

## **Board of Commissioner's Meeting**

**October 21, 2020**

### **Superintendent's Report**

#### **Sea Mar Update**

I signed and returned the clinic services agreement approved by the Board. Sea Mar provided me with their Patient Satisfaction and Experience Survey; the Clinical Quality Measures that they track at their clinics and their sliding fee scale policy and fee chart. The satisfaction survey asks about wait times for appointments among many other measures of service and quality. This is the type of information we can expect to receive reported at our quarterly meetings with Sea Mar.

#### **Sunrise Ridge Lease Negotiations**

Attached is the draft lease agreement with proposed changes that Jay has discussed with Greg at Sunrise Ridge. The lease term is for one year with an automatic renewal that corresponds to the clinic services agreement with Sea Mar. The lease rate is included in Exhibit B but prorated for the first month as described under Paragraph 5 on Rent. The agreement has an automatic renewal provision. Upon renewal the rate would increase by 3% per year. In addition to the lease rate, the agreement calls for payment by the tenant of 65% of the cost of insurance and the surface water assessment. I assume that this is split with other tenants on the property. Although the language refers to property tax expense, there is none for Sunrise Ridge or the District. All together rent plus other expenses total about \$7341 per month. This is down from what they initially proposed, which was \$1 per sq. ft. per month plus insurance and the assessment.

In exchange for only a one-year lease, the lease language states that the tenant accepts the building "As Is" including the roof, HVAC system, etc. Repair and maintenance to any of these things are the responsibility of the tenant.

Jay will review the language at the meeting and answer questions.

#### **Vashon Health Care District – 2021 Projected Budget and Cash**

I have included in your packet the 2021 Budget projection that I sent out earlier to the Board members. This version factors in the latest information on assessed value and assumes a levy rate of \$.54 per 1000. There are two versions of the budget. The first assumes we start paying back the loan at \$20,000 per month in May, 2021. The second version assumes a 7-year repayment schedule with no payments the first year. The first budget version shows a

negative cash balance late in the year, while the 2<sup>nd</sup> version avoids this by delaying repayment until 2022.

## **Communications**

Commissioners Noble, Wolczko and I attended a clinic staff meeting today at 8:00 a.m. A lot of the discussion centered around the staff sharing their concerns about the status of the clinic transition and lack of communication they have received on the status of the transition. This included their uncertainty about job offers to them from Sea Mar, rates of pay, start date for seeing patients as a Sea Mar clinic, etc. They would like to have some sort of formal communication with the District outside of Board meetings on a regular basis to share their views on health care needs on the island and how the clinic and District could better meet those needs.

## **Committee Reports and Old Business**

### Finance

**Voucher Approval** – Request approval for any VHCD vouchers.

**King County Relief Funds** - Commissioner Wolczko and I will be attending King County Executive Finance Committee tomorrow where they will consider our request to a 7-year repayment schedule.

### External Relations

**Levy Update** – Eric Pryne shared an updated 2021 Levy worksheet for the Vashon Health Care District that shows total assessed value of \$3.326 billion. Based on the \$5.90 maximum rate, it is estimated that the District could levy a rate of up to \$.54 per 1000 without exceeding the \$5.90 cap and triggering pro-rationing.



# COMMERCIAL LEASE AGREEMENT

## 1. Parties

This LEASE is entered into and is effective as of November 7, 2020, by and between Sunrise Ridge Health Services, a Washington nonprofit corporation ("Landlord"), and Public Hospital District No. 5, King County, dba Vashon Health Care District ("Tenant").

## 2. Premises & Improvements

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord upon the terms and conditions herein set forth that certain property (the "Premises") as shown on Exhibit A-3 attached hereto and incorporated herein by this reference. The Premises includes an approximately 7,339 rentable square foot building located at 10030 SW 210th St., Vashon, WA 98070, and the exclusive use of the parking areas surrounding said building and shown on Exhibit A-2 attached hereto. The Premises is known as Building #3 (the "Building") of the Sunrise Ridge Center (the "Property"). The Property consists of seven (7) buildings situated upon the real property legally described on Exhibit A-1 and shown on Exhibit A-2 attached hereto.

## 3. Lease Term and Commencement Date

This lease term shall commence on November 7, 2020 (Commencement Date) or such earlier date that Tenant is provided possession of the Premises by Landlord, and shall end on October 31, 2021 (the "Initial Term").

## 4. Options to Renew

So long as Tenant is not then in default under this Lease, Tenant shall have the option to extend the Initial Term of this Lease for four (4) additional one-year terms (collectively the "Additional Terms," or individually, the "First Additional Term" and the "Second Additional Term", etc.). To exercise its option to extend this Lease for the Additional Terms, Tenant must deliver to Landlord a written notice (Option Notice) exercising its renewal option at least ninety (90) days, but not more than one hundred twenty (120), days prior to the date that the immediately preceding Term will expire, together with a then current financial statement of Tenant and Subtenant, if any. If such financial statements show a material adverse change in Tenant's or any Guarantor's financial statements since the date of this Lease, in Landlord's reasonable discretion, Tenant's exercise of its extension option shall be null and void. All of the terms and conditions of this Lease shall apply during the Additional Term except (i) the base annual rent shall be as set forth on Exhibit B; (ii) unless otherwise agreed by Landlord in writing, there shall be no further renewal options after the commencement of the Additional Terms; and (iii) Landlord shall have no tenant improvement obligations with respect to the Premises.

**5. Rent**

Tenant agrees to pay Landlord as minimum rent, without notice or demand, the monthly sum set forth on **Exhibit B** entitled Rent Schedule, attached hereto and incorporated herein by this reference. Minimum monthly rent is payable in advance on or before the first day of each month of the lease term. Rent for any portion during the term hereof that is for less than one month shall be a prorated portion of the minimum monthly rent. All rent shall be paid to Landlord without deduction or offset in lawful money of the United States of America at such place as the Landlord may from time to time designate in writing.

Upon execution of this Lease, Tenant shall tender to Landlord Six Thousand Four Hundred Sixty Two and 93/100 Dollars (\$6,462.93), accounted for as follows:

Prorated Rent for November 2020 (11/7-11/30)	\$4,893.60
Prorated Taxes for November (11/7-11/30) and All of December 2020	\$1,065.33
<u>Prorated Insurance for November (11/7-11/30)</u>	<u>\$ 504.00</u>
<b>Total Due at Lease Inception</b>	<b>\$6,462.93</b>

**6. Additional Rent**

In addition to the minimum monthly rent, beginning on the Commencement Date or such earlier date that Tenant is provided possession of the Premises by Landlord, Tenant shall pay the following expenses on behalf of Landlord:

**6.1 Taxes & Assessments**

In addition to the rent set forth in Paragraph 5, above, Tenant shall reimburse Landlord for sixty five percent (65%) of real property taxes, personal property taxes and surface water management or drainage assessments, if any, which are levied, assessed upon or imposed by any governmental authority or political subdivision thereof during any calendar year of the Term hereof with respect to the Premises and any improvements, fixtures, and equipment, real or personal, and used exclusively in connection with the operation of the Premises, parking facilities and adjacent landscaped areas. Said reimbursement shall be sixty five percent (65%) of said taxes and assessments with regard to tax parcel number 0622039107. By way of example only, the most recent 2020 taxes associated with tax parcel number 0622039107 were \$10,923.00 for the entire tax parcel (for SWM charges only, no other taxes were levied), so Tenant's prorated percentage owing to Landlord would for that year would be \$7,100.00. Tenant shall pay Landlord for its prorated share of such taxes and assessments within five (5) days after being invoiced by Landlord, which invoices will typically be sent on April 1<sup>st</sup> and October 1<sup>st</sup> of each year, prior to the semi-annual tax payment deadlines. Tenant shall have the right to contest any proposed assessment or reclassification that may increase Tenant's monetary obligations under this paragraph, and Landlord agrees to execute such documents as may be necessary to allow Tenant to participate in any such proceeding.

## **6.2 Casualty Insurance**

During the Lease term, Landlord shall maintain all-risk coverage casualty insurance for the Premises, in an amount not less than the replacement cost of the Premises, with a deductible of not more than \$5,000. The casualty insurance policy shall name Landlord as the insured, with loss payable to Landlord, or Landlord's lender(s) as their interest may appear. Tenant shall be responsible for sixty five percent (65%) of the cost and expense related to such insurance, and Landlord will use best efforts to provide Tenant with an estimate of all such cost and expense, in advance, and Tenant shall pay for said insurance to Landlord, in advance, on a monthly, pro-rated basis, said monthly payments due and owing on the first of each month pursuant to the terms set forth in Sections 5 and 26.5. Landlord shall provide Tenant with a periodic written statement setting forth the detail supporting said insurance. If Landlord's estimate of the insurance is ultimately determined to be below the actual premiums owing, Landlord may invoice Tenant directly for any shortfall, and Tenant shall pay said amount, in full, within thirty (30) days thereafter.

Landlord's current estimate for annual casualty insurance is \$11,672.00 for 2020, making Tenant's 65% share \$7,587.00 for the year. Tenant's monthly payment under this example, pro-rated, would be \$630.00 per month. This is an estimate only, and in no way implies a cap on Tenant's insurance obligations.

## **6.3 Liability Insurance**

Tenant shall, at Tenant's sole expense, keep in force during the term of this Lease a policy of comprehensive public liability insurance insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises, Building and Land and all areas appurtenant thereto. Such insurance shall be in an amount not less than Two Million Dollars (\$2,000,000.00) Combined Single Limit with respect to injuries or death of persons, and/or destruction of or damage to property. At each renewal of such insurance, Tenant shall furnish Landlord with a certificate evidencing the coverage required herein, together with a statement that the same shall not be reduced, canceled or modified without ten (10) days written notice to Landlord. If Tenant shall fail to procure and maintain said insurance, Landlord may procure and maintain the same at the expense of Tenant. Insurance required hereunder shall be placed with companies reasonably satisfactory to Landlord.

## **6.4 Utilities**

Tenant shall install and connect, if necessary, and pay for all water, gas, heat, light, power, septic charges, telephone services, janitorial, garbage removal, heat and all other services and utilities supplied to the Premises, together with any taxes thereon. Prior to executing this Lease, Tenant shall determine whether the available capacity of such utilities will meet Tenant's needs. Tenant shall indemnify and save Landlord harmless against any liability or damages on such accounts.

With regard to water, a separate water meter will be installed by Landlord at its expense, which will track the quantity of water used by the Premises. Once the meter is operating, Tenant will be billed by and will pay Landlord monthly for water received from District 19 as reflected by the water meter. By way of example only, water rates are currently calculated by District 19

at \$70.00 per month, plus 5 cents per cubic foot. Tenant shall pay Landlord within five (5) days after being invoiced by Landlord. Until said water meter is installed, Tenant will not be obligated to pay Landlord for water, and Landlord will cover said water expenses.

With regard to sewage, Tenant will pay to Landlord a sewage charge calculated at the same rates charged by the local King County Sewer District, which rates are currently calculated by taking the water usage as reported by District 19, and charging a base charge of \$140 per month, plus 10 cents per cubic foot (of water usage for the Premises). Tenant shall pay Landlord within five (5) days after being invoiced by Landlord. Until said water meter is installed, Tenant will not be obligated to pay Landlord for sewer, and Landlord will cover any sewer expenses.

**7. Change in Method of Taxation**

If at any time there is imposed on Landlord a material capital levy or other tax directly on the rents received or any other tax or assessment levied or assessed in lieu of or in addition to present tax assessments or charges, then Landlord shall have the option to terminate this Lease upon giving Tenant one hundred twenty (120) days written notice of such termination.

**8. Use of Premises**

Tenant's use and occupancy of the Premises shall be for the following purposes and no other without the prior written consent of Landlord: Primary and/or Urgent Care Health Clinic. Tenant shall not use or permit the use of the Premises in any way that is in conflict with any law or governmental rule. Tenant represents and warrants to Landlord that it has done all due diligence necessary before signing this Lease, and Tenant accepts all risks expenses associated with bringing the Premises into condition where it can be lawfully used as specified.

**9. Hazardous Materials**

As used in this Lease, the term "Hazardous Materials" means any flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "Hazardous Substances", "Hazardous Wastes", "Hazardous Materials" or "Toxic Substances" now or subsequently regulated under any applicable federal, state or local law or regulations, including, without limitation, petroleum based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds and including any different products and materials that are subsequently found to have adverse effects on the environment or the health and safety of persons. In no event, however, shall Landlord be required to consent to the installation or use of any underground storage tanks on the Premises. All of Tenant's obligations pursuant to Section 9 apply only to Hazardous Materials or environmental measures caused or arising as a result of Tenant's use of the Premises.

Landlord has no specific knowledge of a hazardous materials assessment as of the date of execution of this Commercial Lease Agreement, but Landlord and Tenant jointly acknowledge that, without duty of investigation, given the age and commercial nature of the Premises, the Premises may contain Hazardous Materials, including but not limited to lead paint and asbestos, on, in, or under the Premises as of the Commencement Date.





## **9.1 Tenant's Obligations**

Tenant shall:

(a) Cause all of Tenant's operations conducted on the Premises, including, without limitation, the operations of Tenant's agents, contractors, subtenants, customers or invitees (Tenant's Operations) to comply with all federal, state or local environmental laws or regulations (Environmental Laws) and orders of any governmental authorities having jurisdiction under any Environmental Laws.

(b) Obtain, keep in effect and comply with all governmental permits and authorizations required by Environmental Laws with respect to Tenant's Operations.

(c) Furnish Landlord with copies of all such permits and authorizations and any amendments or renewals thereof, and notify Landlord of any expiration or revocation of such permits or authorizations.

(d) Maintain the on-Premises fire suppression system in good working order, including but not limited to any City, County, State, or Federal requirements; and service the on-Premises fire suppression system and fire extinguishers every six (6) months or as otherwise required under the applicable laws.

(e) Assume responsibility for remediation of any Hazardous Materials disturbed by or connected with Tenant's work hereunder.

(f) Be solely responsible for disposing of all Medical Waste and such disposal shall comply with applicable laws. Tenant's disposal of Medical Waste and removal thereof from the Premises shall be provided by Tenant's contractors, at Tenant's sole cost and expense. Under no condition shall Tenant deposit any Medical Waste in trash receptacles or in the dumpster servicing the Property. For purposes of this Agreement, "Medical Waste" shall include any and all waste commonly produced by medical clinics in the provision of primary or urgent care services.

## **9.2 Limitation on Uses of Hazardous Material**

(a) Tenant shall not use, or allow any agents, contractors, or subtenants to use the Premises to generate, manufacture, refine, transport, treat, store, handle, recycle, release or dispose of any Hazardous Material, or cause or permit any Hazardous Material to be brought upon, used, kept or stored on or about the Premises by Tenant or its agents, contractors or subtenants, except in strict compliance with all Environmental Laws. All Hazardous Materials shall be used, kept and stored in a manner complying with Subsection 9.2(b).

(b) All Hazardous Material used, kept and stored on or about the Premises shall be used, kept and stored in compliance with Environmental Laws and in a manner that minimizes the likelihood of any releases on, in, above, under or from the Premises.

## **9.3 Tenant's Obligation to Undertake Environmental Measures**

Tenant shall undertake any and all preventive, investigatory or remedial actions (including emergency response, removal, containment and other remedial actions) that are either: (a) required by any applicable Environmental Laws or Governmental authorities; or (b) necessary to prevent or minimize property damage (including damage to the Premises), personal injury or damage to the environment, or the threat of any such damage or injury, by releases of or exposure to Hazardous Material in connection with Tenant's Operations and/or Tenant's Work.

#### **9.4 Notices**

Tenant shall immediately notify Landlord in writing if Tenant becomes aware of any of the following:

(a) Any spill, release or disposal of any Hazardous Material, or imminent threat thereof, on, in, over, under of from the Premises or in connection with Tenant's Operations, unless a release or disposal is necessary and reasonable for Tenant's Operations, does not violate any Environmental Laws and poses no threat to human health or the environment;

(b) Any spill, release or disposal of any Hazardous Material or imminent threat thereof, at any adjacent properties, which spill, release or disposal could migrate to, through, over or under the Premises;

(c) Any violation of Environmental Laws regarding the Premises or Tenant's Operations;

(d) Any administrative or judicial investigation or proceeding relating to Hazardous Material or Environmental Laws and to the Premises or Tenant's Operations;

(e) Any order, notice of violation, fine, penalty or other similar action relating to Hazardous Material or Environmental Laws and to the Premises or Tenant's Operations; and

(f) Any complaint or lawsuit filed or threatened to be filed by any person or other entity, including, without limitation, any governmental authority, relating to Hazardous Material or Environmental Laws and to the Premises or Tenant's Operations.

#### **9.5 Environmental Audits and Site Assessments**

(a) If Landlord at any time reasonably believes that Tenant is not complying with all Environmental Laws or the requirements of this Lease, or that a material spill, release or disposal of a Hazardous Material has occurred on or about the Premises, or, at the end of the term of this Lease, Landlord may require Tenant to furnish Landlord with an environmental audit or site assessment satisfactory to Landlord with regard to the matters of concern to Landlord. The environmental audit or site assessment shall be performed at Tenant's expense by a qualified consultant approved by Landlord, if such assessment exposes environmental problems caused by Tenant. Such environmental audit or site assessment shall be performed in a manner such that it will not unreasonably interfere with the operation of Tenant's business.

(b) Prior to Tenant's possession of the Premises and the Building, Landlord shall provide Tenant access to any existing environmental audits or site assessments on the Premises and Building for Tenant's reasonable review and approval. Tenant shall have twenty (20) days to review and approve of said audits/assessments. If Tenant does not provide Landlord with written disapproval of said audits/assessments, Tenant shall be deemed to have waived said disapproval. This clause is intended to provide Tenant the ability to review and approve of any environmental cleanup previously performed on the Premises and the Building by the Landlord or any prior tenant in an effort to establish a baseline for the environmental condition of the Premises and the Building. If Tenant provides Landlord with its written disapproval as above described, Tenant's sole remedy is to immediately terminate this Lease.

## **9.6 Landlord's Rights**

### **9.6.1 Inspections**

Landlord shall have the right to conduct reasonable inspections and investigations of the Premises and Tenant's Operations at any time and from time to time, and Tenant shall cooperate fully with Landlord during such inspections and investigations.

### **9.6.2 Preventive, Investigatory and Remedial Actions**

In the event that Tenant fails to perform any of its obligations under this Section 9, Landlord may (but shall not be required to) perform such obligations at Tenant's expense. All costs and expenses incurred by Landlord under this Section 9 shall be reimbursed by Tenant upon demand with interest at the publicly announced prime rate for commercial borrowers of Bank of America, Main Branch, Seattle, Washington (or its successor) plus three percent (3%) per annum. In performing any of Tenant's obligations under this Section 9, Landlord shall at all times be deemed to be Tenant's agent and shall not, by reason of such performance, be deemed to assume any responsibility or liability of Tenant or any subtenant under any Environmental Laws, to any governmental agency or to any other third party. Tenant hereby authorizes Landlord to take such acts as may be necessary or desirable to perform Tenant's obligations under this Section 9 as Landlord deems necessary and appropriate.

### **9.7 Tenant's Indemnification**

Tenant agrees to defend (with counsel approved by Landlord), fully indemnify and hold entirely free and harmless Landlord from and against all claims, judgments, damages, penalties, fines, costs, liabilities or losses including, without limitation, diminution in value of the Premises, damages for the loss or restriction on the use of rentable or usable space or of any amenity of the Premises, damages arising from any adverse impact on marketing of space, sums paid in settlement of claims, attorneys fees, consultant fees and expert fees that arise during or after the lease term and that are imposed on, paid by or asserted against Landlord by reason or on account of, in connection with or arising out of Tenant's use, generation, manufacture, refinement, transportation, treatment, storage, handling, recycling or disposal of Hazardous Material, or any release of Hazardous Material in connection with or as a result of Tenant's use or activities, or of Tenant's agents, subcontractors or subtenants, or of any violation of any Environmental Laws by Tenant or its agents, subcontractors or subtenants. This indemnification shall not include costs resulting from Hazardous Material which flows, diffuses, migrates or percolates into, onto or under the Premises from any public street or adjacent property.

### **9.8 Landlord's Indemnification**

Landlord agrees to fully indemnify and hold entirely free and harmless Tenant from and against all claims, judgments, damages, penalties, fines, costs, liabilities or losses including sums paid in settlement of claims, attorney fees, consultant fees and expert fees that arise during or after the lease term and that are imposed on, paid by or asserted against Tenant by reason or on account of, in connection with or arising out of a prior tenant's use, generation, manufacture, refinement, transportation, treatment, storage, handling, recycling or disposal of Hazardous Material, or any release of Hazardous Material in connection with or of any violation of any Environmental Laws by prior tenants or their agents, subcontractors or subtenants.

### **9.9 Survival**

The provisions of this Section 9 shall survive the expiration or earlier termination of this Lease.

## **10. Alterations and Additions**

### **10.1 Generally**

Tenant shall not make improvements or changes to any part of the Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld. In the event Landlord consents to the making of any alterations, additions or improvements to the Premises by the Tenant ("Tenant's Work"), the same shall be made by Tenant at Tenant's sole cost and expense. All improvements and changes to the Premises shall remain with the Premises upon termination or expiration of this Lease; provided, Landlord at Landlord's sole option may require Tenant at Tenant's sole cost to remove any portion of such improvements or changes upon termination or expiration of this Lease; and provided, further, that notwithstanding the provisions of this Section 10, Tenant's trade fixtures shall remain the property of Tenant and may be removed from the Premises so long as Tenant repairs all damages to the Premises occasioned by such removal.

### **10.2 Additional Tenant Requirements**

To the extent that Tenant is permitted to proceed with additions or alterations as provided for in this Lease, Tenant shall ensure that, at a minimum, the following contracting requirements are met in connection with any construction work associated with the Property or Premises:

#### **10.2.1 Indemnification**

Tenant shall cause any contractor performing Tenant's Work to indemnify, defend and hold harmless Landlord in the same manner and to the same extent as Tenant is required to indemnify, defend and hold harmless Landlord and its principals, members, agents, successors and assigns under the Lease;

#### **10.2.2 Lien Releases**

Tenant shall cause any contractor performing Tenant's Work to provide Landlord with unconditional waiver and lien release forms signed by such contractor and by each subcontractor and supplier who is claiming payment with regard to the Tenant's Work, verifying payment in full. Tenant agrees to defend, indemnify, and hold harmless Landlord and its principals, members, agents, successors and assigns, from and against any and all lien claims and/or claims for payment, including but not limited to attorneys' fees and costs, arising out of or resulting from performance of the Tenant's Work;

#### **10.2.3 Insurance**

Before commencing Tenant's Work in any respect, Tenant shall cause any contractor who is to perform any of Tenant's Work to purchase and maintain insurance as described below from an insurer admitted to do business in Washington with an A.M. Best financial strength rating of A-1 or better, that will protect it from bodily injury or property damage claims arising out of its

operations in performing Tenant's Work, whether the operations are by contractor, contractor's consultants or subcontractors, anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

Commercial General Liability (CGL) insurance providing bodily injury liability and property damage liability with combined single limits of not less than \$1,000,000 per occurrence, and \$2,000,000 general aggregate limits, and Products/Completed Operations aggregate limits of \$2,000,000, written on an occurrence form;

Landlord and Tenant shall be included as an additional insureds under the CGL policy.

Prior to starting work, Tenant shall require its contractors to provide a copy of the actual additional insured endorsement or blanket additional insured policy wording to the CGL policy that documents the Landlord and Tenant's additional insured status.

Tenant shall secure and maintain property insurance upon the Tenant's Work to its full insurable value (replacement cost) including the peril of theft and, including materials delivered to the Premises or Property (whether those materials are actually incorporated into or adjacent to the Tenant's Work), miscellaneous materials and supplies incidental to the Tenant's Work and temporary structures. Tenant's policy limit must be increased to contemplate the value of the existing structure and improvements to be added.

#### **11. Maintenance and Repairs**

Responsibility for maintenance and repairs shall be allocated between Landlord and Tenant as follows: By taking possession of the Premises, Tenant shall be deemed to have accepted the Premises as acceptable for Tenant's use. Tenant shall, at Tenant's sole cost and expense: maintain the roof and the roof drains, and shall keep the roof generally free of debris; maintain the HVAC; be responsible for prompt removal of any and all graffiti on the Premises, subject to state, county and local ordinances; perform all reasonably necessary repair and maintenance to the Premises, both interior and exterior, including without limitation, interior and exterior walls, and all electrical, plumbing, gas, water, sewer, and other utilities; and Landlord shall have no responsibility therefor. Tenant agrees that Landlord shall be under no obligation to rebuild, replace, maintain, or make any repair whatsoever to the Premises other than those specifically stated herein. Tenant is accepting the HVAC system, generator and roof in its "AS-IS" condition at the time of move in. To be clear, Landlord will not have any obligation to perform any replacement or repairs to the HVAC system, generator or roof during the term of the Lease or any Additional Terms. Tenant shall have the right to place or install in the Premises such additions, tenant improvements, fixtures and equipment as it shall deem desirable for the conduct of business therein, and to select the paint colors it desires, so long as any such work is performed by licensed and bonded contractors in compliance with chapter 18.27 RCW, and so long as Tenant first receives the written consent of the Landlord, which consent shall not be unreasonably withheld. Tenant shall make no alterations to the structural portions of the Building on the Premises without the Landlord's written consent, which consent shall not be

unreasonably withheld. Landlord shall be responsible for maintaining the structural walls and foundation, provided that, in the event Tenant's use of the Premises creates a need for structural modifications, Tenant upon Landlord's written consent to any such structural modifications, shall be responsible for construction and maintenance of such modifications. Further, Landlord shall not be responsible for any improvements required for Tenant's use and/or occupancy as stated in this Lease, specifically including but not limited to seismic retrofitting.

Tenant agrees that it will maintain the Premises and repair all damage which may be caused to the Premises during the term of this Lease, except for ordinary wear and tear, and to keep in good order, condition and repair, every part of the Premises not provided by the Landlord. Tenant shall, upon termination of this Lease, surrender the Premises to Landlord in good condition, broom clean, reasonable wear and tear excepted.

Tenant shall not use the plumbing for any purpose other than that for which they were constructed and will not deposit any foreign substances in a manner or amount such that the plumbing may become damaged or blocked. Tenant shall be solely responsible for the cost of any breakage, stoppage or damage resulting from the acts or omissions of Tenant or its personnel or customers

#### **12. Liens**

Tenant shall keep the Premises and the Land on which the Premises are situated free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant.

#### **13. Hold Harmless**

Tenant shall indemnify and hold Landlord harmless from any claims arising from: (a) Any act, omission or conduct of Tenant (and Tenant's officers, employees, agents, contractors, guests, invitees and visitors) in or about the Premises or the Building, and (b) Any breach of this Lease by Tenant. Tenant shall further indemnify Landlord from all costs and legal fees incurred by Landlord in defending any such claim. In any proceeding brought against Landlord by reason of such claim, Tenant shall defend the same at Tenant's expense by legal counsel reasonably satisfactory to Landlord. Tenant hereby assumes all risk of whatsoever damage to property and injury to persons on or about the Premises or Building; provided, Tenant shall not assume the risk or obligation of damage to the extent caused by Landlord or Landlord's agents', employees' or contractors' gross negligence.

#### **14. Subrogation**

Landlord and Tenant hereby release each other and any other tenant, their agents or employees, from responsibility for, and waive their entire claim of recovery for any loss or damage arising from any cause covered by property insurance required to be carried or otherwise carried by each of them. Each party shall provide notice to the property insurance carrier or carriers of this mutual waiver of subrogation, and shall cause its respective property insurance carriers to waive all rights of subrogation against the other. This waiver shall not apply to the extent of the deductible amounts to any such property policies or to the extent of liabilities exceeding the limits of such policies.

**15. Entry by Landlord**

Landlord, upon giving Tenant reasonable notice, shall have the right to enter the Premises to inspect or repair the Premises or for any other reasonable purpose, including without limitation soil testing.

**16. Assignment and Subletting**

Tenant may assign this Lease with Landlord's permission, which shall not be unreasonably withheld. As a public entity, the purpose of which is to assist in the retention of a health care facility for Vashon Island, the parties anticipate that Tenant will be subleasing some or all of the Premises and the Building to a third-party. Accordingly, Tenant may sublet the Premises or any part thereof without the prior written consent of Landlord on condition that the sublease is subject to and subordinate to this Lease (i.e. as the "Master Lease"). If the Master Lease terminates, the sublease shall automatically terminate. Tenant and subtenant shall not, by their omission or act, do or permit anything to be done which would cause a default under the Master Lease. If the Master Lease terminates or is forfeited as a result of a default or breach by Tenant or subtenant under the sublease and/or the Master Lease, then the defaulting party shall be liable to the non-defaulting party for the damage suffered as a result of such termination or forfeiture. Tenant further agrees that all the terms, covenants and conditions contained in the Master Lease will be incorporated into and made a part of any sublease by this reference as if Tenant were the landlord under the Master Lease, the subtenant were the tenant under the Master Lease, and the subleased premises were the Premises.

A consent to one assignment shall not be deemed to be a consent to any subsequent assignment. Consent to any such assignment, or the Tenant's subletting to a third-party shall in no way relieve Tenant of any liability under this Lease.

**17. Holding Over**

If Tenant remains in possession of the Premises or any part thereof after the expiration of the term hereof with or without the express written consent of Landlord, such occupancy shall be a tenancy from month-to-month at a rental in the amount of one hundred twenty-five (125%) percent of the last monthly minimum rent, plus all other charges payable hereunder, and upon all the terms hereof applicable to a month-to-month tenancy.

**18. Tenant's Default**

The occurrence of any of the following events shall constitute a default of this Lease by Tenant:

**18.1 Abandonment**

Tenant abandons the Premises.

### **18.2 Failure to Pay Rent**

Tenant fails to make any payment of rent or any other payment required hereunder when due, where such failure shall continue for a period of three (3) days after written notice thereof by Landlord to Tenant.

### **18.3 Failure to Observe Other Covenants**

Tenant fails to perform any of the covenants, conditions or provisions of this Lease other than as described in Subsections 18.1 and 18.2, where such failure shall continue for a period of ten (10) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than ten (10) days are reasonably required for such cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said ten (10) days and, thereafter, diligently prosecutes such cure to completion; and provided, further, that such cure shall be completed within sixty (60) days.

### **18.4 Insolvency**

Tenant makes any general assignment for the benefit of creditors or the filing by or against Tenant of a petition relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days), or judicial seizure of Tenant's assets located at the Premises or of Tenant's interest in this Lease.

### **18.5 Misrepresentation**

Tenant makes any statement to Landlord in connection with this Lease that is false or misleading in any material respect when made and which statement results in damage or harm to Landlord.

Any notice periods granted herein shall be deemed to run concurrently with and not in addition to any default notice periods required by law.

## **19. Remedies on Default**

In the event of any default by Tenant, Landlord may, at any time thereafter without notice, terminate this Lease, reenter and take possession of the Premises, or pursue any remedy allowed by law. Landlord's rights and remedies under this Lease shall be cumulative and non-exclusive.

### **19.1 Termination of Lease.**

Landlord may terminate Tenant's interest under the Lease, but no act by Landlord other than notice of termination from Landlord to Tenant shall terminate this Lease. The Lease shall terminate on the date specified in the notice of termination. Upon termination of this Lease, Tenant will remain liable to Landlord for damages in an amount equal to Rent and other sums that would have been owing by Tenant under this Lease for the balance of the Term, less the net proceeds, if any, of any reletting of the Premises by Landlord subsequent to the termination, after deducting all of Landlord's Reletting Expenses (as defined below). Landlord shall be entitled to either collect damages from Tenant monthly on the days on which rent or other amounts would have been payable under the Lease, or alternatively, Landlord may accelerate Tenant's obligations under the Lease and recover from Tenant: (i) unpaid rent which had been earned at



the time of termination; (ii) the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of rent loss that Tenant proves could reasonably have been avoided; (iii) the amount by which the unpaid rent for the balance of the term of the Lease after the time of award exceeds the amount of rent loss that Tenant proves could reasonably be avoided (discounting such amount by the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus 1%); and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease, or which in the ordinary course would be likely to result from the default, including without limitation Reletting Expenses described below.

### **19.2 Re-Entry and Reletting**

Landlord may continue this Lease in full force and effect, and without demand or notice, re-enter and take possession of the Premises or any part thereof, expel the Tenant from the Premises and anyone claiming through or under the Tenant, and remove the personal property of either. Landlord may relet the Premises, or any part of them, in Landlord's or Tenant's name for the account of Tenant, for such period of time and at such other terms and conditions as Landlord, in its discretion, may determine. Landlord may collect and receive the rents for the Premises. To the fullest extent permitted by law, the proceeds of any reletting shall be applied: first, to pay Landlord all Reletting Expenses (defined below); second, to pay any indebtedness of Tenant to Landlord other than rent; third, to the rent due and unpaid hereunder; and fourth, the residue, if any, shall be held by Landlord and applied in payment of other or future obligations of Tenant to Landlord as the same may become due and payable, and Tenant shall not be entitled to receive any portion of such revenue. Re-entry or taking possession of the Premises by Landlord under this Section shall not be construed as an election on Landlord's part to terminate this Lease, unless a notice of termination is given to Tenant. Landlord reserves the right following any re-entry or reletting, or both, under this Section to exercise its right to terminate the Lease. Tenant will pay Landlord the Rent and other sums which would be payable under this Lease if repossession had not occurred, less the net proceeds, if any, after reletting the Premises and after deducting Landlord's Reletting Expenses. "Reletting Expenses" are defined to include all expenses incurred by Landlord in connection with reletting the Premises, including without limitation, all repossession costs, brokerage commissions and costs of securing new tenants, attorneys' fees, remodeling and repair costs, costs for removing persons or property, costs for storing Tenant's property and equipment, and costs of tenant improvements and rent concessions granted by Landlord to any new Tenant, prorated over the life of the new lease.

### **19.3 Waiver of Redemption Rights**

Tenant, for itself, and on behalf of any and all persons claiming through or under Tenant, including creditors of all kinds, hereby waives and surrenders all rights and privileges which they may have under any present or future law, to redeem the Premises or to have a continuance of this Lease for the Term, or any extension thereof.

#### **19.4 Nonpayment of Additional Rent**

All costs which Tenant is obligated to pay to Landlord pursuant to this Lease shall in the event of nonpayment be treated as if they were payments of Rent, and Landlord shall have the same rights it has with respect to nonpayment of Rent.

#### **19.5 Failure to Remove Property**

If Tenant fails to remove any of its property from the Premises at Landlord's request following an uncured default, Landlord may, at its option, remove and store the property at Tenant's expense and risk. If Tenant does not pay the storage cost within five (5) days of Landlord's request, Landlord may, at its option, have any or all of such property sold at public or private sale (and Landlord may become a purchaser at such sale), in such manner as Landlord deems proper, without notice to Tenant. Landlord shall apply the proceeds of such sale: (i) to the expense of such sale, including reasonable attorneys' fees actually incurred; (ii) to the payment of the costs or charges for storing such property; (iii) to the payment of any other sums of money which may then be or thereafter become due Landlord from Tenant under any of the terms hereof; and (iv) the balance, if any, to Tenant. Nothing in this Section shall limit Landlord's right to sell Tenant's personal property as permitted by law or to foreclose Landlord's lien for unpaid rent, if any.

#### **20. Damage, Reconstruction, and Remedial Measures**

If the Premises or the portion of the Building or the Property necessary for Tenant's occupancy are partially damaged by fire or other insured casualty but not rendered untenable, then Landlord shall diligently restore the Premises and the portion of the Property necessary for Tenant's occupancy to the extent required below and this Lease shall not terminate. Tenant may, however, terminate the Lease if Landlord is unable to restore the Premises within six (6) months of the casualty event by giving 20 days' written notice of termination.

The Premises or the portion of the Building or the Property necessary for Tenant's occupancy shall not be deemed untenable if 25% or less of each of those areas are damaged. If insurance proceeds are not available or are not sufficient to pay the entire cost of restoring the Premises, or if Landlord's lender does not permit all or any part of the insurance proceeds to be applied toward restoration, then Landlord may elect to terminate this Lease and keep the insurance proceeds, by notifying Tenant within 60 days of the date of such casualty.

If the Premises, the portion of the Building or the Property necessary for Tenant's occupancy, or 50% or more of the rentable area of the Property are entirely destroyed, or partially damaged and rendered untenable, by fire or other casualty, Landlord may, at its option: (a) terminate this Lease as provided herein, or (b) restore the Premises and the portion of the Property necessary for Tenant's occupancy to their previous condition to the extent required below; provided, however, if such casualty event occurs during the last six (6) months of the Term (after considering any option to extend the term timely exercised by Tenant) then either Tenant or Landlord may elect to terminate the Lease. If, within 60 days after receipt by Landlord from Tenant of written notice that Tenant deems the Premises or the portion of the Property necessary for Tenant's occupancy untenable, Landlord fails to notify Tenant of its election to restore those areas, or if Landlord is unable to restore those areas within six (6)

months of the date of the casualty event, then Tenant may elect to terminate the Lease upon 20 days' notice to Landlord unless Landlord, within such 20 day period, notifies Tenant that it will in fact restore the Premises or actually completes such restoration work to the extent required below, as applicable.

If Landlord restores the Premises or the Property under this Section, Landlord shall proceed with reasonable diligence to complete the work, and the Base Rent shall be abated in the same proportion as the untenable portion of the Premises bears to the whole Premises, provided that there shall be a Base Rent abatement only if the damage or destruction of the Premises or the Property did not result from, or was not contributed to directly or indirectly by the act, fault or neglect of Tenant, or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. No damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Premises or the Property. Landlord shall have no obligation to carry insurance of any kind for the protection of Tenant; any Alterations or other improvements paid for by Tenant; Signage; Tenant's furniture; or on any fixtures, equipment, improvements or appurtenances of Tenant under this Lease, and Landlord's restoration obligations hereunder shall not include any obligation to repair any damage thereto or replace the same.

## **21. Eminent Domain**

### **21.1 Taking**

If twenty-five percent (25%) or more of the Premises, or if any part of the Building of which the Premises are a part, shall be taken or appropriated by eminent domain, either party hereto shall have the right at its option within sixty (60) days after said taking to terminate this Lease upon thirty (30) days written notice.

### **21.2 Partial Taking**

If less than twenty-five percent (25%) of the Premises are taken (or if twenty-five percent (25%) or more of the Premises are taken and neither party elects to terminate as herein provided), the minimum monthly rent thereafter to be paid shall be equitably reduced. If any part of the Building of which the Premises are a part may be so taken or appropriated, either party hereto shall within sixty (60) days of said taking have the right at its option to terminate this Lease upon written notice to the other party.

### **21.3 Award**

In the event of any taking or appropriation whatsoever, Landlord shall be entitled to any and all awards or settlements that may be given, and Tenant shall have no claim against the condemning authority or Landlord for the value of any unexpired term of this Lease and Tenant hereby assigns to Landlord any and all claims to any award or settlement. Nothing contained herein shall be deemed to give Landlord any interest in or require Tenant to assign to Landlord any award made to Tenant for taking of personal property or fixtures belonging to Tenant or for the interruption of or damage to Tenant's business or for Tenant's moving expenses.

## **22. Signs**

Tenant may, at Tenant's sole expense, place external signs on the Premises; provided, such signs (a) comply with all governmental ordinances and that any required permits are obtained; and (b) have been approved in writing in advance by Landlord, which approval will not be unreasonably withheld. Tenant shall pay the costs of removal of such signs upon termination of this Lease and such signs shall be the property of Tenant. Any time within six (6) months prior to the expiration of this Lease, Landlord may place upon the Premises and Building "For Lease" signs. Landlord may place "For Sale" signs on the Premises and Building at any time during the Lease term.

## **23. Subordination and Modification by Lender**

Tenant agrees that this Lease shall be subordinate to any mortgage that may hereafter be placed upon the Premises or Building and to any advance made thereunder, and all renewals and replacements thereof; provided, the mortgagee shall agree in writing to recognize this Lease of Tenant in the event of foreclosure, if Tenant is not in default. In the event mortgagee elects to have this Lease a prior lien to its mortgage, then upon mortgagee's notifying Tenant, this Lease shall be deemed prior to the said mortgage. Within fifteen (15) days of presentation, Tenant agrees to execute any documents that such mortgagee may require to effectuate the provisions of this Section 23. Tenant further agrees that if, in connection with obtaining financing for the Land, Building or Premises, a lender shall request modification of this Lease as a condition to such financing, Tenant shall not withhold or delay its consent thereto, provided that such modifications do not materially increase the financial obligations of Tenant hereunder or materially affect the leasehold interest hereby created. Mortgages shall be deemed to include deeds of trust.

## **24. Tenant's Statement**

Tenant shall, from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement specifying the following, subject to any modifications necessary to make such statements true and complete: (i) the total rentable square footage of the Premises; (ii) the date the Term commenced and the date it expires; (iii) the amount of minimum monthly Rent and the date to which such Rent has been paid; (iv) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way; (v) that this Lease represents the entire agreement between the parties; (vi) that all obligations under this Lease to be performed by either party have been satisfied; (vii) that there are no existing claims, defenses or offsets which the Tenant has against the enforcement of this Lease by Landlord; (viii) the amount of Rent, if any, that Tenant paid in advance; (ix) the amount of security that Tenant deposited with Landlord; (x) if Tenant has sublet all or a portion of the Premises or assigned its interest in the Lease and to whom; (xi) if Tenant has any option to extend the Term of the Lease or option to purchase the Premises; and (xii) such other factual matters concerning the Lease or the Premises as Landlord may reasonably request. Tenant acknowledges and agrees that any statement delivered pursuant to this Section may be relied upon by a prospective purchaser of Landlord's interest or assignee of any mortgage or new mortgagee of Landlord's interest in the Premises. If Tenant shall fail to respond within ten (10) days to Landlord's request for the statement required by this Section, Landlord may provide the

statement and Tenant shall be deemed to have admitted the accuracy of the information provided by Landlord.

**25. Non-waiver**

Landlord's waiver of any breach of any provision contained in this Lease shall not be deemed to be a waiver of the same provision for subsequent acts of Tenant. The acceptance by Landlord of Rent or other amounts due by Tenant hereunder shall not be deemed to be a waiver of any previous breach by Tenant.

**26. Authority of Tenant**

If Tenant is a corporation or partnership, each individual executing this Lease on behalf of such entity represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of such entity, and that this Lease is binding upon such entity in accordance with its terms.

**27. General Provisions**

Landlord and Tenant agree to the following general provisions:

**27.1 Time**

Time is of the essence of this Lease.

**27.2 Successors and Assigns**

The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.

**27.3 Quiet Enjoyment**

Provided Tenant pays Rent and performs all of its obligations in this Lease, Tenant's possession of the Premises will not be disturbed by Landlord or anyone claiming by, through or under Landlord.

**27.4 Transfer of Landlord's Interest**

In the event of a sale or conveyance by Landlord of Landlord's interest in the Premises or the Building, other than a transfer for security purposes only, Landlord shall be relieved from and after the date specified in any notice of such transfer of all obligations and liabilities accruing thereafter on the part of the Landlord; provided that any deposits or monies in the hands of Landlord at the time of transfer in which Tenant has an interest shall be delivered to the successor of Landlord. This Lease shall not be affected by any such sale, and Tenant agrees to attorn the purchaser or assignee; provided that all Landlord's obligations hereunder are assumed in writing by this transferee.

**27.5 Recordation**

Neither Landlord nor Tenant shall record this Lease, but a short form memorandum hereof may be recorded at the request of Landlord.

### **27.6 Overdue Rent**

Rent and Additional Rent are due on the 1st day of each month, in advance, and are in arrears after 5:00 p.m. on the 5th day. If any sums payable by Tenant to Landlord under this Lease are not received by the 5th day of each month, Tenant shall pay Landlord in addition to the amount due, for the cost of collecting and handling such late payment, an amount equal to the greater of \$350.00 or five percent (5%) of the delinquent amount. In addition, all delinquent sums payable by Tenant to Landlord and not paid within five days of the due date shall, at Landlord's option, bear interest at the rate of twelve percent (12%) per annum, or the highest rate of interest allowable by law, whichever is less. Interest on all delinquent amounts shall be calculated from the original due date to the date of payment. Tenant hereby further agrees to pay any reasonable attorney's fees and expenses incurred by Landlord by reason of Tenant's failure to pay rent, additional rent or other charges when due hereunder.

### **27.7 Prior Agreements**

This Lease contains all the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understandings pertaining to any such matters shall be effective for any purpose. No provisions of this Lease may be amended or added to except by agreement in writing signed by the parties hereto or their respective successors in interest. This Lease shall not be effective or binding upon any party until fully executed by both parties hereto.

### **27.8 Inability to Perform**

Time periods for either party's performance under any provisions of this Lease (excluding payment of Rent) shall be extended for periods of time during which the party's performance is prevented due to circumstances beyond such party's control, including without limitation, fires, floods, earthquakes, lockouts, strikes, embargoes, pandemics, governmental regulations, acts of God, public enemy, war or other strife; provided in no event shall any of the foregoing events operate to extend the Term of this Lease.

### **27.9 Partial Invalidity**

If any provisions of this Lease shall prove to be invalid, void or illegal, such invalidity, nullification or illegality shall in no way affect, impair or invalidate any other provision, and all other provisions shall remain in full force and effect.

### **27.10 Cumulative Remedies**

No remedy or election hereunder shall be deemed exclusive but shall whenever possible be cumulative with all other remedies at law or in equity.

### **27.11 Liability of Landlord**

Tenant shall look solely to the Premises and the proceeds thereof for the satisfaction of any judgment or decree against Landlord based upon any default under this Lease, and no other property or assets of the Landlord shall be subject to levy, execution or other enforcement procedures for satisfaction of any such judgment or decree.

### **27.12 Choice of Law/Jurisdiction/Venue/Waiver of Jury Trial**

This Lease shall be governed by the laws of the State of Washington. Jurisdiction and venue shall be in King County, Washington. **Landlord and Tenant each agree to and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way related to this Lease or Tenant's tenancy at the Premises.**

**27.13 Attorneys' Fees**

If Tenant or Landlord engage the services of an attorney to collect monies due or to bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of Rent or other payments or possession of the Premises, the losing party shall pay the prevailing party a reasonable sum for attorneys' fees in such action, including but not limited to attorneys' fees incurred in mediation or arbitration, at trial, on appeal, or in any bankruptcy proceeding.

**27.14 Real Estate Commission**

None Applicable - Tenant represents that Tenant has had no dealings with any broker, finder or other party concerning Tenant's lease of the Premises, and Tenant agrees to indemnify and hold harmless the Landlord from all loss, cost, damage or expense (including reasonable attorney fees) incurred as a result of any claim for a commission, finder's fee, or similar compensation made by any broker, finder or any person who claims to have dealt with the Tenant.

**27.15 Execution**

This Lease may be executed in several counterparts, each of which shall be deemed an original instrument.

**27.16 Notices**

All notices shall be deemed to have been given in writing by depositing the same in the United States mail, postage prepaid, registered or certified, and addressed to the party at the respective mailing addresses as herein set forth:

TO LANDLORD AT: Gregory J. Martin, President  
Sunrise Ridge Health Services  
P.O. Box 1984  
Vashon, WA 98070

TO TENANT AT: Eric Jensen, FACHE  
Superintendent  
Vashon Health Care District  
PO Box 213  
Vashon, WA 98070

It is understood that each party may change the address to which notices may be sent by giving written notice of such change to the other party hereto in the manner herein provided.

**27.17 Security Deposit**

None.

**27.18 Rules**

Tenant agrees to abide by such reasonable rules Landlord may adopt for the governance of all tenants of the Property. Landlord agrees to review all rules on a regular basis with site lessees and to duly consider Tenant’s input regarding rule changes. In addition, and upon thirty (30) days prior written notice, Tenant agrees to abide by the reasonable safety practices, rules, and requirements of Landlord’s site insurance carrier.

**27.19 HIPPA**

For purposes of this Agreement, “protected health information” (“PHI”) shall have the meaning defined by the Standards for Privacy of Individually Identifiable Health Information, 45 C.F. R Part 160 and Subparts A and E of Part 164 and all amendments thereto (commonly known as the “Privacy Standards”), as promulgated by the U.S. Department of Health and Human Services pursuant to the Administrative Simplifications provisions of the Health Insurance Portability and Accountability Act of 1996 and all amendments thereto (“HIPPA”). In the event that in its use of the Premises, Tenant creates, stores or maintains PHI in the Premises, the parties agree that neither Landlord nor Landlord’s employees and agents shall need access to, or the use of, any PHI of Tenant. However, in the event that PHI is seen by or disclosed (whether inadvertently or otherwise) to Landlord or its employees or agents, the party discovering such disclosure shall promptly notify the other party and Landlord agrees to promptly take commercially reasonable efforts to prevent any subsequent disclosure or release by Landlord or Landlord’s employees or agents of such PHI to third parties. The parties agree that the provisions of this paragraph do not create, and are not intended to create, a “business associate” relationship between the parties as that terms is defined by the Privacy Standards.

**28. Exhibits and Additional Terms**

The following are attached to this Lease and incorporated herein by reference:

<b><u>EXHIBIT A-1</u></b>	LEGAL DESCRIPTION OF THE SUNRISE RIDGE CENTER
<b><u>EXHIBIT A-2</u></b>	SITE PLAN OF THE SUNRISE RIDGE CENTER
<b><u>EXHIBIT A-3</u></b>	SITE PLAN OF THE PREMISES
<b><u>EXHIBIT B</u></b>	SCHEDULE OF RENTS

IN WITNESS WHEREOF the parties hereto have executed this Lease the day and year first above written.

[INTENTIONALLY LEFT BLANK]







**EXHIBIT A-1**

**LEGAL DESCRIPTION OF THE SUNRISE RIDGE CENTER**

TAX LOT 062203-9107: A portion of the following described property, as further depicted in **Exhibit** A-3, attached:

S 230 FT OF SE 1/4 OF SE 1/4 LESS E 534.09 FT LESS W 300 FT TGW N 1/2 OF NE 1/4 OF NE 1/4 STR 07-22-03 LESS W 300 FT LESS POR NELY OF A LN BAAP 534.09 FT W OF NE COR TH S 01-13-00 E 24.95 FT TH S 44-28-00 E 527.70 FT TH S 01-13-00 E TAP 67.61 FT N OF S LN SD SUBD TH E TO W LN OF CO RD TH S TO S LN OF SUBD & TERMINUS OF SD LN; TOGETHER WITH:

**EXHIBIT A-2**

SITE PLAN OF THE SUNRISE RIDGE CENTER

**EXHIBIT A-3**

SITE PLAN OF THE PREMISES

## **EXHIBIT B**

**Base rental rate (Rent)** shall be payable as follows:

**Initial Term - (11/1/20-10/31/21):** Six Thousand One Hundred Seventeen Dollars (\$6,117.00) per month, payable by Tenant, plus Additional Rent outlined in Section 6.

**First Additional Term, if Exercised - (11/1/21-10/31/22):** Six Thousand Three Hundred and 51/100 Dollars (\$6,300.51) per month, payable by Tenant, plus Additional Rent outlined in Section 6.

**Second Additional Term, if Exercised - (11/1/22-10/31/23):** Six Thousand Four Hundred Eight Nine and 53/100 Dollars (\$6,489.53) per month, payable by Tenant, plus Additional Rent outlined in Section 6.

**Third Additional Term, if Exercised - (11/1/23-10/31/24):** Six Thousand Six Hundred Eighty Four and 22/100 Dollars) per month (\$6,684.22), payable by Tenant, plus Additional Rent outlined in Section 6

**Fourth Additional Term, if Exercised - (11/1/24-10/31/25):** Six Thousand Eight Hundred Eighty Four and 75/100 Dollars (\$6,884.75) per month, payable by Tenant, plus Additional Rent outlined in Section 6.

**Vashon Health Care  
District  
2020 Budget  
Repayment Starts 5/2021**

	January, 2021	February, 2021	March, 2021	April, 2021	May, 2021	June, 2021	July, 2021	August, 2021	September, 2021	October, 2021	November, 2021	December, 2021	December YTD 2021
<b>Salary and Benefits</b>													
Superintendent	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$87,756.00
Employer FICA/Medicare	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$7,344.00
FUTA/W L&I/W ES	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$900.00
<b>Services</b>													
Accounting/Bookkeeping	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$3,000.00
Legal	-\$3,000.00			-\$3,000.00			-\$3,000.00			-\$3,000.00			-\$12,000.00
Communications/Website	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$2,400.00
General Liability/D&O									-\$3,300.00				-\$3,300.00
AWPHD	-\$1,000.00												
Travel	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00
<b>Office</b>													
Rent													
Computer hardware/software													
Tech support	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$3,000.00
Phone/internet	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$1,200.00
Office Supplies	-\$250.00			-\$250.00			-\$250.00			-\$250.00			-\$1,000.00
<b>Admin Expense - Total</b>	<b>-\$13,150.00</b>	<b>-\$8,900.00</b>	<b>-\$8,900.00</b>	<b>-\$12,150.00</b>	<b>-\$8,900.00</b>	<b>-\$8,900.00</b>	<b>-\$12,150.00</b>	<b>-\$8,900.00</b>	<b>-\$12,200.00</b>	<b>-\$12,150.00</b>	<b>-\$8,900.00</b>	<b>-\$8,900.00</b>	<b>-\$124,100.00</b>
<b>Clinic services</b>													
Clinic Services Subsidy	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$1,500,000.00
<b>Financing</b>													
Interest Expense	-\$1,387.86	-\$1,324.09	-\$1,549.46	-\$1,775.21	-\$2,006.75	-\$1,973.42	-\$1,940.09	-\$1,906.75	-\$1,873.42	-\$1,840.09	-\$1,806.75	-\$1,773.42	
<b>Total Expenses</b>	<b>-\$139,537.86</b>	<b>-\$135,224.09</b>	<b>-\$135,449.46</b>	<b>-\$138,925.21</b>	<b>-\$135,906.75</b>	<b>-\$135,873.42</b>	<b>-\$139,090.09</b>	<b>-\$135,806.75</b>	<b>-\$139,073.42</b>	<b>-\$138,990.09</b>	<b>-\$135,706.75</b>	<b>-\$135,673.42</b>	<b>-\$1,645,257.31</b>
Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	-\$22,006.75	-\$21,973.42	-\$21,940.09	-\$21,906.75	-\$21,873.42	-\$21,840.09	-\$21,806.75	-\$21,773.42	-\$175,120.69
<b>Tax Revenue @ \$.54/1000 AV</b>					\$904,558.00						\$904,558.00		\$1,809,116.00
Monthly Cash Flow	-\$139,537.86	-\$135,224.09	-\$135,449.46	-\$138,925.21	\$746,644.49	-\$157,846.84	-\$161,030.17	-\$157,713.51	-\$160,946.84	-\$160,830.17	\$747,044.49	-\$157,446.84	-\$11,262.00
Total Cash Balance					\$746,644.49	\$588,797.66	\$427,767.48	\$270,053.98	\$109,107.14	-\$51,723.03	\$695,321.46	\$537,874.62	\$537,874.62
Total Debt	-\$794,452.82	-\$929,676.91	-\$1,065,126.37	-\$1,204,051.58	-\$1,184,051.58	-\$1,164,051.58	-\$1,144,051.58	-\$1,124,051.58	-\$1,104,051.58	-\$1,084,051.58	-\$1,064,051.58	-\$1,044,051.58	-\$1,044,051.58

**Vashon Health Care  
District  
2020 Budget  
Repayment Starts 1/2022**

	January, 2021	February, 2021	March, 2021	April, 2021	May, 2021	June, 2021	July, 2021	August, 2021	September, 2021	October, 2021	November, 2021	December, 2021	December YTD 2021
<b>Salary and Beifits</b>													
Superintendent	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$7,313.00	-\$87,756.00
Employer FICA/Medicare	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$612.00	-\$7,344.00
FUTA/W L&I/W ES	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$75.00	-\$900.00
<b>Services</b>													
Accounting/Bookkeeping	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$3,000.00
Legal	-\$3,000.00			-\$3,000.00			-\$3,000.00			-\$3,000.00			-\$12,000.00
Communications/Website	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$2,400.00
General Liability/D&O									-\$3,300.00				-\$3,300.00
AWPHD	-\$1,000.00												
Travel	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$1,000.00
<b>Office</b>													
Rent													
Computer hardware/software													
Tech support	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$250.00	-\$3,000.00
Phone/internet	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$100.00	-\$1,200.00
Office	-\$250.00			-\$250.00			-\$250.00			-\$250.00			-\$1,000.00
<b>Admin Expense - Total</b>	<b>-\$13,150.00</b>	<b>-\$8,900.00</b>	<b>-\$8,900.00</b>	<b>-\$12,150.00</b>	<b>-\$8,900.00</b>	<b>-\$8,900.00</b>	<b>-\$12,150.00</b>	<b>-\$8,900.00</b>	<b>-\$12,200.00</b>	<b>-\$12,150.00</b>	<b>-\$8,900.00</b>	<b>-\$8,900.00</b>	<b>-\$124,100.00</b>
<b>Clinic services</b>													
Clinic Services Subsidy	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$125,000.00	-\$1,500,000.00
<b>Financing</b>													
Interest Expense	-\$1,387.86	-\$1,324.09	-\$1,549.46	-\$1,775.21	-\$2,006.75	-\$2,010.10	-\$2,013.45	-\$2,016.80	-\$2,020.16	-\$2,023.53	-\$2,026.90	-\$2,030.28	
<b>Total Expenses</b>	<b>-\$139,537.86</b>	<b>-\$135,224.09</b>	<b>-\$135,449.46</b>	<b>-\$138,925.21</b>	<b>-\$135,906.75</b>	<b>-\$135,910.10</b>	<b>-\$139,163.45</b>	<b>-\$135,916.80</b>	<b>-\$139,220.16</b>	<b>-\$139,173.53</b>	<b>-\$135,926.90</b>	<b>-\$135,930.28</b>	<b>-\$1,646,284.60</b>
Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Tax Revenue @ \$.53/1000 AV</b>					\$881,557.00						\$881,557.00		\$1,763,114.00
Monthly Cash Flow (Expense less Interest)	-\$139,537.86	-\$135,224.09	-\$135,449.46	-\$138,925.21	\$745,650.25	-\$135,910.10	-\$139,163.45	-\$135,916.80	-\$139,220.16	-\$139,173.53	\$745,630.10	-\$135,930.28	\$116,829.40
<b>Total Cash Balance</b>					\$745,650.25	\$609,740.15	\$470,576.70	\$334,659.90	\$195,439.74	\$56,266.20	\$801,896.30	\$665,966.02	\$665,966.02
<b>Total Debt</b>	<b>-\$794,452.82</b>	<b>-\$929,676.91</b>	<b>-\$1,065,126.37</b>	<b>-\$1,204,051.58</b>	<b>-\$1,206,058.33</b>	<b>-\$1,208,068.43</b>	<b>-\$1,210,081.88</b>	<b>-\$1,212,098.68</b>	<b>-\$1,214,118.84</b>	<b>-\$1,216,142.38</b>	<b>-\$1,218,169.28</b>	<b>-\$1,220,199.56</b>	<b>-\$1,220,199.56</b>

Monthly Repayment over 72 Mont **-\$16,947.22**  
Annual Repaymrnt **-\$203,366.59**