

UNRECORDED

Filed for Record at
Request of:
Wells & Johnson
P. O. Box 158
Anacortes, WA 98221

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KATHY HILL
SKAGIT COUNTY AUDITOR

96 SEP-5
96 SEP 5 10:20
HOSPITAL

9609050038

ACKNOWLEDGEMENT AND AGREEMENT

RECORDED _____ FILED _____
REQUEST OF _____

THIS ACKNOWLEDGEMENT AND AGREEMENT (this "Agreement") is dated as of the 23rd day of July, 1996, by and between PUBLIC HOSPITAL DISTRICT #2 SKAGIT COUNTY, WASHINGTON, f/k/a SKAGIT COUNTY HOSPITAL DISTRICT #2, a Washington municipal corporation ("Hospital") and VIRGINIA MASON MEDICAL CENTER, a Washington nonprofit corporation ("Tenant").

RECITALS

A. Hospital is the landlord, and Island Medical Dental Center, a Washington general partnership ("IMDC"), is the tenant, under a Ground Lease dated July 10, 1973 and recorded under Skagit County recording number 798039, which was amended by First Amendment to the Ground Lease dated June 11, 1974 and recorded under Skagit County recording number 802693, and Second Amendment to Ground Lease dated July 11, 1989 and recorded under Skagit County recording number 8907210082 (such Ground Lease, as amended, is referred to as the "Ground Lease"). The Ground Lease covers certain real property located in Skagit County, Washington more particularly described on Exhibit "A" attached hereto (the "Property"). Pursuant to the Ground Lease, a medical and dental office building and related improvements (collectively, the "Clinic") were constructed on the Property. The interest of IMDC in the Ground Lease has been assigned to Skagit State Bank ("Skagit"), for security purposes only, pursuant to an Assignment of Lease for Security Purposes dated March 16, 1993 and recorded under Skagit County recording number 9303220146 and a Collateral Assignment of Lease dated March 16, 1993 and recorded under Skagit County recording number 9303220145.

B. IMDC is the Landlord and Roger L. Kisner, D.D.S. ("Kisner") is the tenant under a Lease Agreement dated November 1, 1987, which was amended by Amendment to Lease Agreement dated September 26, 1989 and by Second Amendment to Lease Agreement dated October 11, 1994. (Such lease, as amended, is referred to as the "Kisner Lease"). The Kisner Lease covers premises within the IMDC Building more particularly described in the Kisner Lease (the "Kisner Premises").

C. Kisner ("Landlord") desires to sublease to Tenant, and Tenant desires to sublease from Landlord the Kisner Premises.

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WELLS & JOHNSON
ATTORNEYS AT LAW
913 SEVENTH STREET
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AGREEMENT

Hospital hereby acknowledges that Landlord will be subleasing the Kisner Premises to Tenant pursuant to a Lease Agreement (the "Lease") between Landlord, as landlord, and Tenant, as tenant. Hospital agrees that if, prior to the expiration of the Lease, the Ground Lease is terminated for any reason in a transaction in which the Kisner Lease also terminates, the Lease shall continue in full force and effect as a direct lease between Hospital as landlord and Tenant as tenant upon and subject to the terms, covenants and conditions of the Lease, including the power of Hospital as landlord thereunder to terminate the interests of Tenant in accordance with the terms of the Lease. In addition, Hospital shall not disturb the possession of Tenant and shall be bound by all of Landlord's obligations under the Lease, except those not applicable or pertinent to the remainder of the term of the Lease and further except that Hospital shall not be (i) liable for any previous act or omission of Landlord under the Lease (including acts and omissions relating to the deposit or disposal of hazardous substances at the Clinic); (ii) subject to any offsets, defenses or claims that have accrued to Tenant against Landlord; (iii) bound by any modification or amendment of the Lease, or by any prepayment of more than one month's rent made subsequent to the date hereof or by any waiver or forbearance on the part of Landlord made subsequent to the date hereof unless such modification, prepayment, waiver or forbearance shall have been previously approved in writing by Hospital; or (iv) bound for the return of any deposit unless the same has been specifically transferred to Hospital. Further, (i) the obligations of Hospital as the successor to Landlord under the Lease shall not constitute and are not intended to be personal covenants for the purpose of binding Hospital personally or the assets of Hospital, except Hospital's interest in the Clinic, and no personal liability or personal responsibility shall be asserted or enforceable against Hospital under the Lease beyond Hospital's interest in the Clinic; (ii) for any matter requiring the consent or approval of the Hospital as landlord under the Lease, Hospital shall have 20 days in which to provide such consent or approval (or its denial of such consent or approval); (iii) Hospital's obligation to repair or reconstruct the Clinic and/or Premises in the event of damage by fire or other casualty shall be limited to the insurance proceeds available as a result of such fire or other casualty, provided that Hospital maintains insurance in commercially reasonable amounts; and (iv) Tenant's ability to self-insure shall apply only if Tenant at all times maintains a net worth of at least Ten Million Dollars (\$10,000,000). If Hospital becomes the landlord under the Lease, Tenant hereby agrees to be bound to Hospital upon and subject to the terms, covenants and conditions of the Lease and this Agreement for the balance of

ACKNOWLEDGEMENT AND AGREEMENT - 2

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the term remaining in full force and effect. Tenant does hereby attorn to Hospital as its landlord, said attornment to be effective and self-operative immediately upon termination of the Ground Lease.

PUBLIC HOSPITAL DISTRICT #2 SKAGIT COUNTY, WASHINGTON, f/k/a SKAGIT COUNTY HOSPITAL DISTRICT #2, a Washington municipal corporation ("ISLAND HOSPITAL")

By: *C. P. Sawoifca*

Print Name: C. P. Sawoifca

Title: Superintendent

VIRGINIA MASON MEDICAL CENTER, a Washington nonprofit corporation

By: *Sarah H. Patterson*

Sarah H. Patterson
Its Associate Administrator

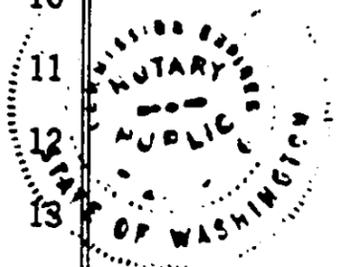
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STATE OF WASHINGTON)
: ss.
COUNTY OF SKAGIT)

On this 23 day of July, 1996, before me, a Notary Public in and for the State of Washington, personally appeared C. P. SANDIFER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who signed this instrument; on oath stated that HE was authorized to execute the instrument as SUPERINTENDENT of Island Hospital; and acknowledged said instrument to be HIS free and voluntary act and deed, as SUPERINTENDENT for the uses and purposes therein mentioned.

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

Dorina Fendrych
(Signature)
DORINA FENDRYCH
(Print Name)
Notary Public in and for the State of Washington, residing at ANACORTES
My Commission expires: 9-20-96

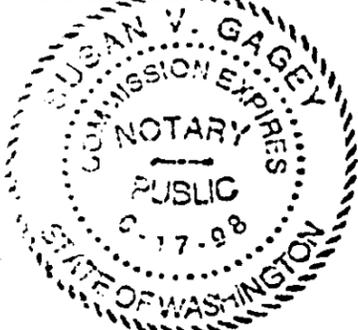


STATE OF WASHINGTON)
: ss.
COUNTY OF King)

On this 8th day of August, 1996, before me, a Notary Public in and for the State of Washington, personally appeared Sarah H. Patterson, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who signed this instrument; on oath stated that she was authorized to execute the instrument as Associate Administrator of Virginia Mason Medical Center; and acknowledged said instrument to be her free and voluntary act and deed, as Associate Admin., for the uses and purposes therein mentioned.

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

Susan V. Gagey
(Signature)
Susan V. Gagey
(Print Name)
Notary Public in and for the State of Washington, residing at Seattle
My Commission expires: 6-17-98



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ACKNOWLEDGEMENT AND AGREEMENT - 4

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WELLS & JOHNSON
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EXHIBIT A

LEGAL DESCRIPTION

That portion of the SE 1/4 of Section 24, Township 35 N, Range 1 E.W.M., described as follows:

Beginning at the E 1/4 corner of said Section 24, Thence S 0° 59'30" E, along the East line of said Section 24, 1223.17 feet to an intersection with the South line of 24th Street;

Thence S 89° 58'48" W - along the South line of 24th Street - 396.27 feet to the true point of beginning;

Thence S 0° 01'35" E - 264.46 feet;

Thence S 89° 58'25" W, 358.50 feet to the East line of "M" Avenue;

Thence N 0° 01'35" W along the East line of "M" Avenue 264.50 feet to the South line of 24th Street;

Thence N 89° 58'48" E along the South line of 24th Street, 358.50 feet to the true place of beginning.

Located in Anacortes, Skagit County, Washington.

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