



201007270074

Skagit County Auditor

7/27/2010 Page 1 of 17 3:32PM

After Recording Return To:

**SKAGIT COUNTY PHD # 1**  
**1415 East Kincaid Street**  
**Mount Vernon, WA 98273**

135634-0

LAND TITLE OF SKAGIT COUNTY

Document Title(s): CONDOMINIUM UNIT LEASE AGREEMENT

Reference No. of Related Document(s):

Grantor(s): SKAGIT VALLEY MEDICAL CENTER, INC. P.S.

Grantee(s): SKAGIT COUNTY PUBLIC HOSPITAL  
DISTRICT NO. 1

Abbreviated Legal Description: Unit 2, Pavilion Condominium. Per Dedication recorded under Skagit County Auditor's file no. 2007040079

Additional Legal Descriptions(s) on page 3 of Document.

Assessor's Account/Parcel Number: 4923-000-002-0000; P129810

SKAGIT COUNTY WASHINGTON  
REAL ESTATE EXCISE TAX

JUL 27 2010

Amount Paid \$  
Skagit Co. Treasurer  
By Deputy

UNOFFICIAL DOCUMENT

CONDOMINIUM LEASE AGREEMENT

BETWEEN

SKAGIT VALLEY MEDICAL CENTER, INC. P.S.

and

SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1

Commencement Date:

July 1, 2010



201007270074

Skagit County Auditor

7/27/2010 Page 2 of 17 3:32PM

LESSOR: SVMC, INC. P.S.

LESSEE: PHD # 1

Page 2 of 16

**CONDOMINIUM UNIT**

**LEASE AGREEMENT**

**THIS CONDOMINIUM UNIT LEASE AGREEMENT**, ("Lease"), is made this 12<sup>th</sup> day of July 2010, by and between **SKAGIT VALLEY MEDICAL CENTER, INC.** P.S., a Washington professional service corporation, hereinafter referred to as "Lessor," and **SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1**, a Washington municipal corporation, hereinafter referred to as "Lessee or Tenant."

**WITNESSETH:**

In consideration of their mutual covenants, agreements, and undertakings hereinafter contained, the parties hereto do mutually agree to that which is hereinafter set forth, upon, and subject to the following terms, conditions, covenants, and provisions:

**1. PROPERTY SUBJECT TO THIS LEASE AGREEMENT**

a. The real property subject to this Lease is legally described as follows ("Premises"):

Unit 2, "THE PAVILLION CONDOMINIUM," according to the declaration thereof, recorded April 4, 2007, under Auditor's File No. 200704040079, records of Skagit County, Washington, and the Survey Map and Plans recorded April 4, 2007, under Auditor's File No 200704040078, records of Skagit County, and being a portion of West ½ of the Southeast ¼ of the Northeast ¼ of Section 27, Township 35 North, Range 4 East, W.M.-

Situate in the City of Sedro-Woolley, County of Skagit, State of Washington.

b. The unit subject to this Lease and described above consists of 19,950 square feet of rentable medical office space.

**2. TERM**

a. The term of this Lease shall be for fifteen (15) years, beginning on July 1, 2010 ("Commencement Date") and ending at 11:59 p.m., June 30, 2025, unless sooner terminated pursuant to any provision of this Lease ("Base Term").

b. Lessee shall have the right to enter the space up to ninety (90) days prior to the Commencement Date to make improvements thereto as required for licensure by the Washington State Department of Health. Lessee's right to early entry pursuant to this Section 2.b shall be subject to the terms and conditions of this Lease (other than payment of Rent), including, Section 7 hereof.

**LESSOR: SVMC, INC. P.S.**  
**LESSEE: PHD # 1**



201007270074  
Skagit County Auditor

c. Lessee is granted the right to extend this Lease for two (2) consecutive five (5) year terms by giving written notice of said intention to Lessor not less than one hundred eighty (180) days prior to the expiration of the Base Term or the initial extended term. All terms and conditions of the Base Term shall continue thereupon, except the Rent for each extension term shall be adjusted to reflect the then current current market rate. The then current market rate shall be based on a survey of similar building office space conducted by an independent third party with experience in commercial leasing in the area in which the Premises is located, mutually agreed to by the parties. Lessor shall pay for the cost of such survey and shall provide Lessee with notice of the proposed rental rate for the extension term at thirty (30) days prior to the deadline for Lessee's giving of written notice of its intent to extent the Lease. The rental rate so derived shall apply throughout the extension period.

d. In the event that any judgment, decree, restraining order or injunction shall have been entered which would prohibit the Lessee from conducting activities contemplated in the Section entitled, "BUSINESS PURPOSE," Lessee may in its sole discretion terminate this Lease on thirty (30) days notice to Lessor.

### 3. BUSINESS PURPOSE

It is understood and agreed that Lessee intends to use the Premises in the manner authorized in the declaration for the Pavilion Condominium recorded under Skagit County Auditor's File No. 200104040079 ("Declaration"), together with activities related thereto. The Premises are a portion of a two-unit condominium structure which is subject to a GROUND LEASE dated March 31, 2006, between Skagit County Public Hospital District No. 304 (the "Ground Lessor") and J & J Skagit, LLC (the "Ground Lessee"), which Ground Lease was amended by the FIRST AMENDMENT TO GROUND LEASE, effective on March 31, 2006 (collectively, the "Amended Ground Lease"). The Ground Lessee's interest under the Amended Ground Lease, to the extent it pertains to Unit 2 or the interest in the common elements in the condominium, was assigned to Lessor herein by that QUITCLAIM DEED AND PARTIAL ASSIGNMENT OF LEASE AND EASEMENT, dated October 7, 2007, recorded under Skagit County Auditor's File No. 200710150086. Lessee has been provided a copy of the Amended Ground Lease and agrees that the terms and conditions of the Amended Ground Lease are incorporated by reference into this Lease. This Lease is subject and subordinate to the terms of the Amended Ground Lease. In the event that Lessor's interest in the Premises is lost as a result of the expiration or termination of the Amended Ground Lease, this Lease shall automatically expire or terminate on the same date, unless otherwise agreed by Ground Lessor. Lessee shall comply with all terms, conditions and requirements of the Amended Ground Lease (except with regard to the payment of money to the Ground Lessor) and shall conduct its activities in the Premises in compliance with the limitations set forth in the Amended Ground Lease. In the event of a conflict between the terms of the Amended Ground Lease and this Lease, the terms of the Amended Ground Lease shall govern. Lessee hereby agrees to comply with the terms of: (1) paragraphs 3.2. and 3.3 of the Ground Lease; and (2) paragraph Alternative 3.3 of the FIRST AMENDMENT TO GROUND LEASE.

LESSOR: SVMC, INC. P.S.  
LESSEE: PHD # 1



201007270074  
Skagit County Auditor

Page 4 of 16

4. RENT

Starting on the Commencement Date, Lessee shall pay to Lessor, in lawful money of the United States, without any set-off or deduction, in addition to taxes, assessments, and other charges required to be paid hereunder by Lessee, an initial rent for the Premises of FORTY-FOUR THOUSAND SEVEN HUNDRED TWENTY-FOUR DOLLARS (\$44,724.00) per month (herein referred to as "Rent"). The Rent for each month shall be paid to the Lessor in advance, on or before the first day of each and every month of the term of this Lease and shall be payable at such place as the Lessor may hereinafter designate.

5. NO SECURITY FOR RENT

Lessee shall make no security deposit for rent.

6. LATE CHARGES

Lessee hereby acknowledges that late payment by Lessee to the Lessor of Rent or any other sums due hereunder will cause the Lessor to incur costs not otherwise contemplated by this Lease and affect Lessor's ability to meet certain commitments. Accordingly, if any installment of Rent or any other sum due from Lessee shall not be received by the Lessor within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay the Lessor a late charge equal to five percent (5%) of such overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs the Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by the Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent the Lessor from exercising any of the other rights and remedies granted hereunder. In addition to the late charges provided for in this section, interest shall accrue on Rent or any other sums due hereunder at the rate of one percent (1%) per month from the date due until paid. Payments shall be applied first to interest, then to late charges, then to overdue Rent (with allowance for leasehold excise tax), and then to current Rent (with allowance for leasehold excise tax.)

7. CONSTRUCTION OF IMPROVEMENTS

Lessee may construct the improvements and/or make alterations consistent with its intended use of the Premises set forth in Section 3 above. All improvements to the Premises shall be at Lessee's sole cost and expense. Lessee shall not commence construction of any improvements or alterations (alterations include, but are not limited to, structural changes, painting of the exteriors of structures, changes to wiring, and plumbing) or install any fixtures (other than fixtures which can be removed without injury to the Premises) without prior written consent of Lessor, which shall not be unreasonably withheld. Prior to any improvements being made, Lessee shall submit to Lessor all plans and specifications relating to such construction of improvements, alterations, or installation of any fixtures (other than fixtures which can be removed without injury to the Premises). The construction of all improvements, alterations, and/or installation of fixtures shall

LESSOR: SVMC, INC. P.S.  
LESSEE: PHD # 1

Page 5 of 16



201007270074

Skagit County Auditor

7/27/2010 Page 5 of 17 3:32PM

be carried out by Lessee in a first-class manner, consistent with a first-class medical office building. All work shall be done in a good and workmanlike manner and in full compliance with all federal, state, county, and other governmental statutory and regulatory requirements. The improvements are subject to Lessee having received all necessary building or other permits and licenses necessary to make the improvements. In connection with the construction of the improvements, Lessee shall maintain, or cause its contractors and subcontractors to carry and maintain, insurance that meets or exceeds the minimum insurance requirements for contractors as required by state law until the expiration or sooner termination of this Lease, title to any improvements situated and constructed by Lessee on the Premises and any alteration, change, or addition thereto, as well as title to fixtures and articles of personal property attached to or used in connection with the Premises by Lessee, shall remain solely in Lessee. Lessee shall keep the Premises free of liens for labor and materials furnished.

#### 8. DISPOSITION OF IMPROVEMENTS AT END OF LEASE

Upon the expiration or termination of this Lease, Lessee shall remove all equipment, personal property, and trade fixtures which may have been placed upon the Premises by Lessee during the period of this Lease. If Lessee does not remove any and all equipment, personal property, and trade fixtures which have been placed on the Premises by Lessee during the period of this Lease, then the same shall be removed and stored at Lessee's expense, and Lessor shall recover any costs and expenses from the Lessee resulting from the removal and storage. Structural and other improvements which cannot be removed without damage to the Premises shall become the property of Lessor at termination.

#### 9. CONDITION OF THE PREMISES

Lessee has been given full opportunity to inspect the Premises, including any presence of Hazardous Materials, and to determine the suitability of the Premises for Lessee's intended use of the Premises. Lessee is relying solely upon the results of its own inspection and investigation in determining to enter into this Lease. The Premises are leased hereunder on an "AS-IS, WHERE-IS" BASIS WITHOUT WARRANTY OR REPRESENTATION BY LESSOR of any kind, except as expressly set forth herein. Landlord makes no representation or warranty concerning the condition of the Premises, any restrictions or requirements of zoning, building codes or similar laws, rules or regulations applicable to the Premises or the proposed improvements to be constructed by Lessee, or the suitability of the Premises for construction, ownership, operation or maintenance of Tenant's proposed improvements to be constructed upon the Premises for any purpose whatsoever, except as expressly set forth herein. Lessee is not relying upon any covenants, warranties, or representations of Lessor as to its condition or usability of the Premises, except Lessor's right to grant a lease of the Premises. Lessee and agrees to make any changes in the Premises that Lessee deems necessary to conform to federal, state, and local law applicable to Lessee's use of the Premises.

LESSOR: SVMC, INC. P.S.  
LESSEE: PHD # 1



201007270074  
Skagit County Auditor

Page 6 of 16

10. LESSEE WILL OBTAIN PERMITS

Lessee shall be solely responsible, at its sole cost and expense, for obtaining and complying with all permits, approvals, or licenses required for the operation and conduct of Lessee's business activities and any approved construction, installation, erection, and/or operation of any structures, facilities, or equipment, including but not limited to items constituting alterations or defined as trade fixtures on the Premises. If Lessee fails to obtain and comply with such permits, approvals or licenses, then Lessee accepts full responsibility for any and all costs incurred by the Lessor, including actual attorney fees and costs, incurred by Lessor pursuing Lessee's default for its failure to obtain and/or comply with such permits, approvals or licenses. Lessee agrees to indemnify, defend and hold Lessor harmless from any liability and to fully reimburse expenses of Lessor in connection with Lessee's failure to obtain and/or fully comply with any necessary permit, approval or license.

11. INSURANCE COVERAGE

a. **Casualty Insurance.** Lessee agrees to maintain on all improvements belonging to Lessor, casualty insurance with extended coverage in the amount of their full replacement value. The cost of such insurance shall be paid by Lessee.

b. **Liability Insurance.** Lessee shall, at its own expense, procure and maintain throughout the term of this Lease, a policy or policies of commercial general liability insurance written by an insurance company or companies broadening endorsement (and hereafter in such increased amounts to be comparable and consistent with the going or standard coverage in the area for comparable business operations) authorized to conduct business in Washington State and rated "A-VII" or better by A.M. Best, insuring both Lessee and Lessor against any and all losses, claims, demands or actions whatsoever for injury to or death of any one or more persons, for damage to property, including contractual liability insurance coverage insuring Lessee's indemnity obligations set forth herein, arising from Lessee's use and occupancy of the Premises. Such policy shall provide a limit of not less than Two Million Dollars (\$2,000,000) per occurrence and Five Million Dollars (\$5,000,000) in the aggregate. The foregoing dollar limits may be satisfied through "excess coverage," so long as such excess coverage affords the same protection against the same risks covered by the general liability insurance described in this Section 11.b.

c. **Contractor's Coverage.** At all times when Lessee is undertaking any construction or alteration activities on the Premises, in addition to insurance Lessee is otherwise required to maintain hereunder, Lessee shall maintain or require its contractor to maintain in effect at least the minimum insurance coverage and /or bonding required by state law.

d. **Certificates.** The Lessor shall be named as an additional insured on Lessee's policies and shall be furnished a copy of certificate(s) of coverage as of the Commencement Date and from time to time thereafter at the Lessor's election. Each certificate of insurance shall

LESSOR: SVMC, INC. P.S.

LESSEE: PHD # 1



201007270074  
Skagit County Auditor

provide that the insurance policy or policies are not subject to cancellation without at least thirty (30) days advance written notice of such cancellation having been first given to the Lessor.

## 12. WAIVER OF SUBROGATION

To the extent permitted by their insurers and by law, Lessor and Lessee hereby mutually release each other and their respective successors or assigns from any liability and waive all right of recovery, claim, action or cause of action against each other from any loss or damage that may occur to the Premises or any addition or improvements thereto, or any contents therein, by reason of liabilities, fire or any of the other perils required to be insured hereunder; *provided*, however, that this section shall be inapplicable if it would have the effect, but only to the extent that it would have the effect, of invalidating any insurance coverage of Lessor or Lessee. Each party agrees to use commercially reasonable efforts to cause its insurance carrier to consent to the waivers provided for in this Section 12.

## 13. HOLD HARMLESS PROVISIONS, LIABILITY AND INDEMNITY

Lessor, its officers, employees, and agents shall not be liable for any injury (including death) or damage to any persons or to any property sustained or alleged to have been sustained by the Lessee or by others as a result of any condition (including defects in the Premises), or occurrence whatsoever related in any way to the Lessee's use of the Premises or Lessee's performance under this Lease, except to the extent of such damage caused by the sole negligence or willful misconduct of the Lessor. Lessee agrees to defend, hold, and save the Lessor, its officers, employees, and agents harmless from any and all liability or expense (including attorney fees and expenses of litigation) in connection with any such items of actual or alleged injury or damage caused or alleged to be caused by Lessee.

## 14. LAWS AND REGULATIONS

Lessee agrees, at its sole cost and expense, to conform to, comply with, and abide by all lawful rules, codes, ordinances, requirements, orders, directions, laws, and regulations of the United States, the state of Washington, and any municipality or agency of any of said entities, including without limitation, those relating to environmental matters, now in existence or hereafter promulgated, applicable to the Lessee's use and operation of said Premises, including the construction of any improvements thereon, and not to permit said Premises to be used in violation of any of said rules, codes, laws, or regulations. Any fees for inspection of the Premises during or for the term of this Lease by any federal, state, or municipal officer shall be paid by Lessee. Lessee shall pay all costs, expenses, liabilities, losses, damages, fines, penalties, claims, and demands, including reasonable counsel and attorney fees, which may in any manner arise out of or be imposed because of the failure of Lessee to comply with the covenants of this section.

LESSOR: SVMC, INC. P.S.

LESSEE: PHD # 1



201007270074  
Skagit County Auditor

Page 8 of 16

7/27/2010 Page 8 of 17 3:32PM



15. ENVIRONMENTAL PROVISIONS

This section delineates the Lessor's and the Lessee's rights and obligations with respect to the release, spillage, storage, transportation, or any other aspect of handling hazardous or toxic materials of any nature ("Hazardous Material"), whether regulated by federal and/or state law ("Hazardous Material Regulation") or not. Without limiting the generality of the foregoing, Hazardous Materials for purposes of this Lease shall include, without limitation, any hazardous or toxic substances, material or waste, regulated or listed pursuant to any federal, state or local environmental law, including without limitation, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide, Rodenticide Act, the Safe Drinking Water Act and the Occupational Safety and Health Act as such Acts have been or hereafter amended from time to time.

a. Lessee covenants to defend, indemnify, and hold Lessor harmless ("Indemnify") from any imposition or attempted imposition by any person or entity upon Lessor of any obligation or cost ("liability") of whatever form, including, without limitation, damages for personal injury or property damage; claims; governmental investigations, proceedings, or requirements; attorney fees in investigation, at trial, or administrative proceeding, or on appeal or in any bankruptcy proceeding; witness or consultant costs; or any other liability to the extent that such liability arises from a violation, or alleged violation, or from the failure to satisfy a requirement or alleged requirement of any Hazardous Material Regulation and/or any environmental or land use law or regulation and/or common law duty or arising from the release, spillage, or any other mishandling or misuse of any Hazardous Material by Lessee causing damage to the property of, or resulting in injury to, any third person or any third person's property, or the Lessor's property, occurring during the term of this Lease. Tenant's obligations pursuant to the foregoing warranty and indemnity shall survive the expiration or earlier termination of this Lease.

b. In like manner as in subsection a. above, so Lessor shall Indemnify Lessee solely for liability proximately resulting from an affirmative act on the Premises by Lessor prior to the commencement of this Lease or from conditions caused by Lessor subsequent to the Commencement Date.

c. Lessee shall notify Lessor within forty-eight (48) hours of its discovery of any release of a reportable quantity of any Hazardous Material or of the receipt by Lessee of any notices, orders, or communications of any kind from any governmental entity which relate to the existence of or potential for Hazardous Material or environmental pollution of any kind existing on or resulting from the use of the Premises or any activity conducted thereon. If Lessee fails to comply with any of the requirements of this section, Lessor may undertake, without cost or expense to Lessor, any actions necessary to protect Lessor's interest including steps to comply with such laws.

LESSOR: SVMC, INC. P.S.

LESSEE: PHD # 1

Page 9 of 16



201007270074

Skagit County Auditor

d. Should any Hazardous Material be released on, in or under the Premises during the term of this Lease or any extension thereof, then Lessee shall at its sole cost and expense promptly and diligently take all actions as are necessary to remove such Hazardous Material from the Premises or the water underlying the Premises in accordance with applicable Hazardous Materials Regulations and industry standards and as are necessary to return the affected area to the condition existing prior to the introduction of any such Hazardous Materials, including without limitation, any investigation or monitoring of site conditions or any clean up, remediation, response, removal, encapsulation, containment or restoration work required because of the presence of any such Hazardous Materials on, in or under the Premises or any release or suspect release or threat of release of any Hazardous Materials in the air, soil, surface water or ground water.

e. Any other provision of this Lease to the contrary notwithstanding, Lessee's breach, which goes uncorrected after the expiration of a reasonable time to cure, of any covenant contained in this section shall be an event of default empowering Lessor, in addition to exercising any remedy available at law or in equity, to terminate this Lease and to evict Lessee from the Premises forthwith in the manner provided by law and herein.

#### 16. MAINTENANCE / COMMIT NO WASTE

Pursuant to Section 9 hereof, the Premises have been inspected and are accepted by Lessee in their present condition. Lessee shall, at its sole expense and at all times, keep the Premises neat, clean, and in a sanitary condition; and keep and use the Premises in accordance with applicable laws, ordinances, rules, regulations, and requirements of governmental authorities. Lessee shall permit no waste, damage, or injury to the Premises; keep all drain pipes free and open; protect water, heating, gas, and other pipes to prevent freezing or clogging; repair all leaks and damage caused by leaks; replace all glass in windows and doors of the Premises which may become cracked or broken; and remove ice and snow from sidewalks adjoining the Premises. Lessee will be responsible for the building structure, including exterior painting, floors, foundation, roof, roof membrane, load bearing walls, replacement of mechanical and utility systems, and routine landscape maintenance. Lessee will be responsible for mechanical and utility systems, including routine maintenance and repair, windows, doors, yard, and damages caused by Lessee. Lessee will schedule and coordinate annual heating system maintenance, landscape maintenance, and gutter maintenance at Lessee's cost. Lessee shall make all capital replacements of components of the systems serving the Premises, including, without limitation, the electrical, plumbing, and HVAC systems, that become necessary during the Term or are necessary or desirable as of the Commencement Date.

#### 17. UTILITIES, FEES & ASSESSMENTS

Lessee agrees to contract with the appropriate provider and pay for all public utilities which shall be used in or charged against the Premises and to hold the Lessor harmless from such charges. Lessee shall in like manner pay all lawful condominium assessments and fees imposed by the Association pursuant to the Declaration.

LESSOR: SVMC, INC. P.S.  
LESSEE: PHD # 1



201007270074  
Skagit County Auditor

18. LIENS AND INSOLVENCY

Lessee shall keep the Premises free from any liens arising out of work performed, materials furnished, or obligations incurred by Lessee. In the event Lessee becomes insolvent, voluntarily or involuntarily bankrupt, or if a receiver, assignee, or other liquidating officer is appointed for the business of the Lessee, then the Lessor may cancel and terminate this Lease at Lessor's option.

19. TAXES & ASSESSMENTS

Lessee shall pay any and all taxes and/or municipal assessments on the Premises and/or on the leasehold interest created by this Lease and/or any activity arising under this Lease; the foregoing notwithstanding, Lessee may at its sole expense apply for an exemption to any such taxes, and Lessor shall reasonably cooperate with any such application(s).

20. COSTS AND ATTORNEY FEES; VENUE

If by reason of default on the part of either party to this Lease it becomes necessary to employ an attorney to recover any payments due hereunder or to enforce any provision of this Lease, the prevailing party, whether such party be the successful claimant or the party who successfully defended against the claim of the other party, shall be entitled to recover its reasonable attorney fee and to be reimbursed for such costs and expenses as may have been incurred by such prevailing party, including those incurred on appeal and in any bankruptcy proceeding. Venue for any action is Skagit County Superior Court.

21. TERMINATION

Upon termination of this Lease or any extension thereof, whether by expiration of the stated term or sooner termination thereon as herein provided, Lessee shall surrender to Lessor said Premises peaceably and quietly and in the condition required under the Section entitled "DISPOSITION OF IMPROVEMENTS AT END OF LEASE."

22. DEFAULT AND RE-ENTRY

Time is of the essence for this agreement. (a) If (i) any Rent or other payment due from Lessee hereunder remains unpaid for more than ten (10) days after the date it is due; (ii) Lessee files a voluntary petition in bankruptcy or makes a general assignment to the benefit of, or a general arrangement with, creditors; (iii) there is an involuntary bankruptcy filed against Lessee that has not been dismissed within thirty (30) days of filing; (iv) Lessee becomes insolvent; or (v) a receiver, trustee, or liquidating officer is appointed for Lessee's business; or (b) If Lessee violates or breaches any of the other covenants, agreements, stipulations, or conditions herein, and such violation or breach shall continue for a period of thirty (30) days after written notice of such violation or breach is sent to Lessee, or upon Lessor's discovery that Lessee made any misrepresentation (including omissions) of any fact or circumstance material to the Lessor's

LESSOR: SVMC, INC. P.S.

LESSEE: PHD # 1

Page 11 of 16



201007270074

Skagit County Auditor

initial determination of the Lessee's suitability to become a tenant of the Lessor, then Lessor may at its option, in addition to any other rights or remedies available at law or in equity, declare this Lease forfeited and the term hereof ended, or without terminating this Lease elect to re-enter and attempt to relet, in which event Lessee authorizes Lessor to relet the Premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rent or rents and upon such other terms and conditions as Lessor in its sole discretion deems advisable. Upon each such reletting, all rents received by Lessor from such reletting shall be applied, first, to the payment of any amounts other than Rent due hereunder from Lessee to Lessor; second, to the payment of any costs and expenses of such reletting and renovation, including brokerage fees and attorney fees; third, to the payment of Rent due and unpaid hereunder, and the residue, if any shall be held by Lessor and applied to payment of future Rent as the same may become due and payable hereunder. If rent received from such reletting during any month is less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor, and Lessee covenants and agrees to pay Lessor for all other expenses resulting from its default, including, but not limited to, brokerage commissions, attorney fees, and the reasonable cost of converting the Premises for the benefit of the next lessee. Delinquent Rent and other payments shall bear interest at the rate of twelve percent (12%) per annum from the date due until paid. In the event of any default hereunder and entry in, or taking possession of the Premises, Lessor shall have the right, but not the obligation, to remove from the Premises all personal property located therein and may store the same in any place selected by Lessor, including but not limited to a public warehouse, at the expense and risk of the owners thereof, with the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, with the proceeds of such sale to be applied to the cost of such sale and to the payment of charges for storage and to the payment of any other sums of money which may then be due from Lessee to Lessor under any of the terms hereof.

### 23. ASSIGNMENT AND SUBLEASE

Lessee may assign or sublease all or part of the Premises to any entity affiliated with Lessee without Lessor's consent and otherwise with Lessor's consent, which may not be unreasonably withheld or delayed provided Lessee remains liable for all of its obligations under the Lease.

### 24. LESSOR'S RIGHT TO ENTER PREMISES

Lessor and/or its authorized representatives shall have the right to enter the Premises at all reasonable times, with 24 hour notice to Lessee, where feasible, for any of the following purposes:

- a. To determine whether or not the Premises are in good condition or whether the Lessee is complying with its obligations under this Lease;
- b. To do any necessary maintenance and to make any restoration to the Premises that the Lessor has the right or obligation to perform;

LESSOR: SVMC, INC. P.S.  
LESSEE: PHD # 1



201007270074  
Skagit County Auditor

ge 12 of 16

c. To post "For Rent" or "For Lease" signs during any period that the Lessee is in default;

d. To repair, maintain, or improve the Premises (*provided*, however, that nothing herein shall obligate Lessor to make any such repairs or to conduct such maintenance or improvements); and

e. To do any other act or thing necessary for the safety or preservation of the Premises.

Lessor shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of the Lessor's entry onto the Premises as provided in this section. Lessor shall conduct its activities on the Premises as provided herein in a manner that will cause the least inconvenience, annoyance, or disturbance to the Lessee.

## 25. NOTICES

The parties agree that all notices or payments hereunder may be delivered or mailed according to that which is hereinafter set forth. If delivered by messenger, courier (including overnight air courier), or facsimile transmittal, the same shall be deemed delivered when received at the street addresses or facsimile numbers listed below, with confirmation of facsimile page received by the sender, or when the recipient refuses proper delivery. All notices and payments mailed, whether sent by regular post or by certified or registered mail, shall be deemed to have been given on the third business day following the date of mailing if properly mailed to the mailing addresses provided below. The parties may designate new or additional addresses for mail or delivery by providing written notice to the other party as provided in this section.

**LESSOR:**

Skagit Valley Medical Center  
1400 East Kincaid Street  
Mount Vernon, Washington 98274  
Phone: (360) 428-2500  
Facsimile: (360) \_\_\_\_\_

**With a copy to:**

**LESSEE:**

Public Hospital District No. 1  
Attn: CEO  
1415 East Kincaid Street  
Mount Vernon, Washington 98274  
Phone: (360) 428-2293  
Facsimile: (360) 428-2216

**With a copy to:**

Bradford E. Furlong  
Furlong Butler, Attorneys  
825 Cleveland Avenue  
Mount Vernon, Washington  
Phone: (360) 336-6508  
Facsimile (360) 336-3318

LESSOR: SVMC, INC. P.S.  
LESSEE: PHD # 1



201007270074  
Skagit County Auditor

Page 13 of 16

## 26. POWER OF ATTORNEY

a. Grant of Power. Lessor does hereby irrevocably constitute and appoint Lessee, as Lessor's true and lawful attorney-in-fact (the "Attorney-in-Fact"), in its name, place, and stead, to execute, acknowledge, swear to, deliver, file, and record such documents which are now or may hereafter be required by law to be filed on behalf of the Lessor and to take such actions as are deemed necessary or desirable by the Lessee to carry out fully the responsibilities of Lessor as a member of the Association as established pursuant to the Declaration accordance with its terms; provided that such authority shall not include the right or power to convey, transfer, sell, pledge, or hypothecate Lessor's interest in the Premises or to agree to any amendment to the Declaration, without Lessor's written consent.

b. Nature of Power of Attorney. The grant of authority in Section 26 (a) by Lessor: (i) is a special power of attorney coupled with an interest in favor of the Attorney-in-Fact and as such shall be irrevocable and shall survive the dissolution of the Unit Holder; (ii) may be exercised for the Lessor by a facsimile signature of the Attorney-in-Fact; and (iii) shall survive the assignment by the Lessor of all or any portion of its ownership of the Premises.

## 27. OBLIGATION TO PURCHASE

Lessee hereby acknowledges its obligation to purchase the Premises as set forth in paragraph 8.18 of that certain "Integration Agreement" between Lessor and Lessee dated April 30, 2010, subject to the provisions of paragraphs 8.6 and 8.14 and Exhibit F of the Integration Agreement and the following conditions:

a. Title to the Premises shall be marketable at closing. Rights, reservations, covenants, conditions, and restrictions, presently of record, easements, and encroachments, not materially affecting the value of the Premises or unduly interfering with Lessee's intended use of the Premises shall not cause the title to be considered unmarketable. All encumbrances shall be paid or otherwise removed by Lessor on or before closing. Lessor shall pay for and obtain prior to closing a title insurance policy issued by Land Title Company of Skagit County. The title policy and any supplement thereof shall contain no exceptions other than those contained in said standard form and those not inconsistent with this agreement.

b. If prior to closing, the Premises are destroyed or materially damaged by fire or other casualty or should latent defects in the Premises be discovered which materially diminish the value of the Premises, Lessee's obligation to purchase the Premises shall terminate.

## 28. GROUND LEASE RENT

All rent payments due under the Amended Ground Lease from Lessor shall be made by Lessor. Lessor shall immediately notify Lessee of its failure to make any rent payment due Skagit County Public Hospital District No. 304. In such case(s), Lessee may, at its sole option, make

LESSOR: SVMC, INC. P.S.

LESSEE: PHD # 1



201007270074

Skagit County Auditor

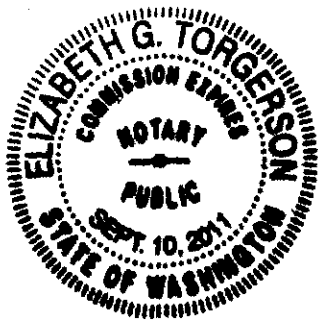
Page 14 of 16



STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF SKAGIT )

On this 14<sup>th</sup> day of July 2010 before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Barbara Huhn, MD to me known to be the secretary, of the Skagit Valley Medical Center, Inc. P.S., a Washington professional service corporation, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that she is authorized to execute the said instrument.

Witness my hand and official seal hereto affixed the day and year first above written.



Elizabeth G. Torgerson  
Notary Public in and for the state of Washington  
Residing at: Sedro Woolley WA  
My commission expires: 9-10-11  
Printed Name: Elizabeth G. Torgerson

LESSOR: SVMC, INC. P.S.  
LESSEE: PHD # 1  
Acknowledgment.doc

Page 16a of 17



201007270074  
Skagit County Auditor

7/27/2010 Page 16 of 17 3:32PM



