



200702200205

Skagit County Auditor

2/20/2007 Page 1 of 100 4:00PM

When Recorded Return To:

KeyBank Real Estate Capital
911 Main Street, Suite 1500
Kansas City, MO 64105
Attn.: Carol Brownfield

Loan No. 10030334

LAND TITLE OF SKAGIT COUNTY

Document Title

Ground Lease Estoppel and Agreement

Grantor

HOSPITAL DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, a Washington
public hospital district

Grantee**MV INVESTORS LLC**, a Washington limited liability company**Legal Description (Abbreviated)**

Ptn Lot 4, Lots 5-8, and Lots 11-13, Dale & Shea's Add. TGW Vac. Montgomery St.

Full legal description is on Exhibit A.

Assessor's Property Tax Parcel / Account Number:

P52640, P52641, P52642, P52645, P52646, P52647, P52649, P52654
P52655, P52656, P52658, P62662, P52664, P52671, P52674, P125065

Location307 S. 13th Street, Mt. Vernon, Washington 98273

GROUND LEASE ESTOPPEL AND AGREEMENT

THIS GROUND LEASE ESTOPPEL AND AGREEMENT (this "**Agreement**"), dated as of February 20th, 2007, is entered into by and among, **PUBLIC HOSPITAL DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON**, a Washington public hospital district formed pursuant to RCW Chapter 70.44 (the "**Owner**"), having an address at 1415 E. Kincaid Street, Mount Vernon, Washington 98273, **MV INVESTORS LLC**, a Washington limited liability company ("**Tenant**"), with an address at 1001 4th Avenue, Suite 4400, Seattle, Washington 98154 and **KEYBANK NATIONAL ASSOCIATION**, a national banking association, its successors and assigns ("**Lender**"), having an address at 911 Main Street, Kansas City, Missouri 64105.

Owner hereby certifies to Lender, and Owner and Tenant agree as follows:

1. **Ground Lease.** Owner leases real property and improvements located in Skagit County, Washington (the "**Property**") to Tenant, under the terms of a Ground Lease dated September 12, 2005, by and between Owner and Tenant, which is memorialized by that certain Memorandum of Lease recorded under Skagit County Recording No. 200511300086, and that certain Amended and Restated First Amendment to Ground Lease dated as of February 6, 2007, by and between Owner and Tenant (collectively, the "**Ground Lease**"). The Property is legally described on the attached Exhibit A, and is subject to certain liens and encumbrances as set forth in Exhibit B hereto.

2. **Loan.** Owner understands that Lender is about to make a loan in the approximate amount of \$9,900,000.00 (the "**Loan**") to Tenant to be secured by a deed of trust encumbering Tenant's interest in the Ground Lease and in the leasehold estate created thereby (including without limitation, any right Tenant may have under the Ground Lease to acquire the Property). Owner further understands that it is a condition to the making of the Loan that this estoppel and consent be furnished to Lender, and that Lender will be relying upon the statements made herein.

3. **Owner's Representations.** Owner hereby certifies to Lender that:

(a) Attached as Exhibit C to this agreement is a true, correct and complete copy of the Ground Lease (including all amendments, if any).

(b) The Ground Lease constitutes the entire agreement between Owner and Tenant with respect to Tenant's ground lease of the Property and will not be amended or supplemented without Lender's prior written consent, which consent shall not be unreasonably withheld or delayed, as long as the Loan remains outstanding. Lender acknowledges that Owner and Tenant are parties to three building subleases related to the Property wherein Tenant is lessor and Owner is lessee covering certain leased premises in the buildings on the Property pursuant to the Ground Lease.



(c) The Ground Lease is in full force and effect, to Owner's knowledge, no default exists thereunder, and Owner has no knowledge of any fact or circumstance that with the giving of notice or passage of time or both, would constitute a default.

(d) The Commencement Date of the Ground Lease is the date upon which the Facility (as defined in the Lease) receives a certificate of occupancy. The Initial Term of the Ground Lease will terminate 40 years after the Facility has received a Certificate of Occupancy. The Facility obtained its Certificate of Occupancy on or about October 30, 2006. Tenant has two (2) options to renew or extend the term of the Ground Lease, each for ten (10) years.

(e) The current Annual Base Rent under the Ground Lease is determined as follows: "Commencing on the date that revenues from the building exceed the mortgage payments related to the initial construction of the Development and the deferred and current preferred returns due investors under Tenant's operating agreement (such excess being defined as "Available Cash"), and on each anniversary thereof, Tenant shall pay to Landlord 66.7% of such Available Cash as Base Rent up to an amount not to exceed \$106,746.00 ("Annual Base Rent") plus applicable Washington State Leasehold Excise Tax. Annual Base Rent shall be paid in twelve monthly installments, the amount of which shall be based on the calculation of the previous month's Available Cash and a determination of the Annual Base Rent based thereon until the Base Rent Start Date, defined below. Commencing with the month that 66.67% of the Available Cash equals or exceeds \$106,746.00 ("Base Rent Start Date") Tenant shall thereafter, without regard to Available Cash, pay to Landlord Base Rent of \$106,746.00, plus leasehold excise tax." No Annual Base Rent is currently due and no Annual Base Rent has been calculated to be due in accordance with the formula set forth above. Owner acknowledges that the Loan referenced in Section 2 above is the permanent loan refinancing the construction loan for the Property and that the mortgage payments on such permanent Loan shall be used in the calculation of the formula set forth above.

(f) Tenant has no option to purchase, nor any right of first refusal or other right to acquire all or any of the Property, either under the Ground Lease or otherwise.

4. **Consent to Deed of Trust; Lender is "Permitted Mortgagee."** Owner certifies that Owner has determined that Lender's Loan and Loan Documents satisfy all requirements of Owner, including but not limited to those requirements for financing set forth in Sections 12.1 and 12.2 of the Ground Lease. Owner consents to Lender's deed of trust and assignment of Tenant's interest in the Ground Lease to Lender, and agrees that Tenant shall, however, remain liable to Owner for full performance of all obligations under the Ground Lease. Owner hereby recognizes Lender as a "Permitted Mortgagee" as defined in Section 12.1(g) of the Ground Lease.

5. **Agreements of Owner with Respect to the Ground Lease and the Loan Documents.**

(a) In the event of a default by Tenant under the Ground Lease, Lender shall have all rights and remedies set forth therein, including the notice and cure rights set forth in Section 12.3 of the Ground Lease.



(b) In the event of a default by Tenant under Lender's Loan, Owner shall have all rights set forth in, including the notice and cure rights set forth in Section 12.2.3 of the Ground Lease.

(c) Owner understands that in connection with the Loan, Tenant will be required to assign all subleases, income, rents, and profits of the Property to Lender in connection with such Loan. Notwithstanding any assignment by Tenant of sublease rents to Owner under the Ground Lease, Owner agrees that if such sublease rents have been assigned to Lender, upon a default under Lender's loan documents, Lender shall have the prior and absolute right to collect all rents and profits from the Property as provided in Lender's loan documents. Owner agrees that upon written demand from Lender pursuant to Lender's loan documents, all sublease rent and income shall be paid to Lender and Owner hereby releases Tenant from all claims arising out of payment of rent as instructed by Lender in writing.

(d) Owner confirms that any foreclosure action by Lender (or its nominee or designee) or any foreclosure sale or deed in lieu of foreclosure of Lender's lien shall not give rise to any default under the Ground Lease, and shall not be subject to any restrictions on transfer set forth therein so long as Lender has complied with the notice and cure provisions set forth in Section 12.2.3 of the Ground Lease.

(e) Notwithstanding Section 12.4 of the Ground Lease to the contrary, if Lender (or its nominee or designee) obtains possession of the Property by foreclosure or deed in lieu of foreclosure of Lender's lien, Lender (or its nominee or designee) shall have the right to assign the Ground Lease and the leasehold estate to a third party so long as (i) the proposed transferee's intended use is compatible with the Statement (as defined in the Ground Lease) and Owner's goals, (ii) the proposed transferee has the financial stability to perform the obligations of Tenant under the Ground Lease and requisite experience in operating properties of this character, and (iii) cures all defaults under the Ground Lease susceptible to cure ("Qualified Transferee"). Owner's consent to a proposed assignee shall not be unreasonably withheld with respect to items (ii) and (iii) above; and whether or not the proposed assignee's intended use is compatible with the Statement shall be determined by Owner in its reasonable discretion. Such Qualified Transferee shall fully and without qualification attorn to Owner as landlord under the Lease.

(f) New Lease. If this Lease is terminated for any reason, including, but not limited to, any termination following Lender's failure to cure a default not susceptible to cure by Lender, or in the event of the rejection or disaffirmance of this Lease pursuant to any bankruptcy laws, Owner will, subject to the conditions below, enter into a new lease of the Property with Lender (or an entity wholly owned by Lender) or a Qualified Assignee that has been approved by Owner (which approval of such Qualified Assignee shall be on the same terms as set forth above with respect to a proposed assignee) within thirty (30) days after the request of Lender. The new lease shall be effective as of the date of termination, rejection or disaffirmance of the Ground Lease and shall be upon the same terms and provisions contained in the Ground Lease (including the amount of the Annual Base Rent and other sums due from Tenant under the Ground Lease). In order to obtain a new lease, Lender must make a written request to Owner for the new lease within thirty (30) days after Lender is notified of the effective date of termination, rejection or



disaffirmance of the Ground Lease, as the case may be, and the written request must be accompanied by a copy of the new lease, duly executed and acknowledged by Lender, an entity wholly owned by Lender or a Qualified Assignee as tenant and all information necessary for Owner to determine if the proposed assignee is a Qualified Assignee. In addition, Lender must cure all defaults under the Ground Lease that can be cured by the payment of money. Lender, the entity wholly owned by Lender, or the Qualified Assignee shall cure, or commit to a reasonably prompt cure reasonably acceptable to Owner, of all other defaults susceptible to cure and pay to Owner all Annual Base Rent and other sums that would have been due and payable by Tenant under the Ground Lease but for the rejection, disaffirmance or termination. Lender's rights hereunder are in addition to, and not limited by, Lender's right to cure under Section 12.3 of the Ground Lease. From the effective date of termination, rejection or disaffirmance of the Ground Lease to the date of execution and delivery of such new lease or the expiration of the period during which Lender may make a request, Lender may, upon payment of the Annual Base Rent and any other sums as may be due from Tenant, use and enjoy the leasehold estate created by the Ground Lease without hindrance by Owner so long as Lender complies with Tenant's duties and obligations under the Lease. During such time, should it be reasonably necessary for Owner to repair or maintain the premises to prevent property damage or to insure safety, the reasonable cost of such repairs shall be reimbursed to Owner by Lender or by the Qualified Assignee as a condition of the commencement of a new lease.

(g) **Assignment of Extension/Purchase Rights.** Tenant hereby assigns to Lender and grants Lender a security interest in all extension and/or renewal rights under the Ground Lease. Owner consents to such assignment and agrees that Lender may exercise such extension and/or renewal rights at its election in accordance with the terms of the Ground Lease and this Estoppel and Agreement.

(h) **Owner confirms that all insurance proceeds or condemnation awards due Tenant in accordance with the terms of the Ground Lease shall be held by Lender and disbursed to Tenant as restoration is completed.**

6. **Encumbrances.** Owner certifies that Owner is the sole owner of the fee simple absolute title to the Property and that Owner is not aware of any lien or encumbrance affecting the Property except for those set forth in Exhibit B hereto and the liens imposed by law for non-delinquent real property taxes and assessments. Owner will permit or make no other mortgage, deed of trust, lien or other encumbrance of Owner's fee interest, without Lender's prior written consent. To Owner's knowledge, Tenant is the sole holder of all of the lessee's interest under the Ground Lease, and Owner has no knowledge of any prior assignment, hypothecation or pledge of Tenant's interest in and under the Ground Lease.

7. **Operating Agreement.** Tenant certifies that a true and correct copy of Tenant's Limited Liability Company Agreement, and all amendments thereto is attached hereto as Exhibit D. The parties hereto agree that the documents attached as Exhibit D are the "Tenant's operating agreement" referenced in Section 3.1 of the Lease and Section 3(e) above.

8. **Notices.** Notices to Lender shall be delivered to address set forth above or such other address as Lender may designate from time to time in writing.



9. **Benefit.** Owner agrees that this estoppel and agreement shall benefit Lender and its successors and assigns, and shall be binding on any transferee or successor in interest of Owner.

10. **Lender's Acknowledgement and Consent.** By its acceptance of this Ground Lessor's Estoppel and Agreement, Lender hereby acknowledges that:

(a) Article XII of the Ground Lease is applicable to any Permitted Mortgagee and its successors and assigns, and Lender agrees to be bound thereto as a condition of Owner's consent to the Loan and the its documentation.

(b) All of the provisions of the Ground Lease shall be applicable to Lender and any successor or assignee of Lender (as tenant under the Ground Lease), and Lender consents to be fully bound thereto during any time that Lender or any successor or assignee of Lender is in possession of Tenant's interest under the Ground Lease, as a condition of Owner's consent to the Loan and its documentation.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first written above.

"OWNER"

**PUBLIC HOSPITAL DISTRICT NO. 1,
SKAGIT COUNTY, WASHINGTON**

By: Thomas C Lita
THOMAS LITAKER
Its: CFO

"TENANT"

MV INVESTORS LLC,
a Washington limited liability company

By: Capstone Partners NW, LLC,
a Washington limited liability company, its managing member

By: CBIL Group, LLC, a
Washington limited liability company,
Authorized Member

By: Kirk A. Johnson
Kirk A. Johnson, Sole Member

By: Michael K. Hubbard
~~Michael K. Hubbard, Authorized Member~~

"LENDER"

KEYBANK NATIONAL ASSOCIATION, a national banking
association

By: Grant Wuellner
Name: GRANT WUELLNER
Title: DESIGNATED SIGNER



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first written above.

“OWNER”

**PUBLIC HOSPITAL DISTRICT NO. 1,
SKAGIT COUNTY, WASHINGTON**

By: _____
Name: _____
Title: _____

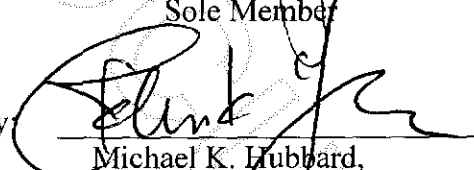
“TENANT”

MV INVESTORS LLC,
a Washington limited liability company

By: Capstone Partners NW, LLC,
a Washington limited liability company,
its managing member

By: CBIL Group, LLC, a
Washington limited liability
company, Authorized Member

By: 
Kirk A. Johnson,
Sole Member

By: 
Michael K. Hubbard,
Authorized Member

“LENDER”

KEYBANK NATIONAL ASSOCIATION,
a national banking association

By: _____
Name: _____
Title: _____



200702200205
Skagit County Auditor

**EXHIBIT A
TO
GROUND LEASE ESTOPPEL AND AGREEMENT**

Legal Description of the Property

The Property is located in SKAGIT County, Washington, and is legally described as follows:

Parcel 1.

The West half of the tracks described as follows:

That portion of Lot 4 lying West of the West line of 13th Street, as conveyed to the City of Mount Vernon by deeds recorded October 28, 1955 and May 21, 1956, under Auditor's File Nos. 526414 and 536375, respectively, and all of Lots 5-8, inclusive in "DALE & SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington.

Parcel 2.

The East half of the tracks described as follows:

That portion of Lot 4 lying West of the West line of 13th Street, as conveyed to the City of Mount Vernon by deeds recorded October 28, 1955 and May 21, 1956, under Auditor's File Nos. 526414 and 536375, respectively, and all of Lots 5-8, inclusive in "DALE & SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington.

Parcel 3.

Those portions of vacated East Montgomery Street described in those City of Mount Vernon Ordinance Nos. 3333 and 3310 as recorded on September 7, 2006 and January 9, 2006, under Auditor's File Nos. 200609070012 and 200601090167, records of Skagit County, Washington.

Parcel 4.

The North 72.00 feet of the east 187 feet of the West 202.00 feet of Lots 11 through 13 in "DALE AND SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.



STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

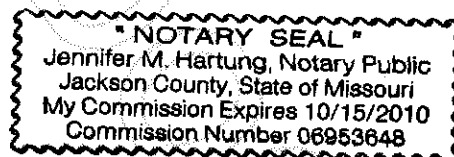
On this 16th day of February, 2007, before me, appeared
Grant Wuellner to me personally known, who being by me duly sworn, did say that
s/he is the Designated Signer of KeyBank National Association, a national banking
association, and that the said instrument was signed on behalf of said national banking
association by authority, and said Grant Wuellner, acting as the
Designated Signer of said national banking association acknowledged said
instrument to be the free act and deed of said national banking association.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on
the day and year last above written.

Jennifer M. Hartung
Notary Public in and for Said County and State

(Type, print or stamp the Notary's name below
his or her signature.)

My Commission Expires:



Skagit County Auditor

**EXHIBIT B
TO
GROUND LEASE ESTOPPEL AND AGREEMENT**

Liens and Encumbrances

[see attached]



200702200205

Skagit County Auditor

**EXHIBIT C
TO
GROUND LEASE ESTOPPEL AND AGREEMENT**

Ground Lease

A true and complete copy of the Ground Lease (which includes all amendments and supplements) is attached.



200702200205

Skagit County Auditor

**AMENDED AND RESTATED FIRST AMENDMENT TO GROUND LEASE
CANCER CARE CENTER – IMAGING CENTER – MEDICAL OFFICE BUILDING**

This Amendment is made as of February 6, 2007, between **PUBLIC HOSPITAL DISTRICT NO. 1 OF SKAGIT COUNTY**, a Washington public hospital district formed pursuant Chapter 70.44 RCW (the "**Landlord**"), and **MV INVESTORS LLC**, a Washington limited liability company (the "**Tenant**"), and it amends, restates and replaces in the entirety that certain First Amendment to Ground Lease between Landlord and Tenant, executed by Landlord on November 20, 2006 and by Tenant on November 17, 2006.

RECITALS:

WHEREAS, the Landlord and Tenant entered into a Ground Lease dated September 12, 2005 (the "**Ground Lease**"), pursuant to which the Tenant has constructed a Cancer Care Center – Imaging Center – Medical Office Building and related site improvements. Capitalized terms used in this Amendment and not otherwise defined shall have the meanings given to them in the Ground Lease.

WHEREAS, the parties agreed with respect to the Ground Lease to clarify their intent and correct scrivener errors by substituting page 11(b) containing Section 7, "Tenant Improvements," subsection (a), "Design and Approval," and subsection (b), "Allowance for Landlord-Constructed-Tenant Improvements".

WHEREAS, the Section 17 of the Ground Lease provides that the Landlord will provide additional land for parking.

WHEREAS, the Landlord has acquired additional land and pursuant to an "Agreement to Allocate Design and Construction Responsibilities," for the purpose of constructing additional parking on the land obtained by the Landlord therefor.

WHEREAS, the parties wish to amend the Ground Lease to reflect inclusion of the parking construction pursuant to Article I, subsection 1.7, "Additional Land for Parking," and pursuant to the Agreement to Allocate Design and Construction Responsibilities.

WHEREAS, the Landlord has fully and completely discharged its obligations it set forth in Section 3 (A) of the Agreement to Allocate Design and Construction Responsibilities.

AGREEMENT:

In consideration of the mutual covenants in the Ground Lease and the mutual covenants in this Amendment, the parties hereby agree as follows:

1. The Ground Lease is amended by deleting Exhibit A to the Ground Lease and substituting Exhibit A to this Amendment in its place. The real property described on Exhibit A to this Amendment includes the additional land for parking to be provided by Landlord pursuant to Section 1.7 of the Lease. Tenant hereby acknowledges and agrees that the Landlord has fully discharged its obligations as set forth in the Agreement to Allocate Design and Construction Responsibilities and has fully discharged its responsibilities with respect to Article I, subsection 1.7 of the Ground Lease.

2. Landlord has applied for and will cause to be completed a boundary line adjustment that will result in the Premises (as described on Exhibit A attached) being one or more separate legal lots and upon completion of such boundary line adjustment, Landlord will request that the Skagit County Assessor assign one or more separate tax parcel numbers to the Premises so the Premises will no longer be assessed as part of any other property owned by Landlord.

3. Except as expressly modified or amended pursuant to this Amendment, the Ground Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date set forth above.

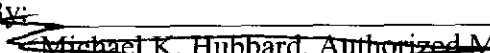
TENANT:

MV INVESTORS LLC, a
Washington limited liability company

By: **Capstone Partners NW, LLC**, a Washington
limited liability company, its Manager

By: **CBIL Group, LLC**, a Washington limited liability company,
Authorized Member

By: 
Kirk A. Johnson, Sole Member

By: 
~~Michael K. Hubbard, Authorized Member~~



LANDLORD:

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
DBA SKAGIT VALLEY HOSPITAL**

By: Thomas Litaker

Thomas Litaker, CFO

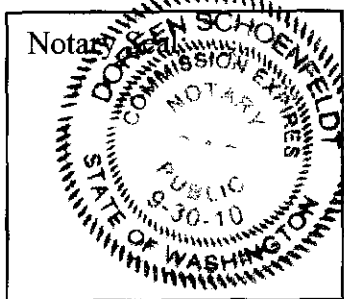
STATE OF WASHINGTON)

) ss.

COUNTY OF SKAGIT)

On this 7th day of February 2007, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared **Thomas Litaker**, to me known to be the CFO of **PUBLIC DISTRICT HOSPITAL NO. 1, SKAGIT COUNTY, WASHINGTON, D/B/A SKAGIT VALLEY HOSPITAL**, the municipal 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 he was authorized to execute the said instrument.

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



Doreen Schoenfeldt
Printed Name: Doreen Schoenfeldt
Notary Public in and for the State of Washington,
residing at: Sedro-Woolley
My Commission Expires: 09/30/2010



200702200205
Skagit County Auditor

STATE OF WASHINGTON)
) ss.
COUNTY OF King)

On this 8th day of February 2007, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared **Kirk A. Johnson**, known to me to be the Sole Member of **CBIL Group, LLC**, an authorized member of **Capstone Partners NW, LLC**, the Manager of **MV INVESTORS LLC**, the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.



Jackie L. Harader
Signature

Jackie L. Harader
Print Name

NOTARY PUBLIC in and for the State of
Washington, residing at West LA.
My commission expires 2/14/07.

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

On this _____ day of _____ 2007, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared **Michael K. Hubbard**, known to me to be an authorized member of **Capstone Partners NW, LLC**, the Manager of **MV INVESTORS LLC**, the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.

Signature

Print Name

NOTARY PUBLIC in and for the State of
Washington, residing at _____
My commission expires _____



EXHIBIT A

Parcel 1.

The West half of the tracks described as follows:

That portion of Lot 4 lying West of the West line of 13th Street, as conveyed to the City of Mount Vernon by deeds recorded October 28, 1955 and May 21, 1956, under Auditor's File Nos. 526414 and 536375, respectively, and all of Lots 5-8, inclusive in "DALE & SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington.

Parcel 2.

The East half of the tracks described as follows:

That portion of Lot 4 lying West of the West line of 13th Street, as conveyed to the City of Mount Vernon by deeds recorded October 28, 1955 and May 21, 1956, under Auditor's File Nos. 526414 and 536375, respectively, and all of Lots 5-8, inclusive in "DALE & SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington.

Parcel 3.

Those portions of vacated East Montgomery Street described in those City of Mount Vernon Ordinance Nos. 3333 and 3310 as recorded on September 7, 2006 and January 9, 2006, under Auditor's File Nos. 200609070012 and 200601090167, records of Skagit County, Washington.

Parcel 4.

The North 72.00 feet of the east 187 feet of the West 202.00 feet of Lots 11 through 13 in "DALE AND SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington.

**FIRST AMENDMENT TO GROUND LEASE
CANCER CARE CENTER – IMAGING CENTER – MEDICAL OFFICE BUILDING**

WHEREAS, the parties, Public Hospital District No. 1 of Skagit County, a Washington public hospital district formed pursuant Chapter 70.44 RCW (the "Landlord"), and MV Investors, LLC, a Washington limited liability company (the "Tenant"); and

WHEREAS, the Landlord and Tenant entered into a Ground Lease dated September 12, 2005, upon which the Tenant is completing construction of a Cancer Care Center – Imaging Center – Medical Office Building and related site improvements; and

WHEREAS, the parties agreed with respect to the Ground Lease to clarify their intent and correct scribner errors by substituting page 11 (b) containing Section 7, "Tenant Improvements," subsection (a), "Design and Approval," and subsection (b), "Allowance for Landlord-Constructed- Tenant Improvements;" and

WHEREAS, the Section 17 of the Ground Lease provides that the Landlord will provide additional land for parking; and

WHEREAS, the Landlord has acquired additional land and pursuant to an "Agreement to Allocate Design and Construction Responsibilities," a cause to have constructed additional parking on the land obtained by the Landlord therefor; and

WHEREAS, the parties wish to amend the Ground Lease to reflect inclusion of the parking construction pursuant to Article I, subsection 1.7, "Additional Land for Parking," and pursuant to the Agreement to Allocate Design and Construction Responsibilities; and

WHEREAS, the Tenant has ordered an as-built survey of the parking improvements from which a legal description of the parking improvements will be derived; and

WHEREAS, the Landlord has fully and completely discharged its obligations it set forth in Section 3 (A) of the Agreement to Allocate Design and Construction Responsibilities;

THE PARTIES hereby agree as follows:

1. The Ground Lease shall be amended by augmenting the legal description to include the real property depicted in Exhibit A hereto. The parties agree to substitute a full legal description once an as-built survey of the parking facility is complete. In all other respects, the terms and conditions of said Ground Lease shall remain in full force and effect.

2. Tenant hereby acknowledges and agrees that the Landlord has fully discharged its obligations as set forth in the Agreement to Allocate Design and Construction Responsibilities



200702200205
Skagit County Auditor

2/20/2007 Page

19 of 100 4:00PM

and has fully discharged its responsibilities with respect to Article I, subsection 1.7 of the Ground Lease.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Ground Lease as of the day and year set forth below.

TENANT:

MV Investors, a Washington limited liability company

By:

Kirk Johnson
[Print Name]

Date:

11/17/06

Its:

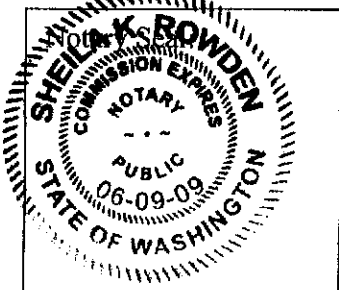
Member

STATE OF WASHINGTON)

COUNTY OF King) ss.

On this 17th day of November, 2006, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Kirk Johnson known to be the member of MV Investors, a Washington limited liability company, the company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute the said instrument and that the seal affixed is the seal of said Washington limited liability company.

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



Sheila K. Rowden
Printed Name: Sheila K. Rowden
Notary Public in and for the State of Washington,
residing at: Seattle
My Commission Expires: 6/9/09



200702200205
Skagit County Auditor

2/20/2007 Page

20 of 100 4:00PM

LANDLORD:

Skagit County Public Hospital District No. 1
dba Skagit Valley Hospital

By: _____

Gregg A. Davidson
Its. CEO/Superintendent

Date: _____

11/20/06

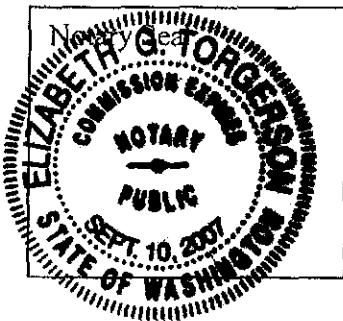
STATE OF WASHINGTON)

) ss.

COUNTY OF SKAGIT)

On this 20th day of November 2006, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Gregg A. Davidson, to me known to be the CEO/Superintendent of Public District Hospital No. 1, Skagit County, Washington, d/b/a Skagit Valley Hospital, the municipal 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 he was authorized to execute the said instrument.

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



Elizabeth H. Torgerson
Printed Name: Elizabeth G. Torgerson
Notary Public in and for the State of Washington,
residing at: Sedco-Woolley
My Commission Expires: 9-10-06

First Amendment to Ground Lease
Cancer Care Center - Imaging Center - Medical Office Building
Landlord: Public Hospital District No. 1
Tenant: MV Investors

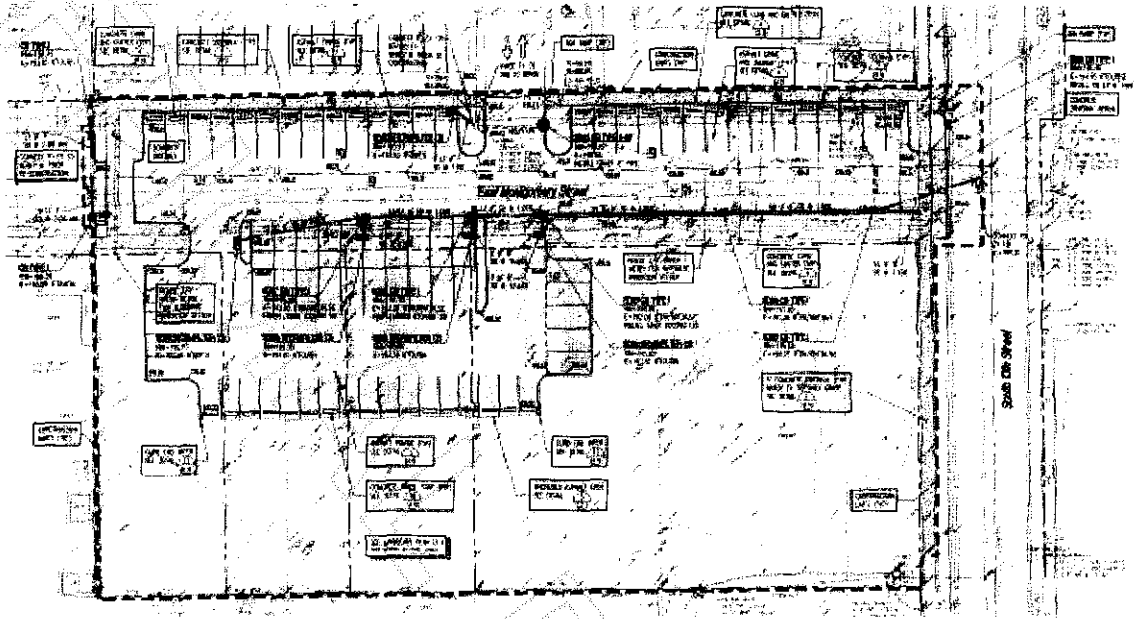
Page 3 of 3



200702200205

Skagit County Auditor

EXHIBIT A



Area in grey is added to leasehold estate



200702200205

Skagit County Auditor

GROUND LEASE

CANCER CARE CENTER—IMAGING CENTER—MEDICAL OFFICE BUILDING

by and between

**Public Hospital District No. 1,
Skagit County, Washington**

and

**MV Investors LLC,
a Washington LLC**

Dated as of September 12 **2005**



EXHIBITS

- A - Legal Description of the Premises
- B - Legal Description of Hospital Property
- C - Site Plan Approximately Depicting Premises and Hospital Property
- D - Glossary of Certain Defined Terms
- E - Building Rent Escalation Provisions
- F - Use Prohibitions and Prohibited Competitive Services
- G - Memorandum of Ground Lease

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

2/20/2007 Page 24 of 100 4:00PM

GROUND LEASE

RECITALS

WHEREAS, Public Hospital District No. 1 of Skagit County, a Washington public hospital district formed pursuant to Chapter 70.44 RCW (the "District") owns land adjacent to the site of Skagit Valley Hospital; and

WHEREAS, the District wishes to see the development of a medical facility for a comprehensive cancer care center, potential imaging center, and professional offices for physicians requiring a location close to Skagit Valley Hospital in the approximate size of fifty-three thousand three hundred seventy-three (53,373) square feet (the "Facility"); and

WHEREAS, the Parties recognize that not all off-street parking required for full occupancy of the Premises need be developed at the inception of this ground lease and that land identified for off-street parking at this time (and included in the Premises) may change in the future as long as the replacement parking is adequate for the Premises; and

WHEREAS, the District does not have resources to devote to the development of the Facility at this time; and

WHEREAS, MV Investors, a Washington limited liability company consisting of physician investors and Capstone Partners, wishes to and agrees to diligently develop the Facility to be occupied by the physician investors, the District and others; and

WHEREAS, the Parties hereto recognize that it is in their mutual benefit to develop the Facility and provide for its occupancy by tenants that will complement and not unduly compete with the services provided at Skagit Valley Hospital; and

WHEREAS, The District desires that the building be of sufficient size to allow occupancy by physicians and services that assist the District in providing future community healthcare services; and

WHEREAS, the parties recognize that the building may not be fully occupied by tenants at its completion and that tenants may need to reduce the amount of space leased in the Building, which poses a substantial risk to MV Investors; and

WHEREAS, the parties have allocated the risk of vacancy at completion, in part, by agreeing that Annual Base Rent payments for the this lease shall be suspended until the building achieves an occupancy threshold of seventy-seven and three quarters percent (77.75%) and the risk of potential reduction in space leased by tenants by agreeing to a limited duration and limited amount of rent suspension; and

WHEREAS, the District and its taxpayers and patrons will, during the temporary period that Annual Base Rent for this lease is suspended due to vacancy in building, derive tangible,

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

substantial benefits by virtue of the completion of the building to allow its use as a comprehensive cancer care center, including but not limited to the comprehensive cancer care services that will be offered adjacent to the District's acute care facilities, the opportunity for current medical staff members of significant importance to the District's ability to provide acute care to be located adjacent to the District's acute care facility and the ability to attract needed future physicians to the community by providing readily available clinic space adjacent to the District's acute care facility; and

WHEREAS, the parties recognize that off-site transportation infrastructure improvements required as a condition to the development by the City of Mount Vernon, some of which will be paid for by the District, will increase the value of District-owned land and inure to the benefit of the District by facilitating the construction of additional healthcare related facilities in the vicinity of Skagit Valley Hospital; and

WHEREAS, the Parties have agreed to certain terms and conditions to govern their relationship that provide to each adequate valuable consideration;

THEREFORE, THE PARTIES HEREBY AGREE to this ground lease ("Lease") as of _____, 2005 (the "Commencement Date"), between Public Hospital District No. 1 of Skagit County, ("Landlord"); and MV Investors, a Washington limited liability company ("Tenant") as follows:

ARTICLE I. **Basic Terms**

1.1 Premises Landlord is the owner of the Premises described on the attached Exhibit A.

1.2 Hospital Property Landlord is the owner of the Hospital Property described on the attached Exhibit B. A site plan of the Premises and Hospital Property is attached as Exhibit C and approximately depicts the Premises and Hospital Property.

1.3 Definitions Initially-capitalized words and phrases in this Lease shall have the meanings set forth in this Lease and in the attached Exhibit D, unless otherwise required by the context in which they appear.

1.4 Lease Landlord hereby leases the Premises to Tenant, and Tenant hereby hires the Premises from Landlord, for the Term, at the Rent, and on all the other terms and conditions contained in this Lease.

1.5 Condition of Property. Tenant leases the Premises in "AS IS" and "WHERE IS" condition. Except as expressly contained in this Lease, Landlord makes no representations or warranties of any nature, express or implied, concerning the Property, including without limitation any representation or warranty concerning: (a) the suitability of the Property for Tenant's intended use; (b) the physical condition of the Property; or (c) the environmental condition of the Property. Tenant shall design and construct a medical office building of approximately 53,373 square feet on the Premises substantially as set forth in Exhibit C and demolish and remove the existing structures on the Premises at its expense and risk; *provided*.

GROUND LEASE

LANDLORD: PHD # 1

TENANT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

that Landlord shall: (1) reimburse Tenant, in an amount not to exceed \$1,000,000.00, for the costs incurred for design and construction of off-site improvements required by the City of Mount Vernon pursuant to its concurrency ordinance (Chapter 14.10 MVMC) to the extent such costs exceed \$200,000.00 within thirty (30) days of Landlord's receipt of documentation of the amount of such costs incurred by Tenant; and (2) once demolition and removal of existing structures are complete, reimburse Tenant for the actual costs incurred for such demolition and removal in an amount not to exceed one hundred seventy-five thousand dollars (\$175,000.00) within thirty (30) days of Landlord's receipt of documentation of the amount of such costs incurred by Tenant.

1.6 Tenant's Investigation Tenant acknowledges that it is solely responsible for investigating the suitability of the Property for the uses contemplated by this Lease. Tenant acknowledges and represents to Landlord that by executing this Lease, it has completed its investigation, including, without limitation, its environmental investigation, of the Property. Tenant will include environmental remediation known to it in the Budget, however, Landlord agrees to increase the budget if environmental conditions are found which were not discovered prior to start of construction.

1.7 Additional Land for Parking Landlord agrees it will provide through acquisition or on Hospital Property, additional land, to be approved by Tenant, to provide 80 additional stalls to support the Facility. This land either owned or to be owned by Landlord may be added to the Premises in the future for parking or other purposes and that land subject to this Lease for parking may be replaced with a different site. Any such addition, deletion or substitution of land for parking shall only be made if the off-street parking for the Facility remains adequate pursuant to the applicable City of Mount Vernon parking regulations, and may be subject to a cooperative parking agreement between Landlord and Tenant and/or a third party. Each Party agrees to work in good faith to amend this Lease to include additional or to delete land.

If Landlord does not provide sufficient parking by July 2006, then Tenant may require Landlord to execute a lease for all vacant space in the Facility ("Facility Lease") on terms consistent with other occupants of the Facility. Specifically, the term of the Facility Lease shall be at least ten (10) years and the commencement date of the Facility Lease will be the date in which the Facility receives an occupancy permit from the City of Mount Vernon.

If Landlord does not provide sufficient parking by July 2016, then Tenant may require Landlord to execute a lease extension for an additional ten (10) years at market rates not to be below rent in place at the end of year ten (10) of the Facility Lease.

ARTICLE II.

Term

2.1 Initial Term The initial term of this Lease (the "Initial Term") shall commence on the Commencement Date and shall extend for forty (40) years after the Facility has received a certificate of occupancy (the "Construction Completion Date"), unless sooner terminated pursuant to any provision of this Lease. Tenant shall immediately provide Landlord written notice of the issuance of a certificate of occupancy of the Facility.

GROUND LEASE

LANDLORD: PHD # 1

TENANT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

2.2 Option to Extend Tenant shall have the option to extend the Initial Term for two (2) additional extended terms of ten (10) years each. Such extended terms shall be subject to all of the terms and conditions of this Lease, including payment of Rent. Tenant shall exercise each option to extend by delivering written notice to Landlord no later than two (2) years before the expiration of the Initial Term or any extended term. Tenant's right to exercise such options is subject to the following conditions: (a) this Lease shall be in effect on the date Tenant delivers its notice of exercise and on the last day of the Initial Term or any extended term, as applicable; and (b) Tenant shall not be in default under any provision of this Lease at the time Tenant delivers its notice of exercise or on the last day of the Initial Term or any extended term, as applicable.

ARTICLE III. Rent

3.1 Annual Base Rent Commencing on the date that revenues from the building exceed the mortgage payments related to the initial construction of the Development and the deferred and current preferred returns due investors under Tenant's operating agreement (such excess being defined as "Available Cash"), and on each anniversary thereof, Tenant shall pay to Landlord 66.7% of such Available Cash as Base Rent up to an amount not to exceed \$106,746.00 ("Annual Base Rent") plus applicable Washington State Leasehold Excise Tax. Annual Base Rent shall be paid in twelve monthly installments, the amount of which shall be based on the calculation of the previous month's Available Cash and a determination of the Annual Base Rent based thereon until the Base Rent Start Date, defined below. Commencing with the month that 66.67% of the Available Cash equals or exceeds \$106,746.00 ("Base Rent Start Date") Tenant shall thereafter, without regard to Available Cash, pay to Landlord Base Rent of \$106,746.00, plus leasehold excise tax. Upon reasonable request, Landlord shall provide in writing to Tenant sufficiently detailed and accurate financial records documenting the monthly determination of Available Cash.

3.2 Participation Rent "Participation Rent" payments shall start sixty (60) months after the Construction Completion Date and shall be calculated as 10% of the Net Cash Flow, plus Washington State Leasehold Excise Tax. "Net Cash Flow" shall be defined on a cash flow basis for each full calendar year (January - December) consisting only of the following: Income from subleases of the Improvements (including base rent and expense reimbursements), less mortgage payments (construction or permanent mortgage payments used to fund the initial construction (including tenant improvements) of the Development), less base ground rent of \$106,746.00 per year, less operating expenses for the Improvements (including taxes, insurance, utilities, grounds, janitorial, asset and property management fees, special municipal, state, our county assessments, repairs), less building reserves (equal to two percent (2%) of the gross income of the building), less amortization of capital improvement completed after the initial construction (such as a roof replacement) and less any other maintenance costs for the Improvements. Participation Rent shall be payable in ten (10) monthly installments, plus applicable Washington State Leasehold Excise Tax, commencing each year with the March Annual Base Rent payment, with Net Cash Flow calculated for the preceding calendar year. Tenant shall provide to Landlord all reasonably requested documentation of Tenant's calculation of Net Cash Flow by February 15th of each year and shall provide, if requested by Landlord, audited financial information supporting the calculation within one hundred eighty (180) days thereof. In consideration of the Landlord's agreement to forego rent adjustments based on inflation or the fair market value of the Property, Tenant agrees that, absent written consent from the Landlord, it shall: (a) keep in place and shall enforce provisions in building

**GROUND LEASE
LANDLORD: PHD #1
TENANT: MV INVESTORS, LLC**


200702200205
Skagit County Auditor

subleases related to escalation of building rents substantially as set forth in Exhibit E hereto; and (b) include and enforce provisions in building subleases beyond the thirty-fifth (35th) year of the term and any extensions of this Lease that require adjustment of building rent to fair market value (as defined in Exhibit E) no less frequently than in years forty-five (45), fifty (50) and fifty-five (55) of this Lease and any extensions.

3.3 Additional Rent Excluding only Annual Base Rent and Participation Rent, all amounts which Tenant is required to pay pursuant to this Lease and every fine, penalty, interest charge or other cost or expense applicable to Annual Base Rent or any such other amounts, shall constitute "Additional Rent." If Tenant defaults in the payment of any Additional Rent, Landlord shall have all the rights, powers and remedies with respect thereto as are provided herein or by applicable laws in the case of nonpayment of Annual Base Rent. Annual Base Rent and Additional Rent are sometimes collectively referred to herein as "Rent."

3.4 Payment of Rent Tenant shall pay Annual Base Rent on a monthly basis in advance each month, starting on the Base Rent Start Date. Tenant shall pay Additional Rent at the times set forth in this Lease. Tenant shall pay all Rent without any demand, deduction or offset whatsoever. Tenant shall pay all Rent to Landlord at the address designated for notices herein.

3.5 Proration Annual Base Rent shall be prorated on a monthly basis.

3.6 Net Lease This Lease is a net lease, and the Parties intend that Landlord shall receive Rent free and clear of any imposition, tax, lien, charge, obligation or expense of any nature whatsoever relating to the use or operation of the Property, all of which Tenant shall pay and/or discharge without any right of offset or abatement whatsoever.

3.7 Past Due Rent If Tenant fails to pay any Rent or when such amount is due and payable, such unpaid amount shall bear interest from the due date thereof to the date of payment at the Default Rate, and such interest shall be collectable as Additional Rent. As used in this Lease, "Default Rate" means an annual rate of interest equal to: (a) two percent (2%) above the prime or reference rate then in effect, and as adjusted from time to time, at Bank of America, N.A. (or any successor thereto), or if such bank or its successor ceases to exist, such other national banking institution selected by Landlord; or (b) the maximum rate of interest then permitted by RCW 19.52.020 or its successor, whichever is greater. No default due to late payment of Rent shall be deemed cured unless and until such interest has been paid in full.

ARTICLE IV. Taxes and Assessments

4.1 Taxes and Assessments Tenant shall pay directly to the appropriate taxing authority or otherwise discharge, prior to delinquency, all taxes, assessments, impositions, fees, levies and charges or surcharges, whether general or special, ordinary or extraordinary, foreseen or unforeseen (including "in-lieu" taxes), which are directly or indirectly levied, charged, assessed or imposed on or against the Property during the Term, or which shall or may be or become a lien on this Lease or any part of the Property or Personal Property situated thereon and all fees and assessments for governmental service(s) to the Premises, including service payments in lieu of taxes, together with any and all interest or other penalties on any of the foregoing. As used herein, "taxes" shall mean and include any and all taxes: (a) upon or with respect to the

GROUND LEASE
LANDLORD: PHD #1
TENANT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Property or any portion thereof, including any sales, use or service tax imposed as a result thereof; (b) upon or measured by Tenant's gross receipts or payroll or the value of Tenant's equipment, furniture, fixtures, and other Personal Property of Tenant or leasehold improvements, alterations or additions located in the Property; or (c) upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. Tenant shall indemnify, defend and hold Landlord and the Property harmless from and against all liability, cost and expense for all such taxes, assessments, impositions, fees, levies and charges, and all such interest or other penalties, and from any sale or other proceeding to enforce payment of such items.

4.2 Proration of Taxes; Separate Assessment Tenant's obligation to pay taxes as provided in Section 4.1 above shall be prorated on the basis of a 365-day year to account for any portion of a fiscal tax year included in the Term at the beginning or end of the Term. If Landlord is not subject to payment of taxes as provided in Section 4.1 above either at the beginning or end of the Term, Tenant shall pay all such taxes imposed in the fiscal tax year which includes the Commencement Date or Termination Date, as applicable. If at any time after the Commencement Date the Property is not separately assessed, Tenant shall pay a share of the taxes attributable to the Property pursuant to an equitable allocation as reasonably determined by Landlord.

4.3 Contest

4.3.1 Right to Contest. Tenant shall have the right to contest the validity or amount of any tax, assessment, levy, imposition or other charge required to be paid by Tenant pursuant to this Article IV. Tenant shall promptly notify Landlord of any such contest, and Tenant's legal basis thereof. Tenant may withhold or defer payment of any such obligation, or pay such obligation under protest, but shall defend, indemnify, protect and hold harmless Landlord and the Property from any lien which might result from such contest. Prior to undertaking any such contest, Tenant, at Landlord's request, shall post a bond or other security acceptable to Landlord.

4.3.2 Landlord Participation. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the law requires that the proceeding or contest be brought by or in the name of Landlord or the owner of the Premises, in which case Landlord's participation shall be at Tenant's cost and expense. Tenant shall immediately pay or discharge any tax, assessments, levy, imposition or other charge, together with all costs, charges, interest and penalties incidental thereto, determined to be due by any as a result of any proceeding or contest.

4.4 Delivery Landlord shall promptly deliver to Tenant all invoices, bills, statements, notices and other instruments relating to the payment of taxes relating to the Property that Landlord may receive from any taxing authority. No failure by Landlord to deliver any such invoices, bills, statements or notices shall relieve Tenant of its responsibility to pay the same as and when due.



4.5 Exemptions Subject to Section 4.6 below, Tenant's obligation to pay taxes or assessments levied or charged against the Property shall not include any tax of the following types, whatever the tax may be called: business, income or profits taxes levied or assessed against Landlord by any federal, state or other governmental agency; estate, succession, inheritance or transfer taxes of Landlord; corporation, franchise or profits taxes imposed on the corporate owner of the fee title of the Premises; or any tax that may be required to be paid on any gift, demise, deed, mortgage or other alienation of part or all of Landlord's fee estate in the Premises, other than pursuant to this Lease.

4.6 Charges in Lieu of Taxes The provisions of this Article IV are based on the present State system of taxation. If any governmental authority having jurisdiction over all or any part of the Property imposes a tax, excise and/or assessment of any kind or nature on, against, measured by or with respect to the Rent, either by way of substitution for all or part of the present *ad valorem* real estate taxes or in addition thereto (including any tax of the type described in Section 4.5 above), then such tax and/or assessment shall be deemed to constitute "taxes" for purposes of this Lease, and Tenant shall pay all such taxes as provided in this Article IV.

ARTICLE V.

Utilities

5.1 Tenant's Obligations Tenant shall pay all charges for gas, heat, light, power, sewage, water and other utilities or services in connection with the Premises or the Improvements. On Tenant's written request, Landlord will join with Tenant in any application required for obtaining or continuing any utility service. Tenant shall defend, indemnify and hold Landlord and the Premises harmless from any loss, cost, expense, liability, lien, or the like associated with any utility or service charge. If Tenant does not pay any utility or service charge when due, Landlord may do so, and any amount so paid by Landlord shall immediately become due to Landlord from Tenant as Additional Rent, together with interest thereon at the Default Rate commencing on the date Landlord shall have made such payment.

5.2 Interruption of Service Tenant shall not be entitled to terminate this Lease because of any failure or interruption of any utility service supplied to the Property. Landlord shall not be liable to Tenant for any damages resulting from any such failure not caused, or any interruption not requested, by Landlord. Landlord shall not be liable to Tenant for any damages resulting from any such failure caused by Landlord so long as such failure does not continue for an unreasonable time. Landlord shall not be liable for any such interruption requested by Landlord so long as: (a) Landlord gives Tenant reasonable advance notice of such interruption; (b) such interruption does not continue for an unreasonable time in light of the services offered on the Property by its occupants; and (c) such interruption is necessary to support Landlord's adjacent property.

ARTICLE VI.

Right of First Refusal – Sale

6.1 Tenant's Offer Subject to Section 6.2.3 below, if Tenant desires to sell or otherwise transfer all of the Improvements in connection with a transfer of Tenant's interest in

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

this Lease for consideration, Tenant shall first offer to sell such property to Landlord. Tenant's offer ("Tenant's Offer") shall be in writing and shall specify the purchase price, terms and conditions on which Tenant would sell such property to Landlord. Landlord shall have thirty (30) days after receipt of Tenant's Offer ("Review Period") to accept Tenant's Offer in writing. Landlord shall have ninety (90) days after expiration of the Review Period (or such longer time as may be specified in Tenant's Offer) to consummate the transaction on the terms contained in Tenant's Offer ("Transaction Term"). In the event such sale is in connection with a partial interest, Landlord understands that Tenant will first offer purchase rights to other partial interest owners of Tenant. In the event such partial owners elect not to purchase the partial interest of the partial tenant, Landlord shall be granted these rights with respect to the partial tenant interest subject to the terms contained herein.

6.1.1 Sale by Tenant. If Landlord does not timely accept Tenant's Offer or, if Landlord timely accepts Tenant's offer but fails to consummate the purchase of such property prior to the end of the Transaction Term, Tenant shall be free to sell such property to a third party at a price not less than the offering price, nor on terms more favorable to the purchaser, than those set forth in Tenant's Offer.

6.1.2 Failure to Complete Transaction. If Tenant fails to consummate the sale or other transfer of such property as set forth in Section 6.2.1 above, within: (a) one hundred eighty (180) days after expiration of the Review Period, if Landlord does not accept Tenant's Offer within the Review Period; or (b) the later to occur of (i) the expiration of the Transaction Term; or (ii) one hundred eighty (180) days after expiration of the Review Period, if Landlord has timely accepted Tenant's Offer, then Tenant may not sell or transfer such property without first offering such property to Landlord as set forth in Section 6.1, and the remaining provisions of this Article VI shall remain in effect so that Landlord will have a continuing right of first refusal.

6.1.3 Permitted Transfers. This Section 6.1 shall not apply to a proposed sale or transfer by Tenant of Tenant's interest in this Lease to an Affiliate; *provided*, that such Affiliate shall agree in writing to be subject to and bound by all provisions in this Lease and in any other agreements between the Parties which are ancillary or related to this Lease.

6.1.4 Continuing Right of First Refusal. The right of first refusal described in this Section 6.1 shall continue to bind any transferee, buyer, or successor of Tenant, regardless of the method by which such Person acquired Tenant's interest in the Premises or under this Lease.

6.1.5 Limitations on Tenant's Transferee. Notwithstanding anything else to the contrary in this Section 6.1, Landlord's consent, not to be unreasonably withheld or delayed, shall be required for any transfer under this Section 6.1. Landlord will not be acting unreasonably if it withholds its consent for any of the following reasons:

- (a) The transferee is not a reputable party.
- (b) The transferee does not have reasonable financial worth and/or stability in light of responsibilities involved on the date of Tenant's Offer.

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

(c) In Landlord's reasonable judgment, the transferee is of a character or engages in a business not in keeping with the standards of Landlord, including any transferee who conducts any of the activities prohibited in Section 7.3 below.

(d) The transferee engages in a business that is inconsistent with the values and standards of Landlord, including the Statement referenced in Section 7.1 below.

(e) Tenant is in default under this Lease at the date of Tenant's Offer.

(f) The transferee does not possess the necessary reputation, skill, or experience to assume Tenant's responsibilities hereunder.

6.1.6 Financing. Landlord's rights under this Section 6.1 shall be subordinate to all permitted Mortgages to which Tenant may hereafter subject its leasehold title to the Premises in accordance with Article XII below, provided the Permitted Mortgagee recognizes Landlord's right of first refusal hereunder. A Foreclosure or transfer in lieu of foreclosure by such Mortgagee shall not constitute a "sale or transfer" for purposes of this Section 6.1. Landlord shall execute such further agreements reasonably requested by any such Mortgagee, including a subordination agreement, confirming the foregoing.

ARTICLE VII.

Use

7.1 Statement of Intent for Cancer Care Center Uses The Parties intend that the Cancer Care Center be used by the District, alone or as a participant in a collaborative business venture, for the comprehensive treatment of cancer patients, for a potential free-standing imaging center and for other hospital uses yet to be identified. The Parties also intend that physicians and physician groups needing close proximity to the District's acute care hospital be investors and Subtenants in the building ("Preferred Tenant"). The Parties intend that the physicians' use of the Premises include those services, procedures and technologies ("Uses") that are routine and customary for the physicians' specialty and necessary for the efficient high-quality treatment of patients ("Provider Use(s)").

The Parties acknowledge that preference for Subtenants should be given to practitioners whose practices will complement the hospital-based services that are in close proximity to the Cancer Care Center and/or physicians that are in collaborative relationships with the District. The Parties recognize that it would be inconsistent with the District's obligations to the local healthcare community to allow Uses that either interfere with the District's ability to provide services or undermine the District's financial well-being.

The Parties also acknowledge that physicians should be given latitude to offer services that are: (a) necessary for the well-being of their patients; (b) customary and routine for the physician specialty; and (c) reasonably necessary for their financial well-being.

The Parties agree to the Use restrictions set forth in Exhibit F hereto for those building Subtenants currently identified for the Cancer Care Center. Any additional Use by an existing Subtenant and the anticipated Provider Uses of any new Subtenant proposed for the Premises shall be reviewed in light of the restrictions in Exhibit F and the foregoing statement of

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

intent. Subtenant lease agreements with new Subtenants shall only allow Provider Uses not prohibited by Exhibit F and consistent with the foregoing statement of intent.

7.2 Service Dispute Resolution The Parties recognize that new Subtenants and/or Subtenants currently identified for the Premises may wish to engage in Uses that are not contemplated at this time and that the District may identify as either interfering with the District's ability to provide services or as undermining the District's financial well-being. Where the District identifies such Uses, or where the District contends that a proposed Subtenant is not a Preferred Tenant, the Parties shall engage in Services Dispute Resolution, as set forth in this subparagraph. The dispute resolution process set forth in this subparagraph is to be used to determine the Uses that may be offered by non-District providers in the Cancer Care Center.

In the event that either Party notifies the other in writing that a Subtenant is or wishes to engage in a Use which is not contemplated by Exhibit E, and which both Landlord and any Subtenant both wish to provide or if a new Subtenant is proposed to which the District objects, the Parties shall engage in the following process:

(a) **Discussion.** The Parties shall, for thirty (30) days engage in good faith discussions to determine if the Use or Subtenant should be allowed, allowed with conditions or if the Parties can agree to collaborate in a Use.

(b) **Arbitration.** If, after thirty (30) days, the Parties' discussions have not resolved the issue, either Party may provide to the other a written demand for arbitration. In such event, the Parties agree to promptly convene an arbitration panel consisting of no less than three (3) members; one member shall be appointed by the Landlord and one appointed by the Tenant; the third member shall be selected by consensus of the first two appointed. If the first two members cannot agree on the third member, the Parties shall apply to JAMS/ENDISPUTE ("JAMS"), or if JAMS shall not then exist, such other organization as to which Landlord and Tenant agree, for a strike list of three (3) names. Each Party may strike one name. If two names remain after the strike lists are returned, the arbitration service shall choose the seventh member. The administrative costs and arbitrator's fees shall be paid by the Parties, 50/50. The panel shall be tasked with expeditiously (within thirty (30) days of the selection of the third member, absent cause for delay) finding a mutually beneficial solution for Tenant, Landlord and the community as a whole, based on affirmative determinations of the following questions:

i. In the case of a new Subtenant, would the proposed Subtenant complement hospital-based services, require close proximity to Hospital Property or be in collaborative relationship with the District?

ii. Is it reasonably probable that a Use would not interfere with the District's ability to provide services nor undermine the District's financial well-being?

iii. Does the Use qualify as a Provider Use and is it reasonably necessary for the physician's financial well-being?

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

iv. In any case where the inquiry ii is answered in the negative and/or inquiry iii is answered in the affirmative, will the harm caused to the physician of not allowing the Use clearly exceed the harm that allowing the Use would cause to the District?

(c) Decision. The panel may decide to: (i) allow or disallow a Use or Subtenant; or (ii) may condition the approval of the Use or Subtenant to mitigate probable harm(s). Decisions by the panel shall be binding on the Parties and shall require a simple majority vote.

7.3 Incidental Uses Notwithstanding the restrictions set forth in Sections 7.1 and 7.2 above, and Exhibit F hereto, with Landlord's prior written consent, Tenant may use the Premises, and may allow the Premises to be used, for incidental uses (such as a coffee cart or counter, and ATM or electronic receiving devices) consistent with the use of the Premises as a Cancer Care Center. Tenant shall not use or occupy or permit any other person to use or occupy the Property or any part thereof, for any purpose, or in any manner, which might violate any law, ordinance, rule, order or regulation of any governmental, political or military agency or entity.

7.4 Injunctive Relief The Parties acknowledge and agree that Use restrictions in this Article VII are a critical component of the consideration due Landlord for Landlord's entering into this Lease, and are necessary to avoid material harm to the Landlord and shall be deemed to be covenants burdening Tenant's leasehold interest in the Lease for the benefit of the fee interest in the both the Premises and the Hospital Property. Landlord shall have the right to enforce this Article VII directly against Tenant and any Subtenant. Any breach of this Article VII shall be deemed to cause irreparable injury to Landlord for which Landlord does not have an adequate remedy at law and for which Landlord is entitled to equitable relief. Accordingly, if a violation of this Article VII occurs and is not cured within thirty (30) days after Tenant's receipt of written notice from Landlord, then Landlord (without limiting Landlord's other remedies for breach hereunder) shall be entitled to injunctive relief to restrain the violation of this Article VII without any showing of harm or the inadequacy of other remedies. Article XVII below shall not apply to a breach or violation of this Article VII.

7.5 Compliance with Law and Encumbrances Tenant shall comply, and shall cause each Subtenant to comply, with: (a) all laws, ordinances, rules, orders, regulations and requirements of any legal, governmental or military board, body or commission relating to, affecting or controlling the construction, reconstruction, replacement, repair, maintenance, condition, protection, occupancy or use of the Premises or the Improvements, or any activity within the Improvements or any adjoining sidewalk or street; and (b) all covenants, agreements, restrictions and encumbrances in effect as of the Commencement Date or hereafter created by Tenant as herein permitted or hereafter created by Landlord as herein provided, in each case affecting the Premises or Improvements.

7.6 Land Use Restrictions Tenant may enter into agreements restricting the use of, or granting easements over, the Premises, provided such agreements and easements are necessary for, and consistent with, the Use restrictions set forth in this Article VII and will not materially interfere with Landlord's use of the Hospital Property. Tenant shall obtain Landlord's prior written consent, not to be unreasonably withheld or delayed, to any easement or other restriction which might extend beyond the Term, except as provided in Section 9.4 below. Tenant may

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

obtain zoning changes or conditional use permits for the Property; *provided*, such zoning changes or conditional use permits are consistent with the Use restrictions set forth in this Article VII. At Tenant's request, Landlord shall join with Tenant in applications and proceedings to obtain such zoning changes and use permits, and Tenant shall reimburse Landlord for any costs or expenses incurred by Landlord in connection therewith. Landlord shall not unreasonably withhold or delay its consent to any proposed joinder agreement; *provided*, that the proposed agreement complies with this Article VII and the other terms of this Lease.

7.7 Termination of Use Restrictions Notwithstanding anything to the contrary in Sections 7.1 and 7.2 above, and Exhibit F hereto, if, for any reason other than an Excused Cause, the owner or lessee of the Hospital Property does not operate an acute care hospital on the Hospital Property for a period of one hundred eighty (180) consecutive days (a "Dark Period"), the Use restrictions set forth in Section Sections 7.1 and 7.2, above, and Exhibit F, shall terminate on the first anniversary of the first day of the Dark Period; *provided*, however, that the use restrictions set forth in Sections 7.1 and 7.2 above, and Exhibit F, shall remain effective if: (a) during the Dark Period, the owner or lessee of the Hospital Property announces that it will re-open the acute care hospital by a date prior to the first anniversary of the first day of the Dark Period; and (b) such owner or lessee actually re-opens the acute care hospital prior to such first anniversary (or such later date as may be reasonable, if such owner or lessee continues with all due diligence to prosecute the work necessary for the acute care hospital to reopen). "Excused Cause" means any Unavoidable Delay (as defined in Section 16.1.1 below), or any needed renovation, construction, or repair. If the Use restrictions set forth in Sections 7.1 and 7.2 above, and Exhibit F, terminate as provided in this Section 7.7, the Property may be used for any lawful purpose, and Tenant may alter, modify, remove, demolish or reconstruct the Improvements as provided in Article IX and Article X hereof without regard to the Use restrictions set forth in Sections 7.1 and 7.2 above, and Exhibit F hereto.

7.8 Waste; Nuisance Tenant shall not commit, and shall not allow any Subtenant or other Person to commit, any waste, damage, disfigurement or injury to the Property. Tenant shall not cause or maintain, and shall not allow any Subtenant or other Person to cause or maintain, a nuisance on the Property. Without limiting the foregoing, Tenant shall use diligent efforts to enforce each covenant against waste and nuisance in any sublease of the Improvements.

7.9 Security Tenant shall provide reasonable and adequate security services for the Improvements and Premises consistent with other hospital and medical office buildings in the geographical area of the Premises. Without in any way limiting Tenant's obligation and covenant to provide its own security as provided in this Section 7.9, the Parties acknowledge that Landlord may, but shall have no obligation to, from time to time, employ one or more Persons to patrol or provide security for the Hospital Property. In such event, Tenant shall and shall cause Tenant's Representatives, all Subtenants and all other Persons entering on the Property or the Hospital Property at the request or invitation of any of the foregoing to cooperate with Landlord's security personnel. Notwithstanding any such activity, Tenant agrees that Tenant shall have the sole responsibility of providing security for the Property, the Persons or property located thereon or therein.

7.10 Hazardous Materials and Mold

7.10.1 No Use of Hazardous Materials. Neither Tenant nor any of the officers, directors, employees, representatives, agents, contractors, subcontractors, successors, assigns, Subtenants, concessionaires, invitees or other occupants of the Property (collectively "Tenant's Representatives") shall use, generate, manufacture, refine, produce, process, store or dispose of any Hazardous Materials in, on, under or about the Property or transport any Hazardous Materials to or from the Property, except in strict compliance with all applicable Hazardous Materials Laws. Tenant and Tenant's Representatives shall, at their own expense, procure, maintain in effect and comply with all conditions of all permits, licenses and other governmental and regulatory approvals required for the storage or use by Tenant or any of Tenant's Representatives of Hazardous Materials in, on, under or about the Property, including discharge of (appropriately treated) materials or wastes into or through any sanitary sewer serving the Property. All subleases entered into by Tenant will contain use restrictions and limitations at least as restrictive as those set forth in this Section 7.10.1.

7.10.2 Remediation of Hazardous Materials. If any contamination at the Property by Hazardous Materials exists or occurs at any time, or, if Tenant, any Tenant Representative or any other Person causes (whether by affirmative act or failure to act) any contamination of the Hospital Property by Hazardous Materials (collectively, "Tenant Responsible Contamination"), Tenant and/or Tenant's Representatives, at their sole cost and expense, shall promptly and diligently remove such Hazardous Materials from the Property or the Hospital Property, or the water underlying the Premises or the Hospital Property, in accordance with applicable Hazardous Materials Laws and industry standards then prevailing in the State. Notwithstanding the foregoing, Tenant shall not take any required remedial action in response to any Tenant Responsible Contamination in or about the Property or the Hospital Property, or enter into any settlement agreement, consent, decree or other compromise in respect to any claims relating to any Tenant Responsible Contamination, without first notifying Landlord of Tenant's intention to do so and affording Landlord the opportunity to appear, intervene or otherwise appropriately assert and protect Landlord's interest with respect thereto. If Tenant does not promptly and diligently take all steps to prepare any remediation plan required for any Tenant Responsible Contamination, obtain all necessary approvals for such remediation plan, and thereafter commence the required remediation within thirty (30) days after Landlord has approved Tenant's remediation plan and all other necessary approvals and consents have been obtained, and thereafter continue to diligently prosecute said remediation to completion in accordance with the approved remediation plan, Landlord, in its sole discretion, may cause said remediation to be accomplished, and Tenant shall reimburse Landlord therefor within thirty (30) days of Landlord's demand for reimbursement of all amounts reasonably paid by Landlord (together with interest on said amounts at the Default Rate from the date the expense was incurred until paid), when said demand is accompanied by proof of payment by Landlord of the amounts demanded. Tenant shall promptly deliver to Landlord copies of all hazardous waste manifests, and otherwise deliver such information to Landlord as Landlord may require, to evidence the proper disposal of all Hazardous Materials removed from the Premises as part of Tenant's remediation of any Tenant Responsible Contamination.

7.10.3 Disposal of Hazardous Materials. Except as discharged into the sanitary sewer in strict accordance and conformity with applicable Hazardous Materials Laws, Tenant

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

2/20/2007 Page

37 of 100 4:00PM

shall cause all Hazardous Materials removed from the Property or Hospital Property as part of the required remediation of Tenant Responsible Contamination to be removed and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such materials and wastes.

7.10.4 Notice of Hazardous Materials Matters. Each Party ("Notifying Party") shall immediately notify the other Party ("Notice Recipient") in writing of: (a) any contamination of the Property by any Hazardous Material; (b) any enforcement, cleanup, removal or other governmental or regulatory action instituted, contemplated or threatened concerning the Property pursuant to any Hazardous Materials Laws; (c) any claim made or threatened by any Person against the Notifying Party or the Property relating to damage contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials on or about the Property; and (d) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials in or removed from the Property, including any complaints, notices, warnings or asserted violations in connection therewith, all on receipt by the Notifying Party of actual knowledge of any of the foregoing matters. Notifying Party shall also supply to Notice Recipient as promptly as possible, and in any event within five (5) business days after Notifying Party first receives or sends the same, copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Property or Tenant's use thereof.

7.10.5 No Mold Conditions. Without limiting the generality of any other provision of this Lease, Tenant covenants and agrees that Tenant shall not create or permit to exist in or about the Property any Mold Condition and Tenant shall, at its sole cost and expense, regularly monitor the Property for the presence of Mold and Mold Conditions. In the event of suspected or actual Mold or Mold Conditions at the Property, Tenant shall promptly (but in any event within five (5) days of the discovery thereof) notify Landlord in writing of the same and the precise location thereof.

7.10.6 Remediation of Mold. In the event of suspected Mold or Mold Conditions at the Property, Tenant, at its sole cost and expense, shall promptly cause an inspection of the Property to be conducted to determine if Mold or Mold Conditions are present at the Property, and shall notify Landlord, in writing, at least three (3) days prior to the inspection, of the date on which the inspection shall occur, and which portion of the Property shall be subject to the inspection. Tenant shall retain a Mold Inspector to conduct the inspection and shall cause such Mold Inspector to perform the inspection in a manner that is strictly confidential and consistent with the duty of care exercised by a Mold Inspector and to prepare an inspection report, keep the results of the inspection report confidential, and promptly provide a copy to Landlord. Upon the discovery of any Mold or Mold Conditions in or about the Property, Tenant shall promptly, at Tenant's sole cost and expense, hire a trained and experienced Mold remediation contractor(s) to completely clean-up and remove from the Property all Mold or Mold Conditions. All such clean-up, removal and remediation shall be conducted to the satisfaction of any governmental authority with jurisdiction and otherwise in strict compliance with all Mold Remediation Requirements. Such clean-up, removal and remediation shall also include removal and replacement of any infected host materials as well as any repairs and refinishing required as the result of such removal and replacement. Any clean-up, removal and or other remediation of Mold or any Mold Condition must be completed in its entirety at the expiration of this Lease.

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

7.10.7 Indemnification by Tenant. Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord), protect, and hold Landlord, and each of Landlord's partners, officers, members, subsidiaries, employees, agents, attorneys, shareholders, officers, successors and assigns, harmless from and against all claims, actions, causes of action, liabilities, penalties, forfeitures, damages, losses or expenses (including attorneys' fees and costs through litigation and all appeals) resulting from death of or injury to any Person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly by: (a) any Tenant Responsible Contamination; (b) Tenant's failure to comply with any Hazardous Materials Laws with respect to the Property; (c) the presence of any Mold or Mold Condition on or in the Property; or (d) a breach of any covenant, warranty or representation of Tenant under this Section 7.10. This indemnity shall survive the expiration or sooner termination of this Lease. Tenant's obligations hereunder shall include all costs of any required or necessary repair, cleanup or detoxification or decontamination of the Property, and the preparation and implementation of any closure, remedial action or other required plans in connection therewith, and diminution in value of the Property and the Hospital Property.

ARTICLE VIII.

Certain Operational Matters

8.1 Property Management At all times during the Term, the Property shall be managed by Tenant, an Affiliate of Tenant, or a third-party manager satisfactory to Landlord. Tenant shall retain a third-party property manager acceptable to Landlord within ninety (90) days after receipt of a written request from Landlord. Tenant shall replace such third-party property manager with a substitute approved by Landlord within ninety (90) days after receipt of written request from Landlord. Any such property management agreement shall be subject and subordinate to the terms of this Lease and shall automatically terminate upon the expiration or any sooner termination of this Lease.

8.2 Approval of Marketing Materials Landlord shall have the right to approve all signs and materials used by Tenant in the promoting or marketing of space in the Premises, pursuant to the Property Management Agreement. Landlord shall not unreasonably withhold such approval.

8.3 Landlord's Right of First Refusal Tenant shall not enter into any sublease, or any option for a sublease, for any space in the Improvements with any third party without first offering such space to Landlord. Tenant shall give Landlord written notice of Tenant's intention to enter into any such agreement with a third party setting forth the name and address of the third party, the basic terms and conditions of the proposed agreement, and the medical specialty(ies) of the third party. Landlord shall have the right to lease or occupy the space on the terms set forth in such notice. All other terms and conditions of Landlord's occupancy shall be governed by the then current form of sublease for the Improvements approved by Landlord and Tenant pursuant to this Lease. Landlord shall exercise such right within ten (10) days after receipt of the notice by delivery of written notice to Tenant. If Landlord fails to exercise such right, Tenant may enter into the proposed sublease with the third party at any time within the period commencing on the final day of Landlord's ten (10) day exercise period and ending one hundred twenty (120) days later and after any limitations are determined on the services to be provided by the third person pursuant to Article VII. If Tenant and the third party fail to enter into the

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

proposed sublease before the end of such one hundred twenty (120) day period, then Tenant's right to enter into the proposed sublease, or any other sublease for the same space or any portion thereof, shall be subject to Landlord's right of first refusal. The right of first refusal granted to Landlord in this Section 8.3 shall remain in effect so long as the use restrictions set forth in Sections 7.1 and 7.2 above, and Exhibit F hereto, remain in effect.

8.4 Landlord's Option to Lease Upon Landlord's written request, Tenant shall notify Landlord of the existence of available space and Landlord shall have the right to sublease all or a portion of such space upon the terms and conditions set forth in the then current form of lease for the Improvements approved for use by Landlord and Tenant pursuant to this Lease at then current fair market rental rates for space in the Improvements as reasonably agreed by Landlord and Tenant. The option granted to Landlord in this Section 8.4 shall remain in effect so long as the Use restrictions set forth in Sections 7.1 and 7.2 above, and Exhibit F hereto, remain in effect.

ARTICLE IX. Improvements

9.1 Conditions to Major Construction Before the commencement of any Major Construction (or, if earlier, before the date on which any act associated with such Major Construction occurs which could give rise to mechanic's lien rights under applicable law, such as the demolition of existing improvements on the Premises, the delivery of building materials to the Premises, the commencement of work, etc), Tenant shall comply with all of the following conditions (or obtain Landlord's written waiver of such conditions) with respect to such Major Construction:

9.1.1 Approval of General Contractor. Tenant shall obtain Landlord's written approval of Tenant's general contractor and/or construction manager, which approval shall not be unreasonably withheld or delayed.

9.1.2 Concept Approval. Before beginning construction drawings, Tenant shall deliver to Landlord preliminary project schematics, elevations, conceptual drawings, a preliminary project schedule and other materials providing sufficient information for Landlord to make an initial assessment of the proposed project. Landlord's approval shall not be unreasonably withheld or delayed (except in the case of matters affecting the exterior of the Improvements, which Landlord shall have the right to approve or disapprove in its sole discretion).

9.1.3 Preliminary Plans. Tenant shall deliver to Landlord two (2) sets of preliminary construction plans and specifications (the "Preliminary Plans") prepared by an architect or engineer licensed to practice in the state of Washington, which Preliminary Plans shall include information, plans and specifications respecting grading and drainage, soil, utilities, sewer and service connections, off-site improvements, locations of ingress and egress to and from public thoroughfares, curbs, gutters, on-site street improvements including street lighting and landscaping, pedestrian circulation and building elevations, and general mechanical, electrical and plumbing systems, together with a list of standard tenant improvement specifications and the like, all in sufficient detail to enable potential contractors and

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

2/20/2007 Page

40 of 100 4:00PM

subcontractors to make reasonably accurate bid estimates and to enable Landlord to make an informed judgment about the design and quality of the proposed Improvements. The preliminary plans shall be accompanied by an updated preliminary project schedule.

9.1.4 Landlord's Approval of Preliminary Plans. Landlord shall not unreasonably disapprove the Preliminary Plans or preliminary project schedule (except in the case of matters affecting the exterior of the Improvements, which Landlord shall have the right to approve or disapprove in its sole discretion). Approval or disapproval shall be communicated in the manner provided for notices herein. Disapproval shall be accompanied by a description of the grounds for disapproval. If Landlord does not disapprove the Preliminary Plans within fourteen (14) days after receipt thereof, then the Preliminary Plans shall be deemed to have received Landlord's written approval, but only if Tenant's notice requesting approval stated in capital letters in bold type that Landlord's failure to disapprove the attached Preliminary Plans within such fourteen (14) days would be deemed to result in Landlord's approval of such Preliminary Plans. Within ten (10) days after Landlord's first or any subsequent disapproval, Tenant may elect to submit revised Preliminary Plans or contest the reasonableness of Landlord's disapproval (insofar as Landlord's disapproval does not relate to the exterior of the Improvements). If Tenant contests the reasonableness of Landlord's disapproval, the matter shall be resolved by arbitration as provided in Article XVII. Landlord's decisions with respect to matters affecting the exterior of the Improvements shall not be subject to dispute or arbitration. If Tenant contests Landlord's disapproval and submits new Preliminary Plans, or any matter involving the new or revised Preliminary Plans is submitted to arbitration, then the time periods for commencement and for completion of construction shall be extended for a period equal to one (1) day for each day after the submission of the revised Preliminary Plans until the Preliminary Plans are approved. Landlord, by approving the Preliminary Plans, does not assume any liability therefor, or make any warranty as to the suitability of materials or equipment specified therein, and Landlord shall not be liable for any defects in grading, landscaping, design, or construction completed in accordance with the Preliminary Plans or any equipment, machinery, appliance or material incorporated therein.

9.1.5 Final Plans; Specifications. Tenant shall prepare final working plans and specifications substantially conforming to the Preliminary Plans previously approved by Landlord (the "Approved Preliminary Plans"), submit the final working plans to the appropriate governmental agencies for approval, and deliver to Landlord one (1) complete set as approved by such governmental agencies (the "Final Plans") together with Tenant's written statement certifying that all necessary governmental approvals required for construction have been obtained. If requested by Landlord, Tenant shall deliver evidence of all such governmental approvals to Landlord. A change from the Approved Preliminary Plans shall be considered to be within the scope of the Final Plans, and shall not require further Landlord approval (except as set forth below) if such change does not affect the exterior of the Improvements and such change:

(a) results in an increase or decrease in the Construction Costs of the Improvements of less than fifty thousand dollars (\$50,000); or

(b) is made to comply with suggestions, requests, or requirements of a governmental agency or official in connection with Tenant's application for a permit or other approval; *provided*, however, that Tenant shall notify Landlord in writing of any such change

GROUND LEASE

LANDLORD: PHD #1

TENANT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

before implementing same and Landlord shall have the right to challenge or attempt to modify such governmental suggestion, request, or requirement prior to its implementation; *provided*, further, that any delay caused by such challenge or attempted modification shall be considered an Unavoidable Delay; or

(c) is made in response to Tenant's value engineering analysis and does not: (i) depart materially in size, utility, aesthetic value or cost from the Final Plans; or (ii) involve a material change in the structure or architecture of the Improvements or any of the operating systems therein, including the electrical, heating, air conditioning, plumbing, elevator and mechanical systems; and

(d) does not result in a material delay in the project schedule.

Tenant shall obtain Landlord's prior written consent to any changes from the Final Plans which do not fall within the above "safe harbor."

9.1.6 Notice of Intent to Commence. Tenant shall notify Landlord of Tenant's intention to commence construction at least five (5) days before commencement of work or delivery of any materials to the Premises, whichever shall first occur. Notwithstanding the foregoing, if under applicable law a longer notice period is required for Landlord to comply with any applicable non-responsibility statute, the time for delivery of Tenant's advance notice shall be accordingly extended. Landlord shall have the right to post and maintain on the Property any notices of non-responsibility provided for under applicable law and to inspect the construction on the Property at all reasonable times.

9.1.7 Notice and Approval of Financing. Tenant shall deliver to Landlord true, correct and complete copies of the proposed and final Loan Documents evidencing any Construction Loan. Tenant shall deliver to Landlord true, correct and complete copies of the proposed and final Loan Documents evidencing any Permanent Loan. Such financing shall be subject to Landlord's review and approval; *provided*, that Landlord may disapprove of the financing only upon a reasonable conclusion that the financing is not adequate in amount or certainty to assure completion of the Improvements.

9.1.8 Required Governmental Permits. Tenant shall procure and deliver to Landlord, at Tenant's expense, reasonable evidence of compliance with all then applicable codes, ordinances, regulations and requirements for permits and approvals, including any applicable grading permits, building permits, and zoning and planning approvals from all governmental agencies and bodies having jurisdiction. Evidence of compliance may include a certificate of an architect.

9.1.9 Builder's Risk and Other Insurance. Tenant shall deliver to Landlord evidence of all insurance coverage required by this Lease, including "builder's risk" and worker's compensation insurance, together with evidence that Tenant has paid or caused to be paid all premiums for the coverage described above in this Section 9.1.9 and any increase in premiums provided for in Article XIV, sufficient to assure maintenance of all required insurance during the anticipated course of the work. Tenant shall maintain, keep in force and pay all premiums for all required insurance at all times during which such work is in progress.

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

9.1.10 Assignments for Benefit of Landlord. Tenant shall cause its architect, general contractor and/or construction manager to agree in writing, in form and substance satisfactory to Landlord, that in the event of any uncured default by Tenant under this Lease or the Loan Documents securing such Major Construction, Landlord may elect to succeed to Tenant's rights under any and all agreements with such architect, general contractor, or construction manager, including the rights to any and all plans, drawings, specification sheets, models, computer programs, or other physical or electronic data or representations pertaining to the Improvements, so as to enable Landlord, if it so elects, to complete the construction of such Improvements.

9.2 Construction Administration Procedures Tenant shall ensure that the following minimal procedures are implemented by Tenant or the approved general contractor or construction manager for any Major Construction:

9.2.1 Tenant or Tenant's architect shall make regular periodic inspection reports on the progress of the Major Construction;

9.2.2 Tenant shall provide copies of the following to Landlord at the same time as each application for a construction progress payment:

(a) partial lien waivers or other evidence that the suppliers of labor, materials or other services have been paid out of loan proceeds previously advanced and that applicable taxes have been paid; and

(b) a search of a title insurance company doing business in the jurisdiction in which the Property is located, showing that there has not been filed with respect to the Property or any part thereof any vendor's, mechanic's, laborer's, materialman's or like lien, which has not been discharged of record, except such as will be discharged by payment of the amount then requested.

9.2.3 Tenant, or Tenant's construction lender, as applicable, shall retain at least five percent (5%) of each progress payment as retainage pending final completion of the Major Construction. The retainage shall not be paid until written proof of payment is presented to Landlord for all labor, materials, service and taxes for the entire Major Construction project have been fully paid.

9.3 Utility Easements Subject to the restrictions in Section 7.6 and to Landlord's prior, written consent (not to be unreasonably withheld or delayed), Landlord grants to Tenant the right to grant public entities or public service corporations, for the purpose of serving the Property, rights of way or easements on or over the Premises telephone, electricity, water, sanitary or storm sewers or both, and for other utilities and municipal or special district services in the location(s) shown on the Final Plans.

9.4 Completion of Improvements

9.4.1 Diligent Prosecution. All work permitted to be done hereunder shall be performed in a good workmanlike manner, shall be in substantial conformance with the plans

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

and specifications approved by Landlord and shall comply with all applicable governmental permits, laws, ordinances and regulations.

9.4.2 Protection of Landlord Against Cost or Claim. Tenant shall pay or cause to be paid, without offset or abatement against Rent, the total cost and expense of all labor or materials furnished for any works of improvement, as that phrase is defined in then-applicable mechanic's lien laws. No such payment shall be construed as Rent. Tenant shall not suffer or permit to be enforced against any part of the Property, any mechanic's or materialman's lien arising from any work of improvement. Tenant may in good faith and at its own expense contest the validity of any such asserted lien, claim or demand, provided Tenant has furnished the bond required under Washington State law (or any comparable statute hereafter enacted for providing a bond freeing the Property from the effect of such a lien claim). Tenant shall defend, indemnify and hold harmless Landlord and the Property against all claims, demands, liens, liability and loss of any type arising out of work performed on the Property by Tenant, together with reasonable attorneys' fees and all costs and expenses incurred by Landlord in defending or otherwise protecting against such claims.

9.4.3 Landlord's Right to Discharge Lien. If Tenant does not cause to be recorded such bond or otherwise protect the Property under any alternative or successor statute, a final judgment has been rendered against Tenant by a court of competent jurisdiction for the foreclosure of a mechanic's or materialman's lien claim, and Tenant fails to stay the execution of the judgment by lawful means or to pay the judgment, Landlord shall have the right, but not the duty, to pay or otherwise discharge, stay or prevent the execution of any such judgment or lien or both. All such payments by Landlord shall be considered Additional Rent. Tenant shall reimburse Landlord for all sums paid by Landlord under this Section 9.4.3 and all Landlord's reasonable attorneys' fees and costs, plus interest on those sums, fees and costs at the Default Rate from the date of payment to the date of reimbursement.

9.4.4 Completion of Construction. On completion of any construction during the Term, Tenant shall provide Landlord with an architect's certificate, notice of completion or other satisfactory evidence that the construction has been completed.

9.4.5 Notice of Changes in Plans. On completion of any Major Construction, Tenant shall give Landlord notice of all changes in the Final Plans made during the course of the work and shall, at the same time and in the same manner, supply Landlord with "as-built" drawings accurately reflecting all such changes. Landlord acknowledges that it is common practice in the construction industry to make numerous changes during the course of construction on substantial projects. Changes that do not substantially alter plans and specifications previously approved by Landlord do not constitute a breach of Tenant's obligations. The criteria applied in Section 9.1.5 for determining whether changes to the Final Plans are substantial shall be applicable to this Section 9.4.5. Tenant shall obtain Landlord's prior written consent to any changes from the Final Plans that require Landlord's approval under that Section.

9.4.6 Notice of Approval. After completion of any work of improvement, Tenant shall promptly deliver to Landlord evidence that the Mortgagee under any Construction Loan or Permanent Loan has accepted or approved the completed Improvements.

GROUND LEASE
LANDLORD: PHD #1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

2/20/2007 Page 44 of 100 4:00PM

9.4.7 Application. Except for Section 9.4.5 above, the provisions of this Section 9.4 shall apply to both Major and Minor Construction.

ARTICLE X.

Maintenance; Repair; Alteration; Reconstruction

10.1 No Obligation of Landlord Landlord shall not be required or obligated to make any changes, alterations, additions, improvements, or repairs in, on, or to the Property, or any part thereof, unless due to damage directly caused by Landlord during the Term.

10.2 Tenant's Duty to Maintain Throughout the Term, Tenant shall, at Tenant's sole cost and expense, maintain the Premises and all Improvements in first-class condition and repair, ordinary wear and tear (consistent with a first-class condition) excepted, and in accordance with all applicable laws, ordinances, orders and regulations of all federal, state, county, municipal and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus and officials, as well as all insurance underwriting boards or insurance inspection bureaus having or claiming jurisdiction, and all insurance companies insuring all or any part of the Property. Tenant shall keep in full force and effect throughout the Term a contract or other arrangement satisfactory to Landlord in its sole discretion for maintenance of all landscaping on the Premises with such company(ies) as Landlord shall approve. All repairs, alterations, replacements and additions to the Improvements made during the Term shall be at least equal to the original work in value and quality. Tenant shall cause all Improvements to comply in all respects with the provisions of this Lease, all matters of record, all applicable governmental requirements, and all exterior architectural design, location and color criteria approved by Landlord in its sole discretion from time to time. Tenant shall also adopt and maintain such standards of interior property space maintenance and appearance as shall be reasonably and customary for similar improvements and shall enforce compliance by all Subtenants and other occupants with such standards. If Tenant fails to comply with this Section, Landlord shall have the right, along with all other remedies set forth in Article XVI, to enter the Property to cure Tenant's default as set forth in Article XVI, and Tenant shall pay to Landlord all Landlord's expenses in connection with such work on demand with interest thereon at the Default Rate.

10.3 Damage or Destruction If the Property or any portion thereof shall be damaged by fire or other casualty during the Term, Tenant shall, at its own cost and expense, promptly and diligently repair, restore and replace the same according to the original plans thereof or according to such modified plans as shall be approved in writing by Landlord. Tenant shall commence the work of repair, restoration or replacement within ninety (90) days after the damage or loss occurs and shall complete such work no later than two hundred seventy (270) days after commencement, subject to Unavoidable Delays. Completion of the repairs, alterations, restorations, additions and replacements to the Improvements shall result in Improvements at least equal in value, aesthetic impact, quality, and function to the Improvements prior to the fire or other casualty, except as expressly provided to the contrary in this Lease. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs, restoration and replacement, and if there are no insurance proceeds or the available proceeds shall be insufficient for said purpose, Tenant shall make up the deficiency out of its own funds.

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

10.4 No Abatement No deprivation, impairment or limitation of use resulting from any casualty or any construction work contemplated by this Section shall entitle Tenant to any offset, abatement or reduction in rent or to any termination or extension of the Term.

10.5 Landlord's Right to Terminate If Tenant does not begin to repair, restore, or replace the Improvements within ninety (90) days after the occurrence of any casualty, Landlord shall have the right to terminate this Lease upon sixty (60) days written notice to Tenant; *provided*, however, that Landlord's notice shall be without effect if, during such sixty (60) days, Tenant commences (and thereafter diligently pursues) the repair, restoration, or replacement. If Tenant does not complete the repair, restoration or replacement of the Improvements within two hundred seventy (270) days after the occurrence of any casualty, Landlord shall have the right to terminate this Lease upon ninety (90) days written notice to Tenant; *provided*, however, that Landlord's notice shall be without effect if, during such ninety (90) days, Tenant diligently pursues the repair, restoration, or replacement and the Improvements are substantially restored within three hundred sixty (360) days following the casualty.

10.6 Payment by Landlord Landlord's election to perform any obligation of Tenant under this Article X after Tenant's failure or refusal to do so shall not constitute a waiver of any right or remedy for Tenant's default, and any such amounts so paid by Landlord shall be immediately due and payable by Tenant as Rent, plus interest thereon at the Default Rate from the date of payment by Landlord to the date such sum is paid by Tenant to Landlord.

10.7 Landlord Approval All repairs, additions, alterations and modifications made by Tenant to the Improvements after a casualty shall be subject to the provisions of Article IX.

10.8 Right to Contest Tenant shall have the right to contest by appropriate judicial or administrative proceedings, without cost or expense to Landlord, the validity or application of any law, ordinance, order, rule, regulation or requirement requiring Tenant to repair, maintain, alter or replace the Improvements in whole or in part, and Tenant shall not be in default for failing to do such work until a reasonable time following final determination of Tenant's contest. At Landlord's request, Tenant shall first furnish Landlord a bond, satisfactory to Landlord in form, amount and insurer, guaranteeing compliance by Tenant with the contested law, ordinance, order, rule, regulation or requirement indemnifying Landlord against all liability that Landlord may sustain by reason of Tenant's failure or delay in complying with the law, ordinance, order, rule, regulation or requirement. Landlord may, but shall not be required, to contest any such law, ordinance, order, rule, regulation or requirement independently of Tenant. At Tenant's requests, Landlord shall join in Tenant's contest at no cost or expense to Landlord.

10.9 Relief of Tenant's Duty to Restore If the Improvements are damaged or destroyed by a casualty which occurs during the final five (5) years of the Initial Term or the final two (2) years of either extended term, Tenant shall be relieved of any obligation imposed under this Article X to repair, restore, or reconstruct the Improvements if the work of repairing, restoring, or reconstructing the Improvements would constitute Major Construction and Tenant complies with all of the following conditions:

(a) Tenant notifies Landlord of the occurrence of the casualty within thirty (30) days after such event, detailing facts that qualify the casualty under this provision;

GROUND LEASE

LANDLORD: PHD # 1

TENANT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

- (b) Tenant is not in default under any provision or condition of this Lease;
- (c) Tenant continues to make all payments when due as required under this Lease (provided that Landlord may, by notice given at any time after Tenant's notice of the damage or destruction, elect to terminate this Lease at the date stated in Landlord's notice and forgive all Rent and other payments required hereunder for the period following that date);
- (d) Tenant pays in full, or has paid in full, any outstanding indebtedness secured by a Mortgage;
- (e) Tenant delivers possession of the Property to Landlord, quitclaims all right, title and interest in the Property to Landlord, and ceases to do business on the Property;
- (f) Tenant causes to be discharged all liens and encumbrances on the Property resulting from any act or omission of Tenant;
- (g) Tenant relinquishes all remaining options to extend this Lease;
- (h) Tenant razes or deposits the cost of razing all Improvements, caps all utility lines, and restores the surface of the Premises to a level, even, and compacted condition; and
- (i) Tenant, and each Mortgagee with any interest in the Property relinquish and transfer to Landlord all remaining insurance proceeds (exclusive of rent insurance) resulting from the casualty to the extent that such proceeds exceed the cost of any required demolition of Improvements and the unpaid balance of any indebtedness secured by the applicable Mortgage.

ARTICLE XI.

Ownership of Improvements

11.1 Existing Improvements All Improvements, Personal Property or fixtures located on the Premises on the Commencement Date shall become the property of Tenant as of the Commencement Date.

11.2 Ownership of New Improvements During Term During the Term, all Improvements constructed on the Premises by Tenant or by a Subtenant as permitted by this Lease shall be owned by such Tenant or Subtenant as their interests may appear until the Termination Date.

11.3 Ownership at Termination All Improvements placed on the Premises by Tenant or by a Subtenant permitted by this Lease and remaining at the Termination Date shall, without compensation to Tenant or its Subtenants, become Landlord's property free and clear of all claims of Tenant or any Subtenant or any third party. Any Personal Property of Tenant or its Subtenants that remains on the Property after the Termination Date shall be deemed abandoned and, at Landlord's election, may be retained by Landlord as Landlord's property, disposed of by Landlord, without accountability, in such manner as Landlord sees fit (including having the same stored at the risk and expense of Tenant), or required by Landlord's written notice to Tenant to

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

be removed by Tenant. The foregoing shall be without prejudice to any election given Landlord by law or hereunder as to such property.

11.4 Right to Remove Personal Property At the Termination Date, Tenant and its Subtenants shall have, subject to the rights of the Landlord pursuant to Chapter 60.72 RCW now as may be amended, the right to remove any or all Personal Property, provided all resultant injuries to the Property are completely remedied and Tenant complies with Landlord's reasonable requirements respecting any required restoration.

ARTICLE XII. Financing

12.1 Conditions to Landlord's Approval Notwithstanding the provisions of Article XIII below, if requested by Tenant in writing and provided Tenant is not then in default and there exists no event which, with the giving of notice or passage of time or both would constitute a default under this Lease, Landlord shall execute its written consent to a hypothecation of this Lease under a Mortgage for the benefit of a Mortgagee upon and subject to the following conditions:

(a) Concurrently with Tenant's request for Landlord's consent, Tenant shall give Landlord a true and complete copy of the note, Mortgage and other Loan Documents, together with the name and address of the proposed Mortgagee. No such encumbrance shall be valid or effective unless Landlord executes its written consent thereto. Notwithstanding any contrary provision of this Lease, Tenant shall have no power or authority whatsoever to encumber Landlord's fee interest in the Premises in any manner.

(b) The Mortgagee shall be an Institutional Lender or another lender approved by Landlord pursuant to the standards set forth in Section 13.1.

(c) The Mortgage and all rights acquired hereunder shall be subject to each and all of the covenants, conditions, restrictions and provisions set forth in this Lease and to all rights and interest of Landlord hereunder, except as herein otherwise provided. Landlord may condition such consent upon receipt of a written agreement satisfactory to Landlord wherein Tenant and Mortgagee (for any period of time Mortgagee is in possession of the Property or the Improvements or holds title to the leasehold interest created hereby or for any other period during which Mortgagee is so required by the other provisions of this Article XII) expressly agree to be bound and subject to all such provisions of this Lease and rights of Landlord, for themselves and their respective successors and assigns. In the event of any conflict between the provisions of this Lease and any provisions of any Mortgage, the provisions of this Lease shall control. In addition, the Loan Documents must conform to the provisions of Section 12.2 below. Any notice to Mortgagee of Tenant's default or of termination of this Lease provided for in this Article may be given concurrently with or after Landlord's notice of default to Tenant as provided below.

(d) No Mortgage shall encumber any interest in real property other than Tenant's leasehold interest in the Premises and fee interest in the Improvements. Further, no

Mortgage shall secure more than one debt or contain a cross-default provision, without Landlord's prior written consent, which shall be granted in Landlord's sole discretion.

(e) The loan terms shall be subject to Landlord's reasonable prior approval, and the loan shall not exceed the following principal amount:

(i) If the loan is a Construction Loan, the principal amount of the loan shall not exceed eighty five percent (85%) of the Appraised Stabilized Value of the Tenant's leasehold interest and the Improvements; the loan terms shall provide for the voucher payment method of disbursing the loan funds during the period of construction of other reasonable mechanisms for disbursing the loan funds.

(f) The Mortgagee shall have served on Landlord a request for written notice from Landlord of any breach or default by Tenant of this Lease, which request shall set forth Mortgagee's address for notices.

(g) Upon approval of a Mortgagee, the Mortgage and the Loan Documents, the Mortgagee shall be considered a "Permitted Mortgagee."

12.2 Loan Documents

12.2.1 Loan Documents in Customary Form. The note, Mortgage and other Loan Documents shall conform substantially to the customary provisions in loan documents for comparable projects except as otherwise provided in this Lease, and shall conform with the provisions of this Lease applicable thereto. All Loan Documents shall be delivered to Landlord before execution, whether they are to be executed by Landlord or are for Landlord's review to insure that they conform to this Lease. Landlord shall have fifteen (15) working days after delivery to review the Loan Documents and object or disapprove them. Landlord's objection or disapproval shall be in writing delivered to Tenant within said fifteen (15) working day period. Landlord's silence shall be deemed to constitute approval and lack of objection, but only if Tenant's notice requesting approval stated in capital letters in bold type that Landlord's failure to disapprove the attached Loan Documents within such fifteen (15) days would be deemed to result in Landlord's approval of such Loan Documents.

12.2.2 Disposition of Insurance Proceeds and Condemnation Award. The Loan Documents shall expressly provide that: (a) any proceeds from fire or extended coverage insurance shall be used for repair or rebuilding of the Improvements and not to repay the loan, or part thereof, except as permitted or provided to be used for such purpose in this Lease; and (b) in the case of a Taking of the Property, Landlord shall be entitled to assert and prosecute its claim for such portion of the Award as it may be entitled to in this Lease.

12.2.3 Notice to Landlord; Cure Rights. The Loan Documents shall expressly provide that all notices of default thereunder must be delivered concurrently to Landlord and Tenant and that Landlord shall have the right, but not the obligation, to cure any default hereunder if Tenant fails to do so. The Loan Documents shall expressly give Landlord at least thirty (30) days after the time Tenant's right to cure has expired within which to cure any default which may be cured by the payment of money and provide that any other default (excluding any

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

defaults that can be cured by the payment of money) shall not be grounds to foreclose any Mortgage if:

(a) Landlord commences within sixty (60) days after Tenant's right to cure has expired, and diligently prosecutes to conclusion, an action or proceeding to evict or remove Tenant from the Premises;

(b) Landlord performs or causes to be performed within said sixty (60) day period all provisions of the Loan Documents capable of performance by a Party not in possession of the Premises and requiring the payment or expenditure of money; and

(c) Immediately on obtaining possession of the Property or sixty (60) days after Tenant's right to cure has expired, whichever occurs earlier, Landlord or another Person leasing the Property from Landlord under this Lease, shall expressly assume Tenant's obligations under the loan secured by such Mortgage, including any note and all other Loan Documents, and any other subordinated or unsecured loans made by Mortgagee to Tenant in connection with the Property. Any Person other than Landlord which assumes the Loan Documents must be acceptable to the Mortgagee in its reasonable discretion, it being assumed that any Affiliate of Landlord shall be deemed acceptable to Mortgagee.

If Landlord or another Person assumes the Loan Documents, Landlord or such Person shall be entitled to relet the Property to any Person acceptable to Mortgagee in its reasonable discretion, it being understood that any Affiliate of Landlord and any Person or entity which meets the requirements set forth in this Lease shall be deemed acceptable to Mortgagee. Neither Landlord's right to cure nor exercise of any right given Landlord to forestall a Foreclosure or transfer in lieu of foreclosure hereunder shall constitute an assumption by Landlord of any liability under the note, Mortgage or other Loan Documents which accrues before the time Landlord obtains possession of the Property.

12.3 Mortgagee Cure Rights If Landlord elects to declare a default by Tenant and terminate this Lease as to Tenant because of such default, any Permitted Mortgagee shall nonetheless have the following rights:

12.3.1 Landlord shall not terminate this Lease because of such default hereunder on the part of Tenant if such Mortgagee shall:

(a) Within thirty (30) days after service of written notice by Landlord of its intention to terminate this Lease for such default, cure such default if the same can be cured by the payment or expenditure of money, or if such default is not so curable, commence and thereafter diligently pursue to completion all necessary steps and proceedings required for the Foreclosure or transfer in lieu of foreclosure of the Mortgage in the manner provided by law; *provided*, that the failure to timely provide such notice to Landlord shall be deemed an irrevocable waiver all rights to cure by such Mortgagee; and

(b) Keep and perform all of the covenants and conditions of this Lease requiring the payment or expenditure of money or maintenance or repair of the Premises by Tenant until such time as the leasehold interest in this Lease shall be sold upon Foreclosure or

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

transfer in lieu of foreclosure pursuant to the Mortgage or shall be released or reconveyed hereunder.

No such performance by any "Permitted Mortgagee" shall, in the absence of possession of the Premises, cause such Mortgagee to become a "mortgagee in possession" or otherwise cause such Mortgagee to be deemed to be in Control of the Premises or bound by this Lease; *provided*, that if the Tenant's leasehold is terminated any Permitted Mortgagee then exercising its right to cure shall be considered in possession subject to the requirements of Section 12.4.1 below.

12.3.2 If, during the thirty (30) days period described in Section 12.3.1(a) above, the Permitted Mortgagee shall be precluded by the bankruptcy laws of the United States or by process or issue of any court having jurisdiction in connection with any bankruptcy or insolvency proceeding, from commencing and pursuing to completion all necessary steps and proceedings required for the Foreclosure or transfer in lieu of foreclosure of the Mortgage, then Landlord shall extend said period so long as may reasonably be required; *provided*, that such Mortgagee is diligently and in good faith exerting all reasonable efforts to obtain an appropriate release from any applicable court order or restraint, and further *provided* that upon such release, such Mortgagee shall in good faith immediately commence and diligently pursue to completion all steps and proceedings for consummation of such Foreclosure.

12.3.3 No voluntary cancellation, termination, surrender, acceptance of surrender, modification of this Lease or amendment that shortens the term of this Lease or reduces the size of Premises shall bind any Permitted Mortgagee if done without the prior written consent of such Permitted Mortgagee.

12.3.4 If any Permitted Mortgagee shall fail or refuse at any time to comply with any and all of the applicable provisions of this Section, then and thereupon Landlord shall be released from any covenant not to terminate this Lease with respect to such Mortgagee.

12.4 Transfer on Foreclosure Landlord's consent shall not be required for transfer of the leasehold estate created by this Lease pursuant to a Foreclosure or transfer in lieu of foreclosure to a Permitted Mortgagee who fully attorns to Landlord and gives written unqualified notice to Landlord that it accepts all terms and conditions of this Lease and will be bound thereby. Landlord's prior consent shall be required for transfer of the leasehold estate created by this Lease pursuant to Foreclosure or transfer in lieu of foreclosure to any other party (regardless of whether such party obtains title to such leasehold estate directly from Tenant or immediately following Foreclosure or transfer in lieu of foreclosure from the Permitted Mortgagee). Any such transfer to any such party shall constitute an assignment and shall be subject to the provisions of Section 13.1. Accordingly, Landlord shall consent to such transfer to such party if such party, in Landlord's sole discretion, has the operational experience and financial stability to cure any existing defaults and otherwise meets the requirements set forth in ARTICLE XIII including, without limitation, whether the proposed transferee's intended use for the Cancer Care Center or the Improvements is compatible with the Statement and/or Landlord's goals. In order to obtain Landlord's prior consent to any such transfer to any such party, the Permitted Mortgagee or such party, as applicable, shall notify Landlord in advance of the Foreclosure or transfer in lieu of foreclosure of the details of any such proposed transfer, including the name

GROUND LEASE

LANDLORD: PHD # 1

TENANT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

and address of the transferee, the proposed effective date of such transfer, the express agreement of the transferee to assume and perform all of Tenant's obligations under this Lease, a copy of the assignment document, and any other information which Landlord shall reasonably request.

12.4.1 If the leasehold estate hereunder shall be transferred by any Foreclosure, the transferee or transferees thereof shall thereupon and thereby: (a) assume in writing in a form reasonably acceptable to Landlord the performance of and be bound by each and all of the covenants, conditions, restrictions, obligations and provisions herein provided to be kept and performed by Tenant during the period such transferee or transferees shall hold title to said leasehold estate; and (b) immediately commence and thereafter diligently prosecute to completion cure of all defaults by Tenant which are capable of being cured.

12.4.2 Any subsequent transfer of the leasehold estate created by this Lease shall constitute an assignment and shall be subject to the provisions of Section 13.1.

12.5 Landlord's Request for Notice of Default On recording any approved Mortgage, Tenant, at its expense, shall cause to be recorded in the office of the Skagit County Auditor a written request executed and acknowledged by Landlord for a copy of all notices of default and notices of sale under such Mortgage as provided by Washington State statutes then in effect. Inclusion in the body of the recorded Mortgage itself of a request having such effect shall constitute compliance with this provision.

12.6 Subordination of Landlord's Interest Any security interest of Landlord, arising under or by virtue of this Lease or by operation of law, in or to the Personal Property, except for those rights created by Chapter 60.72 RCW now or as amended, shall be junior and inferior to the lien of any Permitted Mortgagee or of any secured lender under the Washington Commercial Code or successor statute then in effect provided that such Mortgagee's or secured creditor's rights of removal of such Personal Property shall be subject to the same duty regarding injuries to the Property and its appearance as Tenant is hereunder.

12.7 Payment by Landlord If Tenant fails to make any payments due under any Mortgage, and if Landlord pays any such amounts, together with all penalties and interest that may have been added thereto by reason of such default, any amounts so paid by Landlord shall be immediately due and payable by Tenant as Rent hereunder, together with interest thereon at the Default Rate from the date of payment by Landlord to the date such sum is paid by Tenant to Landlord. Any such payment by Landlord shall not be deemed to be a waiver of any rights of Landlord under this Lease, under the Loan Documents or otherwise.

12.8 Limit on Approved Mortgagee's Liability. Any Permitted Mortgagee shall not be liable to perform Tenant's obligations under this Lease until the Mortgagee acquires Tenant's rights by Foreclosure or by transfer in lieu of foreclosure. After acquiring Tenant's rights by Foreclosure or transfer in lieu of foreclosure, the Mortgagee, and such Mortgagee's successors and assigns, shall, subject to the provisions of this Article XII, be liable to perform Tenant's obligations under this Lease only until the Mortgagee, or such successors or assigns, transfers or assigns the leasehold estate as permitted in this Lease. The Permitted Mortgagee, or such successor or assigns, shall be required to immediately cure Tenant's defaults under this Lease occurring before acquisition of Tenant's rights by Foreclosure or transfer in lieu of

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

foreclosure or by assignment or transfer after either as contemplated in this Section. Except as expressly otherwise provided elsewhere herein, no Mortgagee shall acquire greater rights or interest than Tenant has under this Lease.

12.9 Bankruptcy If Tenant, as debtor in possession, or a trustee in bankruptcy for Tenant, rejects this Lease in connection with any proceeding involving Tenant under the United States Bankruptcy Code or any similar state or federal statute for the relief of debtors (a "Bankruptcy Proceeding"), then Landlord agrees for the benefit of each and every Permitted Mortgagee that such rejection shall be deemed Tenant's assignment of this Lease and the leasehold estate to Tenant's Permitted Mortgagee(s) in the nature of an assignment in lieu of foreclosure. Upon such deemed assignment, this Lease shall not terminate and each Permitted Mortgagee shall become a Tenant hereunder as if the Bankruptcy Proceeding had not occurred, unless such Permitted Mortgagee(s) shall reject such deemed assignment by notice to Landlord within thirty (30) days after receiving notice of Tenant's rejection of this Lease in Bankruptcy Proceedings. If any court of competent jurisdiction shall determine that this Lease shall have been terminated notwithstanding the deemed assignment provided for in place of rejection of this Lease, then Tenant's Permitted Mortgagees shall continue to be entitled to a New Lease as and to the extent provided in this Article XII.

12.10 No Subordination The fee estate in the Premises and Landlord's interest under this Lease shall not be subordinate to any leasehold Mortgage.

12.11 Modifications Requested by Approved Mortgagee From time to time during the Term, Landlord shall consider, in its reasonable discretion, proposed modifications to this Lease reasonably requested by Permitted Mortgagee(s); *provided*, such changes shall not: (a) materially decrease Landlord's rights or Tenant's obligations under this Lease; (b) materially increase any of Landlord's obligations hereunder; (c) affect the Rent to be paid hereunder; or (d) affect the use restrictions set forth in this Lease in any way.

12.12 Subordinations of Leasehold to Future Encumbrance At Landlord's option, this Lease shall be subordinate to any deed of trust or other security instrument hereafter placed on Landlord's fee interest in the Premises by Landlord and to all advances made hereunder and to all renewals, modifications, consolidations, replacements and extensions thereof; *provided* that the secured lender hereunder concurrently provides to Tenant a Subordination, Non-Disturbance and Attornment Agreement which, among other things, provides that in the event of a Foreclosure: (a) Tenant will attorn to the secured lender or its successor owner of the Premises; and (b) the secured lender and any successor owner of the Premises through such lender will not disturb Tenant's quiet enjoyment under this Lease as long as Tenant is not in default hereunder, unless this Lease is otherwise terminated pursuant to its terms. If any trust deed beneficiary or trustee shall elect to have this Lease prior to the lien of its trust deed, it shall give written notice thereof to Tenant, and this Lease shall be deemed prior to such trust deed, whether this Lease is dated prior or subsequent to the date of said deed of trust or the date of recording thereof. Tenant shall execute all documents required to effectuate an attornment, a subordination, or to make this Lease prior or subordinate-to-the lien of any such trust deed, as the case may be; *provided* any such documentation is in commercially reasonable form. Tenant's failure to execute such documents within twenty-one (21) days after written demand shall constitute a default by Tenant

GROUND LEASE

LANDLORD: PHD # 1

TENANT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

hereunder, and a Mortgagee shall be permitted to cure such default in accordance with this Lease.

ARTICLE XIII. Assignment; Subletting

13.1 No Assignment. Except as contemplated by Sections 12.1 and 13.2, Tenant shall not sell, assign, sublease, encumber, pledge, or transfer, whether voluntarily, involuntarily, or by operation of law, its leasehold interest in the Property, or any portion thereof, without Landlord's consent, which shall not be unreasonably withheld; *provided*, however, that Landlord may withhold its consent to any such proposed transfer in its sole discretion if Landlord's disapproval is based upon the identity of the proposed transferee or a proposed use for the Cancer Care Center or the Improvements which is incompatible with the Statement and/or Landlord's goals. Notwithstanding the foregoing, this Lease may be assigned by Tenant to an Affiliate without Landlord's consent, provided that at least ten (10) days prior the effective date of such assignment: (a) Tenant and such Affiliate deliver to Landlord a fully executed assignment and assumption agreement on Landlord's standard form; and (b) Tenant delivers to Landlord a fully executed guaranty of such Affiliate's obligations under this Lease on Landlord's standard form. No sale, assignment, encumbrance, pledge or transfer by Tenant, of its leasehold interest in the Property, or any portion thereof, whether made with or without Landlord's consent, shall release Tenant of any of its obligations under this Lease. As used herein, the terms "sale," "assignment," and "transfer" shall include, without limitation, the occurrence of any of the following: (a) the sale, assignment, transfer or disposition of all or substantially all of Tenant's assets; (b) the sale, assignment, transfer or disposition of fifty percent (50%) or more of the stock, partnership, membership or other interests (whether equity or otherwise) in Tenant (which shall include the conveyance, sale, assignment, transfer or disposition of all or substantially all of the assets, stock or partnership, membership or other interests (whether equity or otherwise) in any Person Controlling Tenant); and (c) the merger, reorganization, share exchange, recapitalization, restructuring or consolidation of Tenant (which shall include the merger, reorganization, share exchange, recapitalization, restructuring or consolidation of any Person Controlling Tenant).

13.2 Subleases. Without Landlord's prior written consent, Tenant may sublease space in the Improvements to a Subtenant if all of the following requirements are satisfied with respect to the sublease:

13.2.1 The Subtenant is Landlord, a Qualified Entity or a Qualified Person, and if Subtenant is a Qualified Person or Qualified Entity, Subtenant shall maintain such status during the duration of the sublease.

13.2.2 The sublease will terminate on or before the expiration of the Term.

13.2.3 The sublease is in a form then approved for use by Landlord.

13.2.4 The sublease will provide that the Subtenant's loss of Hospital staff status shall be an event of default hereunder.

GROUND LEASE
LANDLORD: PHD #1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

13.2.5 So long as the use restrictions set forth in Sections 7.1 and 7.2 above, and Exhibit F hereto, are still in effect, the sublease provides that the Subtenant must use the subleased space in conformance with the Statement referred to in Section 7.1, and those other Sections referred to herein.

Tenant may sublet space in the Improvements to any other Person with Landlord's advance written consent to such sublease, which may be withheld in Landlord's sole and absolute discretion.

13.3 Landlord's Non-Disturbance In the event of termination of this Lease, Landlord shall honor each sublease meeting the requirements of Section 13.2 as if such sublease were a direct lease between Landlord and such Subtenant; *provided*, however, that Landlord shall not be liable for any breach of any obligation owed by Tenant, as sublandlord to any such Subtenant under any such sublease, nor shall Landlord be liable to any such Subtenant for: (a) any previous default by Tenant, as sublandlord under the sublease; or (b) for the return to any such Subtenant of (i) any sums owed to or on deposit with Tenant, including, without limitation, security deposits, and rent paid more than one (1) month in advance; or (ii) any allowances made available by Tenant to Subtenants, including, without limitation, leasehold improvement allowances, unless such sums on deposit or the cash value of such allowances are actually transferred by Tenant to Landlord.

13.4 Assignment by Landlord Landlord may, without Tenant's consent, sell or assign all or part of its interest in the Premises, including its interest in this Lease, and Tenant shall attorn to any purchaser or assignee of Landlord's interest, provided such purchaser or assignee shall be bound by this Lease and shall enter into a Non-Disturbance and Attornment Agreement with Tenant. As used in this Lease, "Landlord" shall mean only the fee owner(s) of the Premises at the time in question, and in the event of any transfer(s) of title to the Premises, the transferor shall be automatically freed and relieved, from and after the date of such transfer and conveyance, of all covenants and obligations of Landlord under this Lease thereafter to be performed. The covenants and obligations of Landlord contained in this Lease shall be binding on Landlord, its successors and assigns, only during and in respect to their respective successive periods of ownership. Landlord covenants that it will give Tenant and any Permitted Mortgagee thirty (30) days' advance written notice of any such sale or assignment. If Landlord proposes to assign any interest in this Lease, such assignment shall include and be conditioned on the assignment of any related agreements between the Parties and nothing herein shall be construed to release Landlord from any liability or obligation arising under such related agreements before the effective date of such assignment.

ARTICLE XIV.

Insurance

14.1 Fire and Extended Coverage Insurance Throughout the Term, Tenant shall purchase and maintain, for the mutual benefit of Landlord and Tenant, property damage insurance on all Improvements located on or appurtenant to the Premises against loss or damage by fire and such other risks as are now or hereafter included in a special form endorsement in common use for similar commercial structures. Such special form shall include rental interruption coverage, sprinkler leakage, and earthquake sprinkler leakage. The amount of the

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

insurance shall be sufficient to prevent either Landlord or Tenant from becoming a coinsurer under the provisions of the policies, but in no event shall the amount be less than one hundred percent (100%) of the then actual replacement cost, with "ordinance coverage" and without deduction for depreciation. Landlord may, not more often than once every twenty-four (24) months, require Tenant to obtain a Construction Cost estimate from a Party reasonably acceptable to Landlord setting forth the then current actual replacement cost of all Improvements, and the resulting determination shall be conclusive between the Parties for the purpose of this Section. Tenant may include a standard mortgagee clause (modified, if necessary, to conform to the requirements of this Lease) designating any Mortgagee as a loss payee under such policy to the extent of that Mortgagee's interest. Tenant may deliver an original certificate of any such insurance to any such Mortgagee. Any deductibles applicable to such special form property insurance shall be Tenant's sole responsibility.

14.1.1 Cooperation. In the event of loss or damage, Landlord shall cooperate fully with Tenant in securing the optimal recovery from the insurer(s).

14.1.2 Proceeds For Major Construction. If any property insurance proceeds exceed the threshold which separates Minor from Major Construction, all the proceeds shall be held in trust by the Permitted Mortgagee holding the first priority Mortgage on Tenant's interest in this Lease and the Improvements, or if there is no such Permitted Mortgagee, by a neutral escrow depository selected by the Parties (referred to in this Section as "Trustee"), for the uses and purposes prescribed by this Lease and distributed or applied as hereinafter provided in this Section 14.1.2. The Trustee's powers and duties are as follows:

(a) Subject to the terms of Article IX applicable to Major Construction, the Trustee shall first use the proceeds from the property insurance policy for the repair, restoration, alteration or reconstruction of the Improvements (referred to in this Section as the "Work") as provided by this Lease;

(b) To fund the Work, Trustee shall make payments against vouchers approved by Trustee or by a licensed architect or engineer engaged by Trustee;

(c) After completion of the Work and after payment and discharge of all cost of the Work, Trustee shall deliver any remaining proceeds to the Mortgagee(s) to be applied in reduction of the indebtedness secured by such Mortgagee(s) in order of their priority or, if none, to Tenant;

(d) Within twenty (20) days after Trustee's notice to Tenant of any amount by which the insurance proceeds are insufficient to pay the actual cost of the Work, Tenant shall deposit the amount of the deficiency with Trustee; and

(e) Tenant shall pay all actual costs and charges of Trustee (and any license architect or engineer engaged by Trustee as set forth above).

14.2 Proceeds For Minor Construction If any property insurance proceeds do not exceed the threshold which separates Minor from Major Construction, all the proceeds shall be

adjusted by and paid to Tenant, in trust, and shall be applied by Tenant for the repair, restoration or reconstruction of any Improvements damaged or destroyed by the casualty.

14.3 Public Liability Insurance Throughout the Term, Tenant shall purchase and maintain, for the mutual benefit of Landlord and Tenant, commercial general or comprehensive general public liability insurance against claims and liability for personal injury, death or property damage arising from the use, occupancy, misuse or condition of the Property or adjoining areas or ways, providing protection of at least Five Million Dollars (\$5,000,000) combined single limit each occurrence for bodily injury or death and property damage resulting from any one accident or occurrence, or such greater amount as may, in Landlord's reasonable judgment, reflects then prevailing industry standards for comparable properties (*provided*, however, that Landlord shall not be entitled to require Tenant to increase the amount of such insurance more frequently than every twenty-four [24] months).

14.4 Builder's Risk Insurance Before commencement of any demolition or construction constituting Major Construction, Tenant shall procure and maintain in force and effect until completion of the work, "all risks" builder's risk insurance including vandalism and malicious mischief, covering the Improvements in place and all material and equipment at the job site furnished under contract for such Major Construction, but excluding contractor's, subcontractor's and construction manager's tools and equipment and property owned by contractor's or subcontractor's employees, with such limits as may reasonably be required by Landlord (but in any event not less than the value of the completed Improvements subject to such Major Construction, including increased costs resulting from change orders or other increased costs of construction).

14.5 Earthquake Insurance So long as such insurance is available at commercially reasonable rates, Tenant shall purchase and maintain, for the mutual benefit of Landlord and Tenant and any Mortgagee, a policy of insurance against loss or damage by earthquake. The deductible on such insurance shall not exceed fifteen percent (15%) of the then-current replacement cost of the Improvements. Landlord shall be named as an additional insured on such policy of insurance. Any insurance proceeds shall be applied in the manner set forth in this Lease. The insurance shall be carried and maintained to the extent of the full replacement cost of the Improvements, as determined in accordance with Section 14.1. Such insurance policy shall be stated to be primary and noncontributing with any insurance that may be carried by Landlord. Any dispute as to whether earthquake insurance is available at commercially reasonable rates shall be submitted to arbitration pursuant to Article XVII.

14.6 Other Insurance; Additional Coverage At any time during the Term, Tenant may procure and maintain any insurance not required by this Lease, but all such insurance shall be subject to all provisions hereof pertaining to insurance and shall be for the mutual benefit of Landlord and Tenant. At the request of Landlord or Mortgagee, Tenant shall obtain such additional insurance coverage or policies as may be reasonably necessary to provide coverage for the Property consistent with coverage generally recommended for similar property in the geographic area in which the Property is located. All such additional insurance policies shall conform to the requirements of this Lease.

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

14.7 Policy Form, Content, Insurer All insurance policies therefor required by express provisions hereof shall be carried only in insurance companies licensed to do business in the State, with an A.M. Best rating of at least A-VII, and otherwise reasonably acceptable to Landlord and any Mortgagee. All such policies shall name Landlord as an additional insured. Each such policy shall be nonassessable and shall contain language to the effect that: (a) any loss shall be payable notwithstanding any act or negligence of Landlord that might otherwise result in the forfeiture of the insurance; (b) the insurer waives the right of subrogation against Landlord and against Landlord's agents and representatives; (c) the policy is primary and noncontributing with any insurance that may be carried by Landlord; and (d) the policy cannot be canceled or materially changed except after thirty (30) days' notice by the insurer to Landlord and Mortgagee(s).

14.7.1 Delivery of Policies. Before the Commencement Date, Tenant shall furnish Landlord with copies of all policies of insurance required hereunder, or with certificates evidencing such insurance, together with proof of payment of the premium. Any such policies or certificates shall comply with the requirements of this Section 14.7. At least ten (10) days prior to the expiration of each policy required hereunder, Tenant shall deliver to Landlord copies of or certificates for the renewal of such policy, together with proof of payment of the premium for such renewal policy.

14.7.2 Blanket Insurance. If it is acceptable to Landlord and all current Mortgagees, Tenant may provide any insurance required by this Lease by blanket insurance coverage; *provided* that Landlord is named as an additional insured and the coverage afforded Landlord will not be reduced or diminished by reason of such blanket insurance coverage.

14.8 Failure to Maintain Insurance If Tenant fails to procure or maintain any insurance required hereunder, Landlord shall have the right, at Landlord's election and without any notice to Tenant, to procure and maintain such insurance on Tenant's account. Landlord shall give Tenant prompt written notice of the payment of premiums, stating the amounts paid and the names of the insurer or insurers. Any sums paid by Landlord hereunder shall be immediately due and payable as Rent, together with interest thereon at the Default Rate from the date of payment by Landlord to the date such sums are reimbursed by Tenant to Landlord.

ARTICLE XV. Condemnation

15.1 Notice The Party receiving a notice of one or more of the following notices shall promptly notify the other Party of the receipt, content and date of such notice: (a) notice of Intended Taking; (b) service of any legal process relating to Condemnation of the Premises or Improvements; (c) notice in connection with any proceedings or negotiations with respect to such Condemnation; and (d) notice of intent or willingness to make or negotiate a private purchase, sale or transfer in lieu of Condemnation.

15.2 Representation. Landlord, Tenant and Mortgagee shall each have the right to represent its respective interest in each condemnation proceeding or negotiation and to make full proof of claims. No agreement, settlement, sale or transfer to or with the condemning authority shall be made without the consent of Landlord, Tenant and Mortgagee. Landlord, Tenant and

GROUND LEASE

LANDLORD: PHD # 1

TENANT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

Mortgagee shall each execute and deliver to the other any instruments that may be required to effect or facilitate the provisions of this Lease relating to condemnation.

15.3 Total or Substantial Taking

15.3.1 Termination on Total Taking. On a Total Taking, this Lease shall terminate on the date of Taking.

15.3.2 Termination on Substantial Taking. On a Substantial Taking, this Lease shall terminate on the date of Taking.

15.3.3 Determination of Substantial Taking. If a Taking is not a Total Taking, Tenant shall elect to treat such Taking as a Substantial Taking or a Partial Taking by notice to Landlord within sixty (60) days after Tenant receives the applicable Notice of Intended Taking. If Tenant elects to treat the Taking as a Partial Taking, or fails to deliver any notice, the Taking shall be deemed a Partial Taking. If Tenant elects to treat the Taking as a Substantial Taking, Landlord may dispute Tenant's election by delivery of notice to Tenant to such effect within ten (10) days following receipt of Tenant's notice, and in such event the dispute shall be promptly submitted to arbitration in accordance with Article XVII. If Tenant elects to treat such Taking as a Substantial Taking, and Landlord does not dispute Tenant's election, the Taking shall be deemed a Substantial Taking.

15.3.4 Early Possession. In the event of a Total Taking or a Substantial Taking, Tenant may continue to occupy the Property until the condemning authority takes physical possession. Notwithstanding the foregoing, in the event of a Substantial Taking, Tenant may elect to deliver possession of the Property to Landlord prior to the date the condemning authority takes physical possession. The election shall be made by notice declaring the election and agreeing to pay all Rent required under this Lease to the date of Taking. Tenant's right to apportionment of or compensation from the Award shall then accrue as of the date of Taking.

15.3.5 Apportionment, Distribution of Award for Total or Substantial Taking. On a Total or Substantial Taking, all sums, including damages and interest, awarded for the Taking shall be deposited promptly with the Mortgagee holding the first priority Mortgage on the Property, in trust, and shall be distributed and disbursed in the following order of priority:

- (a) First, to the taxing authorities all real and personal property taxes constituting a lien on the Property;
- (b) Second, to Landlord a sum equal to the value of the Premises, valued as unimproved land exclusive of improvements and unburdened by all leases and subleases;
- (c) Third, to such first-priority Mortgagee the balance due to such first-priority Mortgagee under its Mortgage in an amount not to exceed the Appraised Stabilized Value of the Property;
- (d) Fourth, to Landlords' lender the balance due under any note and mortgage encumbering the fee interest in the Premises not having priority over this Lease;

GROUND LEASE

LANDLORD: PHD #1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

(e) Fifth, to Landlord any expenses or disbursements reasonably paid or incurred by or on behalf of Landlord for or in connection with the condemnation proceedings;

(f) Sixth, to Landlord the value of the reversionary interest in the Improvements; and

(g) Seventh, to Tenant the balance of the Award.

15.4 Partial Taking

15.4.1 Effect on Lease. Subject to Section 15.4.3 below, on a Partial Taking, this Lease shall remain in full force and effect covering the remainder of the Premises and Improvements.

15.4.2 Restoration of Improvements - Partial Taking. Except as provided in Section 15.4.3 below, promptly after a Partial Taking, Tenant, at its sole expense, shall repair, alter, modify or reconstruct the Improvements in accordance with the terms of this Lease, so as to make the Improvements reasonably suitable for Tenant's continued occupancy for the uses and purposes for which the Premises are leased; *provided*, that if the reasonably estimated cost of the work represents more than fifty percent (50%) of the fair market value of the Improvements before the Taking, Tenant may elect to treat the Taking as a Substantial Taking. Tenant shall be entitled to any proceeds received for any Partial Taking. If Tenant does not repair, alter, modify or reconstruct the Improvements in accordance with the terms of this Lease, the cost thereof shall be deducted from Tenant's share of the Award and paid to the Mortgagees or Landlord as may be appropriate.

15.4.3 Restoration During Final Years of Term. Notwithstanding any other provision of this Lease, Tenant shall not be obligated to repair, alter, modify or reconstruct the Improvements if a Partial Taking occurs during the final five (5) years of the Term or the last two (2) years of any extended term, provided that all of the following conditions are met:

(a) Within thirty (30) days after Tenant receives the Notice of Intended Taking, Tenant gives Landlord notice of election to claim the relief described in this Section;

(b) The work of repair, alteration, modification or reconstruction would constitute Major Construction;

(c) Tenant is not in default under any provision or condition of this Lease;

(d) Tenant continues to make all payments when due as required by this Lease, provided that Landlord may, by notice given at any time after Tenant's notice of such election, elect to terminate this Lease at a date stated in Landlord's notice and to forgive all Rent for the period after that date;

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

(e) Tenant pays in full, or has paid in full, any outstanding indebtedness incurred by Tenant and secured by a Mortgage on Tenant's leasehold interest in the Premises and/or Landlord's fee interest in the Premises, as the case may be;

(f) Tenant delivers possession of the Property to Landlord, quitclaims all right, title and interest to the Property and ceases to do business on the Property;

(g) Tenant causes to be discharged all liens and encumbrances resulting from any act or omission of Tenant; and

(h) Tenant effectively relinquishes in writing its option(s) to extend or renew this Lease.

If the conditions described in this Section 15.4.3 are fully met, the Award shall be apportioned as for a Substantial Taking, applying the requirements of this Section 15.4.3 relating to Tenant's share of the Award; *provided*, that Tenant's right, title and interest in the Property shall continue until the Taking is completed by deed, contract or final order of condemnation.

If all the foregoing conditions for relief are not satisfied, the cost of such repair, alteration, modification or reconstruction shall be deducted from Tenant's share of the Award and paid to the Mortgagee(s) or Landlord as may be appropriate.

15.4.4 Apportionment, Distribution of Award for Partial Taking. Except as otherwise provided in this Section 15.4, on a Partial Taking all sums, including damages and interest, awarded for the Taking shall be deposited promptly with the Mortgagee holding the first priority Mortgage on the Improvements or a neutral escrow depository, in trust, and shall be distributed and disbursed in the following order of priority:

(a) First, to the cost of restoring the Improvements, plus any amount assessed, awarded, paid or incurred to remove or relocate Subtenants, plus any amount specifically awarded and so designated in the Award for detriment to the business of Tenant or Subtenants;

(b) Fourth, to Landlord a sum equal to the value of that portion of the Premises taken, valued as unimproved land exclusive of improvements and unburdened by all leases and subleases (including this Lease);

(c) Third, to Mortgagee(s) in the order of their priority a sum equal to any decrease in its security resulting from the Taking to the extent the Taking results in a decrease in Appraised Stabilized Value of the Property below the Mortgagee(s)' outstanding loan principal;

(d) Fourth, to Landlord, Tenant and Mortgagee(s), prorata, for any expenses or disbursements reasonably and necessarily incurred or paid by or on behalf of Landlord, Tenant and Mortgagee(s) in connection with the condemnation proceedings;

GROUND LEASE

LANDLORD: PHD #1

TENANT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

(e) Fifth, to Tenant the sum of: (i) the value contributed to the Premises at the date as of which the Award is determined by taken Improvements owned by Tenant; (ii) the fair market value of the leasehold interest taken at the date as of which the Award is determined, computed by determining the excess of the present worth of the fair rental value of the entire Premises over the present worth of the contract rent for the entire Premises, then determining the amount standing in the same proportion to that excess, if any, that the area of the Premises taken bears to the total Premises; and (iii) any severance damage computed as the difference between the market value of the remaining leasehold and Improvements as they were, proportionally, before the Taking and as they will be after the Taking; and

(f) Sixth, to Landlord any remainder.

15.5 Temporary Takings In the event of any Taking of the temporary use of all or any part or parts of the Premises or Improvements or both for a period of less than one hundred eighty (180) days and such period does not extend beyond the expiration date of the Term, neither the Term nor the Rent shall be reduced or affected in any way, and Tenant shall be entitled to any Award for the use or estate taken, except that portion which Tenant shall pay to Landlord for any expenses or disbursements reasonably and necessarily incurred or paid by or on behalf of Landlord for or in connection with the proceedings. If, as a result of the Taking for temporary use, Tenant is required to make expenditures for changes, repairs, alterations, modifications or reconstruction of the Improvements to make them economically viable and practical as a whole, Tenant shall receive, hold and disburse the Award in trust for such work. At the completion of the work and the discharge of the Premises and Improvements from all liens and claims, Tenant shall be entitled to any surplus and shall be liable for any deficit. If any such Taking is for a period of more than one hundred eighty (180) days or extends beyond the expiration date of the Term, the Taking shall be treated under the foregoing provisions for Total, Substantial and Partial Takings.

15.6 Dispute as to Type of Takings Any dispute as to whether a Taking is Total, Substantial, Partial or Temporary, and the effects on the Term, Rent and apportionment of the Award, shall in the event of dispute be submitted to arbitration pursuant to Article XVII.

15.7 Waiver The rights of Landlord and Tenant regarding any Taking shall be as set forth in this Article, and each Party hereby waives the provisions of the Washington Code of Civil Procedure and the provisions of any successor or similar law hereinafter enacted, allowing either Party to petition any court to terminate this Lease and/or otherwise allocate condemnation awards between Landlord and Tenant in the event of any Taking.

ARTICLE XVI.

Default; Remedies

16.1 Tenant's Default Each of the events described in the following sub-sections of this Section 16.1 shall be a default by Tenant and a breach of this Lease.

16.1.1 Failure to Perform Covenants. Tenant's abandonment or surrender of the Premises or the Improvements, or failure to pay when due Rent or any other sum required by this Lease to be paid by Tenant, or to perform any other covenant or condition of this Lease.

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

16.1.2 Attachment; Foreclosure Not Event of Default. The subjection of any right or interest of Tenant to attachment, execution or other levy, or to seizure under legal process, if not fully released within thirty (30) days.

16.1.3 Appointment of Receiver. The appointment of a receiver to take possession of the Premises, the Improvements, Tenant's interest in this Lease or Tenant's operations on the Property for any reason, including assignment for benefit of creditors or voluntary or involuntary bankruptcy proceedings.

16.1.4 Insolvency, Bankruptcy. A general assignment by Tenant for the benefit of its creditors, or the filing of a voluntary or involuntary petition by or against Tenant under any insolvency or bankruptcy law, or any filing or petition for the purpose of extending the time for payment, adjustment or satisfaction of Tenant's liabilities, or for reorganization, dissolution or arrangement on account of or to prevent bankruptcy or insolvency, unless the assignment or proceeding and all consequent orders, adjudications, custodies and supervisions are dismissed, vacated or otherwise permanently stayed or terminated within thirty (30) days after the assignment, filing or other initial event.

16.1.5 Default under Mortgage. Any default under any Loan Document, including any note or loan agreement secured by a Mortgage or any Mortgage.

16.2 Notice as Precondition to Landlord's Remedies As a condition to pursuing any remedy for an alleged default by Tenant, Landlord shall, before pursuing any remedy, give written notice of default to Tenant and to any Permitted Mortgagee whose name and address were previously given to Landlord by Tenant or such Mortgagee, stating that the notice was for the purpose of notice under this provision.

16.2.1 Mortgagee's Right to Cure. Each Mortgagee under a permitted Mortgage shall have the notice and cure rights set forth in Section 12.3 above. Landlord shall not interfere with any Mortgagee's entry upon the Property pursuant to any right given under law or granted in the Mortgage for the purpose of attempting to cure any default of Tenant in accordance with the cure rights granted Mortgagee hereunder.

16.2.2 Tenant's Right to Cure. If the default is for nonpayment of Base Annual Rent or any component of Additional Rent, Tenant shall have ten (10) business days after receipt of Landlord's written notice to cure the default. For the cure of any other default, Tenant shall have thirty (30) days after receipt of Landlord's written notice to commence curing the default and a reasonable time thereafter to complete curing of such default so long as Tenant diligently prosecutes such cure to completion, up to a limit of one hundred eighty (180) days.

16.3 Landlord's Right to Cure Tenant's Default After expiration of the applicable time for curing any default, or before the expiration of the cure period in the event of emergency, Landlord, at its option, may elect to cure any Tenant default under this Lease or under any Loan Document, and any amount so paid and the reasonable cost of any such cure, plus interest on such sums at the Default Rate from the date of payment of expenditure by Landlord, shall be deemed to be Additional Rent immediately payable by Tenant to Landlord upon demand. No such payment or performance by Landlord shall constitute a waiver of default

GROUND LEASE
LANDLORD: PHD #1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

or of any remedy for default or render Landlord liable for any loss or damage resulting from any such payment or performance. Landlord, or Landlord's authorized representative, may enter the Property for such purpose and take all such action as may be necessary therefor and such entry shall not constitute or be deemed to be an eviction of Tenant.

16.4 Non-Disturbance of Subtenants Any Subtenant permitted under this Lease satisfying the requirements of Section 13.2 shall not be disturbed in its possession or use by Landlord if the Subtenant performs all its obligations under its sublease and attorns to Landlord.

16.5 Landlord's Remedies If any default by Tenant shall continue uncured after notice of default and beyond the cure period permitted by this Lease, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law or equity, including those referenced in Section 7.4, to which Landlord may resort cumulatively or in the alternative.

16.5.1 Termination. Landlord may at its election terminate this Lease by giving Tenant and any Permitted Mortgagee notice of termination. On the giving of the notice, all Tenant's rights in the Premises and Improvements shall terminate. Promptly after the receipt of notice of termination, Tenant shall surrender and vacate the Premises and Improvements in broom-clean condition and Landlord may re-enter and take possession of the Premises and Improvements and, in Landlord's sole discretion, eject all parties in possession or eject some and not others or eject none; *provided*, however, that no Subtenant shall be disturbed as provided in Section 16.4. Termination under this Section shall not relieve Tenant from the payment of any sum then due to Landlord or from any claim for damages previously accrued or then accruing against Tenant. If Landlord terminates this Lease, Landlord shall be entitled to recover from Tenant:

(a) The worth at the time of Award of the unpaid Rent which had been earned at the time of termination;

(b) The worth at the time of Award of the amount by which the unpaid Rent which would have been earned after termination until the time of Award exceeds the amount of such loss that Tenant proves could have been reasonably avoided;

(c) The worth at the time of Award of the amount by which the unpaid Rent for the balance of the Term after the time of Award exceeds the amount of such loss that Tenant proves could have been reasonably avoided; and

(d) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including the cost of recovering possession of the Premises and Improvements, expenses of reletting, including necessary repair, renovation and alteration of the Improvements, reasonable attorneys' fees, broker's commissions, attorneys' fees, and any other reasonable costs.

The "worth at the time of Award" of the amounts referred to in subsections (a) and (b) above shall be computed by allowing interest at ten percent (10%) per

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

annum from the dates such amounts accrued to Landlord. The worth at the time of Award of the amount referred to in subsection (c) above shall be computed by discounting such amount at one (1) percentage point above the discount rate of the Federal Reserve Bank of San Francisco at the time of Award.

16.5.2 Re-Entry without Termination. Landlord may at its election exercise its remedy which provides that Landlord may re-enter the Property and, without terminating this Lease, at any time and from time to time relet the Premises and Improvements or any part(s) of them for the account and in the name of Tenant or otherwise. Landlord may, in its sole discretion, eject all persons or eject some and not others or eject none; *provided* no Subtenant shall be disturbed as provided in Section 16.4. Landlord shall apply all rents from reletting: (a) first, to payment of all reasonable expenses (including attorneys' fees or broker's commissions) paid or incurred in connection with recovering the Premises and Improvements, placing them in good condition, and preparing them for reletting; (b) second, to reasonable expenses of securing new Subtenants; (c) third, to the fulfillment of Tenant's covenants to the end of the Term; and (d) fourth, to Landlord. Any reletting may be for the remainder of the Term or for a longer or a shorter period, as Landlord may determine. Landlord may execute any leases made under this provision either in Landlord's name or in Tenant's name and shall be entitled to all rents from the use, operation, or occupancy of the Premises and Improvements. Tenant shall nevertheless pay to Landlord on the due dates specified in this Lease the equivalent of all sums required of Tenant under this Lease, plus Landlord's expenses, less the avails of any reletting or attornment. No act by or on behalf of Landlord under this provision shall constitute a termination of this Lease unless Landlord gives Tenant written notice of termination.

16.5.3 Tenant's Personal Property. Landlord may, at its election, use Tenant's Personal Property (but not the Personal Property of any Subtenant) without compensation and without liability for use or damage, or store such Personal Property for the account and at the cost of Tenant. The election of one remedy for any one item shall not foreclose an election of any other remedy for another item or for the same item at a later time.

16.5.4 Waiver. Tenant waives any right of redemption or relief from forfeiture, and under any present or future statutes or case decisions to the same effect, if Tenant is evicted or Landlord takes possession of the Property by reason of any default by Tenant hereunder.

16.5.5 Recovery of Rent. Landlord shall be entitled at its election to each component of Rent or to any combination of components for any period after default and before termination plus interest at the Default Rate from the due date of each component. Landlord shall use its best efforts to mitigate Tenant's liability under this provision.

16.6 Landlord's Default Landlord shall not be considered to be in default under this Lease unless Tenant has given notice specifying the default and Landlord has failed for sixty (60) days to cure the default, if it is curable within that time period, or to institute and diligently pursue reasonable corrective or ameliorative acts for defaults not so curable within such thirty sixty (60) day period. Tenant may not terminate this Lease without the prior written consent of all Mortgagees under permitted Mortgages then existing under this Lease.

GROUND LEASE

LANDLORD: PHD # 1

TENANT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

2/20/2007 Page 65 of 100 4:00PM

16.7 Provisions Applicable to Both Parties

16.7.1 Unavoidable Delays. Except as to the obligations imposed by this Lease for the payment of Rent, any interference or delay in the performance of any obligation caused by strikes, lockouts, labor disputes, acts of public enemies of the United States of America or the State, riots, insurrection, civil commotion, inability to obtain required materials or reasonable substitutes therefor, governmental restrictions, governmental controls, governmental regulations or other cause beyond Landlord's or Tenant's Control, as applicable ("Unavoidable Delay") shall excuse non-performance of such obligation for a period equal to the length of such Unavoidable Delay. Any dispute as to whether any such cause is an Unavoidable Delay shall be resolved by arbitration as provided in Article XII.

16.7.2 Waiver. No waiver of any default by either Party shall constitute a waiver of any other breach or default by such Party, whether of the same or any other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by either Party shall give the other any contractual right by custom, estoppels, or otherwise. No waiver of any condition, covenant, requirement or the like set forth herein by either Party shall be deemed a waiver thereafter of the same or any other provision hereof.

ARTICLE XVII.

Arbitration of Disputes/Waiver of Jury Trial

17.1 Arbitration

17.1.1 Any controversy, dispute or claim of whatsoever nature arising out of, in connection with, or in relation to the interpretation, performance or breach of this Lease, including any claim based on contract, tort or statute, shall be determined by final and binding arbitration conducted before a single arbitrator at a location determined by the arbitrator in Mount Vernon, Washington and administered by JAMS/ENDISPUTE ("JAMS"), or if JAMS shall not then exist, such other organization as to which Landlord and Tenant agree. If Landlord and Tenant are unable to so agree within fifteen (15) days after the dispute arises, the organization shall be selected by the presiding judge of the Skagit County Superior Court or his or her designee upon application by any Party to the dispute. Judgment upon any award rendered by the arbitrator may be entered by the Skagit County Superior Court.

17.1.2 The provisions of this section shall not apply to:

(a) Any unlawful detainer action instituted by Landlord as the result of a default or alleged default by Tenant pursuant to this Lease.

(b) Any specific controversy, dispute, question or issue as to which this Lease specifically provides another method of determining such controversy, dispute, question or issue and provides that a determination pursuant to such method is final and binding, unless both Landlord and Tenant agree in writing to waive such procedure and to proceed instead pursuant to this Section.

(c) Any request or application to Skagit County Superior for an order or decree granting any provisional or ancillary remedy (such as a temporary restraining order or

GROUND LEASE

LANDLORD: PHD # 1

TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

injunction) in aid of or with respect to any right or obligation of either Party to this Lease, and any preliminary determination of the underlying controversy, dispute, question or issue as is required to determine whether or not to grant the relief requested or applied for. A final and binding determination of such underlying controversy, dispute, question or issue shall be made by an arbitration conducted pursuant to this Section after an appropriate transfer or reference to JAMS upon motion or application of either Party hereto. Any ancillary or provisional relief which is granted pursuant to this subparagraph (c) shall continue in effect pending an arbitration determination and entry of judgment thereon pursuant to this Section.

(d) Exercise of any remedies to enforce any judgment entered based upon a determination made by arbitration pursuant to this Section.

17.1.3 Any arbitration pursuant to this Section shall be conducted in accordance with the streamlined arbitration rules and procedures of JAMS (the "rules"), regardless of the amount in dispute, except that, whether or not such rules so provide:

(a) There shall be a pre-hearing conference prior to the arbitration hearing to reach agreement on procedural matters, arrange for the exchange of information, obtain stipulations and attempt to narrow the issues to be arbitrated.

(b) There shall be no mediation or settlement conferences unless all parties agree thereto in writing.

(c) Discovery shall be limited to that permitted by the rules, and "good cause" where a condition to discovery shall be strictly construed.

(d) All motions shall be in letter form and hearings thereon shall be by conference telephone calls unless the arbitrator orders otherwise.

(e) Hearings shall require only twenty (20) days prior written notice.

(f) All notices in connection with any arbitration may be served in any manner permitted by Section 20.2 of this Lease.

(g) Fees and costs paid or payable to JAMS shall be included in "expenses and costs" for purposes of Section 20.6. The arbitrator shall specifically have the power to award to the prevailing party such Party's reasonable expenses incurred in such proceeding, except as otherwise provided in Section 17.1.4 below. Reasonable expenses shall include attorneys' fees and fees and costs paid or payable to JAMS.

(h) The selection of the arbitrator shall be in accordance with the then existing rules of JAMS, *provided* that Landlord and Tenant may agree to extend the period of time by which an arbitrator must be selected by them. In the event that the Parties are unable to agree upon an arbitrator within fifteen (15) days after submission of a matter to arbitration, the arbitrator shall be appointed by the administrator of the Seattle office of JAMS or its successor, if any, as provided in the rules.

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC


200702200205
Skagit County Auditor

(i) The arbitration award shall include findings of fact and conclusions of law and shall not be limited as to amount.

17.1.4 As soon as practicable after selection of the arbitrator, the arbitrator or his or her designated representative shall determine a reasonable estimate of anticipated fees and costs of the arbitrator and shall deliver a statement to each Party setting forth that Party's pro rata share of such fees and costs. Each Party shall deposit its pro rata share of such fees and costs with the arbitrator within ten (10) days after receipt of such statement. If either Party fails to make a required deposit hereunder, the other Party may make such deposit on behalf of the defaulting party and the amount of such deposit, plus interest thereon at the default rate, shall be awarded against the defaulting party by the arbitrator in making any final arbitration award without regard to whether the defaulting party is the prevailing party in the arbitration pursuant to this section. In addition, if Tenant fails to make a required deposit hereunder, Landlord may make such deposit on behalf of Tenant and the amount of such deposit, plus interest thereon at the default rate from date of deposit to date of repayment, shall be additional rent pursuant to this Lease payable by tenant within ten (10) days after Tenant's receipt of Landlord's invoice therefor.

17.1.5 The arbitrator shall have no authority or power to award any party any exemplary or punitive damages.

17.1.6 Any guaranty of Tenant's obligations pursuant to this Lease, whether provided at the execution of this Lease or thereafter, shall be subject to the provisions of this Section, whether or not expressly so stated therein.

NOTICE: BY INITIALING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THIS ARTICLE XVII, DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY THE LAW OF THE STATE OF WASHINGTON AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THIS SECTION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE LAW OF THE STATE OF WASHINGTON. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS ARTICLE XVII TO NEUTRAL ARBITRATION.

Landlord: _____ Tenant: _____

17.2 Trial Without Jury Landlord and Tenant each acknowledge that it has had the advice of counsel of its choice with respect to its rights to trial by jury under the constitutions of the United States and Washington State. Each Party expressly and knowingly waives and releases all such rights to trial by jury in any action, proceeding, or counterclaim brought by

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

either Party against the other on any matters arising out of or in any way connected with this Lease, Tenant's use or occupancy of the Premises, and/or any claim for injury or damage.

Landlord: _____ Tenant: _____

ARTICLE XVIII. Estoppel Certificate

18.1 Certificate Within thirty (30) days after receipt of written request therefor from the other Party, Tenant or Landlord, as the case may be, shall execute, acknowledge and deliver to the requesting Party and/or its lender a statement (to the extent that such representations are accurate): (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect); (b) stating the date to which Rent and other charges are paid in advance, if any; and (c) acknowledging that there are not, to the certifying Party's knowledge, any uncured defaults on the part of the other Party hereunder, or specifying such defaults if any are claimed. Any such statement may be conclusively relied on by any auditor, creditor or lender of either Party, or by any prospective purchaser or encumbrance of the Property.

18.2 Failure to Deliver A Party's failure to deliver such statement within such time shall result in the conclusive presumption that: (a) this Lease is in full force and effect, without modification except as may be represented by the requesting Party; and (b) there are no uncured defaults in the requesting Party's performance.

ARTICLE XIX. Indemnity

19.1 Landlord's Non-Liability Landlord shall not be liable for any loss, damage, injury (including death), liability, cost, expense, claim, demand or cause of action of any kind or character to any person or property arising from, related to or caused by: (a) construction, maintenance or use of the Premises or the Improvements including any such loss, damage, injury, liability, cost, expense, claim, demand or cause of action arising from, related to or caused by (i) any use of the Premises or any part thereof, (ii) any defect in the design, construction of or material in the Improvements, (iii) any defect of soils or in the preparation of soils or in the design and accomplishment of grading, (iv) the presence or existence of any Hazardous Materials, Mold or Mold Conditions in, on or around the Property, (v) any act or omission of Tenant, or of any of its agents, representatives, contractors, employees, servants, customers, licensees or invitees, (vi) any accident on the Property or any fire or other casualty thereon, (vii) Tenant's failure to maintain the Property in safe condition, (viii) any accident off the Property caused by acts or occurrences on the Property, (ix) any act or failure to act by Landlord in enforcing this Lease, or in reviewing, approving, disapproving, consenting to or joining in any plans, specifications, layout, design, application, permit, map or dedication relating to the use or development of the Property, (x) any violation or alleged violation by Tenant or of any of its agents, representatives, contractors, employees, servants, customers, licensees or invitees, of any law now or hereafter enacted, (xi) any slope failure or subsurface geologic or groundwater condition on or adjacent to the Premises, (xii) any work of design, construction, engineering or other work with respect to the Property provided or performed by or

**GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC**


200702200205
Skagit County Auditor

for Landlord either before or after the Commencement Date, or (xiii) any other cause whatsoever in connection with Tenant's use of the Property or Tenant's performance under this Lease; or (b) the breach by Tenant of any of its obligations under this Lease (collectively "Claims"). Tenant, as a material part of the consideration of this Lease, waives on its behalf all claims and demands against Landlord for any such Claims.

19.2 Indemnification of Landlord. Tenant shall indemnify, defend and hold Landlord and its officers, directors, employees, agents, and representatives harmless from any and all liability, loss, damage, cost, expense, claim, demand or cause of action of any kind or character, including court costs and attorneys' fees, resulting from Tenant's operation and maintenance of the Property after the Commencement Date and from any and all injuries suffered by Tenant or of any of its agents, representatives, contractors, employees, servants, customers, licensees or invitees as a result of or in connection with Tenant's inspection, investigation or audit of the Premises before the Commencement Date.

19.2.1 Landlord shall notify Tenant within a reasonable length of time after discovery of any Claim. Tenant, at Tenant's expense, shall defend Landlord against any such Claim and shall engage counsel satisfactory to Landlord to prosecute Landlord's defense of such Claim.

19.2.2 If Tenant fails or refuses to defend Landlord or engage counsel satisfactory to Landlord within ten (10) days after Tenant's receipt of notice of any Claim, Landlord may defend such claim seek and recover its actual damages from Tenant.

19.2.3 This Section 19.2 shall not apply to any claim by Tenant against Landlord or to any claim resulting from the gross negligence or willful misconduct of Landlord or its employees.

ARTICLE XX.

General Provisions

20.1 Interpretation When the context requires, any gender includes all others, the singular number includes the plural, and vice-versa. Captions are inserted for convenience of reference and do not describe or limit the scope or intent of this Lease. Any recitals above, and any exhibits or schedules referred to and/or attached hereto, are incorporated by reference into this Lease. "Including" means including without limitation. No waiver, amendment or discharge of this Lease shall be valid unless it is in writing and signed by the Party to be obligated. If any provision of this Lease is held by a court to be invalid or unenforceable, the other provisions shall remain in effect. No inference or presumption shall be drawn if a Party or its attorney prepared and/or drafted this Lease; it shall be conclusively presumed that the Parties participated equally in its preparation and/or drafting.

20.2 Notices Unless otherwise provided in this Lease or by law, all notices required or permitted by this Lease or by law to be served on or delivered to a Party shall be in writing and deemed duly served, delivered and received when personally delivered or delivered by a recognized overnight courier service to the Party to whom directed, or instead, three (3) business days after deposit in the U.S. mail, certified or registered, return receipt requested, first-class

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC


200702200205
Skagit County Auditor

postage prepaid, addressed as indicated below. A Party may change this address by giving written notice of the change to the other Party. Confirmed fax transmission to a fax machine specified in such a notice shall constitute personal delivery, if followed by hard copy sent by mail or such overnight courier service within one (1) day.

The Parties' addresses for this purpose are:

Landlord:

Gregg A. Davidson, CEO
1415 E. Kincaid, P.O. Box 1376
Mount Vernon, WA 98273

With a copy to:

Bradford E. Furlong, Legal Counsel
825 Cleveland Avenue
Mount Vernon, WA 98273

Tenant:

Mike Hubbard
1001 Fourth Avenue #4400
Seattle, WA 98154

With a copy to:

Russ Tousley, Legal Counsel
1700 7th Avenue #2200
Seattle, WA 98101

20.3 Quitclaim Deed Tenant shall execute and deliver to Landlord on the expiration or termination of this Lease immediately on Landlord's request a quitclaim deed to the Property, in recordable form, designating Landlord as transferee.

20.4 Holdover If Tenant, with Landlord's consent, remains in possession of the Property or any part of it after the expiration of the Term, such occupancy shall be a tenancy from month-to-month on all provisions of this Lease pertaining to Tenant's obligations. If Tenant fails to surrender said Premises on expiration of this Lease despite Landlord's demand to do so, Tenant shall indemnify, defend and hold harmless Landlord from all loss or liability, including any claims made by any succeeding Tenant, based on or resulting from Tenant's failure to surrender, and Landlord shall be entitled to the benefit of all laws respecting summary recovery of possession. Any occupancy by Tenant after the Termination Date without Landlord's current shall be at one hundred fifty percent (150%) of the then current market rental rate for the Property.

20.5 Cumulative Remedies No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

20.6 Attorneys' Fees Subject to Article XVII above, in the event either Landlord or Tenant brings any suit or other proceeding with respect to the subject matter or enforcement of this Lease, the prevailing Party (as determined by the court, agency or other authority before which such suit or proceeding is commenced) shall, in addition to such other relief as may be awarded, be entitled to recover attorneys' fees, expenses and costs of investigation as actually incurred (including without limitation court costs, expert witness fees, costs and expenses of investigation, and all attorneys' fees, costs and expenses in any such suit or proceeding).

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC



200702200205

Skagit County Auditor

20.7 Landlord's Access Landlord and its agents shall have the right to enter the Property at reasonable times for the purpose of inspecting the Property and showing the Property to prospective purchasers, lenders or Tenants.

20.8 Merger If both Landlord's and Tenant's estates in the Premises or the Improvements have both become vested in the same owner, this Lease shall nevertheless not be destroyed by application of a doctrine of merger unless agreed in writing by Landlord, Tenant and any Permitted Mortgagee(s).

20.9 Consents Except as otherwise and expressly provided to the contrary herein, wherever in this Lease the consent of one Party is required to an act of the other Party, such consent shall not be unreasonably withheld.

20.10 Governing Law; Forum This Lease shall be governed by, and construed and enforced in accordance with, the internal laws of Washington State (without regard of principles or conflicts of law) and any applicable laws of the United States of America. For all purposes of this Lease, in any proceeding (including arbitration) involving this lease, the proper place of trial or hearing shall be Mount Vernon, Washington. The Parties irrevocably submit to the jurisdiction of the Superior Court of Skagit County.

20.11 Quiet Possession. On Tenant's paying all Rent and observing and performing all the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Property free from any interference by any Party claiming by, through or under Landlord during the entire Term hereof, subject to all provisions of this Lease.

20.12 Authority The individuals executing this Lease on behalf of either Party represent and warrant to the other Party that they are fully authorized and legally capable of executing, delivering and performing under this Lease on behalf of such Party and that such execution is binding on all Persons holding an interest in the Property.

20.13 Entire Agreement; Further Documentation This Lease, together with *[the Related Documents and]* any *[other]* exhibits hereto *[or thereto]* and any other documents necessary to effectuate the terms of this Lease, contains the entire understanding of the undersigned with respect to the transactions contemplated hereby and contains all of the terms and conditions thereof and supersedes all prior understandings relating to the subject matter hereof.

20.14 No Joint Venture This Lease shall not in any manner be construed as creating a joint venture or partnership, and each Party shall be solely responsible for all actions it takes and expenses it incurs in carrying out its obligations under this Lease.

20.15 Memorandum of Lease The Parties shall execute and acknowledge, in a manner suitable for recording, a Memorandum of Lease in the form attached as Exhibit G, which Memorandum of Lease may be recorded by either Party.

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

20.16 Execution of This and Other Writings The Parties have signed below voluntarily after having been advised by their counsel of all provisions hereof, and, in signing below, they are not relying on any inducements, promises and representations made by or on behalf of the other except as contained in this Lease. This Lease may be executed in counterparts, each of which shall be deemed an original. An executed counterpart of this Lease transmitted by fax shall be equally as effective as a manually executed counterpart. Each Party shall take all reasonable steps, and execute, acknowledge and deliver all further instruments necessary or expedient to implement this Lease.

LANDLORD AND TENANT HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH PROVISION OF IT AND, BY EXECUTING THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, ITS PROVISIONS ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LANDLORD AND TENANT WITH RESPECT TO THE PROPERTY.

[Signature Page Follows]

GROUND LEASE
LANDLORD: PHD #1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

IN WITNESS WHEREOF, the Parties hereto have executed this Lease as of the day and year first above written.

LANDLORD:

Skagit County Public Hospital District No. 1
dba Skagit Valley Hospital

By: _____

Gregg A. Davidson
Its. CEO/Superintendent

Date: _____

SEPT 09, 2005

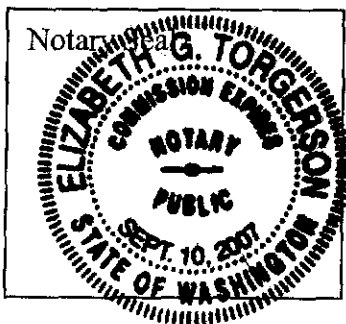
STATE OF WASHINGTON)

) ss.

COUNTY OF SKAGIT)

On this 9th day of September 2005, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Gregg A. Davidson, to me known to be the CEO/Superintendent of Public District Hospital No. 1, Skagit County, Washington, d/b/a Skagit Valley Hospital, the municipal 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 he was authorized to execute the said instrument.

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



Elizabeth G. Torgerson

Printed Name: Elizabeth G. Torgerson

Notary Public in and for the State of Washington,
residing at: Sedro-Woolley

My Commission Expires: 9-10-07

GROUND LEASE
LANDLORD: PHD # 1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor

2/20/2007 Page 74 of 100 4:00PM

TENANT:

MV Investors, a Washington limited liability company

By:

Kirk Johnson
[Print Name]

Date:

9/12/05

STATE OF WASHINGTON)

) ss.

COUNTY OF KING)

On this 12th day of September 2005, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Kirk Johnson known to be the manager of MV Investors, a Washington limited liability company, the company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute the said instrument and that the seal affixed is the seal of said Washington limited liability company.

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

Notary Seal:

William H. Fliegelbaum
Printed Name: William H. Fliegelbaum
Notary Public in and for the State of Washington,
residing at: Seattle
My Commission Expires: 10-20-06

GROUND LEASE
LANDLORD: PHD #1
TENENT: MV INVESTORS, LLC



200702200205
Skagit County Auditor
2/20/2007 Page 75 of 100 4:00PM

EXHIBIT A

[Legal Description]

That portion of Lot 4 lying West of the West line of 13th Street, as conveyed to the City of Mount Vernon by deeds recorded October 28, 1955 and May 21, 1956, under Auditor's File Nos. 526414 and 536375, respectively and all of Lots 5-8, inclusive in "DALE & SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.



200702200205

Skagit County Auditor

2/20/2007 Page 76 of 100 4:00PM

SITE PLAN

MOUNT VERNON MEDICAL CENTER



200702200205
Skagit County Auditor

EXHIBIT B

LEGAL DESCRIPTION OF HOSPITAL PROPERTY

PARCELS "A", "B" & "C":

INTENTIONALLY OMITTED.

PARCEL "D":

Parcel "B", Mount Vernon Short Plat No. MV-31-76, approved September 14, 1976, recorded September 21, 1976 in Book 1 of Short Plats, page 173, under Auditor's File No. 842991 and being a portion of the Northeast ¼ of the Southwest ¼ of Section 20, Township 34 North, Range 4 East, W.M.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "E":

The North ½ of Tract "A" of Mount Vernon Short Plat No. MV-31-76, approved September 14, 1976 and recorded September 21, 1976, in Volume 1 of Short Plats, page 173, under Auditor's File No. 842991, records of Skagit County, Washington; being a portion of the Northeast ¼ of the Southwest ¼ of Section 20, Township 34 North, Range 4 East, W.M., and of Tract "A" of "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "F":

The South ½ of Tract 'A' of Short Plat No. MV-31-76, approved September 14, 1976 and recorded September 21, 1976, under Auditor's File No. 842991 and being a portion of Tract 'A', "GREENSTREET ADDITION" and a portion of the Northeast ¼ of the Southwest ¼, Section 20, Township 34 North, Range 4 East, W.M.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "G":

Lots 1, 2, 3 and 4, "FIRST ADDITION PUBLIC HOSPITAL DISTRICT NO. 1, MOUNT VERNON, WASHINGTON," as per plat recorded in Volume 12 of Plats, page 28, records of Skagit County, Washington.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.



200702200205

Skagit County Auditor

PARCEL "H":

The North 105 feet of the West 10 feet of Tract 2 and the North 105 feet of that portion of Tract 3, lying Easterly of 13th Street as conveyed to the City of Mount Vernon by deed dated January 7, 1956, recorded May 21, 1956, in Volume 278 of Deeds, page 513, under Auditor's File No. 536371, all in "DALE AND SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington.

TOGETHER WITH that portion of the South 7 feet of vacated Carpenter Street, lying Northerly of and adjacent to the above, described Tract and between the East and West line thereof extended Northerly.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "T":

The South 265 feet of Tracts 1 and 2, "DALE AND SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington, EXCEPT the West 10 feet of the North 170 feet of said Tract 2.

ALSO, the South 265 feet of Tract 'A', "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington, EXCEPT those portions conveyed to the City of Mount Vernon by deed recorded December 11, 1984, under Auditor's File No. 8412110021.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "J":

The North 5 feet of Tracts 1 and 2, "DALE AND SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington, EXCEPT the West 10 feet of said Tract 2.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "K":

The North 12 feet of the South 277 feet of Tract A, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.



200702200205
Skagit County Auditor

PARCEL "L":

Those portions of Lots 2 and 3, Block 1, "DALE AND SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington, described as follows:

Beginning at a point 100 feet North of Montgomery Street on the East line of Lot 3;
thence North 65 feet along the East line of Lot 3;
thence West to 13th Street;
thence South 65 feet, along the East line of 13th Street;
thence East to the point of beginning, ALSO,

Beginning at a point 100 feet North of Montgomery Street on the West line of Lot 2;
thence East 10 feet;
thence North 65 feet paralleling the West line of Lot 2;
thence West 10 feet to the West line of Lot 2;
thence South 65 feet along the West line of Lot 2 to the point of beginning,

EXCEPT that portion conveyed to the City of Mount Vernon by deed recorded December 11, 1984, under Auditor's File No. 8412110021.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "M":

That portion of the South 100 feet of Tract 3, "DALE AND SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington, lying Easterly of a line drawn from a point on the North line of said South 100 feet of Tract 3, which is 59.31 feet West of the East line of said tract as measured along said North line, to a point on the South line of said tract, which is 59.86 feet West of the Southeast corner thereof, as measured along said South line.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "N":

That portion of Montgomery Street lying between the East line of Thirteenth Street and the West line of Fifteenth Street; and the portion of Fourteenth Street lying between the North line of Montgomery Street and the North line of Tract 15, if projected Westerly of "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington, ALSO included is the portion of the alley, between the North line of Montgomery Street and the North line of Tract 15, if projected Easterly of the Plat of "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington,



200702200205

Skagit County Auditor

PARCEL "N" continued:

EXCEPT that portion conveyed to the City of Mount Vernon by deed recorded December 11, 1984, under Auditor's File No. 8412110021.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "O":

Tract 16, EXCEPT the East 50 feet thereof, "DALE AND SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington, EXCEPT that portion conveyed to the City of Mount Vernon by deed recorded February 6, 1957, under Auditor's File No. 547256.

ALSO that portion of the Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 20, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the Southwest corner of Tract 16, "DALE AND SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington;

thence South along the East line of Tract 15 in said plat, 32.03 feet;

thence East parallel to the South line of Tract 16, 158 feet, more or less, to a point 50 feet West of the East line of said subdivision;

thence North parallel to the East line of said subdivision, 32.03 feet to the South line of Tract 16;

thence West along the South line of said Tract 16, to the point of beginning,

EXCEPT that portion conveyed to the City of Mount Vernon by deed recorded February 6, 1957, under Auditor's File No. 547255.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "P":

The East 50 feet of Tract 16, "DALE AND SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington.

ALSO the East 50 feet of the South 208.71 feet of the Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 20, Township 34 North, Range 4 East, W.M., EXCEPT the South 175 feet thereof.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.



200702200205

Skagit County Auditor

PARCEL "O":

That portion of the Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 20, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at a point on the East line of Tract 15, "DALE AND SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington, which is 32.03 feet South of the Southwest corner of Tract 16 in said plat;
thence South along the East line of said Tract 15 a distance of 59 feet;
thence East parallel to the South line of said Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$, 158 feet, more or less, to a point 50 feet West of the East line of said Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$;
thence North parallel to the East line of said subdivision 59 feet to a point on a line parallel with the South line of said subdivision and which intersects the point of beginning;
thence West along said parallel line 158 feet more or less, to the point of beginning.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "R":

That portion of the East $\frac{1}{2}$ of the Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 20, Township 34 North, Range 4 East, W.M.

Beginning at the Southeast corner of Tract 15, "DALE AND SHEA'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 68, records of Skagit County, Washington;
thence North along the East line of said Tract 15 a distance of 76.44 feet, more or less, to a point 91.03 feet South of the Southwest corner of Tract 16 in said Dale and Shea's Addition;
thence East parallel to the South line of said Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ a distance of 158 feet, more or less, to a point on a line 50 feet West of and parallel to the East line of said Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$;
thence South along said parallel line a distance of 76 feet, more or less, to a point on the North line of Kincaid Street extended East as shown on said Plat of Dale and Shea's Addition at a point North $89^{\circ}07'53''$ East 158.71 feet from the point of beginning;
thence South $89^{\circ}07'53''$ West along said North line of Kincaid Street as so extended 158.71 feet to the point of beginning,

EXCEPT that portion, if any, conveyed to the City of Mount Vernon by deed recorded December 12, 1957, under Auditor's File No. 559568.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.



200702200205

Skagit County Auditor

PARCEL "S":

That portion of the Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 20, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the Southeast corner of said subdivision;
thence North along the East line thereof 175 feet;
thence West 50 feet;
thence South parallel with the East line of said subdivision 175 feet to the South line thereof;
thence East 50 feet to the point of beginning.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "T":

That portion of the West 330 feet of the Northwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Section 20, Township 34 North, Range 4 East, W.M., lying South of the South line of Montgomery Street as established in the City of Mount Vernon (extended East),

EXCEPT the East 30 feet, AND EXCEPT that portion conveyed to the City of Mount Vernon by Deed recorded February 6, 1957, under Auditor's File No. 547255.

TOGETHER WITH that portion of South 15th Street adjacent thereto as vacated by Order No. 1207 and recorded August 13, 1956, under Auditor's File No. 540010.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "U":

Lot 1, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington, EXCEPT that portion described as follows:

A triangular portion of land commencing at the true point of beginning a point on the South right of way margin of East Division Street being 15 feet Westerly of the West right of way margin of South 15th Street as measured at right angles;
thence Easterly along said South right of way margin to the intersection of the South right of way margin of East Division Street and the West right of way margin of South 15th Street;
thence Southerly along the said West right of way margin of South 15th Street to a point 15 feet Southerly of the South right of way margin of East Division Street as measured at right angles;
thence along a diagonal to the true point of beginning.

Situate in the Mount Vernon, County of Skagit, State of Washington.



200702200205

Skagit County Auditor

2/20/2007 Page

83 of 100 4:00PM

PARCEL "V":

Lot 2, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "W":

Lot 3, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "X":

Lot 4, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "Y":

Lot 5, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "Z":

Lot 6, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "AA":

Lot 7, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.



200702200205
Skagit County Auditor

PARCEL "BB":

Lot 8, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "CC":

Lot 9, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "DD":

Lot 10, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "EE":

Lot 11, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington,

EXCEPT that portion, if any, conveyed to the City of Mount Vernon by deed recorded December 11, 1984, under Auditor's File No. 8412110021.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "FF":

Lot 12, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington,

EXCEPT that portion, if any, conveyed to the City of Mount Vernon by deed recorded December 11, 1984, under Auditor's File No. 8412110021.

Situate in the Mount Vernon, County of Skagit, State of Washington.



200702200205
Skagit County Auditor

PARCEL "GG":

Lot 13, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "HH":

Lot 14, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "II":

Lot 15, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington,

EXCEPT that portion conveyed to the City of Mount Vernon by deed recorded December 11, 1984, under Auditor's File No. 8412110021.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "JJ":

Lot 16, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington,

EXCEPT that portion, if any, conveyed to the City of Mount Vernon by deed recorded December 11, 1984, under Auditor's File No. 8412110021.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "KK":

Lot 17, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.



200702200205

Skagit County Auditor

PARCEL "LL":

Lot 18, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "MM":

Lot 19, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "NN":

Lots 20, 21 and 22, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

TOGETHER WITH all of the 18.00 foot wide alley adjoining Lots 5, 6, 7, 20, 21, and 22, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "OO":

Lot 23, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "PP":

Lot 24, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.

PARCEL "QQ":

The North 6 feet of Lot 24, and all of Lot 25, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

Situate in the Mount Vernon, County of Skagit, State of Washington.



200702200205
Skagit County Auditor

PARCEL "RR":

Lot 26, "GREENSTREET ADDITION, MOUNT VERNON, WASH.", as per plat recorded in Volume 7 of Plats, page 6, records of Skagit County, Washington.

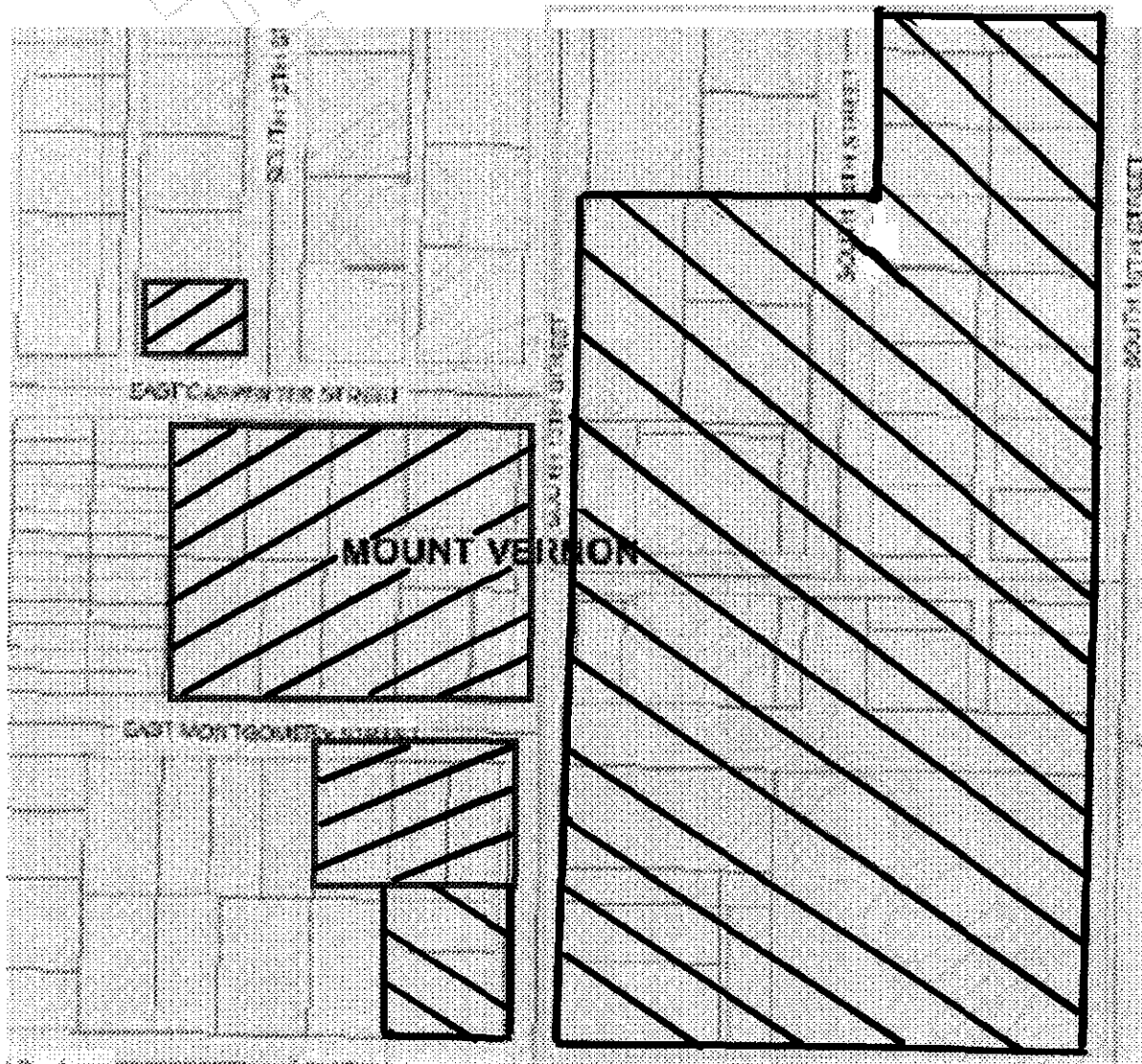
Situate in the Mount Vernon, County of Skagit, State of Washington.



200702200205

Skagit County Auditor

Exhibit C



Skagit Valley Hospital



Medical Office Building



200702200205

Skagit County Auditor

EXHIBIT D

GLOSSARY OF CERTAIN DEFINED TERMS

"Affiliate" — when used with reference to a specified Person, any Person who directly or indirectly Controls, is Controlled by or is under common Control with the specified Person. "Affiliate" shall also include (a) any Person which owns, directly or indirectly (including through one or more intermediaries), fifty percent (50%) or more of any class of voting security or equity interests of such specified Person; (b) any Subsidiary of such specified Person; and (iii) any Subsidiary of a Person defined in clause (c).

"Appraised Stabilized Value" — the appraised value (as determined by a Mortgagee or proposed Mortgagee) of the Property assuming an occupancy rate of ninety-five percent (95%) of the Cancer Care Center and utilizing such other assumptions and directives as are customarily applied by such Mortgagee's appraiser.

"Award" — all compensation, sums or anything of value awarded, paid, or received for a Total, Substantial or Partial Taking, whether pursuant to judgment, agreement, or otherwise.

"Commencement Date" — the date specified in Section 2.1 of this Lease.

"Construction Cost" — the entire cost of a work of improvement including the cost of labor, material, reasonable profit to contractors and subcontractors and any other cost that would constitute the basis of a valid claim or claims against the Premises or the Improvements under the applicable mechanic's lien laws in effect at the time work is commenced.

"Construction Loan" — a loan secured by a Mortgage as permitted in this Lease to finance or partially finance any construction of any Improvements until replaced by a Permanent Loan (if any).

"Control" (including the correlates of "Controlled" and "Controlling") — the possession, directly or indirectly, (including through one or more intermediaries) of the power to direct or cause the direction of the management and policies of Tenant, through the ownership or control of voting securities, partnership interests or other equity interests or otherwise.

"Foreclosure" — judicial foreclosure of a Mortgage, sale under a power of sale given in the Mortgage, and all other remedies provided by law or equity or set out in the Mortgage and enforceable in the State which result in the forfeiture of title by the mortgagor, trustor, Grantor or the like, in the event of a default under the Mortgage.

"Hazardous Materials" — any material, substance or waste that is or has the characteristic of being hazardous, toxic, ignitable, reactive or corrosive, including petroleum, PCBs, mold, asbestos, materials known to cause cancer or reproductive problems and all other materials, substances and/or wastes (including infectious, medical,



200702200205
Skagit County Auditor

and potentially infectious biomedical waste), which are or later become regulated by any local governmental authority, the State or the United States, including substances defined as "hazardous substances," "hazardous materials," "toxic substances" or "hazardous wastes" in any Hazardous Materials Laws.

"Hazardous Materials Laws" — the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. § 5101, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq.; all corresponding and related Washington State and local statutes, ordinances and regulations, including any dealing with underground storage tanks; and in any other environmental law, regulation, or ordinance now existing or later enacted.

"Hospital" — Skagit Valley Hospital or any successor hospital operated by Landlord or its successors which operate an acute care hospital on the Hospital Property.

"Hospital Property" — the real property described on the attached Exhibit B.

"Improvements" — all improvements located on the Premises from time to time and all permanent attachments thereto, including the Cancer Care Center described in Section 7.1; buildings, parking structures, excavations, grading, utility installations, foundations, footings, paving, trees, bushes, vines, plantings, landscaping, furnaces, boilers, machinery, engines, motors, compressors, fittings, pipings, connections, conduits, ducts, electrical wiring and outlets, air conditioners, partitions, ceilings, lighting fixtures and switches; floor covering, equipment of every kind and description now or hereafter used or procured for use in connection with heating, cooling, lighting, plumbing, ventilating, air conditioning, refrigeration, cleaning or general operation of such buildings or other structures, and all replacements and substitutions for any and all of the foregoing. The term "Improvements" shall not include any items that are Personal Property to the extent that any such item would otherwise be included in the foregoing definition.

"Institutional Lender" — a bank, savings and loan association, investment bank, or other institutional lender which, together with its Affiliates, has a net worth of One Billion Dollars (\$1,000,000,000.00) or more. The participation or securitization of a loan by an Institutional Lender shall not give rise to any requirement that each lender participating in such participation or securitization itself be an Institutional Lender, so long as: (a) at the inception of the loan, the originating and agent lender is an Institutional Lender; and (b) at the time of any subsequent assignment of the loan, the assignee and agent lender is an Institutional Lender.

"Landlord" — Public Hospital District No. 1, Skagit County, Washington or its successors and assigns, whether singular or plural in number, and whether having become such by assignment, foreclosure, or other transfer, whether intentional, inadvertent or by operation of law.

"Lease" — this Ground Lease its attachments, exhibits and writings incorporated by reference, or any modifications thereof agreed to in writing by Landlord and Tenant.



200702200205

Skagit County Auditor

"Loan Documents" — the note, Mortgage, security agreement, UCC forms, guarantees, loan agreements, and the like executed in connection with any Mortgage.

"Major Construction" — any construction, repair, alteration, or addition to the Improvements, the Construction Cost of which exceeds five percent (5%) of the then current value of the Improvements or which affects the exterior of the Improvements or is visible from outside the Improvements.

"Minor Construction" — any construction, repair, alteration, or addition to the Improvements, the Construction Cost of which does not exceed five percent (5%) of the then current value of the Improvements and which does not affect the exterior of the Improvements or is not otherwise visible from outside the Improvements.

"Mold" — any mold, mildew, fungus or other potentially dangerous organisms.

"Mold Condition" — the presence or suspected presence of Mold or any condition(s) that reasonably can be expected to give rise to or indicate the presence of Mold, including, but not limited to, observed or suspected instances of water damage or intrusion, the presence of wet or damp wood, cellular wallboard, floor coverings or other materials, inappropriate climate control, discoloration of walls, ceilings or floors, complaints of respiratory ailment or eye irritation by Tenant, Tenant's Representatives, any Subtenant or any employees, invitees or other third persons entering upon, using or occupying the Property, or any portion thereof, at the request or invitation of any of the foregoing, or any notice from a governmental agency of complaints regarding the indoor air quality at the Premises.

"Mold Inspector" — an industrial hygienist certified by the American Board of Industrial Hygienists ("CIH") or an otherwise qualified mold consultant selected by or Tenant and reasonably approved by Landlord.

"Mold Remediation Requirements" — the relevant provisions of the document *Mold Remediation in Schools and Commercial Buildings* (EPA 402-K-01-001, March 2001), published by the U.S. Environmental Protection Agency, as may be amended or revised from time to time, or any other applicable, legally binding federal state or local laws, regulatory standards or guidelines.

"Mortgage" — a mortgage, deed of trust, or other encumbrance recognized in Washington as a contractual security interest which encumbers Tenant's leasehold interest in the Premises, fee interest in the Improvements or any portion of the Improvements deemed Personal Property under applicable law, or any portion of any of the foregoing and which is otherwise permitted by this Lease. No Mortgage shall encumber Landlord's fee interest in the Premises.

"Mortgagee" — the mortgagee, beneficiary, or the like of a Mortgage encumbering or proposed to encumber the Tenant's leasehold interest in the premises subject to this Lease.



200702200205

Skagit County Auditor

"Notice of Intended Taking" — any notice which a reasonably prudent person would interpret as expressing a governmental agency's existing intention of Taking (as distinguished from a mere preliminary inquiry or proposal), including service of a condemnation summons and complaint on a Party. The notice is considered to have been received when a Party receives from the condemning agency or entity a notice of intent to take, in writing, containing a description or map reasonably defining the extent of the Taking.

"Party" or "Parties" — either Landlord or Tenant or both as the context requires.

"Partial Taking" — any Taking that is not either a Total Taking or a Substantial Taking.

"Permanent Loan" — a loan, other than a Construction Loan, secured by a Mortgage as permitted in this Lease, including any Construction Loan that is converted to an amortizing loan and remains secured by such a Mortgage permitted by this Lease.

"Person" — a person or persons or entity or entities or any combination of persons and entities.

"Personal Property" — all personal property of Tenant or Subtenant located on the Premises or in the Improvements including any and all medical treatment or diagnostic equipment whether or not affixed to the Premises or Improvements; *provided* that if such equipment is so affixed, any material damage to the Premises or Improvements resulting from its removal shall be promptly repaired by the removing Party. Personal Property also includes all furniture, furnishings (other than draperies or other window coverings), decorations, bookcases, movable partitions, special lighting fixtures, equipment (including office equipment), appliances, racks, bins, display cases, and merchandise. Personal Property shall not include heating, cooling, lighting, plumbing, ventilating or air conditioning equipment, pipes, fittings, connections, conduits, ducts, wiring, or any other component of the operating systems of the Cancer Care Center.

"Premises" — the real property described in Exhibit A, exclusive of any other Improvements now or hereafter located on the Premises.

"Property" — the Premises including the fee and the leasehold interest therein (or the leasehold interest therein only as the context indicates) and the Improvements.

"Qualified Entity" — a partnership, a corporation, or other business organization in which all or a majority of the owners of equity interests are Qualified Persons.

"Qualified Person" — a member of the medical staff of Hospital (or its successor that operates an acute care hospital on the Hospital Property or any part thereof) and whose use of the Cancer Center is deemed consistent with the Statement by Landlord.

"Rent" — the monetary sums payable by Tenant to Landlord under this Lease for the right to use and possess the Property.



200702200205

Skagit County Auditor

"Subsidiary" — any corporation, partnership, limited liability company, business trusts or other legal entities with respect to which a Person owns, directly or indirectly (including through one or more intermediaries), more than fifty (50%) of the voting stock or partnership, membership or other equity interest, respectively.

"Substantial Taking" — the Taking of so much of the Premises, Property, or Improvements (or any part thereof) that one of the following conditions results:

(a) The remainder of the Premises could not be economically and feasibly used by Tenant; or

(b) A reasonable amount of reconstruction would not make the Premises and Improvements a practical improvement reasonably suited for the uses and purposes for which the Premises are leased hereunder.

"Subtenant" — any subtenant who leases a portion of the Property from Tenant; however, such definition shall not include any person claiming under any sublease or other transfer prohibited by this Lease.

"Taking" — taking or damaging, including severance damage, by eminent domain or by inverse condemnation or for any public or quasi-public use under any statute. The transfer of title may be either a transfer resulting from the recording of a final order in condemnation or a voluntary transfer or conveyance to the condemning agency or entity under threat of condemnation, in avoidance of an exercise of eminent domain, or while condemnation proceedings are pending. Taking shall be considered to take place as of the later of:

(a) the date actual physical possession is taken by the condemning authority; or

(b) the date on which the right to compensation and damages accrues under applicable law.

"Tenant" — MV Investors LLC, and its permitted successors and assigns.

"Term" — unless otherwise indicated by the context, the period of time between the Commencement Date and Termination Date.

"Termination Date" — the expiration of forty (40) years from the Construction Completion Date, plus all extensions provided for herein if exercised in accordance with the terms hereof, unless earlier terminated as provided herein.

"Total Taking" — any Taking by Condemnation of the fee title to all the Premises and all the Improvements.



200702200205

Skagit County Auditor

2/20/2007 Page

94 of 100 4:00PM

EXHIBIT E

Mandatory Building Lease Rent Escalation Provisions

1. For purposes of this exhibit, the following definitions apply:
 - a. "Tenant" shall mean a sub-tenant/occupant leasing space in Cancer Care Center from Tenant, as defined in the Ground Lease.
 - b. "Landlord" shall mean the Tenant, as defined in the Ground Lease.
 - c. "Lease" shall mean any sublease agreement for space in the Cancer Care Center between the Landlord and Tenant as defined in items a & b above.
2. Any Lease, as defined in item 3 above, shall include the following mandatory provisions as required by Section 3.2 of the Ground Lease:

Term and Option to Renew.

a. The term of this Lease ("Lease Term") shall be _____ years, commencing on the Commencement Date as hereinafter defined and expiring on the preceding day of the same month _____ years thereafter.

b. In the event that the Tenant has fully and faithfully performed and carried out all of the obligations imposed upon the Tenant under the terms of this lease agreement in all material respects, and shall not be in default under any terms of the lease agreement, then Tenant shall have the right to extend the term of this lease for _____ consecutive _____ year periods, commencing with the date of expiration of the original term hereof on the following conditions:

(i) Tenant shall notify Landlord in writing of Tenant's intention to exercise its first option to renew no later than six (6) months prior to the expiration of the original term. On condition that the Lease was extended for the first renewal term, Tenant shall notify Landlord in writing of Tenant's intention to exercise its second option to renew no later than six (6) months prior to the expiration of the first renewal term of this Lease.

(ii) Basic Rent for the renewal term shall be "Market Rent" as agreed by Landlord and the Tenant. After receipt of notice of renewal by Tenant, the parties shall have thirty (30) days within which to agree on Market Rent for the Premises, in their then condition. In the event that the parties are unable to agree on Market Rent within such thirty (30) day period, then the Tenant shall have the option, upon fifteen (15) days' written notice to Landlord to either: (1) elect not to proceed to extend the term of the lease for the option period, or (2) elect to determine Market Rent by arbitration as set forth below. In no event shall the rent for the renewal period be less than the rent being charged at the time of exercise of Tenant's renewal option.



200702200205

Skagit County Auditor

(iii) Other than herein specified, all of the other and remaining terms of the original lease agreement shall remain in full force and effect during the renewal term period.

(iv) For the purposes of this Lease, the term "Market Rent" shall mean the rate per rentable square foot per year (including increases therein over the additional term) that a new, willing, non-equity tenant would pay in an arm's-length transaction for the premises, or for comparable space in the Building, if any, or for comparable space in the greater Mount Vernon community.

5. Tenant shall pay Basic Rent in monthly amounts based upon the following rates: \$__00 annual rate per rentable square foot of Building area with annual increases through the tenth year of the lease of 2.5% per year. Rent for years eleven (11) through _____ () shall be at Market Rent as defined in paragraph 2(b)(iv) above, and shall be adjusted annually by the change in the Consumers Price Index, but rent in place for year eleven (11) shall not be less than the rent in place at the end of the tenth year of the Lease. Tenant shall also pay as additional rent its pro rata share of all expenses in addition to the Basic Rent as provided in Paragraph 6.



200702200205

Skagit County Auditor

EXHIBIT F

USE AND SERVICE PROHIBITIONS

The Premises may be used for Provider Uses but shall not be used for providing the following services:

1. Acute inpatient care;
2. A clinic designed and use primarily for urgent care/emergency services;
3. Cardiac catheterization laboratory;
4. Hemodialysis;
5. Cancer care center, including both medical or radiation oncology and surgery;
6. Diagnostic imaging center, including MRI, CT, PET, nuclear medicine, mammography and ultrasound (except for customary and routine imaging for a physician specialty, subject to Section s 7.1 and 7.2) not operated by Landlord or by a venture including the Landlord;
7. Out patient surgery center;
8. Birth center;
9. Diagnostic Laboratory (not including routine diagnostic procedures);
10. Colonoscopy;
11. Physical, speech and occupational therapy.

Any of the Prohibited Services may performed in Premises only (1) if offered by a venture that includes the Hospital; or (2) upon written permission of the Hospital. Any Provider Use delivered by a subtenant not listed as a Prohibited Service may continue in the Premises. The list of Prohibited Service shall be augmented as new subtenants occupy the Premises.



200702200205

Skagit County Auditor

2/20/2007 Page 97 of 100 4:00PM

EXHIBIT G

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE is made by Public Hospital District No. 1 of Skagit County, Lessor, whose address is 1415 E. Kincaid Street, Mount Vernon, Washington 98274, and MV Investors, LLC, Lessee, whose address is 1001 Fourth Avenue Plaza, Suite 4400, Seattle, Washington 98154.

WITNESSETH:

The parties hereto entered into a written Lease Agreement dated September 2, 2005 for the premises known and designated as (See, attached legal description, Exhibit A) consisting of land together with all appurtenant rights, privileges and easements, for a term of 40 years running from and including the date of September 2, 2045 through and including the right of Lessee to renew said lease for 2 additional 10 year periods upon the same terms and conditions, for a total rental period, including extensions and renewals, of 60 years.

The parties hereto have set their hands and seals, this the _____ day of _____, _____.

LANDLORD:

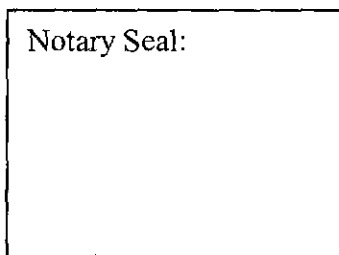
Skagit County Public Hospital District No. 1
dba Skagit Valley Hospital

By: _____ / _____
Gregg A. Davidson Date
Its: CEO/Superintendent

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this _____ day of _____, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Gregg A. Davidson, to me known to be the CEO/Superintendent of Public District Hospital No. 1, Skagit County, Washington, d/b/a Skagit Valley Hospital, the municipal 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 he was authorized to execute the said instrument.

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



Printed Name: _____
Notary Public in and for the State of Washington,
residing at: _____
My Commission Expires: _____



EXHIBIT G

TENANT:

MV Investors, a Washington limited liability company

By:

Kirk Johnson
Kirk Johnson

9/15/05
Date

[Printed Name]

STATE OF WASHINGTON)

COUNTY OF King)

ss.

On this 15th day of September 2005, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Kirk Johnson known to be the Manager of MV Investors, a Washington limited liability company, the company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute the said instrument and that the seal affixed is the seal of said Washington limited liability company.

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

Notary Seal:



Jackie L. Harader
Printed Name: Jackie L. Harader
Notary Public in and for the State of Washington,
residing at: Kent, WA
My Commission Expires: 2/14/07



**EXHIBIT D
TO
GROUND LEASE ESTOPPEL AND AGREEMENT**

Tenant's Limited Liability Company Agreement

A true and complete copy of the Tenant's Limited Liability Company Agreement (which includes all amendments and supplements) is attached.

