without prior notice to Tenant. Landlord's rights under this Paragraph extend, with Landlord's consent, to the owner of adjacent property on which excavation or construction is to take place and the adjacent property owner's agents, employees, officers, and contractors. Landlord shall not be liable for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of any entry on the Premises as provided in this Paragraph except damage resulting directly from the grossly negligent acts or willful misconduct of Landlord or Landlord's Invitees. Tenant shall not be entitled to any abatement or reduction of Basic Monthly Rent or other Rent because of the exercise by Landlord of any rights under this Paragraph.

35. Indemnity. Tenant hereby agrees to indemnify, defend, protect, and hold harmless Landlord and its members, shareholders, officers, directors, agents, property managers, employees, contractors, and the partners comprising Landlord (if any) from and against all Claims (as defined below) and all costs, expenses, and attorneys' fees incurred in the defense or handling of any such Claims or any action or proceeding brought on any of such Claims. For purposes of this Lease, the term "Claims" shall mean all liabilities, damages, losses, costs, expenses, attorneys' fees, and claims (except to the extent they result from Landlord's negligent acts or willful misconduct) arising from or which seek to impose liability under or because of (i) Tenant's or Tenant's Invitees' use of the Premises, (ii) the conduct of Tenant's business, (iii) any activity, work, or things done, permitted, or suffered by Tenant or any of Tenant's Invitees in or about the Premises or elsewhere, (iv) any breach or default in the performance of any obligation to be performed by Tenant under this Lease, and/or (v) any negligence of Tenant or any of Tenant's Invitees. If any action or proceeding is brought against Landlord or its shareholders, officers, directors, agents, property managers, employees, contractors, or the partners comprising Landlord (if any) by reason of any such Claims, Tenant upon notice from Landlord shall defend such action or proceeding at Tenant's sole cost by legal counsel satisfactory to Landlord. Landlord hereby agrees to indemnify, defend, protect, and hold harmless Tenant from and against all liabilities, damages, losses, costs, expenses, attorneys' fees, and claims suffered by or asserted against Tenant to the extent arising from Landlord's negligent acts or willful misconduct.

35.1. WAIVER OF IMMUNITY. SOLELY FOR PURPOSES OF GIVING EFFECT TO THE FOREGOING DEFENSE AND INDEMNITY OBLIGATIONS, AND- NOT FOR THE BENEFIT OF ANY THIRD-PARTY, TENANT HEREBY WAIVES ITS IMMUNITY WITH RESPECT TO THE PARTIES INDEMNIFIED UNDER THE PRECEDING PARAGRAPHS UNDER THE INDUSTRIAL INSURANCE ACT (RCW TITLE 51) AND/OR, AS ANY OF THE SAME MAY BE AMENDED, SUBSTITUTED OR REPLACED, AND EXPRESSLY AGREES TO ASSUME

POTENTIAL LIABILITY FOR ACTIONS BROUGHT AGAINST AN INDEMNIFIED PARTY BY TENANT'S EMPLOYEES. THIS WAIVER HAS BEEN SPECIFICALLY NEGOTIATED BY THE PARTIES TO THIS LEASE AND EACH PARTY HAS HAD THE OPPORTUNITY TO, AND HAS BEEN ENCOURAGED TO, CONSULT WITH INDEPENDENT COUNSEL REGARDING THIS WAIVER.

36. Exemption of Landlord from Liability. Except to the extent caused by Landlord's negligent acts, willful misconduct, violation of law or failure to perform its obligations under this Lease, Tenant assumes all risk of, Tenant waives all claims against Landlord in respect of, and Landlord shall not be liable for, any of the matters set forth in the preceding Paragraph or any of the following: injury to Tenant's business, loss of income from such business, or damage or injury to the goods, wares, merchandise, or other property or the person of Tenant, Tenant's Invitees, or any other persons in, upon, or about the Premises, whether such damage, loss, or injury is caused by or results from criminal acts, fire, steam, electricity, gas, water, rain, the breakage, leakage, obstruction or other defects of pipes, sewer lines, sprinklers, wires, appliances, plumbing, air-conditioning or lighting fixtures, or any other cause, conditions arising upon the Premises, or other sources or places, and regardless of whether the cause of such damage, loss, or injury or the means of repairing such damage, loss, or injury is inaccessible to Tenant. This Lease shall not be affected or impaired by any change to any part of the Project or any sidewalks, streets or improvements nearby the Project.

37. Hazardous Substances.

37.1. Landlord's Covenants. Landlord shall not cause any unlawful accumulations of Hazardous Material (as defined below) to be generated, brought onto, used, stored, or disposed of in or about the Premises, the Building, or the Project by Landlord or its agents, employees, or contractors, except for limited quantities of standard office and janitorial supplies and petroleum and petroleum-related products commonly used on or at similar office projects. Furthermore, Landlord shall: (a) use, store, and dispose of all such permitted Hazardous Material in strict compliance with all applicable statutes, ordinances, and regulations in effect during the Lease Term that govern and/or relate to Hazardous Material, public health and safety and protection of the environment, and (b) comply at all times during the Lease Term with all environmental laws (as defined in Paragraph 37.2, below). Except as to those matters which are Tenant's responsibility pursuant to Paragraph 37.2, below, Landlord shall be responsible, at its expense (or the expense of others; but not as an Operating Expense) to cause any unlawful accumulations of Hazardous Materials or Asbestos-Containing Materials to be remediated in accordance with the requirements of all applicable environmental laws.

37.2. Tenant's Covenants. Tenant covenants, represents, and warrants to the Landlord that its use of the Premises, the Building, and the Project will be in full compliance with all environmental laws. Tenant hereby agrees to indemnify Landlord against all actions, liabilities, damages, losses, costs, expenses, attorneys' fees, and claims (except to the extent they arise as a result of Landlord's grossly negligent acts or willful misconduct), arising from or relating to: (i) any discharges, releases, or threatened releases of any Hazardous Material into ambient air, water, or land by Tenant or Tenant's Invitee's from, on, under, or above the Premises, (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, or hazardous or toxic wastes, substances, or materials by Tenant or Tenant's Invitees, or otherwise from, on, or under, the Premises, or (iii) a violation by Tenant or Tenant's Invitees of any environmental law on, under, or above the Premises (for purposes of this Lease, "environmental laws" shall mean any Federal, State, or local law, statute, regulation, ordinance, guideline, or common law principle relating to public health or safety or the use or control of the environment, including without limitation the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Carpenter-Presley-Tanner Hazardous Substance Account Act, the Federal Clean Air Act, the Federal Clean Water Act, and the Federal Resource Conservation and Recovery Act and any other laws governing environmental or Hazardous Material matters in Washington. Tenant agrees to promptly reimburse Landlord for all of Landlord's costs arising from periodic monitoring of Tenant's use, handling, or storage of Hazardous Substances at or surrounding the Premises. Tenant shall not cause or permit any Hazardous Material to be generated, brought onto, used, stored, or disposed of in or about the Premises, the Building, or the Project by Tenant or its agents, employees, contractors, subtenants, or invitees, except for limited quantities of standard office and janitorial supplies. Tenant shall: (a) use, store, and dispose of all such permitted

Hazardous Material in strict compliance with all applicable statutes, ordinances, and regulations in effect during the Lease Term that govern and/or relate to Hazardous Material, public health and safety and protection of the environment, and (b) comply at all times during the Lease Term with all environmental laws. If the Premises are contaminated (or, due to the acts or omissions of Tenant or Tenant's Invitees, the Project is contaminated) by any Hazardous Material during the Lease Term, then (1) Tenant shall promptly notify Landlord in writing of such contamination, and (2) Landlord may elect to either (A) demand that Tenant perform all remediation required by Landlord (to Landlord's satisfaction and at Tenant's sole cost, necessary to return the Premises (and/or the Project) to at least as good a condition as the Premises (or the Project) are in as of the date of this Lease, which Tenant shall immediately do upon receipt of notice from Landlord, or (B) proceed to cause such investigation, clean-up, and remediation work which Landlord deems necessary or desirable to be undertaken, whereupon the entire cost thereof (plus a supervisory fee equal to ten percent of such cost) will be payable by Tenant to Landlord upon demand as Additional Rent. If, after demand by Landlord, as provided in this Paragraph, Tenant does not promptly commence and diligently pursue such remediation, then Landlord may, at Landlord's election, perform or cause to be performed such remediation and Tenant shall immediately, upon demand, pay the cost thereof to Landlord, plus a supervisory fee in the amount of ten percent of such cost. Tenant's obligations and liability under this Paragraph shall survive the termination of Tenant's tenancy and the Lease Term of this Lease, except that nothing contained in this Paragraph shall be deemed to impose liability on Tenant for any problem arising after the Lease Term provided neither Tenant nor Tenant's Invitees contributed to such problem during the Lease Term.

37.3. Definition of Hazardous Materials. As used in this Lease the term "Hazardous Material" shall mean any hazardous or toxic substance, material, or waste that is or becomes regulated by the United States, the State of Washington, or any local government authority having jurisdiction over the Building. Hazardous Material includes, without limitation: (a) any "hazardous substance", as that term is defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) (42 United States Code Sections 9601-9675); (b) "hazardous waste", as that term is defined in the Resource Conservation and Recovery Act of 1976 (RCRA) (42 United States Code Sections 6901-6992k); (c) any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance, within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders imposing liability or standards of conduct concerning any hazardous, dangerous, or toxic waste, substance, or material, now or hereafter in effect); (d) petroleum products; (e) radioactive material, including any source, special nuclear, or byproduct material as defined in 42 United States Code Sections 2011-2297; (f) asbestos in any form or condition; and (g) polychlorinated biphenyls (PCBs) and substances or compounds containing PCBs.

38. Prohibition Against Mold, Lead-Based Paint, and Asbestos-Containing Materials. Asbestos-Containing Materials. Tenant shall not allow or permit any lead-based paint to be used in the Premises, nor shall Tenant allow or permit any condition to occur which could result in the growth of mold within the Premises. Additionally, Tenant acknowledges and agrees that (i) the Project may have been constructed at a time when asbestos was commonly used in construction, (ii) asbestos and asbestos-containing materials (collectively, "Asbestos-Containing Materials") may be present at the Project, and (iii) airborne asbestos fibers may be released and result in a potential health hazard if proper Asbestos-Containing Materials containment, remediation and abatement procedures are not observed. Tenant shall not allow or permit any Asbestos-Containing Materials in any form or concentration to be used or stored in the Premises or used in the construction of any improvements or alterations to the Premises, including, without limitation, building or construction materials and supplies. Such prohibition against Asbestos-Containing Materials shall apply regardless of whether the Asbestos-Containing Materials may be considered safe or approved for use by a manufacturer, supplier, or governmental authority, or by common use or practice. Landlord shall have the right, upon 24-hours' notice, to enter upon and conduct inspections of the Premises to determine Tenant's compliance with this Paragraph. If Tenant violates the foregoing covenants relating to lead-based paint, mold, and Asbestos-Containing Materials (collectively "Prohibited Substances"), then (a) Tenant shall, upon notice from Landlord, immediately remove and remediate any damage from such Prohibited Substances at Tenant's sole cost, (b) such removal and remediation shall comply with all applicable laws, regulations, and requirements, (c) Tenant shall reimburse Landlord for all expenses incurred in connection with any inspection and testing of the Premises conducted by Landlord, and (d) unless Tenant completes such removal within 30 days after notice from Landlord, Landlord may, at its election, do either or both of the following: (i) declare an

Event of Default (without the requirement of any notice under Paragraph 24.4) and exercise Landlord's remedies hereunder, including, without limitation, terminate this Lease upon ten days prior written notice to Tenant, and/or (ii) remove and remediate such Prohibited Substances and obtain reimbursement from Tenant for the cost of such removal and remediation, including a supervisory fee payable to Landlord in the amount of ten percent of the removal and disposal cost. Tenant shall indemnify Landlord and Landlord's directors, officers, employees, and agents against all costs, liabilities, expenses, penalties, and claims for damages, including, without limitation, litigation costs and attorneys' fees, arising from (A) the presence of Prohibited Substances upon the Premises, to the extent that such Prohibited Substances are used, stored, or otherwise permitted in the Premises or used in the construction of any Alterations by Tenant or Tenant's agents, employees, representatives, or independent contractors, (B) any lawsuit, settlement, governmental order, or decree relating to the presence, handling, removal, or disposal of Prohibited Substances upon or from the Premises, to the extent that such Prohibited Substances are used, stored, or otherwise permitted in the Premises or used in the construction of any improvements or Alterations to the Premises by Tenant or Tenant's agents, employees, representatives or independent contractors, or (C) Tenant's failure to perform its obligations to remove such Prohibited Substances under this Paragraph. In connection with any modifications, alterations or improvements contemplated to be performed by Tenant in the Premises, Tenant (including its contractors and other agents) shall consult with Landlord and Landlord's asbestos consultant concerning appropriate procedures to be followed in connection with Asbestos-Containing Materials prior to performing any such work in the Premises. All such work shall be subject to the terms of Paragraph 22 above. During the performance of any such work, Tenant (including its contractors and other agents) shall comply with all applicable laws, rules, regulations and other governmental requirements, as well as all directives of Landlord and Landlord's asbestos consultant, relating to Asbestos-Containing Materials. Tenant hereby irrevocably appoints Landlord and Landlord's asbestos consultant as Tenant's attorney-in-fact for purposes of supervising and directing any Asbestos-Containing Materials--related aspects of Tenant's contemplated work in the Premises (provided that such appointment shall not relieve Tenant from its obligations hereunder, nor impose any affirmative obligation on Landlord to provide such supervision or direction). In connection with any such work that may affect Asbestos-Containing Materials in the Premises or the Project, Landlord shall have the right at any time to cause Tenant to immediately stop such work if such work has not been approved in writing by Landlord or if such work has deviated from the plans previously approved by Landlord for such work. The provisions of this Paragraph shall not apply to any Prohibited Substances brought onto the Premises by Landlord or Landlord's Invitees or resulting from the acts of Landlord or Landlord's Invitees.

/s/ ER /s/ SC
Landlord's Initials

/s/ MPM
Tenant's Initials

39. Security Measures. Tenant acknowledges that, although the Building may contain a restricted access entry system (if provided for as part of Landlord's Work), (i) the Basic Monthly Rent does not include the cost of any security measures for any portion of the Project (ii) Landlord shall have no obligation to provide any such security measures, (iii) Landlord has made no representation to Tenant regarding the safety or security of the Project, and (iv) Tenant will be solely responsible for providing any security it deems necessary to protect itself, its property, and Tenant's Invitees in, on, or about the Project. If Landlord provides any security measures at any time, then the cost thereof shall be included as part of the Operating Expenses, but Landlord will not be obligated to continue providing such security measures for any period of time, Landlord may discontinue such security measures without notice and without liability to Tenant, and Landlord will not be obligated to provide such security measures with any particular standard of care. Tenant assumes all responsibility for the security and safety of Tenant, Tenant's property, and Tenant's Invitees. Tenant releases Landlord from all claims (other than due to Landlord's gross negligence or intentional misconduct) for damage, loss, or injury to Tenant, Tenant's Invitees, and/or to the personal property of Tenant and/or of Tenant's Invitees, even if such damage, loss, or injury is caused by or results from the criminal, reckless, or negligent acts of third parties. In connection with the foregoing, Tenant hereby waives any defense which would limit any such release to matters known or suspected to exist by Tenant. Tenant is hereby instructed to conduct its own investigation through local police agencies regarding any criminal acts or dangerous conduct that has occurred in or near the Project. Landlord shall have no duty to warn Tenant of any criminal acts or

dangerous conduct that has occurred in or near the Project, regardless of Landlord's knowledge of such crimes or conduct, and Tenant hereby undertakes to remain informed regarding such issues.

40. Subordination and Attornment. This Lease and Tenant's rights under this Lease are subject and subordinate to any mortgage, deed of trust, ground lease, or underlying lease (and to all renewals, modifications, consolidations, replacements, or extensions thereof), now or hereafter affecting the Premises. The provisions of this Paragraph shall be self-operative, and no further instrument of subordination shall be required. In confirmation of such subordination, however, Tenant shall promptly execute and deliver any commercially reasonable instruments that Landlord, any Lender, or the lessor under any ground or underlying lease, may request to evidence such subordination, provided such instrument contains customary non-disturbance language in favor of Tenant and is consistent with the provisions of the next sentence including, without limitation, a Subordination, Non-Disturbance and Attornment Agreement ("SNDA") in the form to be commercially reasonable and acceptable to Lender. If any Lender, or the lessor of any ground or underlying lease affecting the Premises, shall hereafter succeed to the rights of Landlord under this Lease, whether by foreclosure, deed in lieu of foreclosure, or otherwise, then (i) such successor landlord shall not be subject to any offsets or defenses which Tenant might have against Landlord, (ii) such successor landlord shall not be bound by any prepayment by Tenant of more than one month's installment of Basic Monthly Rent or any other Rent (except to the extent such prepayment is required under this Lease), (iii) such successor landlord shall not be subject to any liability or obligation of Landlord except those arising after such succession, (iv) Tenant shall attorn to and recognize such successor landlord as Tenant's landlord under this Lease, (v) Tenant shall promptly execute and deliver any commercially reasonable instruments that may be necessary to evidence such attornment, (vi) upon such attornment, this Lease shall continue in effect as a direct lease (whether separately documented or not) between such successor landlord and Tenant upon and subject to all of the provisions of this Lease, and (vii) Tenant shall be entitled to quiet enjoyment of the Premises for so long as Tenant is not in default under the terms of this Lease or any substitute lease referenced above. Notwithstanding the preceding provisions of this Paragraph, if any ground lessor or Lender elects to have this Lease prior to the lien of its ground lease, deed of trust, or mortgage, and gives written notice thereof to Tenant that this Lease shall be deemed prior to such ground lease, deed of trust, or mortgage, whether this Lease is dated prior or subsequent to the date of such ground lease, deed of trust, or mortgage, then this Lease shall be deemed to be prior to the lien of such ground lease or mortgage and such ground lease, deed of trust, or mortgage shall be deemed to be subordinate to this Lease. Notwithstanding the foregoing, Landlord shall make commercially reasonable efforts to provide an SDNA on Landlord's lenders required form (which is attached as Exhibit "E") from the lender currently holding interest in the Building superior to this Lease, PNC Bank, National Association, within 30 days following the full execution of this Lease.

41. Estoppel Certificate. Within ten days after written request from Landlord, Tenant shall execute and deliver to Landlord, in recordable form, a certificate ("Estoppel Certificate") stating the following, to the extent truthful: (i) that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating all modifications, (ii) the then-current Basic Monthly Rent, (iii) the dates to which Basic Monthly Rent has been paid in advance, (iv) the amount of any security deposit, prepaid rent or other payment constituting Rent which has been paid, (v) whether or not Tenant or Landlord is in default under this Lease and whether there currently exist any defenses or rights of offset under the Lease in favor of Tenant, (vi) that any work required to be performed by Landlord under this Lease is complete (or stating any exceptions), (vii) that any tenant improvement allowance has been paid (or stating any exceptions), and (viii) such other matters as Landlord may reasonably request. Tenant's failure to deliver such certificate within such ten day period shall be conclusive upon Tenant for the benefit of Landlord, and any successor in interest to Landlord, any lender or proposed lender, and any purchaser or proposed purchaser of the Project that, except as may be represented by Landlord, this Lease is unmodified and in full force and effect, no Rent has been paid more than 30 days in advance, neither Tenant nor Landlord is in default under this Lease, no defenses or rights of offset under the Lease exist in favor of Tenant, and that all Landlord's Work required by this Lease is complete. Landlord will similarly, in connection with any lending or Transfer transaction, upon ten days written request from Tenant, execute an estoppel certificate in favor of Tenant's proposed lender or Transferee confirming (i) that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating all modifications, (ii) the then-current Basic Monthly Rent, (iii) the dates to which Basic Monthly Rent has been paid in advance, (iv) the amount of any security deposit, prepaid rent, or other payment constituting Rent which has been paid, and (v) whether or not to the best of Landlord's knowledge Tenant is in default

under this Lease. The requirement for Tenant to execute and deliver to Landlord, the Estoppel Certificate, as required above, shall not be delayed, conditioned, or withheld for any reason; this requirement shall be an independent covenant of Tenant under this Lease. If Tenant fails to execute and deliver to Landlord a requested estoppel certificate within ten days after its receipt of request therefor, then in addition to Landlord's other rights and remedies on account of such default, Tenant shall owe Landlord Additional Rent (which amount shall be payable upon demand) in an amount equal to \$100.00 for each day beyond such ten-day period that it delays in the execution and delivery thereof (as such daily sum may be increased from time-to-time pursuant to the Rules).

42. Waiver. No delay or omission in the exercise of any right or remedy of Landlord in the event of any default or Event of Default by Tenant shall impair such right or remedy or be construed as a waiver. The receipt and acceptance by Landlord of delinquent Rent shall not constitute a waiver of any default other than the particular Rent payment accepted. Landlord's receipt and acceptance from Tenant, on any date (the "Receipt Date"), of an amount less than the Rent actually due on such Receipt Date, or to become due at a later date but applicable to a period prior to such Receipt Date, shall not release Tenant of its obligation (i) to pay the full amount of such Rent due on such Receipt Date or (ii) to pay when due the full amount of such Rent to become due at a later date but applicable to a period prior to such Receipt Date. No act or conduct of Landlord, including without limitation, the acceptance of the keys to the Premises, shall constitute an acceptance by Landlord of the surrender of the Premises by Tenant before the Expiration Date. Only a written notice from Landlord to Tenant stating Landlord's election to terminate Tenant's right to possession of the Premises shall constitute acceptance of the surrender of the Premises and accomplish a termination of this Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any other or subsequent act by Tenant. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Lease. Tenant hereby waives any rights granted to Tenant and/or any successor statute(s). Tenant represents and warrants that if Tenant breaches this Lease and, as a result, this Lease is terminated, Tenant will not suffer any undue hardship as a result of such termination and, during the Lease Term, will make such alternative or other contingency plans to provide for its vacation of the Premises and relocation in the event of such termination. Tenant acknowledges that Tenant's waivers set forth in this Paragraph are a material part of the consideration for Landlord's entering into this Lease and that Landlord would not have entered into this Lease in the absence of such waivers.

43. Brokers. Tenant represents that no real estate broker, agent, finder, or other person is responsible for bringing about or negotiating this Lease other than the Tenant's broker, if any, listed in the Principal Lease Provisions, and Tenant has not dealt with any other real estate broker, agent, finder, or other person, relative to this Lease in any manner. Tenant shall indemnify, defend, and hold Landlord harmless from and against all liabilities, damages, losses, costs, expenses, attorneys' fees and claims arising from any claims that may be made against Landlord by any real estate broker, agent, finder, or other person (other than as set forth above), alleging to have acted on behalf of or to have dealt with Tenant. Landlord shall be solely responsible, upon satisfaction of the requirements of a separate written listing agreement between Landlord and Landlord's broker, for the payment of the commission due and owing to Landlord's brokers identified in the Principal Lease Provisions (or any other brokers engaged by Landlord), pursuant to such separate written agreement between Landlord and Landlord's broker. Landlord's broker will in turn split such commission with Tenant's broker as such parties may agree.

44. Limitations on Landlord's Liability. If Landlord is in default of this Lease, and as a consequence Tenant recovers a money judgment against Landlord, such judgment shall be satisfied only out of the proceeds of sale received upon execution of such judgment and levy against the right, title, and interest of Landlord in the Project, and out of rent or other income from the Project receivable by Landlord or out of the consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title, and interest in the Project. Notwithstanding anything contained in this Lease to the contrary, under no circumstances whatsoever shall Landlord nor any of Landlord's shareholders, members, officers, directors, agents, property managers, employees, contractors, or the partners comprising Landlord (if any) be liable for any incidental, indirect, special, consequential or punitive damages, including, without limitation, lost profits, nor be personally liable for any deficiency.

45. Sale or Transfer of Project. If Landlord sells or transfers the Project (whether voluntarily or involuntarily), Landlord, on consummation of the sale or transfer, shall be released from any liability thereafter accruing under this Lease. If any security deposit or prepaid rent has been paid by Tenant, Landlord shall transfer the security deposit and/or prepaid rent to Landlord's successor-in-interest and on such transfer Landlord shall be discharged from any further liability arising from the security deposit or prepaid rent.

46. Quitclaim Deed. Tenant shall execute and deliver to Landlord on the Expiration Date, promptly on Landlord's request, a quitclaim deed to the Premises, in recordable form, designating Landlord as transferee.

47. No Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation of this Lease, or a termination by Landlord, shall not work a merger, and shall, at the option of Landlord, terminate any existing subleases or may, at the option of Landlord, operate as an assignment to Landlord of any such subleases.

48. Confidentiality. Except as essential to the consummation of the transaction contemplated by this Lease (together with all amendments and addenda hereto):

48.1. Except to the extent required under applicable law to be disclosed, Tenant shall keep and maintain the terms of this Lease and the transactions contemplated by this Lease or any aspect of this Lease in strict confidence; and

48.2. Except to the extent required under applicable law to be disclosed, Tenant may not make or allow any notices, statements, disclosures, communication, or news releases concerning this Lease, the terms of this Lease and the transactions contemplated by this Lease or any aspect of this Lease.

48.3. Nothing provided herein, however, shall prevent Tenant from disclosing to its legal counsel and/or certified public accountants, prospective purchasers, equity investors, or lenders or prospective lenders the existence and terms of this Lease or any transaction under this Lease, or any aspect of this lease, or from complying with any governmental or court order or similar legal requirement which requires such party to disclose this Lease, the terms of this Lease, the transaction contemplated by this Lease and/or any aspect of this Lease; provided that such party uses reasonable and diligent good faith efforts to disclose no more than is absolutely required to be disclosed by such legal requirement. If Tenant violates this confidentiality provision, in addition to all other remedies to which Landlord may be entitled under law or in equity, Landlord shall be entitled to receive immediately the entire value of any rent relief, rent abatement, free rent, reimbursement, or other concession which Landlord has previously granted to Tenant.

48.4. Disclosure. Notwithstanding anything contained herein to the contrary, Landlord shall be entitled to disclose the terms of this Lease in connection with public filings and/or presentations of its parent and/or affiliates.

49. Miscellaneous.

49.1. This Lease may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one document.

49.2. Within ten days of written request, Tenant shall promptly furnish to Landlord, from time to time, financial statements certified by Tenant to be true and correct, reflecting Tenant's then current financial condition. Such financial statements shall include a current balance sheet and a profit and loss statement covering the most recent 12-month period available. In addition, upon Landlord's written request, Tenant shall allow Landlord, or a certified public accountant of Landlord's choosing, to determine Tenant's current financial condition by reviewing Tenant's current financial books, records, and accounts. Landlord will hold said information confidential, except as may be required by any court or authority of competent jurisdiction or which information is already in the public domain, or except for the disclosure of such information to any Landlord Parties' prospective buyers and lenders or the advisers and professionals of any Landlord Affiliate or such prospective buyers and lenders. The individuals executing

this Lease on Tenant's behalf represent and warrant that the financial statements and other information submitted to Landlord by Tenant relating to Tenant or any guarantor of this Lease prior to the execution hereof are true, complete, and accurate, were prepared in accordance with generally accepted cash accounting principles applied on a consistent basis, and accurately reflect Tenant's (and, if applicable, each guarantor's) net worth as of the effective date of this Lease.

49.3. Notwithstanding any other provision in this Lease to the contrary, Tenant shall refrain from selling or otherwise distributing any alcoholic beverages and such sales are expressly forbidden under this Lease notwithstanding the fact that Tenant may hold the appropriate license as issued and/or approved by the Washington State Liquor Control Board.

49.4. This Lease shall be governed by and construed in accordance with the laws of the state in which the Premises are located. If the Premises are located outside of Washington, then the references in this Lease to Washington statutes shall be deemed to include any relevant statute of the jurisdiction in which the Premises are located that is comparable to such Washington statutes.

49.5. For purposes of venue and jurisdiction, this Lease shall be deemed made and to be performed in the City of Bellevue, Washington (whether or not the Premises are located in Bellevue, Washington) and Landlord and Tenant hereby consent to the jurisdiction of the Courts of King County.

49.6. Tenant covenants and agrees not to protest or in any way oppose any application for a license to serve or sell liquor filed by tenants or other users of space within the Project.

49.7. Whenever the context so requires, all words used in the singular shall be construed to have been used in the plural (and vice versa), each gender shall be construed to include any other genders, and the word "person" shall be construed to include a natural person, a corporation, a firm, a partnership, a joint venture, a limited liability company, a trust, an estate or any other entity.

49.8. Each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law. If any provision of this Lease or the application of such provision to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected by such invalidity or unenforceability, unless such provision or such application of such provision is essential to this Lease.

49.9. In the event any litigation, arbitration, mediation, or other proceeding ("Proceeding") is initiated by any party against any other party to enforce, interpret or otherwise obtain judicial or quasi-judicial relief in connection with this Lease the prevailing party in such Proceeding shall be entitled to recover from the unsuccessful party all costs, expenses, and reasonable attorney's fees and expert witness fees relating to or arising out of such Proceeding (whether or not such Proceeding proceeds to judgment), and any post-judgment or post-award proceeding including without limitation one to enforce any judgment or award resulting from any such Proceeding. Any such judgment or award shall contain a specific provision for the recovery of all such subsequently incurred costs, expenses, and actual attorney's fees and expert witness fees.

49.10. This Lease shall become effective and binding upon the parties on the date it has been executed by each of Landlord and Tenant, notwithstanding the fact that the Lease Term may commence after such date.

49.11. Subject to any restriction on transferability contained in this Lease, this Lease shall be binding upon and shall inure to the benefit of the successors-in-interest and assigns of each party to this Lease. Nothing in this Paragraph shall create any rights enforceable by any person not a party to this Lease, except for the rights of the successors-in-interest and assigns of each party to this Lease, unless such rights are expressly granted in this Lease to other specifically identified persons.

49.12. The headings of the Paragraphs of this Lease have been included only for convenience, and shall not be deemed in any manner to modify or limit any of the provisions of this Lease, or be used in any manner in the interpretation of this Lease.

49.13. Time and strict and punctual performance are of the essence with respect to each provision of this Lease. All references to "days" in this Lease will refer to calendar days, unless such reference specifically indicates that "business days" are intended. Business days will mean and refer to all calendar days other than Saturdays, Sundays, and national or Washington state holidays.

49.14. Each party to this Lease and its legal counsel has had an opportunity to review and revise this Lease. The rule of construction that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any Addendum or Exhibit to this Lease, and such rule of construction is hereby waived by Tenant.

49.15. All notices required or permitted to be given by Tenant to Landlord shall be in writing and shall be personally delivered, sent by certified mail, postage prepaid, return receipt requested, or sent by a nationally or locally recognized overnight express courier service that provides written confirmation of delivery to Landlord at the address set forth in the Principal Lease Provisions of this Lease. Each such notice or other communication shall be deemed given, delivered and received upon its actual receipt, except that if it is sent by mail in accordance with this Paragraph, then it shall be deemed given, delivered and received three days after the date such notice or other communication is deposited with the United States Postal Service in accordance with this Paragraph, and if it is sent by nationally recognized overnight express courier service, it shall be deemed given one business day after deposit with the courier. Landlord or Tenant must give a notice of a change of its address to the other, if such address changes. All notices required or permitted to be given to Tenant by Landlord shall Landlord shall, except as otherwise provided in this Lease, be in writing, and such notice shall be personally delivered, sent by certified mail, postage prepaid, return receipt requested, or sent by a nationally recognized overnight express courier service that provides written confirmation of delivery, to Tenant at the address set forth in the Principal Lease Provisions of this Lease. Each such notice or other communication shall be deemed given, delivered and received upon its actual receipt, except that if it is sent by mail in accordance with this Paragraph, then it shall be deemed given, delivered and received three days after the date such notice or other communication is deposited with the United States Postal Service in accordance with this Paragraph. Notwithstanding the foregoing, routine correspondence between Landlord and Tenant shall be deliverable by regular U.S. mail, by fax, or by other such means of delivery as may become customary.

49.16. If more than one person is Tenant, then the obligations of Tenant under this Lease shall be the joint and several obligations of each of such persons; provided, however, that any act or signature of one or more of any of such persons and any notice or refund given to or served on any one of such persons shall be fully binding on each of such persons.

49.17. All provisions, whether covenants or conditions, to be performed or observed by Tenant shall be deemed to be both covenants and conditions. All indemnity, defense, and hold harmless obligations of Tenant hereunder shall survive the termination of this Lease.

49.18. Deleted.

49.19. All payments to be made by Tenant to Landlord under this Lease shall be in United States currency.

49.20. Any claim, demand, rights, or defense by Tenant that arises out of this Lease or the negotiations that preceded this Lease shall be barred unless Tenant commences an action thereon, or interposes a defense by reason thereof, within 12 months after the date of the inaction, omission, event, or action that gave rise to such claim, demand, right, or defense. Tenant acknowledges and understands, after having consulted with its legal counsel, that the purpose of this Paragraph is to shorten the period within which Tenant would otherwise have to raise such claims, demands, rights, or defenses under applicable laws.

49.21. This Lease, the Exhibits and Addenda, if any, attached hereto (which are incorporated herein by this reference), constitute all of the covenants, promises, assurances, representations, warranties, statements, agreements, conditions and understandings between Landlord and Tenant concerning the Premises and the Project, and there are no other covenants, promises, assurances, representations, warranties, statements, conditions, or understandings, either oral or written, between

them. Except as herein otherwise provided, no subsequent alteration, change, modification, or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by each of them. Notwithstanding the foregoing, the Landlord may, from time to time, establish and amend such Rules, regulations, and signage criteria, in a written form, for the benefit of the Project and Building, as it deems appropriate. Violations of such Rules, regulations, and signage criteria by Tenant or Tenant's Invitees shall constitute a material default of this Lease.

49.22. This Lease, upon full execution, supersedes and revokes any and all previous leases governing the Premises, lease negotiations, arrangements, letters of intents, offers to lease, lease proposals or drafts, brochures, representations, and information conveyed, whether oral or written, between parties hereto or their respective representations or any other person purported to represent Landlord or Tenant. The Tenant acknowledges it has not been induced to enter into this Lease by any representations not set forth in the Leases, nor has it relied on any such representations. No such representations should be used in the interpretation or construction of this Lease and the Landlord shall have no liability for any consequences arising as a result of any such representations.

49.23. LANDLORD AND TENANT WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CONTRACT OR TORT CLAIM, COUNTERCLAIM, CROSS COMPLAINT, OR CAUSE OF ACTION IN ANY ACTION, PROCEEDING, OR HEARING BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, OR TENANT'S USE OR OCCUPANCY OF THE PREMISES, INCLUDING ANY CLAIM OF INJURY OR DAMAGE OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY CURRENT OR FUTURE LAW, STATUTE, REGULATION, CODE, OR ORDINANCE.

/s/ ER /s/ SC
LANDLORD'S INITIALS

/s/ MPM
TENANT'S INITIALS

49.24. Landlord and Tenant share a commitment to operating the Project, Premises and the Building in a sustainable, environmentally-friendly manner, so as to reduce energy consumption, nonrecycled wastes, and their collective carbon footprints. Landlord and Tenant agree to the following terms and conditions in order to pursue these goals:

49.24.1. Sustainability Practices. For the purposes of this Lease, the term "Sustainability Practices" shall mean Landlord's sustainability practices, programs, rules, and goals for the Project and/or the Building, as such practices, programs, rules, and goals may be adopted, modified, or amended from time to time.

49.24.2. Sustainable Building Operations. Tenant shall, at its sole cost and expense, comply with the requirements of the Sustainability Practices. Upon reasonable request from Tenant, Landlord shall promptly provide Tenant with a copy of Landlord's then current Sustainability Practices, if any.

49.24.3. Permitted Use. Tenant shall not use or operate the Premises in any manner that will cause the Project, the Building or any part thereof to fail to comply with the Sustainability Practices or with the requirements of any third-party sustainability certification or rating for the Building.

49.24.4. Recycling and Waste Management. Tenant shall, at its sole cost and expense: (a) comply with Landlord's recycling policy or program; (b) sort and separate its trash and recycling into such categories as required by Landlord; and (c) place sorted trash and recycling into receptacles as directed by Landlord.

49.24.5. Maintenance and Repairs. All maintenance and repairs performed by Tenant must comply with the Sustainability Practices.

49.24.6. Alterations. All Alterations performed by Tenant must comply with the Sustainability Practices. Such Sustainability Practices include, without limitation, the use of low or no-VOC paints, solvents, and adhesives.

49.24.7. Removal at End of Lease Term. To the extent any equipment, furnishings, improvements, or other items required to be removed from the Premises by Tenant at the end of the term or any earlier termination of the Lease are to be recycled or disposed of, Tenant shall conduct such recycling or disposal in an environmentally sustainable manner and in accordance with applicable Laws and the Sustainability Practices. Tenant shall pay all costs, expenses, fines, penalties, and damages that may be imposed on Landlord, the Project, the Building or Tenant by reason of Tenant's failure to comply with the provisions of this Section. The obligation of Tenant in the preceding sentence shall survive the expiration or earlier termination of the Lease.

49.24.8. Energy Providers. Landlord reserves the right to change electricity providers at any time and to purchase green or renewable energy for the Building.

49.24.9. Electricity Consumption. If Tenant is permitted or required pursuant to this Lease to contract directly with an electricity provider, Tenant shall pay all costs for separate electricity metering and shall submit to Landlord electricity consumption data in a format reasonably required by Landlord.

49.24.10. LEED Requirements. Tenant shall comply with such practices as Landlord deems appropriate in order for the Building or the Project to obtain or continue to comply with LEED certification requirements.

49.24.11. Reporting Requirements. Tenant shall provide information and data as reasonably requested by Landlord regarding Tenant's use and occupancy of the Premises as necessary to allow Landlord to comply with reporting requirements imposed by applicable Laws, to apply for or maintain certifications or ratings for the Project, the Building, or to apply for fee waivers related to green or sustainable improvements.

49.24.12. Tenant Improvements. In addition to the costs described in the Work Letter, the costs of Tenant's improvements shall include all reasonable costs associated with the Sustainability Practices, including any related documentation, registration, and certification. Tenant shall cause all contractors engaged by Tenant to comply with Landlord's rules and regulations for the Project or the Building, including without limitation, the Sustainability Practices.

49.24.13. Energy Management. Tenant agrees to use reasonable efforts to operate Building's mechanical, electrical, and plumbing systems efficiently so as to reduce water and energy usage and minimize waste and carbon emissions to the fullest extent possible. All electrical equipment or appliances installed by Tenant in the Premises must conform to the Building's standards for energy management and connect to Building controls and monitoring systems, if any.

49.24.14. Sustainability Reporting Requirements. If required by law or in order for Landlord to maintain its "LEED Building" designation, Tenant shall provide and deliver sustainability consumption information and data (collectively, "Sustainability Information") as reasonably requested by Landlord which shall include, without limitation, documentation relating to Tenant's specific use and occupancy of the Premises in regard to sustainability objectives. Additionally, Tenant authorizes Landlord to request Tenant's Sustainability Information from third parties including utility companies or vendors, as Landlord deems reasonably appropriate. Requested Sustainability Information may include, but shall not be limited to: (a) energy consumption (including electrical, gas and other) using EnergyStar energy performance rating or other agreed upon system, (b) estimate of carbon and other greenhouse gas emissions, (c) water consumption, (d) waste generated, and (e) environmental characteristics (shading, bikes, etc.). Landlord shall be entitled to utilize such Sustainability Information as it deems reasonably necessary, including, without limitation, for the following purposes: (a) monitoring and improving utility usage, (b) benchmarking the Project or the Building against any sustainable targets, (c) confirming the compliance of its sustainability practices, (d) maintaining, submitting or obtaining

certifications or rating for the Project or the Building, or (e) applying for fee waivers, credits and/or rebates related to green or sustainable improvements.

49.25. Anti-Money Laundering/OFAC Requirements. Tenant represents and warrants as follows, with the understanding that the Landlord will rely on the accuracy of these representations and warranties to establish the Landlord's compliance with the laws enforced by the United States Department of Treasury's Office of Foreign Assets Control ("OFAC"), and any other applicable laws, rules, regulations and other legal requirements relating to the combating of money laundering and/or terrorism (i.e., Patriot Act).

49.25.1. If Tenant is an entity (e.g., a corporation, partnership, limited liability company, trust), (i) Tenant has exercised due diligence to establish the identity of each person who possesses the power, directly or indirectly, to direct or cause the direction of Tenant's management and policies; (ii) if ownership interests in Tenant are not publicly traded on an exchange or an organized over-the-counter market that is regulated by any foreign government, or any governmental body or regulatory organization empowered by a foreign government to administer or enforce its laws as they relate to securities matters, Tenant has exercised due diligence to establish the identity of each person who holds, directly or indirectly, a beneficial interest in Tenant; and (iii) if Tenant is a financial intermediary (e.g., a bank, brokerage firm, depository), Tenant has exercised due diligence to establish the identity of each of its account holders (each of the foregoing persons listed in this Paragraph being an "Affiliated Person"). Tenant (x) maintains records of all documents it uses to verify the identities of its Affiliated Persons; (y) will maintain all such records for a period of at least five (5) years after the expiration of the Lease; and (z) will make such documentation available to the Landlord at any time upon request.

49.25.2. Tenant is not a "Prohibited Person" (as defined below), none of its Affiliated Persons is a Prohibited Person, and Tenant is not acquiring, and does not intend to enter into this Lease for the direct or indirect benefit of any Prohibited Person. Tenant acknowledges and agrees that if, at any time, the Landlord determines that Tenant is or may be a Prohibited Person, or that any Prohibited Person holds or may hold a direct or indirect interest in Tenant, the Landlord may, in its sole discretion, terminate the Lease.

49.25.3. For purposes of the foregoing representations and warranties, "Prohibited Person" means any person or entity that acts or has acted (i) in contravention of any statute, rule, regulation or other legal requirement to which that person is subject relating to the combating of terrorism and/or money laundering, or (ii) on behalf of any person or organization (A) residing or having a place of business in a country or territory subject to embargo under laws enforced by OFAC, or (B) identified as a terrorist, terrorist organization, specially designated national or blocked person by OFAC, any other department, agency, division, board, bureau or other instrumentality of the United States Government, or any recognized international organization, multilateral expert group or governmental or industry publication. OFAC's lists of specially designated nationals, blocked persons and embargoed countries and territories can be found at www.treas.gov/ofac.

49.25.4. If Tenant becomes aware of any fact or circumstance that may render any of the foregoing representations and warranties inaccurate in any respect, Tenant will immediately notify the Landlord.

50. **Contingency of Lease**. Tenant acknowledges that (i) the Premises are currently being leased by Landlord to Alibaba Group (U.S.) Inc. ("Alibaba"), (ii) such lease is currently due to expire on October 31, 2020, and (iii) Alibaba has the option to extend the term of such lease by providing notice to Landlord on or before October 31, 2019. This Lease is entirely contingent upon (i) Alibaba not exercising its option to extend the term of its lease for the Premises, and (ii) Alibaba vacating the Premises in sufficient time such that Landlord can timely deliver the Premises as required in this Lease (collectively, the "Lease Contingencies"). Except as expressly set forth in this Section 50, Landlord shall not be liable to Tenant for any delays in delivery and/or tenancy of the Premises due to Alibaba either exercising its option to extend the term of its lease or "holding over" beyond October 31, 2020. If Alibaba exercises its option to extend the term of its lease, this Lease shall become null and void and of no further force or effect. If Alibaba does not exercise its option to extend the term of its lease and continues to "hold over" in the Premises for 60 days or more beyond October 31, 2020, Tenant, as its sole remedy, shall have the

right to terminate this Lease upon written notice to the other until such time as Landlord provides written notice to Tenant that Alibaba has vacated the Premises. For clarity, if Alibaba continues to “hold over” in the Premises beyond October 31, 2020, subject to Tenant’s right to terminate pursuant to the foregoing, the Lease Commencement Date shall be delayed until Alibaba vacates the Premises and the Landlord tenders possession of the Premises to Tenant in the condition required hereunder.

51. Original Lease. Landlord and Tenant are parties to that certain Office Lease Agreement dated as of January 29, 2018, as amended by that certain First Amendment to Lease dated as of December 12, 2018 (collectively, the “Original Lease”) for those certain premises known as Suite 200 and Suite 400 in the Building. Tenant hereby acknowledges and agrees that an Event of Default under this Lease shall also be deemed Event of Default under the Original Lease, such that Landlord shall have the right to exercise all rights and remedies available to it in connection with such Event of Default that are available to it under the Original Lease (in addition to those available to it under this Lease), including, without limitation, applying the Security Deposit and/or the drawing on Letter of Credit (each as defined in the Original Lease), which Landlord is holding pursuant to the Original Lease, in accordance with the terms of the Original Lease.

[Signature page to follow]

LANDLORD:

AAT CC BELLEVUE, LLC, a Delaware limited liability company

By: American Assets Trust Management,
LLC, a Delaware limited liability
company, as Agent

By: /s/ Ernest Rady
Ernest Rady
President and CEO

By: /s/ Steven M. Center
Steven M. Center
V.P. of Office Properties

Dated: 10/11/2019

TENANT:

SMARTSHEET, INC., a Washington corporation

By: /s/ Mark Mader

Name: Mark Mader

Title: CEO

Dated: October 9th, 2019

**ADDENDUM NO. 1
TO OFFICE LEASE AGREEMENT**

This Addendum No. 1 (“Addendum”) constitutes part of the Office Lease Agreement (“Lease”) dated as of October 11, 2019 between AAT CC BELLEVUE, LLC, a Delaware limited liability company (“Landlord”), and SMARTSHEET, INC., a Washington corporation (“Tenant”). The terms of this Addendum are incorporated in the Lease for all purposes. All capitalized terms not otherwise defined in this Addendum are defined by the terms of the Lease.

1. BASIC MONTHLY RENT

Basic Monthly Rent during the initial Lease Term for the Premises shall be as follows:

Lease Period	Approximate Basic Monthly Rent Per Rentable Square Foot	Monthly Basic Rent for the Premises
Rent Commencement Date through the last day of the month in which the 1 st anniversary of the Rent Commencement Date occurs	\$5.00	\$91,220.00
Months 13 – 24	\$5.125	\$93,500.50
Months 25 – 36	\$5.25333333	\$95,838.01
Months 37 – 48	\$5.38416667	\$98,233.96
Months 49 – 60	\$5.51916667	\$100,689.81
Months 61 – 72	\$5.65666667	\$103,207.06
Months 73 – 84	\$5.79833333	\$105,787.23
Months 85 – 96	\$5.94333333	\$108,431.91
Months 97 – 98	\$6.09166667	\$111,142.71

2. CONDITION OF THE PREMISES

Tenant acknowledges that Tenant shall accept and occupy the Premises in its currently existing “as-is” condition pursuant to the terms of this Lease. Tenant acknowledges and agrees that Landlord has no obligation to improve the Premises, other than as may be set forth specifically in the Lease. In particular, Tenant acknowledges that any improvements or alterations needed to accommodate Tenant’s intended use shall be made solely at Tenant’s sole cost and expense, and strictly in accordance with the requirements of this Lease (including the requirement to obtain Landlord’s consent thereto), unless such improvements and alterations are specifically required of Landlord and expressly set forth in this Lease and in Exhibit “C”. Should tenant improvements be made to the Premises in the future, the Premises shall be constructed in accordance with the procedures outlined in Exhibit “C” of this Lease. Landlord shall have no responsibility to do any work required under any building codes or other governmental requirements not in effect or applicable on the Lease Commencement Date, including without limitation any requirements

related to sprinkler retrofitting, seismic structural requirements, accommodation of disabled persons, or hazardous materials.

[Signature page to follow]

Unless modified by this Addendum, each Lease Term remains unamended and in full force. The parties have executed this Addendum as of the date of the Lease.

LANDLORD:

AAT CC BELLEVUE, LLC, a Delaware limited liability company

By: American Assets Trust Management,
LLC, a Delaware limited liability
company, as Agent

By: /s/ Ernest Rady
Ernest Rady
President and CEO

By: /s/ Steven M. Center
Steven M. Center
V.P. of Office Properties

Dated: 10/11/2019

TENANT:

SMARTSHEET, INC., a Washington corporation

By: /s/ Mark Mader

Name: Mark Mader

Title: CEO

Dated: October 9th, 2019

EXHIBIT "A"
Project Site Plan

EXHIBIT "B"
Floor Plan Premises

EXHIBIT "C"
WORK LETTER

EXHIBIT "D"
BUILDING RULES AND REGULATIONS

EXHIBIT "E"
FORM OF SNDA

FIRST AMENDMENT TO LEASE

This First Amendment to Lease (this "Amendment") is made, for reference purposes only, on June 8, 2020 (the "Effective Date"), by and between AAT CC BELLEVUE, LLC, a Delaware limited liability company ("Landlord"), and SMARTSHEET, INC., a Washington corporation ("Tenant"), with reference to the following facts:

RECITALS

- A. Landlord and Tenant are parties to that certain Office Lease Agreement dated as of October 11, 2019 (as amended, the "Lease") for that certain premises located at 500 108th Avenue NE, Suite 800, Bellevue, Washington 98004, consisting of approximately 18,244 Rentable Square Feet of commercial office space (the "Premises").
- B. The parties desire to amend the Lease as set forth in this Amendment.
- C. All capitalized terms used in this Amendment unless specifically defined herein shall have the same meaning as the capitalized terms used in the Lease.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are expressly acknowledged, Landlord and Tenant agree as follows:

AGREEMENT

1. Security Deposit / Letter of Credit. Upon the Effective Date, the Lease shall be amended to provide that Tenant may replace the Security Deposit in the amount of \$111,142.71 with a Letter of Credit in the amount of \$111,142.71 naming Landlord as beneficiary thereunder (the "Letter of Credit") pursuant to the following terms and conditions set forth below. Should Tenant replace the Security Deposit with the Letter of Credit in accordance with the terms set forth herein, Landlord shall, within 30 days of Landlord's receipt of such Letter of Credit, return the Security Deposit to Tenant.

1.1. Letter of Credit. If Tenant so elects to replace the Security Deposit with the Letter of Credit, then the Letter of Credit shall be held by Landlord as third party security for the faithful performance by Tenant of all the terms, covenants, and conditions of the Lease to be kept and performed by Tenant during the Lease Term and the following provisions shall apply:

1.1.1. Letter of Credit. The Letter of Credit shall be an unconditional, irrevocable, negotiable standby letter of credit running in favor of Landlord and shall be a signed draft. The issuer of the Letter of Credit (the "Issuer") shall (1) be a solvent, nationally recognized commercial bank that is acceptable to Landlord in its reasonable discretion, (2) have a branch located in San Diego County, California and Bellevue, Washington (provided that if the Issuer is Silicon Valley Bank ("SVB"), it shall be sufficient to have a branch located in Santa Clara, California) capable of honoring a demand upon such Letter of Credit and allow presentation of the Letter of Credit by overnight courier delivery and by facsimile presentation, (3) be chartered under the laws of the United States, any State thereof or the District of Columbia, (4) be insured by the Federal Deposit Insurance Corporation; and (5) have a long term rating of BBB+ or higher as rated by Standard & Poor's (collectively, the "Letter of Credit Issuer Requirements"). Provided that SVB satisfies the Letter of Credit Issuer Requirements, Landlord confirms that SVB is an acceptable Issuer. The Letter of Credit shall be maintained in effect, whether through replacement, renew or extension, throughout the entire Lease Term and for an additional one hundred twenty (120) days following the expiration or earlier termination of the Lease. The Letter of Credit, and any extensions or renewals thereof, shall be substantially in the form and content as attached hereto as Exhibit "A", shall be for a term of not less than one year or, if the remaining portion of the Lease Term is less than one year, then for such period plus one hundred twenty (120) days, and shall be irrevocable during that term. The Letters of Credit covering subsequent periods shall be obtained and delivered to Landlord not less than thirty (30) days prior to the expiration of the then-existing Letter of Credit, without any action whatsoever on the part of Landlord. The term for each such Letter of Credit shall begin no later than the expiration date of the previous Letter of Credit and shall comply with all requirements of this

Section 1.1. The Letter of Credit shall be subject to The Uniform Customs and Practice for Documentary Credits” (2007 Revision) International Chamber Of Commerce Publication No. 600.

1.1.2. Draws on Letter of Credit; Application of Proceeds. Landlord, or its then managing agent, shall have the right to draw upon the Letter of Credit or any renewal or extension thereof, in whole or in part, upon the occurrence of any one or more of the following events: (a) the occurrence of any default by Tenant under this Lease (following the expiration of any applicable notice and cure periods); (b) Tenant’s failure to deliver to Landlord, no less than 30 days prior to the expiration date of the Letter of Credit or any renewal or extension thereof, a renewal or extension of the Letter of Credit for a term of not less than one year and otherwise satisfying the requirements of this Section 1.1; (c) receipt of notice from the Issuer that it will not be extending the terms of the Letter of Credit or otherwise intends to terminate the Letter of Credit prior to the date that is one hundred twenty (120) days after the expiration of the Term of the Lease, unless Tenant provides a substitute Letter of Credit from another financial institution acceptable to Landlord in its reasonable discretion and otherwise satisfying the requirements of this Section 1.1 at least fifteen (15) business days prior to the termination of the existing Letter of Credit; or (d) any action by Tenant or the Issuer which, in Landlord’s reasonable judgment, may jeopardize its rights to draw on the Letter of Credit, including, without limitation, Tenant filing a voluntary petition under the Federal Bankruptcy Code or an involuntary petition being filed against Tenant under the Federal Bankruptcy Code. Landlord shall have sole authority and discretion to draw under the Letter of Credit in accordance with the terms thereof. Within five (5) days after any such draw, Tenant shall reinstate the amount available under the Letter of Credit to the required amount as provided herein, and Tenant’s failure to do so shall constitute an incurable default by Tenant under this Lease. Proceeds of any draw upon the Letter of Credit may be applied by Landlord to the payment of accrued and unpaid Rent, Additional Rent, interest, late charges, reserved Rent, future Rent, accelerated Rent, and any and all damages calculated pursuant to Article 25 of the Lease, or any other costs, liabilities or damages arising out of Tenant’s obligations under this Lease, in such manner as Landlord in its sole discretion, deems appropriate. Any unused proceeds shall constitute the property of Landlord and need not be segregated from Landlord’s other assets. The parties hereto (A) recite that the Letter of Credit is not intended to serve as a security deposit and all other Laws or principle of Law, rules and regulations applicable to security deposits in the commercial context (the “Security Deposit Law”) shall have no applicability or relevancy thereto and (B) Tenant waives the provisions of any Law or principle of Law and all rights, duties and obligations either party may have now, or in the future, will have relating to or arising from the Security Deposit Law with respect to Landlord’s ability to apply the proceeds of the Letter of Credit against reserved Rent, future Rent, accelerated Rent, and any and all damages calculated pursuant to Article 25 of the Lease. Furthermore, upon lawful termination of this Lease as a result of Tenant’s default, Landlord shall be entitled to immediately apply the proceeds of the Letter of Credit against damages computed under this Lease and/or applicable Law (including, without limitation, accrued and unpaid Rent, reserved Rent, accelerated Rent, and any and all damages calculated pursuant to Article 25 of the Lease, without the requirement that Tenant first be given notice and an opportunity to cure, and notwithstanding that the damages have not been finally adjudicated by the court).

1.1.3. General Terms. Each Letter of Credit shall provide that it will be honored upon a signed statement by Landlord or its agent that moneys are due and owing to Landlord under the Lease, and shall require no signature or statement from any party other than Landlord or its agent. No notice to Tenant shall be required to enable Landlord to draw upon the Letter of Credit (provided that the foregoing shall not affect or reduce Landlord’s obligations to provide notice and/or cure periods for Tenant defaults as and to the extent expressly required elsewhere in this Lease). Each Letter of Credit shall allow for partial draws. Each Letter of Credit shall be fully assignable by Landlord and provide that Landlord may, at any time and without notice to Tenant and without first obtaining Tenant’s consent thereto, transfer all or any portion of its interest in and to the Letter of Credit to another party, person or entity, regardless of whether or not such transfer is separate from or as a part of the assignment by Landlord of its rights and interests in and to the Lease. In the event of a transfer of Landlord’s interest in the Property (or any portion thereof containing the Premises), Landlord shall have the right to transfer the Letter of Credit in whole or in part (or cause a substitute letter of credit to be delivered, as applicable) to the transferee and thereupon shall, without any further agreement between the parties, be released by Tenant from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the Letter of Credit to a new landlord. Tenant shall cooperate with any such transfer of the Letter of Credit by Landlord, at no out-of-pocket expense to Tenant. If the Issuer shall admit in writing its

inability to pay its debts generally as they become due, file a petition in bankruptcy or a petition to take advantage of any insolvency act, make an assignment for the benefit of its creditors consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, then Tenant shall obtain a replacement Letter of Credit within thirty (30) days of such act from another Issuer. Tenant further covenants and warrants that it will neither assign nor encumber the Letter of Credit or any part thereof and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

1.1.4. **Independent Contract.** Tenant acknowledges and agrees that the Letter of Credit constitutes a separate and independent contract between Landlord and the Issuer, and that Tenant is not a third party beneficiary of such. Tenant agrees not to interfere in any way with payment to Landlord of the proceeds of the Letter of Credit, either prior to or following a "draw" by Landlord of any portion of the Letter of Credit, regardless of whether any dispute exists between Tenant and Landlord as to Landlord's right to draw from the Letter of Credit. No condition or term of this Lease shall be deemed to render the Letter of Credit conditional to justify the Issuer in failing to honor a drawing upon such Letter of Credit in a timely manner. Tenant agrees and acknowledges that Tenant has no property interest whatsoever in the Letter of Credit or the proceeds thereof and that, in the event Tenant becomes a debtor under any chapter of the Federal Bankruptcy Code, neither the Letter of Credit nor any proceeds or right to draw on the Letter of Credit will be considered property of the Tenant's bankruptcy estate, and neither Tenant, any trustee, nor Tenant's bankruptcy estate shall have any right to restrict or limit Landlord's claim and/or rights to the Letter of Credit and/or the proceeds thereof by application of any provision of the Federal Bankruptcy Code, including but not limited to Section 502(b)(6) of the Federal Bankruptcy Code [11 U.S.C.A. § 502(b)(6)].

1.1.5. **Release of Letter of Credit.** Provided there is no default or condition which but for the furnishing of notice or the passage of time would constitute a default under this Lease, Landlord shall release its rights in the Letter of Credit and surrender the Letter of Credit to the Issuer within one hundred twenty (120) days following the expiration or earlier termination of the Lease.

2. **Reserved.**

3. **Real Estate Brokers.** Tenant represents and warrants to Landlord that it has not authorized or employed, or acted by implication to authorize or employ, with any real estate broker or sales person to act for it in connection with this Amendment or dealt with any real estate broker or sales person in connection with this Amendment other than Washington Partners Corporate Real Estate, Inc. Tenant also agrees to indemnify, defend and hold harmless Landlord from and against any and all claims by any real estate broker or salesman whom the Tenant authorized or employed, or acted by implication to authorize or employ, to act for Tenant in connection with this Amendment, or with any broker or sales person with whom Tenant dealt in connection with this Amendment Washington Partners Corporate Real Estate, Inc.

4. **Confirmation.** Except, as and to the extent modified by this Amendment, all provisions of the Lease shall remain in full force and effect. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms in this Amendment shall control.

5. **Counterparts.** This Amendment may be executed in any number of counterparts, including counterparts transmitted by facsimile or electronic mail, each of which shall be deemed an original for all purposes, and all counterparts shall constitute one and the same instrument.

[Signature page to follow]

IN WITNESS WHEREOF, Landlord and Tenant agree to the foregoing as evidenced by affixing their signatures below.

LANDLORD:

AAT CC BELLEVUE, LLC,
a Delaware limited liability company

By: American Assets Trust Management,
LLC, a Delaware limited liability
company, as Agent

By: /s/ Ernest Rady

Ernest Rady
President and CEO

By: /s/ Steven M. Center

Steven M. Center
V.P. of Office Properties

Dated: 6/30/2020

TENANT:

SMARTSHEET, INC.,
a Washington corporation

By: /s/ Mark Mader

Name: Mark Mader

Title: CEO

Dated: 6/30/2020

EXHIBIT "A"

[FORM OF LETTER OF CREDIT]

Subsidiaries of Smartsheet Inc.

Name of Subsidiary

Artefact Product Group, LLC
Brandfolder, Inc.
Smartsheet Australia Pty Ltd
Smartsheet Costa Rica Ltda.
Smartsheet Germany GmbH
Smartsheet UK Limited
TernPro Inc.

Jurisdiction of Incorporation or Organization

Washington, USA
Delaware, USA
Australia
Costa Rica
Germany
United Kingdom
Delaware, USA

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-254865, 333-237510, 333-230773 and 333-224501 on Form S-8 and No. 333-232041 on Form S-3 of our report dated March 25, 2022, relating to the financial statements of Smartsheet Inc. and the effectiveness of Smartsheet Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended January 31, 2022.

/s/ Deloitte & Touche LLP

Portland, Oregon
March 25, 2022

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-230773, 333-224501, 333-237510, and 333-254865) and Form S-3 (No. 333-232041) of Smartsheet Inc. of our report dated March 31, 2020 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Seattle, Washington
March 25, 2022

**CERTIFICATION PURSUANT TO
RULE 13A-14(A) OR 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark P. Mader, certify that:

1. I have reviewed this Annual Report on Form 10-K of Smartsheet Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
-

**CERTIFICATION PURSUANT TO
RULE 13A-14(A) OR 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Pete Godbole, certify that:

1. I have reviewed this Annual Report on Form 10-K of Smartsheet Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
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By:

/s/ Pete Godbole

Pete Godbole

Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Date: March 25, 2022

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Smartsheet Inc. (the "Company") on Form 10-K for the fiscal year ended January 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Pete Godbole, Chief Financial Officer and Treasurer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:

/s/ Pete Godbole
Pete Godbole
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Date: March 25, 2022