



201009200093

Skagit County Auditor

9/20/2010 Page

1 of 18 2:35PM

After Recording Return To:

FURLONG ♦ BUTLER
ATTORNEYS

825 Cleveland Avenue
Mount Vernon, WA 98273

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

SEP 20 2010

Amount Paid \$ 0
By Skagit Co. Treasurer
Deputy

Document Title(s): BUILDING SUB-LEASE AGREEMENT (With Personal
Guarantee)

Reference No. of Related Document(s): (FILL IN LEASE AF #)

Grantors/Sub-Lessor: Skagit County Public Hospital District No. 1

Grantee/Sub-Lessee : Spine Science Institute, Inc, PC

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 SUB-LEASE AGREEMENT

BETWEEN

SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1

AND

SPINE SCIENCE INSTITUTE, Inc, PC

WITH

PERSONAL GUARANTEE

OF

FAROUQ AL-HAMDAN, M.D., FRCS

Commencement Date:

August 16, 2010



201009200093

Skagit County Auditor

9/20/2010 Page

2 of

18 2:35PM

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1

SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC

Page 2 of 18

BUILDING SUB-LEASE AGREEMENT

THIS SUB-LEASE AGREEMENT, hereinafter referred to as "this Sub-Lease," is made this 10 day of ~~August~~ ^{September} 2010, by and between the SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1, a Washington public hospital district, hereinafter referred to as "Sub-Lessor," and SPINE SCIENCE INSTITUTE, Inc, PC, hereinafter referred to as "Sub-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 SUB-LEASE AGREEMENT

A portion (consisting of 1,949 square feet) of the medical office building located at 120 South 13th Street (to be re-addressed as 119 South 14th 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 Premises.

2. TERM / OPTIONS TO EXTEND AND TERMINATE

a. Term: The initial term of this Sub-Lease shall be from "Commencement Date," August 16, 2010 to August 16, 2012 unless sooner terminated pursuant to any provision of this Sub-Lease.

b. Option to Extend Term: Sub-Lessee may, on sixty (60) days' prior notice to Sub-Lessor, extend this Sub-Lease for one (1) additional two (2) year term, subject to the adjustment of rent set forth in paragraph 4 (b).



201009200093

Skagit County Auditor

9/20/2010 Page

3 of 18 2:35PM

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1

Page 3 of 18

SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC

3. BUSINESS PURPOSE

It is understood and agreed that Sub-Lessee intends to use the Premises for healthcare related uses and to conduct such other activities as are incidental and reasonably related thereto. Sub-Lessee shall at all times operate on the Premises in a manner which will assure the safe, lawful and healthful use of the Premises. Sub-Lessee agrees that it will not disturb the Sub-Lessor or any other tenant of the Sub-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 August 16th 2010, Sub-Lessee shall pay to Sub-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 Sub-Lessee, base rent for the Premises of THREE THOUSAND EIGHT HUNDRED NINETY-EIGHT DOLLARS (\$3,898.00) per month, (hereinafter referred to as "Base Rent"), during the term of this Sub-Lease. The Base Rent for each month shall be paid to the Sub-Lessor in advance on or before the first day of each and every month of the term of this Sub-Lease, and shall be payable at such place as the Sub-Lessor may hereinafter designate. The Base Rent may be further adjusted by the addition of other sums and charges specified elsewhere in this Sub-Lease. The Sub-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 Base 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.



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 or 5%, which ever is less x Rent being adjusted =
Adjusted Rent

5. LATE CHARGES

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

6. CONSTRUCTION OF IMPROVEMENTS

Sub-Lessor's Lessor has caused certain tenant improvements to be constructed in the Premises pursuant to a contract with Tower Construction. Sub-Lessor shall not be responsible for the suitability, completion or cost of such improvements. If Sub-Lessee intends to construct any other improvements on the Premises, it shall be at Sub-Lessee's cost. Sub-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 Sub-Lessor, which consent shall not be unreasonably. Sub-Lessee shall submit to Sub-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 Sub-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 Sub-Lessor. The

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1

Page 5 of 18

SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC



201009200093

Skagit County Auditor

construction of all improvements, alterations and/or installation of fixtures shall be carried out by Sub-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 Sub-Lease, title to any improvements situated and constructed by Sub-Lessee on the Premises and any alteration, change or addition thereto, as well as title to fixtures and articles of personal property attached to or used in connection with the Premises by Sub-Lessee, shall remain solely in Sub-Lessee.

7. DISPOSITION OF IMPROVEMENTS AT END OF SUB-LEASE

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

8. CONDITION OF THE PREMISES

Sub-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 Sub-Lessor as to its condition or usability, except Sub-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 Sub-Lessee's use of the Premises.

9. SUB-LESSEE WILL OBTAIN PERMITS

Sub-Lessee shall be solely responsible for obtaining and complying with all permits, approvals or licenses required for the operation and conduct of Sub-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 Sub-Lessee fails to obtain and comply with such permits, then Sub-Lessee accepts full responsibility for any and all costs incurred by the Sub-Lessor, including actual attorney's fees, incurred by Sub-Lessor pursuing Sub-Lessee's default for its failure to obtain and/or comply with such permits. Sub-Lessee agrees to hold the Sub-Lessor harmless from any liability and to fully reimburse expenses of the Sub-Lessor for Sub-Lessee's failure to obtain and/or fully comply with any necessary permit.

10. INSURANCE COVERAGE

a. Casualty Insurance: Sub-Lessor, (defined below) shall maintain on all improvements belonging to Sub-Lessor, casualty insurance, with extended coverage in the amount of their replacement value. Sub-Lessee shall reimburse Sub-Lessor for its costs associated therewith per paragraph 17 below.

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC

Page 6 of 18



201009200093

Skagit County Auditor

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

c. **Certificates:** The Sub-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 Sub-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 Sub-Lessor.

11. WAIVER OF SUBROGATION

The Sub-Lessor and Sub-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 Sub-Lessor or Sub-Lessee.

12. HOLD HARMLESS PROVISIONS, LIABILITY AND INDEMNITY

The Sub-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 Sub-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 Sub-Lessee's use of the Premises or Sub-Lessee's performance under this Sub-Lease, except to the extent of such damage caused solely by negligence of the Sub-Lessor. Sub-Lessee agrees to defend and hold and save the Sub-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

Sub-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 Sub-Lease.

14. SUB-LEASE, LAWS AND REGULATIONS

The Sub-Lessee agrees, at its sole cost and expense, to conform to, comply with ALL obligations of the Lessee under the Lease dated May 1, 2009 between Sub-Lessor and 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 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

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1

Page 7 of 18

SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC



201009200093

Skagit County Auditor

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 Sub-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.

15. ENVIRONMENTAL PROVISIONS

This section delineates the Sub-Lessor's and the Sub-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. Sub-Lessee covenants to defend, indemnify, and hold Sub-Lessor harmless ("Indemnify") from any imposition or attempted imposition by any person or entity upon Sub-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 Sub-Lessee's use of the Premises during the term of this Sub-Lease, and without regard to when the liability is asserted.

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

c. Sub-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 Sub-Lease. Sub-Lessee releases any and all claims against Sub-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. Sub-Lessee shall notify Sub-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 Sub-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 Sub-Lessee fails to comply with any of the requirements of this section, Sub-Lessor may undertake, without cost or expense to Sub-Lessor, any actions necessary to protect Sub-Lessor's interest including steps to comply with such laws.

e. Should any Hazardous Material be released on or under the Premises during the term of this Sub-Lease by Sub-Lessee or any extension thereof, then Sub-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 Sub-Lease to the contrary notwithstanding, Sub-Lessee's breach of any covenant contained in this section shall be an event of default empowering Sub-Lessor, in addition to exercising any remedy available at law or in equity, to terminate this Sub-Lease and to evict Sub-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 Sub-Lessee in their present condition. Sub-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. Sub-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 Sub-Lessee, which is the responsibility of the Sub-Lessor, Sub-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. Sub-Lessor will schedule and coordinate annual heating system maintenance, fire sprinkler system maintenance, landscape maintenance and gutter maintenance at Sub-Lessee's cost. Sub-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. PAYMENT FOR UTILITIES, TAXES AND INSURANCE

As additional rent, Sub-Lessee agrees to reimburse Sub-Lessor within with the base rent payment, twenty-three percent (23%) of all utilities, property taxes and insurance paid by Sub-Lessor on the building in which the Premises is located ("Pro Rata Charge"). For the first year hereof, the amount paid shall be EIGHT HUNDRED NINETY-SIX DOLLARS (\$896.00) per month ("Estimated Pro Rata Charge"). Within sixty (60) days of the end of the each year of the term or any extension hereof, the Sub-Lessor shall determine the Pro Rata Charge based on the

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC

Page 9 of 18



201009200093
Skagit County Auditor

preceding year's actual expenses and notify the Sub-Lessor of any credit due or deficiency owed, either of which shall be remitted within thirty (30) days of such notice. The Pro Rata Charge so determined shall become the Estimated Pro Rata Charge for the ensuing year.

18. LIENS AND INSOLVENCY

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

19. TAXES

See, paragraph 17.

20. COSTS AND ATTORNEYS' FEES

If by reason of default on the part of either party to this Sub-Lease it becomes necessary to employ an attorney to recover any payments due hereunder or to enforce any provision of this Sub-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 Sub-Lease or any extension thereof, whether by expiration of the stated term or sooner termination thereon as herein provided, Sub-Lessee shall surrender to Sub-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 SUB-LEASE."

22. DEFAULT AND RE-ENTRY

Time is of the essence of this Sub-Lease. (a) If (i) any Rent or other payment due from Sub-Lessee hereunder remains unpaid for more than ten (10) days after the date it is due; (ii) Sub-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 Sub-Lessee that has not been dismissed within thirty (30) days of filing; (iv) Sub-Lessee becomes insolvent; or (v) a receiver, trustee, or liquidating officer is appointed for Sub-Lessee's business; or (b) If Sub-Lessee violates or breaches any of the other covenants, agreements, stipulations or conditions herein, and such violation of breach shall continue for a period of thirty (30) days after written notice of such violation or breach is sent to Sub-Lessee, or upon Sub-Lessor's discovery that Sub-Lessee made any misrepresentation (including omissions) of any fact or circumstance material to the Lessor's initial determination of the Sub-Lessee's suitability to become a tenant of the Lessor, then Sub-Lessor may at its option, declare this Sub-Lease forfeited and the term hereof ended, or without terminating this Sub-Lease elect to re-enter and

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC

Page 10 of 18



201009200093
Skagit County Auditor

attempt to relet, in which event Sub-Lessee authorizes Sub-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 Sub-Lease) and at such rent or rents and upon such other terms and conditions as Sub-Lessor in its sole discretion deems advisable. Upon each such reletting, all rents received by Sub-Lessor from such reletting shall be applied, first, to the payment of any amounts other than Rent due hereunder from Sub-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 Sub-Lessor and applied to payment of future Rent as the same may become due and payable hereunder. If rent received from such reletting during any month are less than that to be paid during that month by Sub-Lessee hereunder, Sub-Lessee shall pay any such deficiency to Lessor, and Sub-Lessee covenants and agrees to pay Sub-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 Sub-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, Sub-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 Sub-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 Sub-Lessee to Sub-Lessor under any of the terms hereof.

23. ASSIGNMENT AND SUB-LEASE

Sub-Lessee may shall not assign or sublease any portion of the Premises without Lessor's prior written consent. Sub-lessee's request to sublease or assign this sub-lease to a tenant who shall provide healthcare services shall not be unreasonably refused. The consent of Sub-Lessor to any assignment or Sub-Lease shall not in any manner be construed to relieve Sub-Lessee from: (a) the requirement to obtain Lessor's express written consent to any other or further assignment or sub-lease; or (b) its duties and obligations under this Sub-Lease.

24. SUB-LESSOR'S RIGHT TO ENTER PREMISES

Sub-Lessor and/or its authorized representatives shall have the right to enter the Premises at all reasonable times after 24 hour notification to the Sublessee (except in an emergency to injury to persons or property for any of the following purposes:

- a. To do any necessary maintenance and to make any restoration to the Premises that the Sub-Lessor has the right or obligation to perform;
- b. To post "For Rent" or "For Lease" signs during any period that the Sub-Lessee is in default;

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, P

Page 11 of 18



201009200093
Skagit County Auditor

- 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.

Sub-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 Sub-Lessee. In the event Sub-Lessor or its agents do enter the premises, they shall take reasonable steps to ensure that the integrity and confidentiality of Sub-Lessee's equipment and patient records are not compromised.

25. NOTICES

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

SUB-LESSOR: 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

SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC
ATTN: FAROUQ AL-HAMDAN, M.D., FRCS,
President

117 501st St.
Mount Vernon, WA 98273

26. TIME IS OF THE ESSENCE

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

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC

Page 12 of 18

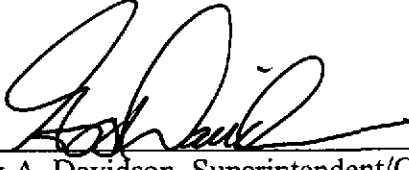


201009200093
Skagit County Auditor

IN WITNESS WHEREOF, Sub-Lessor having caused this instrument to be signed by its Superintendent/CEO on the date and year set forth below.

SUB-LESSOR:
SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1

By:


Gregg A. Davidson, Superintendent/CEO

Date:

9-16-10

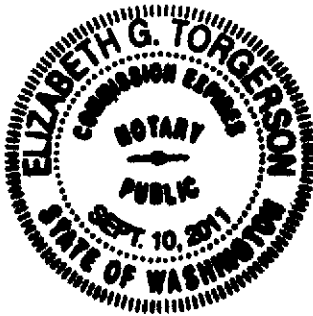
STATE OF WASHINGTON)

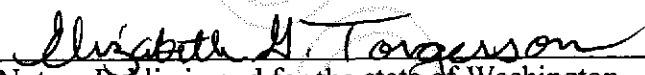
) ss.

COUNTY OF SKAGIT)

On this 16th day of September 2010 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 Superintendent/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 he is authorized to execute the said instrument,

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




Notary Public in and for the state of Washington
Residing at: Sedro-Woolley
My commission expires: 9-10-11

Printed Name: Elizabeth G. Torgerson

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc. PC

Page 13 of 18



201009200093
Skagit County Auditor

IN WITNESS WHEREOF, Sub-Lessee having executed this instrument on the date and year set forth below.

SUB-LESSEE:
SPINE SCIENCE INSTITUTE, Inc, PC

By: Farouq Al-Hamdan
Farouq Al-Hamdan, M.D., FRCS, President

Date: 09/02/2010

Attest:

By: Farouq Al-Hamdan
Secretary

Date: 09/02/2010

STATE OF WASHINGTON)
) ss.
COUNTY OF Skagit)

On this 2nd day of September 2010 before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Farouq Al-Hamdan, M.D., FRCS and Farouq Al-Hamdan to me known to be the President and Secretary respectively of Spine Science Institute, Inc, PC, 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 they/he/she is/are authorized to execute the said instrument,

Given under my hand and official seal this 2nd day of September 2010



Elizabeth G. 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

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC

Page 14 of 18



201009200093
Skagit County Auditor

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 ¼ of the Southwest ¼ of Section 20, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the Northeast corner of said Northeast ¼ of the Southwest ¼;
thence South 89°35'00" West along the North line of said subdivision, a distance of 165.02 feet;
thence South 1°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°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°35'00" West, a distance of 27.71 feet to a point on the East line of Thirteenth Street;
thence North 0°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°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°49'54" East (Deed South 0°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°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°36'18" West (Deed South 89°35'00" West) along said South margin of East Division Street for a distance of 18.00 feet to the point of beginning.

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

The North 264 feet of the East 165 feet of the Northeast ¼ of the Southwest ¼ 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.

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC

Page 16 of 18



201009200093

Skagit County Auditor

**PERSONAL GUARANTEE
OF
FAROUQ AL-HAMDAN, M.D., FRCS**

WHEREAS, SPINE SCIENCE INSTITUTE, Inc, PC, a Washington corporation, having an office at 119 South 14th Street, Mount Vernon, Washington, is about to execute a Building Sub-Lease Agreement ("Sub-Lease") between the SKAGIT COUNTY HOSPITAL DISTRICT NO. 1, as Sub-Lessor, and SPINE SCIENCE INSTITUTE, Inc, PC as Sub-Lessee, for the Premises known as 119 South 14th Street, Mount Vernon, Washington;

NOW THEREFORE, for good consideration, and as an inducement for the Sub-Lessor, sub-lease improvements to Sub-Lessee, which Sub-Lease will materially benefit Guarantor,

IT IS HEREBY AGREED THAT:

1. The undersigned Guarantor does hereby guaranty to Sub-Lessor the prompt, punctual and full payment of all monies now or hereinafter due Sub-Lessor from, and all obligations owed by Sub-Lessee under, the foregoing Sub-Lease between Sub-Lessor and Sub-Lessee dated September 16, 2010.

2. Until termination of the Sub-Lease and of all applicable statutes of limitation, this guaranty is unlimited as to amount or duration and shall remain in full force and effect notwithstanding any extension, compromise, adjustment, forbearance, waiver, release or discharge of the Sub-Lessee or Guarantor, and the undersigned waives all notices thereto.

3. The obligations of the undersigned shall be at the election of Sub-Lessor, shall be primary and not necessarily secondary, and Sub-Lessor shall not be required to exhaust its remedies as against Sub-Lessee prior to enforcing its rights under this guaranty against the undersigned.

4. The guaranty hereunder shall be unconditional and absolute and the undersigned waives all rights of subrogation and set-off until all sums under this guaranty are fully paid. The undersigned further waives all suretyship defenses or defenses in the nature thereof, generally.

5. In the event payments due under this guaranty are not punctually paid upon demand, then the undersigned shall, whether suit is initiated or not, pay all costs and attorney's fees incurred by Lessor related for collection and enforcement of this guaranty, including any appeals.

6. The obligations of Sub-Lessee and Guarantor shall be joint and several and binding upon and inure to the benefit of the parties, their successors, assigns and personal representatives.

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC

Page 17 of 18



201009200093
Skagit County Auditor

7. The undersigned warrants and represents it has full authority to enter into this guaranty.

8. This guaranty shall be construed and enforced pursuant to the laws of the State of Washington. Venue for any suit shall be Skagit County Superior Court.

GUARANTOR:

Farouq Al-Hamdan
FAROUQ AL-HAMDAN, M.D., FRCS

09/02/2010
Date

SUB-LESSOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
SUB-LESSEE: SPINE SCIENCE INSTITUTE, Inc, PC

Page 18 of 18



201009200093

Skagit County Auditor