

## MEDICAL OFFICE AND EQUIPMENT LEASE AGREEMENT

**Lopez Island Primary Care Clinic  
103 Washburn Place, Lopez Island, WA 98261**

THIS LEASE is made as of the date set forth below between the CATHERINE WASHBURN MEDICAL ASSOCIATION, a Washington non-profit corporation ("Landlord") and Lopez Island Physical Therapy, LLC, a Washington non-profit corporation ("Tenant"). Landlord and Tenant hereby agree:

### BASIC LEASE TERMS

1. BASIC LEASE INFORMATION AND EXHIBITS. The following terms as used herein shall have the meanings provided in this Section 1, unless otherwise specifically modified by provisions of this Lease:

- (a) Lease Date: July 21, 2017
- (b) Tenant: Lopez Island Physical Therapy, a Washington LLC.
- Address of Tenant: L o p e z  
Island Physical Therapy, LLC  
P.O. Box 881  
Lopez Island, WA 98261  
Attn: President
- (c) Landlord: Catherine Washburn Medical Association, a Washington non-profit corporation.
- Address of Landlord: C a t h e r i n e  
Washburn Medical Association  
P.O. Box 309  
Lopez Island, Washington 98261  
Attn: President
- (d) Building: The building located at 103 Washburn Place, City of Lopez Island, San Juan County, Washington, situated on the Land legally described in Exhibit A attached hereto.
- (e) Premises: The medical office space commonly known as Lopez Island Primary Care Clinic, located within the Building as depicted in Exhibit B.
- (f) Lease Term: Three (3) years, commencing on the date Tenant commences operations at the Premises (the "Commencement Date") and terminating at midnight on the last day of the 36<sup>th</sup> full calendar month after the month in which the Commencement Date occurs, unless the Lease Term is extended to include an Extended Term, in

which case at midnight on the last day of such Extended Term (the "Termination Date").

(g) Basic Rent: \$30 per month.

(h) Security Deposit: \$0.

(i) Permitted Use: Physical therapy services and for no other use or purpose without Landlord's prior consent.

(j) Party Responsible for Janitorial Services: Tenant.

(k) Exhibits: Exhibit A - Legal Description of Land  
Exhibit B - Space Plan of Premises  
Exhibit C - List of Equipment  
Exhibit D—Form of Tenant's Estoppel Certificate

## **GENERAL LEASE TERMS**

### **2. PREMISES AND EQUIPMENT LEASE.**

(a) Premises. Landlord does hereby lease to Tenant, on a non-exclusive basis, and Tenant does hereby lease from Landlord, upon the terms and conditions herein set forth, the Premises described in Section 1 hereof and Exhibit B attached hereto, located on the Land more particularly described on Exhibit A attached hereto. The foregoing notwithstanding, Tenant acknowledges that Landlord leases approximately 5500 square feet of clinical space, common areas for waiting and bathrooms, staff break room and restrooms, and parking to UWPN for the purpose of operating a primary care clinic.

(b) Fixtures and Equipment. Landlord further does hereby lease to Tenant, and Tenant does hereby lease from Landlord, upon the terms and conditions herein set forth, the fixtures and furniture located in the Premises at the time the Landlord delivers possession of the Premises to Tenant and the equipment set forth in Exhibit C attached hereto (the "Fixtures and Equipment"). The Fixtures and Equipment shall at all times during the term of this Lease and after its termination remain the sole property of Landlord.

### **3. COMMENCEMENT AND EXPIRATION DATES.**

(a) The term of this Lease shall commence on the Commencement Date set forth in Section 1 above. If for any reason Landlord cannot deliver possession of the Premises to Tenant, Landlord shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or the obligations of Tenant hereunder or extend the Termination Date. Subject to delivery by Landlord, Tenant shall have nonexclusive possession of the Premises as of September 26, 2017. The Lease Term shall expire on the Termination Date set forth in Section 1 above. Notwithstanding the foregoing, Tenant shall be allowed early access to the Premises prior to the Commencement Date for the purpose of installation of support systems and devices, including IS/IT systems, electronic medical record system, cabling, etc., and set up operations for the opening of the clinic. Tenant agrees to be responsible for any damage or destruction

caused in connection with its early access to the Premises. The lease may be terminated by either party, without cause, upon 120 days notice.

(b) Extended Term. The Lease shall be automatically extended for one (1) period of three (3) years (the "Extended Term"). The Extended Term shall be on all of the terms and conditions contained in the Lease. The foregoing automatic extension of the Lease Term is only for the named Tenant herein and is not assignable or transferable. The automatic extension of the Lease Term as aforesaid shall automatically terminate and become null and void upon the earlier to occur of (1) termination of Tenant's right to possession of the Premises, (2) the assignment by Tenant of the Lease, in whole or in part, (3) Tenant's having ceased operations at the entire Premises for a period of longer than thirty (30) days except for closures due to damage, destruction, condemnation, or remodeling otherwise permitted by Landlord or (4) Lease termination without cause, upon 120 days notice, by either party.

(c) Termination. The Lease may be terminated by either party, without cause, upon 120 days notice.

4. RENT. Tenant shall pay Landlord without notice the Basic Rent stated in Section 1 hereof without deduction or offset on the first day of each calendar month during the term at Address for Landlord provided in Section 1 above. Basic Rent and Additional Rent (together "Rent") for any partial month shall be prorated in proportion to the number of days in such month.

5. ADDITIONAL RENT.

(a) Modified Gross Lease. It is the intention of Landlord and Tenant that this Lease be a modified gross lease, so that all costs of owning, operating and maintaining the Premises and Fixtures and Equipment shall be borne by Landlord except as set forth herein. Notwithstanding the foregoing, Tenant shall remain responsible for, and shall pay all costs and expenses associated with telephone, fiber optic connection and usage fees, utility (water, sewer, gas, electricity) usage charges, and trash removal fees, and any damage caused by Tenant's negligence or misuse of the Premises, all of which shall be deemed "Additional Rent" hereunder. Landlord shall invoice Tenant monthly for Additional Rent due for the prior month and Tenant shall remit payment within thirty (30) days of receipt of Landlord's invoice. Landlord shall be directly responsible for all costs and expenses associated with maintenance and repair of all mechanical systems of the Building including, but not limited to, HVAC, septic systems and fuel and maintenance of the auxiliary generator.

Personal Property Taxes. Tenant shall also pay, prior to delinquency, all personal property taxes payable with respect to all property of Tenant located on the Premises or Land (if any), including any improvements paid for by Tenant, and promptly, upon request of Landlord, shall provide written proof of such payment.

6. SERVICES AND UTILITIES. Tenant shall pay for its own electricity services at the Premises. Janitorial services to the Premises are to be provided by Tenant. Landlord shall have the right to separately meter any utilities provided to the Premises at Tenant's expense, and Tenant shall pay thereafter all such separately-metered utilities. Except to the extent caused by the negligence or intentional misconduct of Landlord or its agents, employees or contractors, failure by Landlord to any extent to furnish or cause to be furnished the utilities or services described in this Lease, or any cessation or interruption thereof, resulting from any cause, including without limitation, mechanical breakdown, overhaul or repair of equipment, strikes, riots, acts of God, shortages of labor or material, compliance by Landlord with any voluntary or similar governmental or business

guidelines, governmental laws, regulations or restrictions, or any other similar causes, shall not render the Landlord liable in any respect for damages to either person or property, for any economic loss or other consequential damages incurred by Tenant as a result thereof, be construed as an eviction of Tenant or relieve Tenant from its obligation to perform or observe any covenant or agreement contained in this Lease. Landlord shall have the right to select and change utility providers from time to time providing service to the Premises, and may elect to provide one or more such utility services itself.

7. USES. The Premises are to be used only for the Permitted Use set forth in Section 1 above and for no other business or purpose. Tenant shall not commit any act that will increase the then existing rate of insurance on the Premises and will immediately pay any such increase. Tenant shall promptly pay upon demand the amount of any increase in insurance rates caused by any act or acts of Tenant. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance or other act which is unlawful. Tenant shall, at Tenant's expense, comply promptly with all applicable statutes, ordinances, rules, regulations, orders and requirements, including without limitation laws and regulations prohibiting discrimination on the basis of race, gender, religion, national origin, age or disability, in effect during the term hereof, including without limitation the Americans With Disabilities Act, regulating the use, occupancy or improvement of the Premises. Tenant shall observe and comply with all reasonable rules and regulations put into effect by Landlord, provided a copy thereof has been provided to Tenant.

8. IMPROVEMENTS. Upon expiration or sooner termination of this Lease, all improvements and additions to the Premises shall be deemed the property of Landlord.

9. ACCEPTANCE OF PREMISES AND FIXTURES AND EQUIPMENT. Tenant hereby accepts the Premises and Fixtures and Equipment "as-is" in their condition existing as of the date of the execution hereof, and that Landlord shall have no obligation of any kind to alter, repair, improve, or rebuild the Premises in connection with Tenant's occupancy thereof, or to make any capital expenditures for Fixtures and Equipment or for the correction of alleged deficiencies in the Fixtures and Equipment, except to the extent specifically set forth elsewhere in this Lease. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty as to the suitability of the Premises or Fixtures and Equipment for the conduct of Tenant's business, and Tenant hereby waives any rights, claims or actions against Landlord under any express or implied warranties of suitability.

10. CARE OF PREMISES AND FIXTURES AND EQUIPMENT. Landlord shall maintain the Building, Premises and Fixtures and Equipment in a manner consistent with any applicable manufacturer and safety specifications and in good working order and condition reasonably acceptable to Tenant, except for damage, other than ordinary wear and tear, occasioned by act or omission of Tenant or its contractors, agents, invitees, licensees or employees, the repair of which damage shall be paid by Tenant. Except for repair and maintenance of the Building, Premises and Fixtures and Equipment by Landlord under the terms of this Lease, Tenant shall keep the Premises and Fixtures and Equipment in neat and clean and in sanitary condition, in substantially the same condition as when received from Landlord, ordinary wear and tear excepted. Landlord shall be solely responsible for cost of replacement Fixtures and Equipment at the end of the useful life of such with replacement items reasonably acceptable to both parties. Replacement of any additional equipment purchased by Tenant, shall be at Tenant's sole expense. All structural repairs required to

be made by Landlord shall be those reasonably determined by Landlord as necessary to maintain the structural integrity of the Building and the Premises.

11. ALTERATIONS AND ADDITIONS. Tenant shall not make any alterations, improvements, additions, or utility installations in or about the Premises (collectively, "Alterations") without first obtaining the written consent of Landlord and, where appropriate, in accordance with plans and specifications approved by Landlord. Any alterations required to be made to the Premises by any applicable building, health, safety, fire, nondiscrimination, or similar law or regulation ("law") shall be made at Tenant's sole expense and shall be subject to the prior written consent of Landlord. Any alterations required to be made to the Building, excluding the Premises, by any applicable building, health, safety, fire, nondiscrimination, or similar law or regulation ("law") shall be made at Landlord's sole expense. Tenant shall reimburse Landlord for any reasonable sums expended for examination and approval or architectural or mechanical plans and specifications of the Alterations. Landlord may require a lien and completion bond for such construction, or require the improvements be removed at the expiration of the Term. Landlord's approval of the plans, specifications and working drawings for Tenant's alterations shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. Tenant shall pay, when due, all claims for labor or materials furnished to or for Tenant at or for use in the Premises, which claims are or may be secured by any mechanics' or materialmen's liens against the Premises or any interest therein. Unless Landlord requires their removal, all Alterations (other than trade fixtures and movable equipment) which may be made on the Premises shall become the property of Landlord and remain upon and be surrendered with the Premises at the expiration of the term.

12. ACCESS. Tenant shall permit Landlord and its agents to enter the Premises at all reasonable times for the purpose of inspecting, cleaning, repairing, altering or improving the Premises and Fixtures and Equipment. Landlord shall provide Tenant with at least forty eight (48) hours notice of its intent to enter the Premises for the purposes stated in this Section 13. Landlord may temporarily close any portion of the Premises without liability to Tenant by reason of such closure, and such closure shall not constitute an eviction of Tenant.

13. DAMAGE OR DESTRUCTION. If all of the Building or Premises or such portions of the Premises as may be required for the reasonable use of the Premises are damaged by fire or other casualty, Landlord or Tenant may elect to terminate this Lease, effective as of the date of such casualty. In the event of casualty to of a material part, but less than all, of the Premises, where Landlord shall determine that the remaining portions of the Premises cannot be economically and effectively used by it (whether on account of physical, economic, aesthetic or other reasons) or where Landlord determines the Premises should be restored in such a way as to materially alter the Premises, Landlord shall forward a written notice to Tenant of such determination not more than thirty (30) days after the date of such damage. The term of this Lease shall expire upon such date as Landlord shall specify in such notice but not earlier than sixty (60) days after the date of such notice. If this Lease is not terminated as aforesaid, it shall continue in full force and effect during such reconstruction, except that Tenant's obligation to pay Basic Rent shall be suspended in the same proportion as the untenable portion of the Premises bears to the whole Premises until such time as Tenant can resume full operations in the rebuilt Premises. If this Lease is terminated as aforesaid, no damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance arising from any damage or destruction to any portion of the Premises.

Landlord will not carry insurance of any kind on any improvements paid for by Tenant or on Tenant's furniture, furnishings, fixtures, equipment or appurtenances of Tenant under this Lease and Landlord shall not be obligated to repair any damage thereto or replace the same.

14. INDEMNIFICATION.

(a) Indemnity. Tenant shall indemnify, defend and hold Landlord harmless from and against all loss, cost and expense, including attorneys' fees, arising from any act, omission, or negligence of Tenant or its officers, contractors, licensees, agents, servants, employees, guests, invitees, or visitors in or about the Premises or Land, or arising from any injury or damage to any person or property, occurring in or about the Premises or Land as a result of any act, omission or negligence of Tenant, or its officers, contractors, licensees, agents, employees, guests, or visitors or arising from any breach or default under this Lease by Tenant. The foregoing provisions shall not be construed to make Tenant responsible for loss, damage, liability or expense resulting from injuries to third parties caused solely by the negligence or intentional misconduct of Landlord, or its officers, contractors, licensees, agents, employees, or invitees in the Premises. Subject to Section 15(d) (waiver of subrogation), Landlord shall indemnify, defend and hold Tenant and its officers, agents, employees and contractors harmless from all losses, damages, fines, penalties, liabilities and expenses incurred (including Tenant's attorneys' fees and other costs incurred in connection with such claims, regardless of whether claims involve litigation) resulting from any actual or alleged injury to any person or from any actual or alleged loss of or damage to any property alleged to be attributable to Landlord's negligent operation of the Building or the negligent acts or omissions of Landlord, or its employees, agents, officers or directors in the Premises. Notwithstanding any of the foregoing, subject to Section 15(d) (waiver of subrogation), if losses, liabilities, damages, liens, costs and expenses so arising from the operation or occupation of the Premises are caused by the concurrent negligence of both Landlord and Tenant or their respective employees, agents, invitees and licensees, each party (the "Indemnifying Party") shall indemnify the other party (the "Indemnified Party") only to the extent of the negligence of the Indemnifying Party or its officers, agents, employees, guests or invitees.

(b) Notice of Claims. The respective indemnifications provided for in Section 15(a) with respect to acts or omissions during the term of this Lease shall survive termination or expiration of this Lease. Each party shall provide the other party with prompt written notice of any claim for indemnification under this Section 15(a).

(c) Exemption of Landlord From Liability. As a material part of the consideration to Landlord, Tenant hereby agrees that, notwithstanding anything to the contrary in Section 15(a) above, Landlord shall in no event be liable for injury to Tenant's business or assets or any loss of income therefrom or for damage to Tenant's employees, invitees, customers, or any other person in or about the Premises, whether such damage, loss or injury results from conditions arising upon the Premises, or from other sources or places, and regardless of whether the cause of such damage, loss or injury or the means of repairing the same is inaccessible to Tenant. The foregoing exemption of Landlord from liability shall not apply to the extent that the conditions of the Premises that gave rise to the damage, loss or injury is a result of Landlord's negligence, willful or intentional conduct or that of Landlord's officers, contractors, licensees, agents, employees in the Premises.

(d) Waiver of Subrogation. Except for deductibles/self insured retentions carried by Landlord, each of Landlord and Tenant hereby waive any and all rights to recover against the other, or against the officers, directors, shareholders, partners, joint ventures, employees, agents, customers, invitees or business visitors of such other party, for any loss or damage to such waiving party arising from any cause covered by any property insurance required to be carried pursuant to this Lease or any other property

insurance actually carried by such party. Landlord and Tenant, from time to time, will cause their respective insurers to issue appropriate waiver of subrogation rights endorsements to all property insurance policies carried in connection with the Premises or the contents of either.

(e) Limitation on Indemnities. In compliance with RCW 4.24.115 as in effect on the date of this Lease, all provisions of this Lease pursuant to which Landlord or Tenant (the "Indemnitor") agrees to indemnify the other (the "Indemnitee") against liability for damages arising out of bodily injury to persons or damage to property relative to the construction, alteration, repair, addition to, subtraction from, improvement to, or maintenance of, any building, road, or other structure, project, development, or improvement attached to real estate, including the Premises, (i) shall not apply to damages caused by or resulting from the sole negligence of the Indemnitee, its agents or employees, and (ii) to the extent caused by or resulting from the concurrent negligence of (a) the Indemnitee or the Indemnitee's agents or employees, and (b) the Indemnitor or the Indemnitor's agents or employees shall apply only to the extent of the Indemnitor's negligence; provided, however, the limitations on indemnity set forth in this paragraph shall automatically and without further act by either Landlord or Tenant be deemed amended so as to remove any of the restrictions contained in this paragraph no longer required by then-applicable law.

15. HAZARDOUS SUBSTANCES. Except for normal office and cleaning supplies typically found in medical office environments and used in accordance with label instructions and applicable laws, Tenant shall not use, dispose of or otherwise allow the release or disposal of any hazardous substance, waste or materials in, on or under the Premises, the Land, or any adjacent property. Tenant represents and warrants to Landlord that, except as set forth in the preceding sentence, Tenant's intended use of the Premises does not involve the use, production, disposal or bringing any hazardous substance, waste or materials into or onto the Premises or the Land. As used herein, the term "hazardous substance, waste or materials" includes any substance, waste or material defined or designated as hazardous, toxic or dangerous (or any similar term) by any federal, state or local statute, regulation, rule or ordinance now or hereafter in effect. Tenant shall promptly comply with all applicable laws and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction relating to hazardous substance, waste or materials. Tenant agrees to indemnify, defend and hold harmless Landlord against any and all loss, cost and expense (including, without limitation, consultant fees, attorneys' fees and disbursements) which may be imposed on, incurred or paid by, or asserted against Landlord or the Premises or Land by reason of, or in connection with (i) any misrepresentation, breach of warranty or other default by Tenant under this Lease, or (ii) the acts or omissions by Tenant under this Lease, or (ii) the acts or omissions of Tenant, or any sublessee or other person for whom Tenant would otherwise be liable, resulting in the release of any hazardous substance, waste or materials. If Tenant or its employees, customers, contractors, or agents discovers any existing asbestos or asbestos-containing materials on the Premises in connection with any Landlord-approved Alterations of Landlord's Work, Tenant shall immediately notify Landlord. Should Tenant discover any such asbestos or asbestos-containing materials on the Premises and Tenant so notifies Landlord, Landlord shall promptly consult with a AHERA certified asbestos abatement contractor ("CAAC"). Upon the recommendation of such CAAC, Landlord shall commence the removal, remediation, abatement, encapsulation or clean-up of such asbestos, asbestos-containing materials from the Premises. Landlord shall be solely responsible for the cost associated with the removal, remediation, abatement, encapsulation or clean-up of asbestos or asbestos-containing materials.

16. INSURANCE.

(a) Coverage Required. Tenant shall maintain in full force and effect at all times during the Term at its own expense, for the protection of Tenant and Landlord, as their interests may appear, policies of insurance issued by a responsible carrier or carriers who are qualified to do business in the State of Washington which policies shall afford the following coverages:

(i) Workers' Compensation Insurance as required by applicable Washington state law;

(ii) Commercial General Liability Insurance in an amount not less than One MILLION DOLLARS (\$1,000,000) per occurrence/general aggregate limit (which limit may be satisfied by the combination of primary and excess liability policies), which may be written on an "occurrence" basis, and which lists Landlord as an additional insured by endorsement reasonably acceptable to Landlord; and

(b) Professional liability insurance coverage which shall insure against any action, error, or omission of Tenant or its employees, in connection with the provision of any health care and/or dental services provided by Tenant or its employees, in the Premises in an amount not less than One MILLION DOLLARS (\$1,000,000) per occurrence/general aggregate limit.

(c) Insurance Requirements. All insurance policies required to be maintained by Tenant under this Lease shall be issued by insurance companies which have a Best's Rating of "A-" or better and are included within Best's Financial Size "Class VII" or larger in the most current available "Best's Insurance Reports," and which are qualified to do business in the State of Washington. Tenant's general liability policy shall list Landlord as an additional insured or loss payee, as applicable and shall entitle Landlord to recover under said policy for any loss occasioned to Landlord, its servants, agents and employees by reason of the negligence of Tenant or its employees, agents or contractors. All liability and property damage and other casualty policies of Tenant shall be written as primary policies, not contributing with, and not in excess coverage which Landlord may carry.

(d) Certificates. Tenant shall deliver to Landlord on the Commencement Date of this Lease and thereafter at least fifteen (5) days prior to expiration of any insurance required to be carried hereunder, certificates of insurance evidencing this coverage with limits not less than those specified above. All such certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Landlord in the event of expiration or cancellation of the coverages or policies evidenced by the certificates.

(e) Landlord Insurance. Landlord shall maintain throughout the Term and any applicable Extended Term policies of property insurance covering loss of or damage to the Building and the Premises (including Landlord-owned tenant improvements and subsequent alterations to the Premises) in the full amount of its replacement cost, with an endorsement to cover code changes, covering perils insured under special causes of loss form and broad causes of loss form. Such policies shall provide protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extended perils ("special cause of loss"), and sprinkler leakage. If any permanent improvements are made to the Premises at Tenant's expense, Landlord shall and is hereby deemed to assign to Tenant a right to insurance proceeds in the amount equal to the replacement cost of such improvements. Notwithstanding the assignment, and provided this Lease is not terminated pursuant its terms, all proceeds of Landlord's property insurance shall be applied, as required, toward the restoration or replacement of the Building and/or the Premises (including the improvements constructed at Tenant's expense), and Tenant shall reassign to Landlord its portion of insurance proceeds for such purpose. The property insurance carried by Landlord



pursuant to this Section 16(d) shall be primary to and non-contributory with any property insurance carried by Tenant. Landlord shall further maintain throughout the Term and any Extended Term a policy of commercial general liability insurance with a combined single limit of not less than two million dollars (\$2,000,000.00) per occurrence and four million dollars (\$4,000,000.00) aggregate for bodily injury and property damage, insuring Landlord against liability arising out of the ownership, use, occupancy or maintenance of the Building. The foregoing dollar limits may be satisfied through "excess coverage," so long as such excess coverage affords the same protection against the same risks covered by the general liability insurance described in this Section 17(d). All required Landlord's insurance shall be issued by insurance companies authorized to do business in the State of Washington with a Best's Rating of "A VII" or better.

17. ASSIGNMENT AND SUBLETTING. Except as set forth below, neither this Lease nor any interest therein may be assigned, mortgaged, transferred or encumbered, nor shall all or any part of the Premises be sublet (each of which, a "Transfer"), without Landlord's prior consent. If Tenant is a corporation, partnership, limited liability company, or any other entity, any transfer of a controlling ownership interest in such entity or any transfer of this Lease by merger, consolidation or liquidation shall be deemed a Transfer requiring Landlord's consent under this Section 17. Transfers include, without limitation, one or more sales or transfers, by operation of law or otherwise, or creation of new stock, by which an aggregate of more than fifty percent (50%) of Tenant's stock, or partnership or membership interests, as applicable, shall be vested in a party or parties who are nonstockholders or non-partners or non-members, as applicable, as of the date hereof (provided that the foregoing shall not apply if Tenant's stock is listed on a recognized national stock exchange or is traded over-the-counter). If Landlord consents to any proposed Transfer, Tenant may enter into same, but only upon the specific terms and conditions set forth in Tenant's Request for Consent; any such Transfer shall be subject to, and in full compliance with, all of the terms and provisions of this Lease; the consent by Landlord to any Transfer shall not relieve Tenant of any obligation under this Lease; Landlord may require the Tenant and the Transferee to execute a Landlord's consent form; and no Transfer shall be binding on Landlord unless Tenant and the transferee shall deliver to Landlord a fully-executed counterpart of the document effecting the Transfer.

18. LIENS AND INSOLVENCY. Tenant shall keep its interest in this Lease and any Property of Tenant (other than unattached personal property) and the Premises and the Land free from any liens arising out of any work performed or materials ordered or obligations incurred by or on behalf of Tenant and hereby indemnifies and holds Landlord harmless from any liability from any such lien. Tenant shall have no right or authority to cause or allow the Premises or Land to be subjected to any such lien. Tenant shall provide Landlord written notice of intended construction, alteration or repair work at least twenty (20) days before the commencement thereof to afford Landlord an opportunity to post notices of nonresponsibility.

19. DEFAULT.

(a) Default By Tenant. The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Tenant: (i) the abandonment of the Premises by Tenant or the vacating of the Premises for more than thirty (30) consecutive days; (ii) the failure by Tenant to make any payment required to be made by Tenant hereunder, and such failure continues for more than five (5) business days after written notice from Landlord; (iii) the failure by Tenant to observe or perform any of the other covenants, conditions or provisions of the Lease, where such failure shall continue for a

period of thirty (30) days after written notice from Landlord; provided, however, if more than 30 days are reasonably required for its cure then Tenant shall not be deemed to be in default if Tenant commences such cure within said 30day period and thereafter diligently prosecutes such cure to completion; (iv) the making by Tenant of any general assignment or general arrangement for the benefit of creditors; (v) the filing by or against Tenant of a petition to have Tenant adjudged bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); (vi) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease, where possession is not restored to Tenant within thirty (30) days; (vii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days; or (viii) the assignment or other transfer of all or any interest of Tenant in this Lease, or the subletting of all or any portion of the Premises, in either case which is in violation of Section 17 above. All notice and cure periods set forth above are in lieu of and not in addition to any notice required pursuant to applicable unlawful detainer/eviction statutes.

(b) Landlord's Remedies Upon Tenant Default. All rights and remedies of Landlord herein enumerated shall be cumulative, and none shall exclude any other right or remedy allowed by law or in equity, and all of the following may be exercised with or without legal process as then may be provided or permitted by the laws of the State of Washington. Upon any uncured material default under this Lease:

(i) Landlord may reenter the Premises and remove or put out Tenant or any other persons found therein. No such reentry shall be construed as an election on Landlord's part to terminate this Lease unless a written notice of such intention is given to Tenant.

(ii) Landlord may elect to re-let the Premises or any part thereof upon such terms and conditions, including rent, term and remodeling or renovation, as Landlord in its sole discretion may deem advisable. To the fullest extent permitted by law, the proceeds of any reletting shall be applied: first, to pay Landlord all costs and expenses of such reletting (including without limitation, costs and expenses incurred in retaking or repossessing the Premises, removing persons or property therefrom, securing new tenants, and, if Landlord maintains and operates the Premises, the costs thereof); second, to pay any indebtedness of Tenant to Landlord; and third, 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.

(iii) Landlord may also elect to terminate the Lease and all rights of Tenant by giving notice to Tenant of such election. If Landlord elects to terminate the Lease, Landlord shall have the right to reenter the Premises and remove all persons, and to take possession of and remove all equipment and fixtures of Tenant in the Premises. If Landlord so elects to terminate the Lease under this Section 17(b)(iii), Landlord may also recover from Tenant any amount necessary to compensate the Landlord for all the detriment proximately caused by the Tenant's default and at Landlord's election, such other amounts in addition to or in lieu of the foregoing that may be permitted from time to time by applicable law.

(c) Nothing in this Section 19 shall be deemed to affect Landlord's right to indemnification for liability or liabilities arising prior to termination of this Lease for personal injury or property damage under the indemnification provisions or other provisions of this Lease.

20. PRIORITY. This Lease shall be subordinate to any mortgage or deed of trust now existing or hereafter placed upon the Land or the Premises, created by or at the instance of Landlord, and to any and all advances made or to be made thereunder and to interest thereon and all modifications,

renewals and replacements or extensions thereof ("Landlord's Mortgage"), and to any master lease hereafter placed against the Land or Premises and to all modifications, extensions, and amendments thereof and thereto. Tenant shall properly execute, acknowledge and deliver documents which Landlord or the holder of any Landlord's Mortgage may require within ten (10) business days after Tenant's receipt of a written request for such documents to effectuate the provisions of this Section 20, provided that such documents state that Tenant's rights this Lease will not be terminated so long as Tenant is not in default hereunder.

21. ESTOPPEL CERTIFICATES. Tenant shall, from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a mutually agreed upon written statement certifying facts or circumstances concerning the Lease or the Premises in substantially the same form as Exhibit D. It is intended that any such statement delivered pursuant to this Section may be relied upon by Landlord or a prospective purchaser of Landlord's interest or holder of any mortgage upon Landlord's interest in the Building. Tenant shall respond within fifteen (15) business days of receipt by Tenant of a written request by Landlord. If Tenant shall fail to respond within fifteen (15) days of receipt by Tenant of a written request by Landlord as herein provided, Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee and to have certified that this Lease is in full force and effect and, that there are no uncured defaults in Landlord's performance.

22. SURRENDER OF POSSESSION. Subject to the terms of Section 13 relating to damage and destruction, upon expiration of the term of this Lease, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Premises to Landlord "broom-clean" and in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable use, wear and tear excepted. Tenant shall remove all of its personal property and trade fixtures from the Premises at the expiration of the term; any property not so removed shall be deemed abandoned and may be sold or otherwise disposed of as Landlord deems advisable.

23. NONWAIVER. Waiver by either party of any term, covenant or condition herein contained or any breach thereof shall not be deemed to be a waiver of such term, covenant, or condition or of any subsequent breach of the same or any other term, covenant, or condition herein contained.

24. HOLDOVER. If Tenant remains in possession of the Premises or any part thereof after the expiration of the term of this Lease with the express written consent of Landlord, such occupancy shall be a tenancy from month-to-month at a rental in an amount equal to one hundred fifty-percent of the then applicable rental rate, in Landlord's sole discretion, and subject to all of the other terms, covenants and conditions of this Lease applicable to a month-to-month tenancy. Tenant acknowledges and agrees that this Section 24 does not grant any right to Tenant to holdover, and that Tenant may also be liable to Landlord for any and all damages or expenses which Landlord may have to incur as a result of Tenant's holdover (including, by way of example and not by way of limitation, any rental or penalty payments that may be imposed against Landlord as the lessee under underlying leases, whether or not for additional premises greater than the Premises demised hereunder).

25. LANDLORD'S LIABILITY. Anything in this Lease to the contrary notwithstanding, covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding

Landlord personally or the assets of Landlord except Landlord's interest in the Premises, but are made and intended for the purpose of binding only the Landlord's interest in the Premises, as the same may from time to time be encumbered.

26. RIGHT TO PERFORM. If Tenant shall fail to pay any sum of money required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from any obligations of Tenant, make such payment or perform any such other act on Tenant's part to be made or performed as provided in this Lease.

27. MEDICAL, BIOLOGICAL, AND INFECTIOUS WASTE. Tenant may use medical and/or dental supplies and materials, and may generate Medical Wastes (defined below) which are commonly found in medical and/or dental offices, laboratories and clinics. Tenant's generation, use, storage and disposal of such supplies, materials and Medical Wastes shall strictly comply with all applicable local, state and federal laws, codes, rules, regulations and guidelines. Tenant represents and warrants to Landlord that, except as set forth in the preceding sentences, Tenant's intended use of the Premises does not involve the use, production, disposal or bringing on to the Premises of any other hazardous waste or materials. As used herein, "Medical Wastes" shall be defined to include the following:

(a) medical devices or paraphernalia such as syringes, sutures, cotton swabs or pads, sponges, bandages, or wraps of any sort, or any other item which is utilized to treat any patient or other person for any medicinal, medical, diagnostic, dental, or therapeutic reason or purpose;

(b) any material of any type or nature whatsoever that are radioactive to any degree, whether as the result of their manufacture, use or application;

(c) any device or thing which is intended to come into contact with any part of the body, whether or not such item or device is so utilized prior to its disposal, including without limitation sharps;

(d) any instrument or thing which is designed for use or application in the medical office of Tenant, whether or not such device, instrument or thing is intended for any medical, dental, diagnostic, or therapeutic use; and

(e) any device, instrument or thing which has become infected, contaminated, diseased, or otherwise exposed to harmful, contagious, or communicable organisms, bacteria, or other life form.

Tenant agrees not to maintain in or around the Premises any activity or instrumentality dangerous to life or limb or to permit any objectionable noise or odor to escape or be emitted from the Premises or to permit anything to be done upon the Premises that would tend to create a nuisance or disturbance. Tenant shall not permit use of the Premises by doctors and/or dentists not affiliated with Tenant without Landlord's prior written approval. Tenant agrees to not operate an urgent care facility, ambulatory surgery center, or any other facility or enterprise within the Premises that requires a health care facility license under applicable law. Notwithstanding the foregoing, Landlord expressly consents to Tenant providing same day appointments for treatment of minor injuries. In addition, Landlord expressly consents to local emergency medical services responders ("EMS") periodic use of a portion of the premises for short term holding of EMS patients requiring emergency medical transport from Lopez Island to the mainland. Tenant agrees that Medical Waste generated within the Premises shall be disposed of in accordance with the applicable laws and regulations of the State of Washington governing the disposal of such. Landlord shall

have no obligation or liability for the removal or disposal of any Medical Wastes. The parties further agree that, in the event any harm or injury of any type or nature whatsoever, should be caused to, incurred by, inflicted upon, or suffered by any individual, including Tenant or Tenant's agents, employees, patients, visitors, invitees or licensees, or Landlord or any of its agents, employees, guests, visitors, invitees or licensees, as the result of the failure of Tenant to timely, thoroughly and completely dispose of Medical Waste, or as the result of coming into contact, whether by touching, breathing, inhaling, or in any other manner ingesting or consuming such item, or by being exposed in any manner thereto, Tenant shall be liable to such individual, and shall save and hold Landlord and its principals and other tenants, agents, employees, patients, visitors, invitees or licensees harmless against any damages, liability, claims, causes of action or judgments arising therefrom. Tenant shall be liable to and shall pay any injured party for all damages, costs or expenses, including attorney fees, arising out of any exposure, harm, injury, disease, contamination, or affliction suffered as the result of any Medical Waste stored, generated, or disposed of by Tenant or in or around the Premises.

28. MISCELLANEOUS.

(a) Authority. Each individual executing this Lease on behalf of Tenant represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms.

(b) No Brokers. Tenant represents and warrants to Landlord that it has not engaged any broker, finder or other person who would be entitled to any commission or fees in respect of the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Landlord against any loss, cost, liability or expense incurred by Landlord as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Tenant.

(c) Landlord Consent. In any instance where the Landlord's approval or consent is required either by the terms of this Lease or otherwise, such approval or consent shall not be unreasonably withheld, conditioned or delayed.

(d) Entire Agreement. This Lease is the final and complete expression of Landlord and Tenant relating in any manner to the leasing, use and occupancy of the Premises and other matters set forth in this Lease. No prior agreements or understanding pertaining to the same shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or added to except in writing signed by both Landlord and Tenant.

(e) Severability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and the remaining provisions hereof shall nevertheless remain in full force and effect.

(f) Force Majeure. Except for the payment of Additional Rent or other sums payable by Tenant to Landlord, time periods for Tenant's or Landlord's performance under any provisions of this Lease shall be extended for periods of time during which Tenant's or Landlord's performance is prevented due to circumstances beyond Tenant's or Landlord's control, including without limitation, strikes, embargoes, shortages of labor or materials, governmental regulations, acts of God, war or other strife.

(g) Notices. All notices under this Lease shall be in writing and delivered in person or sent by registered or certified mail, postage prepaid, to Landlord and to Tenant at the Addresses provided in Section 1 above and to the holder of any mortgage or deed of trust at such place as such holder shall

specify to Tenant in writing; or such other addresses as may from time to time be designated by any such party in writing. If mailed, a notice shall be deemed received three (3) business days after the postmark affixed on the envelope by the United States Post Office. All notices to Tenant under this Lease shall include a copy to: Diana Hancock, Attorney at Law, 175 Village Rd. Lopez Island WA 98261.

(h) Costs and Attorneys Fees; Waiver of Jury Trial. If Tenant or Landlord shall 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 Additional Rent or other payments hereunder or possession of the Premises each party shall, and hereby does, to the extent permitted by law, waive trial by jury and the losing party shall pay the prevailing party a reasonable sum for attorneys' fees in such suit, at trial and on appeal, and such attorneys fees shall be deemed to have accrued on the commencement of such action.

(i) Governing Law; Venue. This Lease shall be governed by and construed in accordance with the internal laws of the State of Washington. Venue for any action concerning this Lease or the Premises shall be in Island County, Washington.

(j) Recording. Tenant shall not record this Lease or a memorandum hereof without Landlord's prior written consent and such recordation shall, at the option of Landlord, constitute a noncurable default of Tenant hereunder.

(k) Waivers. No waiver by either party of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by the other party of the same or any other provision. Either party's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of such party's consent to or approval of any subsequent act by the other party. The acceptance of any additional rent hereunder by Landlord shall not be a waiver of any preceding breach at the time of acceptance of such additional rent.

(l) Time of Essence. Time is of the essence for the performance of all of the obligations specified hereunder.

(m) Quiet Enjoyment. Subject to the other terms of this Lease, Landlord covenants that Tenant shall, and may peacefully have, hold and enjoy the Premises and Fixtures and Equipment for the Lease Term free of any claims by any party claiming by, through or under Landlord, provided that Tenant performs all of Tenant's obligations, covenants and agreements herein provided.

(n) Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

[SIGNATURES ON NEXT PAGE]

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**LANDLORD:**

**CATHERINE WASHBURN MEDICAL ASSOCIATION,**  
a Washington non-profit corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

**TENANT:**

**LOPEZ ISLAND PHYSICAL THERAPY,**  
a Washington LLC

By: Kimberly Foley  
Name: KIMBERLY FOLEY  
Its: A MEMBER  
Date: 7/21/17



STATE OF WASHINGTON

COUNTY OF San Juan

SS.

I certify that I know or have satisfactory evidence that Kimberly Ann Foley is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the Member of LOPEZ ISLAND PHYSICAL THERAPY, a Washington LLC, to be the free and voluntary act of such non-profit organization for the uses and purposes mentioned in the instrument.

Dated this 21<sup>st</sup> day of July, 21 7/20/17.



Gerald E Hancock

(Signature of Notary)

GERALD E HANCOCK

(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of WA.

residing at Lopez Island

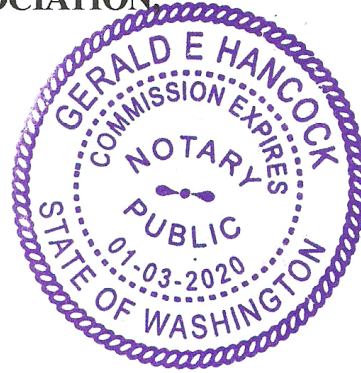
My appointment expires Jan. 3, 2020

**LANDLORD:**

**CATHERINE WASHBURN MEDICAL ASSOCIATION**

a Washington non-profit corporation

By: *G. F. LeBoutillier*  
Name: GEORGE F. LEBOUTILLIER  
Its: PRESIDENT  
Date: 7/21/17



**TENANT:**

**LOPEZ ISLAND PHYSICAL THERAPY,**

a Washington LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

STATE OF WASHINGTON

COUNTY OF San Juan

SS.

I certify that I know or have satisfactory evidence that George F Leboutillier is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the President of CATHERINE WASHBURN MEDICAL ASSOCIATION, a Washington non-profit corporation, to be the free and voluntary act of such non-profit organization for the uses and purposes mentioned in the instrument.

Dated this July 21, 2017 day of July, 21 7/20/17.



Gerald E Hancock  
(Signature of Notary)

GERALD E HANCOCK  
(Legibly Print or Stamp Name of Notary)  
Notary public in and for the state of WA,  
residing at Lopez Island  
My appointment expires Jan. 3, 2020

#### **EXHIBIT "A"**

A portion of Government Lot 4, Section 15, Township 35 North, Range 2 West, W.M., described as follows: Commencing at a monument marking the southeast corner of said Section 15; thence along the easterly boundary of said Section 15, North  $0^{\circ}16'10''$  West 1,320.62 feet to the northeast corner of said Government Lot 4, from which corner the monument marking the easterly quarter corner of said Section 15 bears North  $0^{\circ}16'10''$  West 1,320.62 feet; thence from said northeast corner along the northerly boundary of said Government Lot 4 North  $89^{\circ}37'33''$  West 875.37 feet to a point marked by a concrete monument, from which point the point of intersection of the said northerly boundary of Government Lot 4 and the centerline of the county road as shown on the plat of Lopez Park as recorded at Volume 1 of Plats, page 41, records of San Juan County, Washington, bears North  $89^{\circ}37'33''$  West 445.29 feet, said concrete monument also being the true point of beginning of the parcel to be described; thence from said concrete monument returning along said northerly boundary of Government Lot 4 South  $89^{\circ}37'33''$  East 239.67 feet; thence leaving said northerly boundary South  $0^{\circ}22'27''$  West 80.215 feet; thence North  $80^{\circ}34'18''$  West 116.58 feet to the P.C. of a curve to the right having a central angle of  $34^{\circ}43'23''$  and a radius of 233.02 feet; thence along said curve 141.217 feet to the P.T., and the true point of beginning.

**END OF EXHIBIT "A"**

## Exhibit B: Floor Plan of Premises

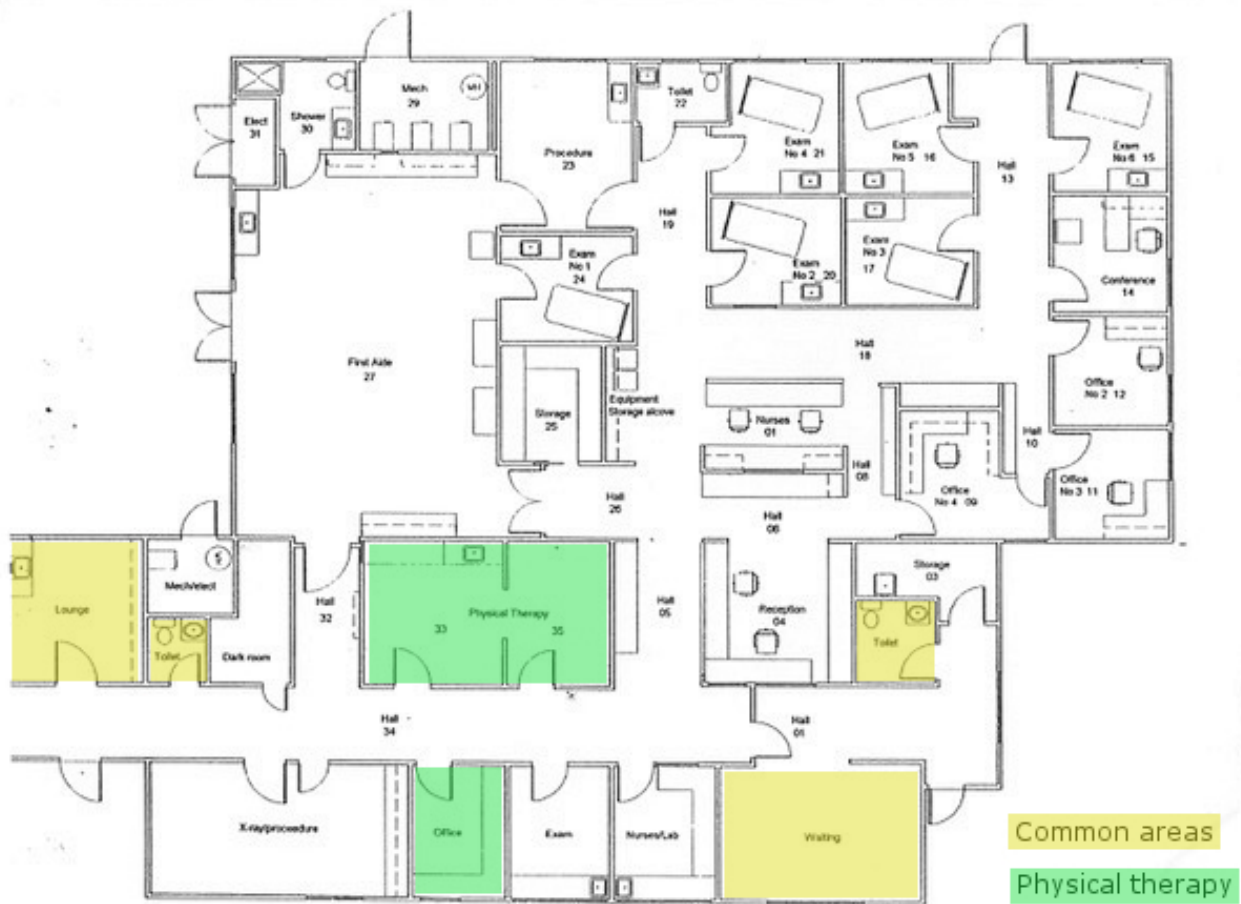


EXHIBIT C  
EQUIPMENT LIST

**Equipment ( original cost over \$500 ) owned by CWMA:**

Hydroculator

Paraffin Bath

Freezer

Biodex Machine

High/Low Treatment Table

E-Stim/Ultrasound Combo



## Exhibit D

### FORM OF TENANT'S ESTOPPEL CERTIFICATE

TO:

1. RE: \_\_\_\_\_ (the "Premises")

The undersigned (the "Tenant") hereby certifies to \_\_\_\_\_ (the "Landlord"), the following information with respect to that certain lease agreement, dated \_\_\_\_\_ (the "Lease," including any amendments to or modifications of the same) and Tenant agrees that Landlord, Buyer and Buyer's lender may rely upon the same:

2. The Lease is in full force and effect and has not been modified or amended except as follows:  
\_\_\_\_\_.

3. To Tenant's actual knowledge without duty of investigation, Tenant has no claim of default or offset or defense against the payment of rent or other charges payable by Tenant and asserts no claim against Landlord under the Lease in regard to the premises occupied by Tenant. To Tenant's actual knowledge without duty of investigation, there is no default by Landlord under the Lease.

4. All fixed base rental has been paid to the end of the current calendar month, which is \_\_\_\_\_, and no rent under the Lease had been paid more than one month in advance of its due date. Current monthly fixed based rental for the Premises is \$\_\_\_\_\_.

5. The Lease provides for an automatic extension for a period of three years provided that the Lease Agreement between San Juan County Public Hospital District #2, dba Lopez Island Hospital District and Tenant remains in effect at the time of the automatic extension and certain other conditions are met. To Tenant's actual knowledge without duty of investigation, no event has occurred to terminate the automatic right of extension in the Lease.

6. To Tenant's actual knowledge, there are no unfinished tenant improvements required to be completed by Landlord as of the date hereof.

7. To Tenant's actual knowledge and without duty of inquiry, Tenant is not in default under the Lease as of the date of Tenant's signature below.

8. Tenant currently pays to Landlord as Additional Rent \$\_\_\_\_\_ per month for telephone, fiber optic connection and usage fees, utility (water, sewer, gas, electricity) usage charges, and trash removal fees. All Additional Rent has been paid within thirty (30) days of receipt of Landlord's invoice.

9. Tenant has not entered into any sublease, assignment or any other agreement transferring any of its interest in the Lease or the Premises leased by Tenant under the Lease except \_\_\_\_\_.

10. Tenant recognizes and acknowledges it is executing this Tenant Estoppel Certificate with the intent that Landlord, the Buyer, and Buyer's lenders may (and shall be permitted to) rely hereon.

*Signature on Following Page*

**Dated:**\_\_\_\_\_, 201\_

LOPEZ ISLAND PHYSICAL THERAPY, a Washington LLC

By: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_