



201009130112

Skagit County Auditor

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After Recording Return To:

FURLONG ♦ BUTLER
ATTORNEYS

825 Cleveland Avenue
Mount Vernon, WA 98273

Document Title(s): BUILDING LEASE AGREEMENT (including sub-ground sub-lease)

Reference No. of Related Document(s): 8108140076

Grantors/Lessor: FAMILY PRACTICE PROPERTIES, a Washington general partnership
comprised of Paul D. Johnson, Richard J. Abbott and Steven H. Johnson,
general partners

Grantee/Lessee: Skagit County Public Hospital District No. 1

Abbreviated Legal Description: Ptn of Section 20, Township 34 North, Range 4 East, W.M

Additional Legal Description on Exhibit A of document.

Assessor's Parcel/Tax ID Number: 340420-0-012-0008/P26702; 340420-0-011-0009/P26698;
3725-000-028-0303/P52962

BUILDING LEASE AGREEMENT
(including Ground Sub-Lease)

BETWEEN

FAMILY PRACTICE PROPERTIES,
a Washington general partnership comprised of
Paul D. Johnson, Richard J. Abbott and Steven H. Johnson, general partners,
(Steven H. Johnson, managing partner)

and

SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1,
a Washington municipal corporation

Commencement Date:

~~May 1, 2009~~

June 15, 2009

[Handwritten signatures]

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

SEP 13 2010

Amount Paid \$
Skagit Co. Treasurer
By *[Signature]* Deputy

LESSOR: FAMILY PRACTICE PROPERTIES

LESSEE: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1

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BUILDING LEASE AGREEMENT
(including Ground Sub-Lease)

THIS LEASE AGREEMENT, hereinafter referred to as "this Lease," is made this 15th day of June 2009, by and between the FAMILY PRACTICE PROPERTIES, a Washington general partnership, comprised of Paul D. Johnson, Richard J. Abbott and Steven H. Johnson, general partners, hereinafter referred to as "Lessor," and Skagit County Public Hospital No. 1, a Washington municipal corporation, hereinafter referred to as "Lessee."

WITNESSETH:

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

1. PROPERTY SUBJECT TO THIS LEASE AGREEMENT

The medical office building consisting of 8,500 square feet located at 120 South 13th Street, Mount Vernon, Skagit County, Washington and more particularly described as follows (hereinafter referred to as the "Premises"):

- a. Attached as Exhibit A is a legal description of the real property upon which the Building is located.
- b. Attached as Exhibit B is a sketch depicting the Building.

2. TERM / OPTIONS TO EXTEND AND TERMINATE

- a. Term: The initial term of this Lease shall be from "Commencement Date," May 1, 2009 to February 28, 2011, unless sooner terminated pursuant to any provision of this Lease.
- b. Option to Extend Term: Lessee may, on sixty (60) days' prior notice to Lessor, extend this Lease for two (2) additional five (5) year terms, subject to the adjustment of rent set forth in paragraph 4 (b).
- c. Option to Terminate: Lessee is granted the right to terminate this Lease any reason on six months' written notice to Lessor.

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LESSEE: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1

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3. BUSINESS PURPOSE

It is understood and agreed that Lessee intends to use the Premises for healthcare related uses and to conduct such other activities as are incidental and reasonably related thereto. Lessee shall at all times operate on the Premises in a manner which will assure the safe, lawful and healthful use of the Premises. Lessee agrees that it will not disturb the Lessor or any other tenant of the Lessor by making or permitting any disturbances or any unusual noise, vibration or other condition on or in the Premises.

4. RENT/RENT ADJUSTMENT

a. Commencing on May 1, 2009, Lessee shall pay to Lessor, in lawful money of the United States, without any set-off or deduction, in addition to taxes, assessments, and other charges required to be paid hereunder by Lessee, an initial rent for the Premises of TWELVE THOUSAND ONE HUNDRED SIXTY-SEVEN DOLLARS (\$12,167.00) per month, (hereinafter referred to as "Base Rent"), during the term of this Lease; *provided*, that said rent shall be net of any "rent" paid by Lessee directly to East Division Corporation under the Ground Lease referred to in paragraph 27 below. The Base Rent for each month shall be paid to the Lessor in advance on or before the first day of each and every month of the term of this Lease, and shall be payable at such place as the Lessor may hereinafter designate. The Base Rent may be further adjusted by the addition of other sums and charges specified elsewhere in this Lease. The Lessor shall have all of the same rights and remedies with respect to any additional rent or charges in the event of nonpayment or late payment as are available to it in the event of nonpayment or late payment of the Rent.

b. On the first day of any extension of term pursuant to paragraph 2(b) ("Change Date"), Rent shall be adjusted according to the procedures set forth below in this paragraph:

i. Definitions: The adjusted Rent rate(s) shall be determined in accordance with the formula set forth below. In applying the formula, the following definitions apply:

A) "Bureau" means the U.S. Department of Labor, Bureau of Labor Statistics or any successor agency.

B) "Price Index" means the Consumer Price Index for all U.S. City Average, All Urban Consumers, Region West – Size Class B/C, issued from time to time by the Bureau, or any other measure hereafter employed by the Bureau in lieu of the price index that measures the cost of living or if said Bureau should cease to issue such indices and any other agency of the United States should perform substantially the same function, then the indices issued by such other agency.

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C) "Current Index" means the Price Index for the Annual most recent preceding Change Date.

D) "Prior Year Index" means the Price Index for the Annual year prior to the Current Index.

ii. Formula: The Adjusted Rent shall be determined by multiplying the Rent rate (s) being adjusted by a multiplier equal to the change in the Price Index since the last adjustment computed as follows:

Current Index – Prior Year Index = Index Point Change
Index Point Change / Prior Year Index x 100 = Percent Change
Percent Change x Rent being adjusted = Adjusted Rent

5. LATE CHARGES

Lessee hereby acknowledges that late payment by Lessee to the Lessor of Base Rent, or any other sums due hereunder will cause the Lessor to incur costs not otherwise contemplated by this Lease. Accordingly, if any installment of Rent or any other sum due from Lessee shall not be received by the Lessor within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay the Lessor a late charge equal to 2% of such overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs the Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by the Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent the Lessor from exercising any of the other rights and remedies granted hereunder.

6. CONSTRUCTION OF IMPROVEMENTS

If Lessee intends to construct improvements on the Premises, it shall be at Lessee's cost. Lessee shall not commence construction of any improvements or alterations (alterations include, but are not limited to structural changes, painting of the exteriors of structures, changes to wiring and plumbing) or install any fixtures (other than fixtures which can be removed without injury to the Premises) without prior written consent of Lessor, which consent shall not be unreasonably. Lessee shall submit to Lessor all plans and specifications ("T.I. Plans") relating to such construction of improvements, alterations or installation of any fixtures (other than fixtures which can be removed without injury to the Premises). Appropriate landscaping to be approved by the Lessor shall be a necessary part of any improvements. Failure to object to such T.I. Plans within five (5) working days of submittal shall be deemed approval by Lessor. The construction of all improvements, alterations and/or installation of fixtures shall be carried out by Lessee in a first-class manner at its sole cost and expense, and in full compliance with all federal, state, county and other governmental statutory and regulatory requirements. Until the expiration or sooner termination of this Lease, title to any improvements situated and constructed by Lessee on the Premises and any alteration, change or addition thereto, as well as title to fixtures and

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articles of personal property attached to or used in connection with the Premises by Lessee, shall remain solely in Lessee.

7. DISPOSITION OF IMPROVEMENTS AT END OF LEASE

Lessee shall remove all equipment, personal property and trade fixtures which may have been placed upon the Premises by Lessee during the period of this Lease. If Lessee does not remove any and all equipment, personal property and trade fixtures which have been placed on the Premises by Lessee during the period of this Lease, then the same shall be removed and stored at Lessee's expense and Lessor shall recover any costs and expenses from the Lessee resulting from the removal and storage.

8. CONDITION OF THE PREMISES

Lessee has inspected the property, and the sub-surface conditions, and accepts the property in its present condition; is not relying upon any covenants, warranties or representations of Lessor as to its condition or usability, except Lessor's right to grant a lease of the property; and agrees to make any changes in the Premises necessary to conform to federal, state and local law applicable to Lessee's use of the Premises.

9. LESSEE WILL OBTAIN PERMITS

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

10. INSURANCE COVERAGE

a. Casualty Insurance: Lessor agrees to maintain on all improvements belonging to Lessor, casualty insurance, with extended coverage in the amount of their replacement value. The cost of such insurance shall be charged to Lessee. If Lessee is leasing a portion of a multi-tenant building, then such insurance charges shall be applied on a pro-rata basis.

b. Liability Insurance: Lessee shall, at its own expense, maintain throughout the term of this Lease, proper liability insurance with a reputable insurance company or companies satisfactory to the Lessor in the minimum of \$1,000,000/\$3,000,000 liability limit, with a 25,000,000 umbrella per year.

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c. Certificates: The Lessor shall be named as one of the insured, and shall be furnished a copy of such policy or policies or certificate(s) of coverage, or both, at the Lessor's election. Each certificate of insurance shall provide that the insurance policy or policies are not subject to cancellation without at least thirty (30) days' advance written notice of such cancellation having been first given to the Lessor.

11. WAIVER OF SUBROGATION

The Lessor and Lessee hereby mutually release each other, and their respective successors or assigns, from any liability and waive all right of recovery against each other from any loss from perils insured against under their respective fire insurance contracts, including any extended coverage endorsements thereto; *provided*, that this section shall be inapplicable if it would have the effect, but only to the extent that it would have the effect, of invalidating any insurance coverage of Lessor or Lessee.

12. HOLD HARMLESS PROVISIONS, LIABILITY AND INDEMNITY

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

13. SIGNS

Lessee may install at its own expense such signage as is customary for its use of the Premises and shall remove such signage at termination of this Lease.

14. LAWS AND REGULATIONS

The Lessee agrees, at its sole cost and expense, to conform to, comply with and abide by all lawful rules, codes, ordinances, requirements, orders, directions, laws and regulations of the United States, the state of Washington, and any municipality or agency of any of said entities, including rules and regulations of Lessor, including without limitation those relating to environmental matters, now in existence or hereafter promulgated, applicable to the Lessee's use and operation of said Premises, including the construction of any improvements thereon, and not to permit said Premises to be used in violation of any of said rules, codes, laws or regulations.

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15. ENVIRONMENTAL PROVISIONS

This section delineates the Lessor's and the Lessee's rights and obligations with respect to the release, spillage, storage, transportation or any other aspect of handling hazardous or toxic materials of any nature ("Hazardous Material") regulated by federal and/or state law ("Hazardous Material Regulation").

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

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

c. Lessee acknowledges that it has inspected the Premises for legally impermissible Hazardous Material contamination and that none was apparent as of the date of this Lease. Lessee releases any and all claims against Lessor for the costs to remediate, or pay damages or penalties to any third party due to any Hazardous Material contamination which henceforth may be discovered on the Premises, including payment of all attorney fees and claims of loss of, or interference with, use of the Premises, except to the extent caused by an affirmative act of Lessor.

d. Lessee shall notify Lessor within twenty-four (24) hours of its discovery of any release of a reportable quantity of any Hazardous Material, or of the receipt by Lessee of any notices, orders or communications of any kind from any governmental entity which relate to the existence of or potential for Hazardous Material or environmental pollution of any kind existing on or resulting from the use of the Premises or any activity conducted thereon. If Lessee fails to comply with any of the requirements of this section, Lessor may undertake, without cost or expense to Lessor, any actions necessary to protect Lessor's interest including steps to comply with such laws.

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e. Should any Hazardous Material be released on or under the Premises during the term of this Lease by Lessee or any extension thereof, then Lessee shall at its sole cost and expense shall promptly and diligently remove such Hazardous Material from the Premises or the water underlying the Premises in accordance with applicable Hazardous Materials Regulations and industry standards.

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

16. MAINTENANCE / COMMIT NO WASTE

The Premises have been inspected and are accepted by Lessee in their present condition. Lessee shall, at its sole expense and at all times, keep the Premises neat, clean, and in a sanitary condition; and keep and use the Premises in accordance with applicable laws, ordinances, rules, regulations, and requirements of governmental authorities. Lessee shall permit no waste, damage, or injury to the Premises; keep all drain pipes free and open; protect water, heating, gas and other pipes to prevent freezing or clogging; repair all leaks and damage caused by leaks; replace all glass in windows and doors of the Premises which may become cracked or broken; and remove ice and snow from sidewalks adjoining the Premises. Except for catastrophic destruction not caused by the fault of Lessee, which is the responsibility of the Lessor, Lessee shall make such repairs as necessary to maintain the Premises in as good condition as they now are, reasonable use and wear and damage by fire and other casualty excepted. Lessor will schedule and coordinate annual heating system maintenance, fire sprinkler system maintenance, landscape maintenance and gutter maintenance at Lessee's cost. Lessee shall be under no obligation to perform major deferred maintenance or major repairs and shall not be liable after lease termination for normal wear and tear.

17. UTILITIES

Lessee agrees to contract with the appropriate providers and pay for all public utilities and communications carriers which shall be used in or charged against the Premises, and to hold the Lessor harmless from such charges.

18. LIENS AND INSOLVENCY

Lessee shall keep the Premises free from any liens arising out of work performed, materials furnished, or obligations incurred by Lessee.

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19. TAXES

Lessee shall pay, or reimburse Lessor for, any taxes on the Building or Lessor's leased portion of the East Division Corporation property arising under this Lease.

20. COSTS AND ATTORNEYS' FEES

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

21. TERMINATION

Upon termination of this Lease or any extension thereof, whether by expiration of the stated term or sooner termination thereon as herein provided, Lessee shall surrender to Lessor said Premises peaceably and quietly and in the condition required under the paragraphs entitled "MAINTENANCE/COMMIT NO WASTE" and "DISPOSITION OF IMPROVEMENTS AT END OF LEASE."

22. DEFAULT AND RE-ENTRY

Time is of the essence of this Lease. (a) If (i) any Rent or other payment due from Lessee hereunder remains unpaid for more than ten (10) days after the date it is due; (ii) Lessee files a voluntary petition in bankruptcy or makes a general assignment to the benefit of, or a general arrangement with, creditors; (iii) there is an involuntary bankruptcy filed against Lessee that has not been dismissed within thirty (30) days of filing; (iv) Lessee becomes insolvent; or (v) a receiver, trustee, or liquidating officer is appointed for Lessee's business; or (b) If Lessee violates or breaches any of the other covenants, agreements, stipulations or conditions herein, and such violation or breach shall continue for a period of thirty (30) days after written notice of such violation or breach is sent to Lessee, or upon Lessor's discovery that Lessee made any misrepresentation (including omissions) of any fact or circumstance material to the Lessor's initial determination of the Lessee's suitability to become a tenant of the Lessor, then Lessor may at its option, declare this Lease forfeited and the term hereof ended, or without terminating this Lease elect to re-enter and attempt to relet, in which event Lessee authorizes Lessor to relet the Premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rent or rents and upon such other terms and conditions as Lessor in its sole discretion deems advisable. Upon each such reletting, all rents received by Lessor from such reletting shall be applied, first, to the payment of any amounts other than Rent due hereunder from Lessee to Lessor; second, to the payment of any costs and expenses of such reletting and renovation, including brokerage fees and attorney fees; third, to the payment of Rent due and unpaid hereunder, and the residue, if any shall be held by Lessor and applied to

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payment of future Rent as the same may become due and payable hereunder. If rent received from such reletting during any month are less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor, and Lessee covenants and agrees to pay Lessor for all other expenses resulting from its default, including, but not limited to, brokerage commissions, attorney fees and the reasonable cost of converting the premises for the benefit of the next lessee. Delinquent Rent and other payments shall bear interest at the rate of twelve percent (12%) per annum from the date due until paid. In the event of any default hereunder and entry in, or taking possession of, the Premises, Lessor shall have the right, but not the obligation, to remove from the Premises all personal property located therein, and may store the same in any place selected by Lessor, including but not limited to a public warehouse, at the expense and risk of the owners thereof, with the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, with the proceeds of such sale to be applied to the cost of such sale and to the payment of charges for storage, and to the payment of any other sums of money which may then be due from Lessee to Lessor under any of the terms hereof.

23. ASSIGNMENT AND SUBLEASE

Lessee may sublease the Premises to any healthcare provider at its sole discretion. Lessee shall not, otherwise assign or sublease any portion of the Premises without Lessor's prior written consent. The consent of Lessor to any assignment or sublease shall not in any manner be construed to relieve Lessee from: (a) the requirement to obtain Lessor's express written consent to any other or further assignment or sublease; or (b) its duties and obligations under the Lease.

24. LESSOR'S RIGHT TO ENTER PREMISES

Lessor and/or its authorized representatives shall have the right to enter the Premises at all reasonable times for any of the following purposes:

- a. To do any necessary maintenance and to make any restoration to the Premises that the Lessor has the right or obligation to perform;
- b. To post "For Rent" or "For Lease" signs during any period that the Lessee is in default;
- c. To repair, maintain or improve the Premises;
- d. To do any other act or thing necessary for the safety or preservation of the Premises.

Lessor shall conduct its activities on the Premises as provided herein in a manner that will cause the least inconvenience, annoyance or disturbance to the Lessee.

LESSOR: FAMILY PRACTICE PROPERTIES
LESSEE: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1

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25. NOTICES

All notices or payment hereunder may be delivered or mailed. Below are the addresses of the parties:

LESSOR: FAMILY PRACTICE PROPERTIES
P.O. Box 2427
Mount Vernon, WA 98273
Attn: Steven H. Johnson
Phone: (360) 708 - 3333/Fax: None

LESSEE: SKAGIT VALLEY HOSPITAL
dba Public Hospital District No. 1
ATTN: Gregg A. Davidson, Superintendent
P.O. Box 1376
Mount Vernon, Washington 98273
Phone: (360) 428-2293/Fax: (360) 814-2416

26. TIME IS OF THE ESSENCE

It is mutually agreed and understood that time is of the essence of this Lease and that a waiver of any default of Lessee shall not be construed as a waiver of any subsequent default, and that any notice required to be given under this Lease may be given by United States Mail addressed to the party identified in the paragraph 25 above of this Lease.

27. GROUND LEASE SUB-LEASE

Lessor hereby sub-leases to Lessee the property subject to the Lease and Agreement dated between Lessor and East Division Corporation ("Landlord") March 1, 1982 recorded under Skagit County Auditor's file number 8108140076 as amended by an undated amendment declaring paragraph 11 of said Lease and Agreement null and void ("Ground Lease"). Except for rent thereunder, which shall be paid by Lessor, Lessee shall carry out the Lessee's obligations under the Ground Lease. Said sub-lease shall be for a term co-extensive with the term and extensions thereof in the Ground Lease; *provided*, that should this Lease be terminated pursuant to paragraph 2 (c) above, the sub-lease shall terminate therewith. The foregoing notwithstanding, upon termination of this Building Lease due to the transfer of ownership of the Premises to the Lessee, rent for the Ground sub-lease shall be TWO THOUSAND THREE HUNDRED SEVENTY DOLLARS AND 83 CENTS (\$2,370.83) per month, with any rent owed to Landlord paid by Lessor. Should Lessor not timely pay rent due to Landlord under the Ground Lease, Lessee may make such payment and subtract such amount from rent due to Lessor hereunder.

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IN WITNESS WHEREOF, Lessor and Lessee have caused this instrument to be signed by their respective General Partner and Superintendent/CEO on the date and year set forth below.

LESSOR: FAMILY PRACTICE PROPERTIES

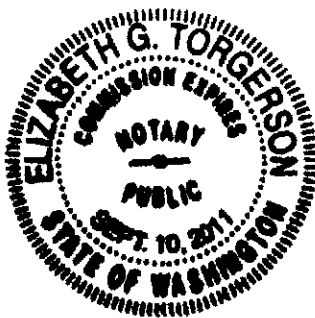
By: Richard Abbott
Richard Abbott
Its: General Partner

Date: 5/7/09

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this 7th day of May 2009 before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Richard Abbott, to me known to be the General Partner of the Family Practice Properties, the partnership that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said partnership, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument,

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



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



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LESSEE: PUBLIC HOSPITAL DISTRICT NO. 1

By: 
Gregg A. Davidson

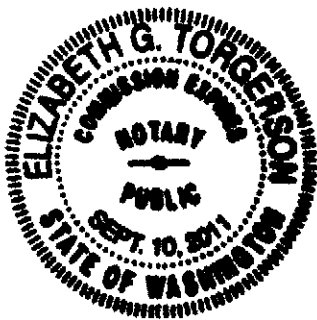
Its: FACHE, CEO

Date: 5/07/09

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this 7th day of May 2009 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 Fache/CEO of Skagit County Public Hospital District No.1, a municipal corporation, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that she is authorized to execute the said instrument,

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



Elizabeth H. Torgerson
Notary Public in and for the state of Washington
Residing at: Sedco Woolley
My commission expires: 9-10-11

Printed Name: Elizabeth G. Torgerson



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EXHIBIT A

The South 1/3 of the following described real property:

ASSESSOR'S PARCEL NO. 340420-0-012-0008/P26702

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 Northeast corner of said Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$;
thence South $89^{\circ}35'00''$ West along the North line of said subdivision, a distance of 165.02 feet;
thence South $1^{\circ}22'42''$ East along a line which is parallel to and 165.00 feet West of and measured at right angles to the East line of said subdivision, a distance of 30.00 feet to a point on the South line of Division Street, which point is the Northwest corner of that tract conveyed to East Division Corporation, a corporation, by deed dated April 1, 1967, and recorded May 24, 1967, under Auditor's File No. 699576 and which point is the true point of beginning of this property description;
thence South $1^{\circ}22'42''$ East along the West line of said East Division Corporation Tract, a distance of 234.03 feet to the Southwest corner thereof;
thence South $89^{\circ}35'00''$ West, a distance of 27.71 feet to a point on the East line of Thirteenth Street;
thence North $0^{\circ}51'27''$ West along said East line of Thirteenth Street, a distance of 234.00 feet to a point on the South line of Division Street;
thence North $89^{\circ}35'00''$ East along the South line of Division Street, a distance of 25.57 feet to the true point of beginning of this property description,

EXCEPT that portion conveyed to The City of Mount Vernon by Deed recorded June 12, 2007, under Auditor's File No. 200706120001, described as follows:

Beginning at the Northwest corner of the above described property;
thence South $00^{\circ}49'54''$ East (Deed South $0^{\circ}51'27''$ East) along the West line of the above described property and the East margin of South 13th Street for a distance of 18.00 feet;
thence North $44^{\circ}23'12''$ East for a distance of 25.36 feet, to a point on the North line of the above described property and the South margin of East Division Street;
thence South $89^{\circ}36'18''$ West (Deed South $89^{\circ}35'00''$ West) along said South margin of East Division Street for a distance of 18.00 feet to the point of beginning.

LESSOR: FAMILY PRACTICE PROPERTIES

LESSEE: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1

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ASSESSOR'S PARCEL NO. 340420-0-011-0009/P26698

The North 264 feet of the East 165 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 street right of way.

ASSESSOR'S PARCEL NO. 3725-000-028-0303/P52962

The North 234.00 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 any street right of way.

All situate in the city of Mount Vernon, county of Skagit, state of Washington.



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BUILDING LEASE AGREEMENT
(including Ground Sub-Lease)

BETWEEN

FAMILY PRACTICE PROPERTIES,
a Washington general partnership comprised of
Paul D. Johnson, Richard J. Abbott and Steven H. Johnson, general partners,
(Steven H. Johnson, managing partner)

and

SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1,
a Washington municipal corporation

Commencement Date:
May 1, 2009



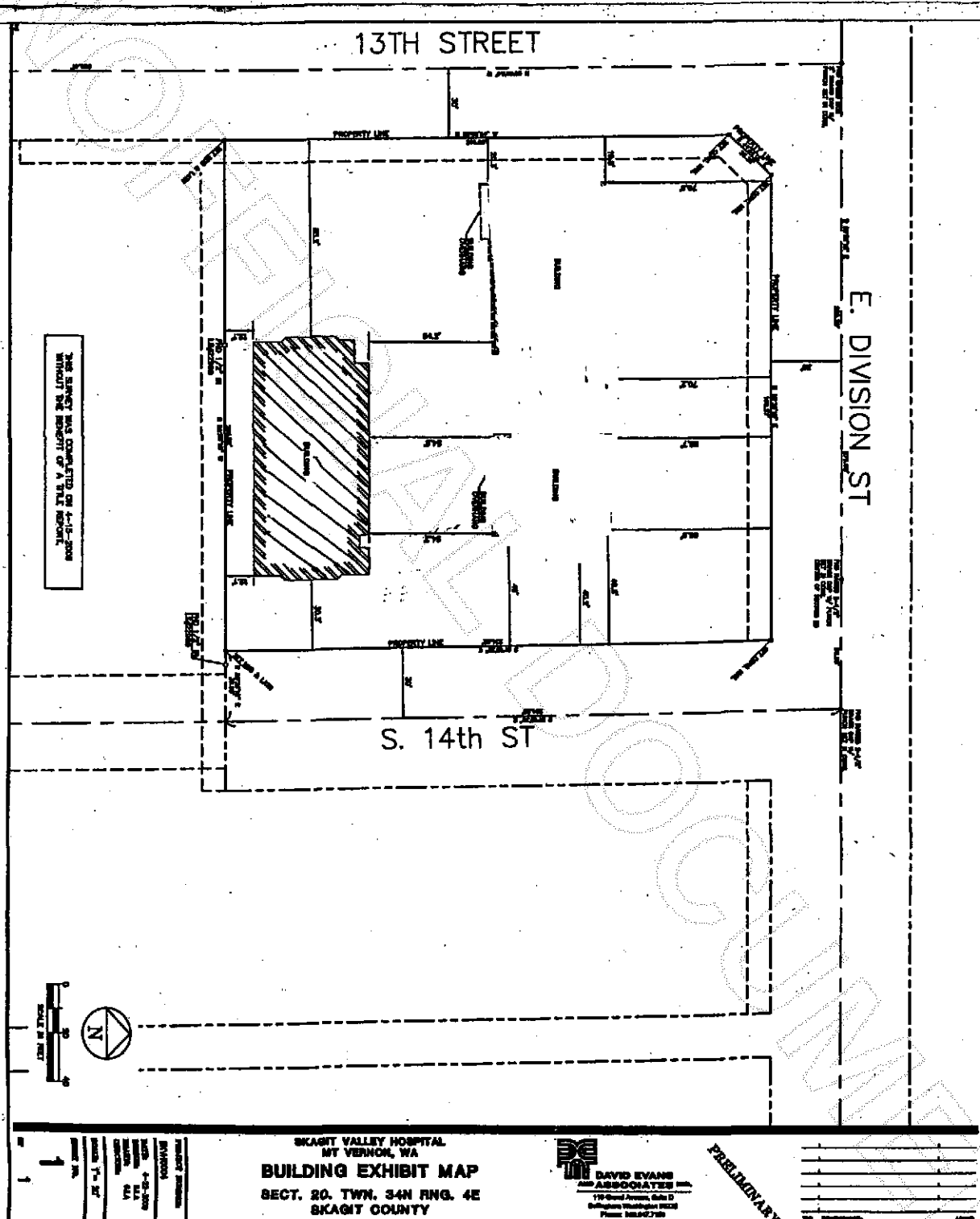
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EXHIBIT B



LESSOR: FAMILY PRACTICE PROPERTIES
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