



200603140129
Skagit County Auditor

3/14/2006 Page 1 of 19 2:51PM

When Recorded Return To:

Donald W. Black
OGDEN MURPHY WALLACE, P.L.L.C.
1601 Fifth Avenue, Suite 2100
Seattle, Washington 98101-1686

CHICAGO TITLE IC31157

RECIPROCAL EASEMENT AGREEMENT

Reference Number(s)
of Related Documents:

Additional Reference #s on page: N/A

Grantor (Last, First, M.I.):

SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 2
(d/b/a Island Hospital), a Washington state public hospital district,
CHALLENGE DEVELOPMENTS II, L.L.C., a Washington state
limited liability company, ISLAND MEDICAL CENTER
CONDOMINIUM ASSOCIATION, a Washington state non-profit
corporation

Additional Grantors on page: N/A

Grantee (Last, First, M.I.):
SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 2
(d/b/a Island Hospital), a Washington state public hospital district,
CHALLENGE DEVELOPMENTS II, L.L.C., a Washington state
limited liability company, ISLAND MEDICAL CENTER
CONDOMINIUM ASSOCIATION, a Washington state non-profit
corporation

Additional Grantees on page: N/A

MAR 14 2006
Amount Paid
By Skagit Co. Treasurer
Deputy

Legal Description (abbreviated): Ptn. E1/12 SE1/4 Sec. 24-35N-01E

Additional Legal on pages: 15-19

Assessor's Tax
Account Number:

350124-0-139-0103 and P6128 + P100698

RECIPROCAL EASEMENT AGREEMENT

THIS **RECIPROCAL EASEMENT AGREEMENT** (the "Agreement") is made and entered into as of the 4th day of March, 2006 (the "Effective Date"), by and between SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 2 (d/b/a ISLAND HOSPITAL), a Washington State public hospital district ("Hospital"), as owner of certain real property located adjacent to the Land (as defined herein) (the "Campus"), and HOSPITAL and CHALLENGE DEVELOPMENTS II, L.L.C., a Washington State limited liability company ("CD"), as tenants in common leasing the Land and, upon creation of the Condominium (as defined herein), as owners of condominium units in the Island Medical Center Condominium (the "Condominium"), and ISLAND MEDICAL CENTER CONDOMINIUM ASSOCIATION, a Washington State non-profit corporation ("Condo Assn."), as sole representative and agent of Hospital and CD, in their capacities as owners of condominium units in the Condominium (Hospital and CD, as condominium owners, and Condo Assn. as their sole representative, shall be collectively referred to herein as "IMC")

RECITALS

- A. Hospital is the owner of the Campus and the Hospital Buildings located thereon.
- B. Hospital has leased the Land to IMC pursuant to the Ground Lease.
- C. IMC intends to own and operate the IMC Building on the Land.
- D. The parties desire to grant easements to one another in order to facilitate the operation of the Hospital Buildings and the IMC Building, and to provide for future development of the Campus

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants of and benefits to the parties hereto, the receipt and sufficiency of which are hereby acknowledged, Hospital and IMC agree that the foregoing recitals are true and correct and incorporated herein by this reference, and further agree as follows:

I. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings indicated.

1.1 "Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which national banks are required or permitted by law to close, and (c) a day on which State or federal offices are closed.

1.2 "Campus" means the real property now or hereafter owned or occupied by the Hospital which adjoins the Land, which is more specifically described on **Exhibit "D"**, which is attached hereto and incorporated herein by this reference, and the Hospital Buildings located thereon, located in the City of Anacortes, Skagit County, State of Washington.



1.3 "Deed of Trust" shall mean any deed of trust encumbering any portion of the leasehold interest of IMC in the Land or any portion of IMC's interest in the IMC Building.

1.4 "Easement Areas" shall mean the portions of the Campus, Hospital Buildings, Land or IMC Building which are subject to the easements granted herein.

1.5 "Force Majeure" means acts of God, fire, earthquake, flood, explosion, actions of the elements, war, invasion, insurrection, riot, mob violence, acts of terrorism, sabotage, inability to procure labor, equipment, materials or supplies due to general shortages in the open market, failure of transportation, strikes, lock outs, actions of labor unions, condemnation, requisition, laws, governmental action or inaction, orders of government or civil or military or naval authorities, unforeseen subsurface conditions, adverse weather conditions not reasonably expected for the location of the Campus and the Land and the time of year in question or any cause, whether similar or dissimilar to the foregoing, not within their reasonable control of, as applicable, the Hospital or IMC.

1.6 "Ground Lease" means the Amended and Restated Ground Lease between the Hospital, as landlord, and IMC, as tenant, dated as of even date herewith, pursuant to which Hospital has leased the Land to IMC.

1.7 "Hospital Buildings" means all buildings on the Campus owned or operated by the Hospital.

1.8 "IMC Building" means the medical office building owned and operated by IMC located on the Land, including all additions thereto.

1.9 "IMC Parking" shall mean the parking lots owned or constructed on the Land by IMC.

1.10 "Land" means the real property described in **Exhibit "A"** attached to this Agreement and made a part hereof, which is leased by the Hospital to IMC pursuant to the Ground Lease.

1.11 "Leasehold Mortgagee" shall have the meaning assigned to such term in the Ground Lease.

1.12 "Pedestrian Facilities" shall mean all facilities on the Campus or Land designed or intended for pedestrian traffic, including but not limited to sidewalks, walkways, interior hallways, staircases and elevators.

1.13 "Permittees" shall mean, as the context may require, IMC and/or the Hospital, their officers, directors, employees, agents, partners, contractors, customers, visitors, invitees, licensees, lessees, tenants, subtenants, and concessionaires, their successors and assigns and any other Persons authorized hereunder or otherwise by IMC or Hospital, their successors and assigns, to be on the Campus or the Land.



1.14 "Person" or "Persons" shall mean individuals, partnerships, associations, trusts, corporations and any other form of business entity, or one or more of them, as the context may require.

1.15 "Utilities" shall mean utility services provided to the Hospital Buildings or IMC Building, including but not limited to water, sanitary sewer, electric power, natural gas and telecommunications services.

1.16 "Utility Laterals" shall mean conduits, wires, lines, pipes and mains and other necessary utility structures and improvements for the transmission and/or provision of Utilities to the Hospital Buildings or the IMC Building.

II. GRANT OF EASEMENTS; TERM

2.1 Grant of General Easements by IMC to Hospital. IMC hereby grants to the Hospital, and its successors and assigns, the following easements over, upon, under and across the Land and the IMC Building for so long as this Agreement is in force and effect:

(a) Vehicular Access Easement. Non-exclusive access easements on, over and across such paved roads, driveways and IMC Parking areas as may be now or hereafter be located on the Land, as the same may be relocated or altered as provided in the Ground Lease, for the purpose of providing the Hospital's Permittees with commercially reasonable vehicular ingress to, egress from, and access to the Campus and the Hospital Buildings.

(b) Pedestrian Access Easement. Non-exclusive access easements on, over and across Pedestrian Facilities located on the Land and in the IMC Building for the purpose of providing the Hospital's Permittees with pedestrian ingress to and egress from the Campus and the Hospital Buildings.

(c) Utility Easements. Non-exclusive easements over, under or upon the Land for the purpose of allowing the Hospital the right to construct and install, repair, maintain and replace Utility Laterals and for the purpose of allowing the Hospital the right to use and enjoy the Utilities located therein. The Hospital shall give IMC not less than thirty (30) Business Days advance written notice giving reasonable detail concerning any proposed construction, installation, repair, maintenance or replacement of Utility Laterals, except in the case of an emergency in which event such notice shall be given as far in advance as reasonably practicable, and IMC shall have the right to impose and the Hospital shall comply with any reasonable requirements concerning the proposed work, including without limitation, requirements concerning traffic control, use of materials and procedures, fill and compaction, and repair and replacement of any damage to any paving, landscaping or other improvements located on the Land. The Hospital may dedicate all or any portion of the easements for Utility Laterals to the use of the public or to any municipality or other governmental authority having jurisdiction over such easement; provided that such governmental authority accepts such dedication and agrees to become responsible for maintaining such easement. Notwithstanding the foregoing, the



Hospital may not construct or permit the construction of any Utility Laterals over the Land which, in the reasonable opinion of IMC, would impede or adversely affect the use of the Land or the IMC Building.

(d) Storm Drainage and Irrigation. Non-exclusive storm and surface water drainage and irrigation easements in, on, under, over, above and across the Land for the purpose of providing surface and storm water drainage and irrigation for the entirety of the Campus.

(e) Signage. Non-exclusive easement for erection and installation of signs, markers and related monuments (including the placement of power lines leading to such signs, as may be required) on the Land, and, with the permission of IMC (which shall not unreasonably be withheld), within the IMC Building, related to operation of the Hospital and its tenants and concessionaires and of such size and type as shall be reasonably determined by the Hospital to be necessary or advisable.

TO HAVE AND TO HOLD the above described easements and rights unto Hospital and its successors and assigns during the Term of this Agreement.

2.2 Grant of Specific Easements by IMC to Hospital. In addition to the easements otherwise granted by this Agreement, IMC hereby grants to Hospital, and its successors and assigns, the following easements over, upon, under and across the Land and the IMC Building for so long as this Agreement is in force and effect:

(a) Avigation Easement. A non-exclusive easement over the Land and the IMC Building for the takeoff, landing and flight of emergency services aircraft to and from landing pads on the Campus.

(b) Easement for Paging System. A non-exclusive easement to install, operate, maintain, repair and replace paging equipment (if Hospital elects to do so) in the common areas of the IMC Building and in tenant spaces of the IMC Building, if requested by tenants (and agreed by Hospital), provided that the wiring for such system is in such sizes and placed in such locations as is approved by IMC.

(c) Easement for Telephone Exchange System. A non-exclusive easement to install, operate, maintain, repair and replace wiring and equipment (in locations designated by IMC) in order to connect tenants of the IMC Building to the Hospital's internal telephone exchange system, if requested by such tenants and if Hospital elects to do so, provided that the wiring for such system is in such sizes and placed in such locations as is approved by IMC.

(d) Courtyard Easement. An exclusive easement over the courtyard of the Building ("Courtyard"), as described in **Exhibit "B"**, and incorporated herein by this reference, for use as an extension of the Hospital's main building entrance and lobby. The Hospital shall bear all costs of repair and maintenance of the Courtyard, and shall be entitled to remodel or reconfigure the same as the Hospital may reasonably determine.



(e) Easement for Information, PACS and Similar Systems. A non-exclusive easement to install, operate, maintain, repair and replace wiring and equipment (in locations designated by IMC) in order to connect tenants of the IMC Building to the Hospital's internal information, PACS and similar present or future systems, if requested by such tenants and if Hospital elects to do so, provided that the wiring and cabling for such systems are in such sizes and placed in such locations as is approved by IMC.

TO HAVE AND TO HOLD the above described easements and rights unto Hospital and its successors and assigns during the Term of this Agreement.

2.3 Grant of General Easements by Hospital to IMC. The Hospital hereby grants to IMC, and its successors and assigns, the following easements over, upon, under and across the Campus and the Hospital Buildings for so long as this Agreement is in force and effect:

(a) Vehicular Access Easement. Non-exclusive access easements on, over and across such paved roads, driveways and parking areas as may be now or hereafter be located on the Campus, as the same may be relocated or altered as determined by the Hospital, in its sole discretion, for the purpose of providing IMC's Permittees with commercially reasonable vehicular ingress to, egress from, and access to the Land and the IMC Building. Notwithstanding the foregoing, in its absolute discretion, the Hospital may require that IMC's Permittees park their vehicles only in IMC Parking located on the Land.

(b) Pedestrian Access Easement. Non-exclusive access easements on, over and across Pedestrian Facilities located on the Campus and in the Hospital Buildings for the purpose of providing IMC's Permittees with pedestrian ingress to and egress from the Land and the IMC Building.

(c) Utility Easements. Non-exclusive easements over, under or upon the Campus for the purpose of allowing IMC the right to repair, maintain and replace only those Utility Laterals which exist as of the Effective Date of this Agreement and for the purpose of allowing IMC the right to use and enjoy the Utilities located therein. IMC shall give the Hospital not less than thirty (30) Business Days advance written notice giving reasonable detail concerning any proposed repair, maintenance or replacement of Utility Laterals, except in the case of an emergency in which event such notice shall be given as far in advance as reasonably practicable, and the Hospital shall have the right to impose and IMC shall comply with any reasonable requirements concerning the proposed work, including without limitation, requirements concerning traffic control, use of materials and procedures, fill and compaction, and repair and replacement of any damage to any paving, landscaping or other improvements located on the Campus. Notwithstanding the foregoing, IMC may not relocate existing Utility Laterals, nor may IMC construct new or additional Utility Laterals, over, under or upon the Campus, without the Hospital's prior written approval, in its sole discretion, and, in accordance with Section 3.5 of this Agreement, the Hospital reserves the right to relocate the Utility Laterals servicing the IMC Building and Land.

(d) Storm Drainage and Irrigation. Non-exclusive storm and surface water drainage



and irrigation easements in, on, under, over, above and across the Campus for the purpose of providing surface and storm water drainage and irrigation for the entirety of the Land. The foregoing easements are limited to those which exist upon the Effective Date of this Agreement. Notwithstanding the foregoing, IMC may not relocate existing storm and surface water drainage and irrigation easement areas, nor may IMC construct new or additional storm and surface water drainage and irrigation easement areas, over, under or upon the Campus, without the Hospital's prior written approval, in its sole discretion, and, in accordance with Section 3.4 of this Agreement, the Hospital reserves the right to relocate the storm and surface water drainage and irrigation easements servicing IMC Building and the Land.

TO HAVE AND TO HOLD the above described easements and rights unto Hospital and its successors and assigns during the Term of this Agreement.

2.4 Grant of Specific Easements by Hospital to IMC for Connecting Hallways. Hospital hereby grants to IMC, and its successors and assigns, an exclusive easement over that portion of the Campus, contiguous to the Land, which is presently occupied by the two hallways (and related foundation, exterior walls and roof) which connect the IMC Building to the Hospital's main building, as described in **Exhibit "C"** attached to this Agreement. IMC shall bear all costs of repair and maintenance of these hallways (and related foundation, exterior walls and roof), and shall remodel or make such other modifications thereto as may be reasonably requested by Hospital to make such hallways (and related foundation, exterior walls and roof) compatible with the interior and exterior of the Hospital's building. TO HAVE AND TO HOLD the foregoing described easement unto IMC and its successors and assigns only during the Term of this Agreement.

2.5 Term. The term of this Agreement shall commence on the date hereof and shall automatically and immediately terminate, without notice, on the expiration or earlier termination of the Ground Lease (the "Term").

III. USE OF THE EASEMENTS

3.1 Control of Entrances.

(a) Hospital shall control the closing of entrances into the Campus and the Hospital Buildings and other access Easement Areas situated on the Campus; provided that Hospital agrees to provide continuous and uninterrupted pedestrian use of the Pedestrian Facilities located on the Campus or in the Hospital Buildings, as the same may be relocated or altered as provided in Section 3.4 hereof, and continuous and uninterrupted vehicular ingress and egress from the Campus to public streets and roadways at all times during normal business hours as established by the Hospital, subject to reasonable restrictions contained in the rules promulgated pursuant to Section 3.3 hereof. Use of the Easement Areas located on the Campus and in the Hospital Buildings, shall be subject to interruptions caused by Force Majeure or as may reasonably be required by the Hospital for construction, maintenance,



repair, reconfiguration or other activities conducted upon the Campus or in the Hospital Buildings.

(b) IMC shall control the closing of entrances into the IMC Parking and the IMC Building and other access Easement Areas situated on the Land; provided that IMC agrees to provide continuous and uninterrupted pedestrian use of the Pedestrian Facilities in the IMC Parking, as the same may be relocated or altered as provided in Section 3.4 hereof, and the Pedestrian Facilities in the IMC Building and continuous and uninterrupted vehicular ingress and egress from the IMC Parking to Campus roadways at all times subject to reasonable restrictions contained in the rules promulgated pursuant to Section 3.3 hereof. Use of the IMC Parking and the Pedestrian Facilities and other Easement Areas, shall be subject to interruptions caused by Force Majeure or as may reasonably be required by IMC for construction, maintenance, repair, reconfiguration or other activities conducted upon the Land or in the IMC Building.

(c) The parties further acknowledge and agree that access to certain Pedestrian Facilities is and will be continued to be restricted to authorized personnel and that access to any or all Pedestrian Facilities may be temporarily limited in certain emergency situations. Notwithstanding the foregoing, the parties agree to permit unlimited access to all Pedestrian Facilities in emergency situations which require immediate entrance to or evacuation of the Hospital Buildings or the IMC Building.

3.2 Maintenance and Repair of Utility Laterals. Except as otherwise specifically provided herein, each party shall maintain, repair and keep (or cause to be maintained, repaired and kept), the Utility Laterals benefiting its buildings as granted to it pursuant to this Agreement in good and operable condition at its sole expense; provided, that in the event that any Utility Laterals are jointly used by the parties, the parties shall share the expense of maintenance and repair of the same upon such basis as they may reasonably agree.

3.3 Promulgation of Rules and Regulations. Each party shall have the right at any time or times, to establish and/or modify and enforce reasonable rules and regulations pertaining to access and use, safety, cleanliness, appearance, noise, avoidance of nuisances, disaster response, construction practices, waste removal, security and traffic control within the Easement Areas located on its property. Material changes to existing rules and regulations must be submitted to the other party for its approval, which approval shall not be unreasonably withheld. Any objections to the rules and regulations by a party must be made in writing to the promulgating party within thirty (30) days following receipt thereof, or such objections will be deemed waived. Such objections shall be accommodated by the other party, to the extent that party determines to be commercially reasonable under the circumstances then existing.

3.4 Alterations, Abandonment or Vacation of Easements and Reconfiguration of Easement Areas. Notwithstanding anything to the contrary contained in this Agreement except the provisions of Section 3.5 concerning Utility Laterals, and except for the Courtyard Easement granted to the Hospital in Section 2.2(d) hereof and except for the Connecting Hallways easement granted to IMC in Section 2.4 hereof, each party shall have the right to



add, remove, change, modify, reconfigure, reduce, remove, restrict, remodel, alter, relocate or reconstruct the Easement Areas located on its property (collectively "Changes") with notice to, but without the necessity of obtaining the approval of, the other party or any Permittess; provided that, to the extent it is commercially reasonable, Changes to the use of those Easement Areas granted to the other party should not materially adversely affect that party's use of its own property other than on a temporary basis. Each party agrees that any Changes shall be diligently prosecuted to minimize the disruption to the other party's access to and use of its own property. Except as noted herein and in this Agreement, and except as otherwise restricted by the terms of the Ground Lease or other agreements affecting the parties or their respective properties, each party shall have the unilateral right to reconfigure the size and shape of Easement Areas located on its property for any reason, including without limitation, to accommodate new improvements, enlargements or reductions in the size of the Hospital Buildings or IMC Building, or the Campus or the Land, or partial condemnations of portions of the Campus or the Land by any lawful governmental authority.

3.5 Right to Relocate Utility Laterals. From time to time Hospital may, at Hospital's expense and with prior notice to, but without the necessity of consent of IMC, relocate the Utility Laterals that service the IMC Building and which are located outside of the Land; provided, that (1) such relocation does not result in any material interruption of utility service to the IMC Building and (2) the relocated Utility Laterals are of at least the same quality and have at least the same capacity as the Utility Laterals as originally installed. Likewise, from time to time IMC may, at IMC's expense, but only with the prior written consent of Hospital, which consent will not be unreasonably withheld or delayed, relocate the Utility Laterals serving the Hospital Buildings and which are located within or under the Land; provided, that (1) such relocation does not result in any material interruption of utility service to the Hospital Buildings and (2) the relocated Utility Laterals are of at least the same quality and have at least the same capacity as the Utility Laterals as originally installed.

3.6 Reservation of Rights; No Interference. Hospital and IMC reserve the right to use and occupy the Easement Areas under their control located on the Campus and the Land, respectively, in any manner not inconsistent with this Agreement. Neither party shall exercise any rights reserved to such party in this Agreement in a manner which unreasonably interferes with the lawful and intended use of the Campus by Hospital and the Land by IMC; provided, that in no event shall an abandonment or relocation of any of the easements contained herein be deemed to be an unreasonable interference if such abandonment or relocation is necessary or appropriate for (A) compliance with any governmental order, regulation, law or ordinance, (B) compliance with the requirements of any public or private utility company or (C) the abandonment or relocation of any other easement in connection with such abandonment or relocation pursuant to (A) or (B).

IV. INSURANCE AND CASUALTY

4.1 Insurance and Casualty. IMC shall maintain such insurance as is required under



the Ground Lease. In no event shall the Hospital be required to carry any specific types or amounts of insurance, nor name IMC as a loss insured under any such insurance which the Hospital does maintain. In the event of any casualty to any part of the Hospital Buildings or Campus outside of the Land, the Hospital shall owe no duty to IMC to repair, replace or rebuild any of the same, even if such casualty affects, diminishes or causes the loss of any Easement Areas benefiting IMC which are under the Hospital's control.

V. MISCELLANEOUS

5.1 Subordination; Leasehold Mortgagee Protection. All Deeds of Trust encumbering the leasehold estate of IMC in the Land and the IMC Building, as permitted and in accordance with the terms of the Ground Lease, shall be subordinate to this Agreement, which shall survive foreclosure of any such Deeds of Trust. However, nothing in this Agreement will otherwise affect the validity of any Deed of Trust.

5.2 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Washington.

5.3 Easements, Restrictions and Covenants Running With the Land. Except as expressly set forth herein to the contrary, the easements, restrictions and covenants imposed on the Campus, the Land and the IMC Building pursuant to the terms and provisions hereof shall be binding upon all present and future owners, users and occupants of the Campus, Land and IMC Building and shall inure to the benefit of Hospital, IMC and their grantees, successors and assigns. Such restrictions and covenants shall run with and bind the Campus, Land and IMC Building, but only during the Term of this Agreement.

5.4 Easements Appurtenant/ Enforcement of Rights. All covenants and agreements of the Hospital and IMC hereunder, together with the benefits and burdens thereof, shall be deemed to be real covenants which touch and concern the Land and/or the Campus. All covenants and agreements hereunder may be enforced by an action for specific performance, and in the event of a violation of any such covenant or agreement, Hospital and/or IMC may exercise any remedy available hereunder, at law or in equity, and recover all amounts expended in connection with exercising any such remedy (including without limitation, court costs and attorneys' fees).

5.5 Survivability. The easements created herein or pursuant hereto shall not terminate as a result of the merger of estate or merger of title of the Campus and the Land under the same ownership, foreclosure, merger of title to the Campus and the leasehold estate under the Ground Lease or any other cause, unless the holder of the merged estates expressly terminates this Agreement; provided however, all easements granted to IMC herein shall automatically terminate upon termination of this Agreement.

5.6 Severability. To the extent that any provision or portion of any provision of this



Agreement shall be invalid or unenforceable in any circumstance, the balance of this Agreement shall be enforceable nonetheless, and the entirety of this Agreement shall be enforceable in all other circumstances.

5.7 Counterparts. This Agreement may be signed in counterparts, each which shall be deemed an original, and when taken together shall constitute one instrument.

5.8 Notices. All notices hereunder shall be given to the Persons and in the manner specified in the Ground Lease.

5.9 Not a Public Dedication. Nothing herein contained shall be deemed to be a gift or dedication of any portion of the Campus, the Land, the Hospital Buildings or the IMC Building to the general public or for the general public or for any public use or purpose whatsoever, it being the intention and understanding of the parties hereto that this Agreement shall be strictly limited to and for the purposes herein expressed and solely for the benefit of the parties hereto.

5.10 Disclaimer of Derivative Rights. No consent to the modification, from time to time, or termination of the provisions of this Agreement shall ever be required of any of the Permittees, other than the Hospital or IMC; nor shall any such Permittees, except the Hospital and IMC, have any right to enforce any of the provisions herein.

5.11 No Effect Upon Ground Lease. Nothing contained in this Agreement shall be deemed to amend or modify, or limit, affect or alter the rights, duties and obligations of Hospital and IMC under the Ground Lease. In the event of any conflict between the terms of this Agreement and the terms of the Ground Lease, the terms of the Ground Lease shall control.

5.12 Attorneys' Fees. If any legal action, suit or proceeding is commenced between the parties regarding their respective rights and obligations under this Agreement, the prevailing party shall be entitled to recover, in addition to damages or other relief, costs and expenses, attorneys' fees and court costs (including, without limitation, expert witness fees). As used herein, the term "prevailing party" shall mean the party which obtains the principal relief it has sought, whether by compromise, settlement or judgment. If the party which commenced or instituted the action, suit or proceeding shall dismiss or discontinue it without the concurrence of the other party, such other party shall be deemed the prevailing party.

5.13 Interdependent Agreements. Hospital and IMC acknowledge and agree that their covenants and obligations contained in this Agreement and the Ground Lease (collectively, the "Interdependent Agreements") are interdependent and that they have been structured as separate agreements only for convenience in drafting. Neither of the Interdependent Agreements would have been executed and delivered by either Hospital or IMC without the other being executed and delivered simultaneously. The performance by each party of its obligations under each of the Interdependent Agreement is a prerequisite to performance by the other party of its obligations under the Interdependent Agreement. No Interdependent



Agreement may be assigned by Hospital or IMC unless both Interdependent Agreements are so assigned; provided that the foregoing acknowledgement shall not be construed to permit any assignment in contravention of either of the Interdependent Agreements.

5.14 Termination for Default of Ground Lease. In the event the Ground Lease is terminated by Hospital because of the default of IMC thereunder, all rights and interests granted to IMC hereunder shall also immediately and automatically terminate, without need for separate notice or action by the Hospital.

[Reminder of this page intentionally left blank - Signature Pages Follow]



IN WITNESS WHEREOF, the Hospital, CD and Condo Assn. have executed this Reciprocal Easement Agreement as of the date first set forth above.

SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 2 (d/b/a ISLAND HOSPITAL)

By: Vincent C. Oliver
Print Name: Vince C. Oliver
Title: Superintendent and CEO

CHALLENGE DEVELOPMENTS II, L.L.C.

By: Jerald L. Zavalvey
Print Name: GERALD L. ZAVALVEY
Title: MEMBER

ISLAND MEDICAL CENTER CONDOMINIUM ASSOCIATION

By: Vincent C. Oliver
Print Name: VINCENT C. OLIVER
Title: CEO

STATE OF WASHINGTON)

) ss.

COUNTY OF SKAGIT)

On this 13 day of March, 2006, before me personally appeared Vincent C. Oliver, to me known to be the CEO of Skagit County Public Hospital District No. 2, (d.b.a. Island Hospital), the municipal corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said municipal corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute said instrument.

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

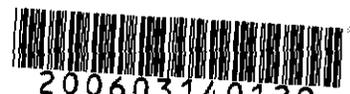


Mary Mansfield
(Signature)

Mary Mansfield
(Name legibly printed or stamped)

Notary Public in and for the State of Washington, residing at Cheney

My appointment expires 10-28-09



STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this 13 day of March, 2006, before me personally appeared Jerald L. Zava, to me known to be the member of Challenge Developments II, L.L.C., the company that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute said instrument.

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



Mary Mansfield
(Signature)
Mary Mansfield
(Name legibly printed or stamped)
Notary Public in and for the State of Washington,
residing at Charters
My appointment expires 10-28-09

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this 13th day of March, 2006, before me personally appeared Vincent C. Ottiver, to me known to be the Pres. of Island Medical Center Condominium Association, the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute said instrument.

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



Mary Mansfield
(Signature)
Mary Mansfield
(Name legibly printed or stamped)
Notary Public in and for the State of Washington,
residing at Charters
My appointment expires 10-28-09



EXHIBIT A

**LEGAL DESCRIPTION OF THE LAND
(As set out in the Ground Lease)**

That portion of the Southeast Quarter of Section 24, Township 35 North, Range 1 East of the Willamette Meridian, described as follows:

Commencing at the East Quarter corner of said Section 24;
thence South 0°59'30" East, along the East line of said Section 24, 1,223.17 feet to an intersection with the South line of 24th Street;
thence South 89°58'48" West, along the South line of 24th Street, 396.27 feet to the true point of beginning;
thence South 0°01'35" East, 264.46 feet;
thence South 89°58'25" West, 358.50 feet to the East line of "M" Avenue;
thence North 0°01'35" West, along the East line of "M" Avenue, 264.50 feet to the South line of 24th Street;
thence North 89°58'48" East along the South line of 24th Street, 358.50 feet to the true point of beginning;

Situate in Skagit County, Washington.

END OF EXHIBIT A



**EXHIBIT B
LEGAL DESCRIPTION OF THE COURTYARD**

That Portion of the East half of the Southeast Quarter of Section 24, Township 35 North, Range 1 East of the Willamette Meridian Described as follows:

Commencing at the East Quarter corner of said Section 24; Thence

South 00°59'30" East along the East line of said Section 24, a distance of 1223.17 feet to an intersection with the South line of 24th Street; Thence

South 89°58'48" West along said South line of 24th Street, a distance of 396.27 feet; Thence

South 00°01'35" East 239.5 feet to the True Point of Beginning;

Thence continuing

South 00°01'35" East 24.96 feet; Thence

South 89°58'25" West 18.75 feet; Thence

North 00°01'35" West 13.7 feet; Thence

North 89°58'25" East 12.15 feet; Thence

North 00°01'35" West 11.25 feet; Thence

North 89°58'25" East 6.6 feet, to the True Point of Beginning

Situate in Skagit County, Washington.

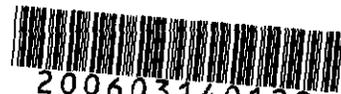


EXHIBIT C

LEGAL DESCRIPTION OF THE CONNECTING HALLWAYS

Those portions of the East Half of the Southeast Quarter of Section 24, Township 35 North, Range 1 East of the Willamette Meridian, described as follows:

Commencing at the East Quarter corner of said Section 24; thence South 00°59'30" East along the East line of said Section 24, a distance of 1223.17 feet to an intersection with the South line of 24th Street; thence South 89°58'48" West along said South line of 24th Street, a distance of 396.27 feet; thence South 00°01'35" East 207.5 feet to the True Point of Beginning; thence continuing South 00°01'35" East 32.0 feet; thence North 89°58'25" East 5.4 feet; thence North 00°01'35" West 32.0 feet; thence South 89°58'25" West 5.4 feet to the True Point of Beginning.

ALSO, commencing at aforesaid East Quarter corner of Section 24; thence South 00°59'30" East along the East line of said Section 24, a distance of 1223.17 feet to an intersection with the South line of 24th Street; thence South 89°58'48" West along said South line of 24th Street, a distance of 396.27 feet; thence South 00°01'35" East 264.46 feet; thence South 89°58'25" West 18.75 feet to the True Point of Beginning; thence continuing South 89°58'25" West 48.8 feet; thence South 00°01'35" East 5.9 feet; thence North 89°58'25" East 48.8 feet; thence North 00°01'35" West 5.9 feet to the True Point of Beginning.

Situate in Skagit County, Washington.

Containing 461 square feet.

EXHIBIT D

LEGAL DESCRIPTION OF THE HOSPITAL CAMPUS

PARCEL A:

That portion of the East Half of the Southeast Quarter of Section 24, Township 35 North, Range 1 East of the Willamette Meridian, described as follows:

Commencing at the East Quarter corner of said Section 24, Township 35 North, Range 1 East of the Willamette Meridian;
thence South 0°59'30" East along the East line of said Section, 1183.99 feet to an intersection with the center line of 24th Street produced West to the true point-of-beginning;
thence continue South 0°59'30" East along the East line of said section 592.21 feet to an intersection with the centerline of 26th Street produced West;
thence West along the center line of 26th Street produced 764.27 feet to the East line of M Avenue as conveyed to the City of Anacortes for street purposes by deed recorded May 9, 1960, under Auditor's File No. 591164;
thence North 0°01' West along the East line of M Avenue 632.12 feet to the North line of 24th Street produced West;
(said point being the Southwest corner of that certain tract conveyed to the City of Anacortes by deed dated April 28, 1960, and recorded September 12, 1960, under Auditor's File No. 598656);
thence East along the North line of 24th Street and the South line of said City of Anacortes tract produced, 519.84 feet to the East line of that certain tract acquired by the United States of America under that certain Declaration of Taking filed September 8, 1944, in the District Court of the United States for the Western District of Washington, Northern Division. Cause No. 687 (said point also being on the West line of a tract of land owned by Gunnar V. Jelmsberg and Minnie Jelmsberg, his wife),
thence South 0°01'00" East along the West line of said Jelmsberg tract to the center line of 24th Street produced West;
thence East along the center line of 24th Street produced, 226.14 feet, more or less, to the point-of-beginning;

EXCEPT the East 330 feet of the South 40 feet as conveyed to the City of Anacortes by deed recorded under Auditor's File No. 715573, records of Skagit County, Washington;

ALSO EXCEPT all that portion contained in Ground Lease recorded under Auditor's File 798039, records of Skagit County, Washington and in the Amended and Restated Ground Lease recorded contemporaneously herewith; described as follows:

That portion of the Southeast Quarter of Section 24, Township 35 North, Range 1 East of the Willamette Meridian, described as follows:
Beginning at the East Quarter corner of said Section 24;
thence South 0°59'30" East, along the East line of said Section 24, 1223.17 feet to an intersection with the South line of 24th Street;.



thence South 89°58'48" West along the South line of 24th Street, 396.27 feet to the true point of beginning;
thence South 0°01'35" East 264.46 feet;
thence South 89°58'25" West 358.50 feet to the East line of "M" Avenue;
thence North 0°01'35" West along the East line of "M" Avenue 264.50 feet to the South line of 24th Street;
thence North 89°58'48" East along the South line of 24th Street 358.50 feet to the true point of beginning.

Situated in Skagit County, Washington.