SJC Agreement No.
12RD.027

LEASE

LANDLORD: SAN JUAN COUNTY, a Political Subdivision of the State of Washington

TENANT: COMPASS HEALTH, a Washington corporation

Recitals

WHEREAS, SAN JUAN COUNTY (LANDLORD) are the owners of that certain property located at 520 Spring Street, Friday Harbor, WA 98250; and

WHEREAS, COMPASS HEALTH desires to lease the Property from the LANDLORD:

NOW, THEREFORE, the parties agree to enter into this Lease Agreement on the following terms and conditions:

1. LEASED PREMISES:

The LANDLORD agrees to lease to the TENANT, and the TENANT agrees to lease from the LANDLORD, 520 Spring Street, Friday Harbor, WA 98250, which is San Juan County Tax Parcel #351491507000 and is legally described as:

A portion of the Northeast quarter of Section 14, Township 35 North, Range 3 West, W.M. and more particularly described in Exhibit A attached hereto and incorporated herein by the reference. The property to be leased excludes 657 sq. ft. occupied by Health and Community Services, Drug and Alcohol Prevention Coalition program. This property with the exception of the 657 sq. ft. excluded area shall be referred to as the “leased premises.”
2. TERM OF LEASE:

This Lease shall commence May 1, 2012 and shall continue through April 30, 2013.

3. RENT:

The leased premises are hereby leased for the initial term for $850.00 per month excluding the utility payments described in paragraph 9. All rent is due monthly in advance on the first business day of the month and is delinquent if not paid on or before the tenth calendar day of the month. Rent shall be paid to the LANDLORD at the LANDLORD's address stated below or at such other place as the LANDLORD may designate.

4. LATE CHARGES:

TENANT shall pay a late charge in the amount of five percent (5%) of the outstanding delinquent balance for any payment of the rent not made within fifteen (15) days after the due date to cover the extra expense involved in handling late payments. This charge is in addition to any other rights or remedies of the LANDLORD.

5. USE OF THE PREMISES:

5.1 The TENANT will use the premises solely for provision of counseling and related services as specified and approved by the San Juan County Health and Community Services Department. All uses and commodities stored shall be in compliance with all applicable laws and regulations.

5.2 The TENANT recognizes and acknowledges, although under legal lease to Compass Health, that the premises are publicly owned and that from time to time other users, such as Alcoholics Anonymous, Public Health and other community groups, request the use of the staff room. The San Juan County Director of Health and Community Services will coordinate such public use with TENANT, and shall avoid any use that may conflict with staff use of the room. TENANT has the right to decline public use if at a time where Compass business is otherwise being conducted in the room or if after hours of operation. TENANT shall not be responsible for any damage, injury to others or need for maintenance caused by the use of the premises by others invited by the LANDLORD. TENANT will not be held liable for damage to any person or to the premises and to the fixtures or personal property that results solely from the use of the premises by anyone or any entity other than the TENANT or invitees of the TENANT.
6. MAINTENANCE:

6.1 The LANDLORD shall be responsible for all maintenance and repair of the leased premises. LANDLORD represents that electrical, plumbing, and heating are in good working order and in compliance with applicable codes at the time of possession, and will service all repairs to electrical, plumbing and heating systems. The TENANT shall maintain the leased premises in as good condition as at the commencement of this Lease, or as they may be put into during the term of this Lease, normal wear and tear excepted. The LANDLORD is responsible for grounds maintenance.

6.2 The TENANT shall be responsible for all janitorial/cleaning of the leased premises. The LANDLORD may inspect the premises at any time with reasonable notice to assure the interior is being maintained to their standards. LANDLORD will provide up to 5 hrs per week of janitorial service that will be billed to TENANT for reimbursement of actual cost not to exceed $29.42/hr. Service will be provided as follows: The service will be provided 2 times a week (2.5 hrs. / time) at cost. Clean Bathrooms, replenish paper and soap products (TENANT supplies product), clean and disinfect toilets, sink, and counters. Clean mirrors, walls and dividers. Mop floor. Clean all sinks and counters. Mop floor in lobby. Empty trash and recycle. Vacuum carpets and dust. We will extract carpet traffic areas every 6 months. TENANT will allow the LANDLORD to clean carpets once every 6 months and agree to be billed for actual expense reimbursable to the Landlord.

7. MODIFICATIONS BY TENANT:

7.1 Any work which is done on the leased premises by way of improvement or remodeling, unless the LANDLORD has expressly agreed to pay the cost thereof, shall be done at the sole cost and expense of the TENANT, shall be approved in advance by LANDLORD, and shall be done in a good and workmanlike manner, in compliance with all applicable laws and regulations.

7.2 If approved in advance by LANDLORD, tenant may undertake repainting previously painted surfaces, installation of phone jacks and installation of computer network wiring either in “through wall” style or exterior “race way” style, and installation of carpet.
8. **FREE OF LIENS:**

   The TENANT will keep the leased premises free and clear of all liens of any nature whatsoever.

9. **UTILITIES:**

   The TENANT will pay the cost of all utilities, including sewer, water and power in a timely manner. The TENANT will provide for its own refuse disposal and pay the cost thereof.

10. **SIGNS:**

    The TENANT may install a suitable sign or signs on the leased premises after first obtaining permission and approval from LANDLORD which will not be unreasonably withheld. On termination of the Lease the TENANT shall remove any such signs and restore the property to its pre-sign condition.

11. **CLEAN AND NEAT:**

    The TENANT will at all times keep the leased premises and landscaping in a neat and clean condition, free and clear of debris and in compliance with all applicable laws and governmental regulations.

12. **INSPECTION:**

    The LANDLORD may, at any reasonable time, enter upon the premises to inspect the same or to perform any work which the LANDLORD has the right or the duty to perform. Reasonable notice will be given to TENANT prior to entry by the LANDLORD to allow for employees to secure confidential materials.

13. **PERSONAL PROPERTY:**

    Any and all personal property in and about the premises belonging to the TENANT or the TENANT's agents or invitees or any person claiming by, through or under the TENANT, shall be at the sole risk of the TENANT. The LANDLORD shall in no event be responsible for insuring said personal property, and the TENANT agrees to hold the LANDLORD harmless from any claim made by a third party asserting damage to any such personal property.

14. **INDEMNITY HOLD HARMLESS; WAIVER OF SUBROGATION:**

    14.1 The TENANT agrees to indemnify and hold the LANDLORD harmless from any claim for damage to person or property made by the TENANT or any of its agents or employees or anyone claiming by, through or under the TENANT, or by any visitor, invitee or other person.
14.2 The parties release each other, and their respective authorized representatives, from any claims for damage to any person or to the premises and to the fixtures, personal property, TENANT’s improvements, and alterations of either LANDLORD or TENANT in or on the premises that are caused by or result from risks insured against under any insurance policies carried by the parties and in force at the time of such damage.

15. ASSIGNMENT AND SUBLETTING:

The TENANT may not assign or sublet the whole or any part of this Lease or the leased premises without the LANDLORD’s prior written consent.

16. LAW COMPLIANCE:

The TENANT will, at all times, comply with all material applicable laws of the state of Washington and of the United States of America and the ordinances of the Town of Friday Harbor and county of San Juan, and all rules, regulations and directives thereof relative to the demised premises, including without limitation environmental laws and regulations, and the business conducted thereon.

17. BUSINESS TAXES:

The TENANT will pay all occupational, business or other taxes or license fees or charges against the business conducted on the leased premises and against any property or persons maintained in connection therewith. Neither the TENANT nor the LANDLORD shall be obligated to pay any franchise, excise, corporate income tax, capital levy or transfer tax of the other.

18. REAL ESTATE TAXES AND ASSESSMENTS:

The LANDLORD shall pay all real estate taxes and assessments.

19. PEACEFUL SURRENDER:

19.1 Subject to the LANDLORD’s lien for rent, upon the termination of this Lease the TENANT will leave fixtures, remove all of its property from the leased premises, including its own trade fixtures and will repair any injury or damage to the leased premises which may result from such removal and will quietly yield and surrender possession of the leased premises to the LANDLORD in as good condition as at the commencement of this Lease or as they may be put into during the term of this Lease, ordinary wear and tear and damage by fire or other insured peril excepted.
20. **DESTRUCTION:**

If the building should be substantially damaged or destroyed by fire, earthquake or other casualty to the extent that the cost of repairs would exceed one hundred thousand dollars ($100,000) then either the TENANT or the LANDLORD may, by notice given to the other within sixty (60) days after the loss, elect to terminate the Lease effective the end of the month in which the loss occurred. If no such notice is given the leased premises shall be restored to the same condition as prior to the loss, or as otherwise agreed, and the insurance proceeds shall be made available for such work under the joint control of the LANDLORD and the TENANT. In the event of any lesser loss the leased premises shall be restored in like manner. Rent shall be abated during the period of restoration.

21. **TERMINATION BY LANDLORD:**

Upon the failure of the TENANT to pay rent when due, LANDLORD may serve a Notice of Default upon the TENANT requiring payment of rent in full within ten (10) days from service of the Notice or surrender of the premises and termination of this Lease.

The foregoing provisions for the termination of this Lease shall not operate to exclude or suspend any other remedy of the LANDLORD for breach or for the recovery of rent for the full terms.

22. **DEFAULT BY LANDLORD:**

In the event of any default by LANDLORD, TENANT, before exercising any rights that it may have at law to cancel this Lease, must first send notice by registered or certified mail or hand delivery, to LANDLORD, and shall have offered LANDLORD ten (10) days in which to correct and cure the default or commence a good faith effort to cure such default.

23. **NON WAIVER:**

The failure of either the LANDLORD or the TENANT to insist upon strict performance of any covenant or agreement of this Lease shall not be construed as a waiver of such covenant or agreement but the same shall remain in full force and effect.

24. **CONDEMNATION:**

If the leased premises, or any part thereof, shall be taken by condemnation or eminent domain or sold under threat thereof and the remaining portion is not reasonably suited for the TENANT's use, or if substantial modifications would be needed to make the building so suitable, then this Lease may be terminated by either party as of the date of the taking by notice given by
either party to the other within sixty (60) days after the taking. If not terminated the rent shall be equitably adjusted.

25. **LIABILITY INSURANCE:**

The TENANT will maintain liability insurance for bodily injury, death, and property damage with limits of not less than $1,000,000 per occurrence and $2,000,000 in the aggregate and will furnish the LANDLORD with proof of such coverage upon request.

26. **PEACEFUL ENJOYMENT:**

So long as the TENANT pays the rent herein reserved and otherwise complies with its obligations under this Lease, it shall have peaceful and quiet enjoyment and occupancy of the leased premises.

27. **NOTICE:**

Any notice authorized or required to be sent by either party to the other shall be effective if sent by United States Mail, registered or certified, return receipt requested, postage prepaid and addressed to the LANDLORD or the TENANT as follows:

a. If to LANDLORD:

   San Juan County Public Works  
   Facilities Manager  
   P.O. Box 729  
   Friday Harbor, WA 98250  
   Phone: 360/370-0500  
   Fax: 360/378-6405

b. If to TENANT:

   Tom Sebastian, M.S., M.P.A., President and CEO  
   Compass Health  
   P.O. Box 3810  
   Everett, WA 98213  
   Phone: 425/349-8418  
   Fax: 425/349-8411

   With a copy to:

   Mr. Randall K. Gaylord  
   San Juan County Prosecuting Attorney  
   P. O. Box 760  
   Friday Harbor, WA 98250
Either party may change the address to which notices are to be sent by notice given to the other party in the manner herein provided. Any notice shall be deemed to have been fully given three (3) days after the same was deposited in the United States mail in the manner provided in this paragraph or on the next following business day if the third day is not a business day. Otherwise, to be effective, notice must be given in writing and handed to the LANDLORD or to an officer or manager of the TENANT.

28. **SUBORDINATION/ESTOPPEL:**

The TENANT will, upon the request of the LANDLORD, subordinate this Lease to the rights of a mortgagee under any mortgage, deed of trust or other encumbrance provided that the terms of the mortgage or deed of trust are such that the rent will fully service the same, and provided further that said mortgagee agrees with TENANT that it would not disturb TENANT’s use or possession of the premises so long as TENANT is not in default under the terms of this Lease. The TENANT will, upon the request of the LANDLORD, not more than once in any calendar year, give an estoppel certificate to the LANDLORD certifying to the current status of this Lease and to the absence of any defaults or specifying the nature of any defaults that may then exist.

29. **OPTION TO RENEW:**

The TENANT is hereby granted the option to renew this Lease for one additional term of 364 days on the following further terms and conditions:

29.1 Written notice of exercise must be given not less than six (6) months prior to the expiration of the then current term.

29.2 At the time of giving notice of exercise, and at the commencement of the renewal term, the TENANT must not be in material default.

29.3 The rent for Lease during the option period shall be at a rate that is negotiated by LANDLORD and TENANT.

30. **SUCCESSORS:**

All of the covenants, agreements and provisions hereof shall inure to the benefit of, and be binding upon, the parties hereto and their successors, representatives and assigns, but this paragraph does not constitute LANDLORD’s consent to assignment by the TENANT.
31. **PARTIAL INVALIDITY:**
   If any provision of this Lease shall be unenforceable or invalid, the remainder shall not be affected, but shall remain valid and enforceable to the fullest extent permitted by law.

32. **ENTIRE AGREEMENT:**
   This Lease constitutes the entire agreement of the parties and can be modified only by written instrument executed by the parties or their successors in interest.

33. **COUNTERPARTS:**
   This Lease may be executed in counterparts all to the same effect as if all signatures appeared on the same instrument.

34. **VENUE AND ATTORNEY FEES:**
   In the event any suit or action is brought by either party arising out of this Lease, venue shall be in SAN JUAN COUNTY and each side shall bear its own attorney fees.

35. **SALE OF PROPERTY:**
   TENANT agrees that LANDLORD’s interest in the leased premises shall be freely assignable, and in the event of any transfer of the LANDLORD’s interest, the TENANT shall recognize such transferee as LANDLORD under this Lease.

36. **RECORDATION.**
   This Lease will be recorded by the LANDLORD with the San Juan County Auditor.

37. **CONSTRUCTION:**
   The parties hereto acknowledge that both parties and their legal counsel have participated equally in the drafting of this Lease. In the event of a dispute, neither party shall be treated for any purpose as the author of this Lease nor shall either party have any ambiguity resolved against it on account thereof.

38. **TIME OF THE ESSENCE:**
   Time is expressly declared to be of the essence of this Lease and every provision hereof in which time is an element.
EXECUTED this 26th day of June 2012.

TENANT:

COMPASS HEALTH
Tom Sebastian
President and CEO

Date

STATE OF WASHINGTON )
) ss
COUNTY OF SNOHOMISH )

On this day personally appeared before me Tom Sebastian to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he/she signed the same as his/her free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 10th day of June 2012.

KENISHA J. SEARLES
STATE OF WASHINGTON
NOTARY PUBLIC
My Commission Expires 9-30-2015

Notary Public in and for the state of Washington
Residing at Everett, WA
My Commission expires: September 30, 2015
LEASE AGREEMENT
SIGNATURE PAGE OF LANDLORD

LANDLORD:

SAN JUAN COUNTY
Frank Mulcahy
Public Works Director

FINAL APPROVAL
Robert W. Jean
County Administrator Pro Tem

APPROVED AS TO FORM ONLY
San Juan County Prosecuting Attorney
Randall K. Gaylord

By: [Signature] 5/13/12

STATE OF WASHINGTON )
) ss
COUNTY OF SAN JUAN )

I certify that I know or have satisfactory evidence that Robert W. Jean is the person who appeared before me, and said person acknowledged that he signed the instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as County Administrator of SAN JUAN COUNTY to be the free and voluntary act of the County for the uses and purposes mentioned in the instrument.

Dated June 26, 2012

[Signature]
Notary Public in and for the state of Washington
Residing at Friday Harbor
My Commission expires: June 30, 2013
EXHIBIT A

LEGAL DESCRIPTION

A portion of the Northeast quarter of Section 14, Township 35 North, Range 3 West, W.M., described as follows:

Beginning at the corner of a rock wall at the Northwest corner of the Otley Parcel as said corner is described in that certain Boundary Line Agreement recorded under Auditor’s File No. 91356, records of San Juan County, Washington, and also as shown in that certain Record of Survey recorded in Book 1 of Surveys, Page 198, said records; thence North 89°56’35” East 152.73 feet to a point on the West margin of Blair Street from which the center of a curve to the right bears North 84°00’43” East, 154.00 feet, and which center is the same as shown for Blair Street on that certain Condominium Survey Map recorded in Volume 1 of Condominiums, Page 37, said records; thence Southerly along said curve 74.62 feet; thence along a non-tangent line South 29°03’58” East 34.59 feet to the beginning of the back of the constructed public sidewalk; thence along said back of sidewalk, South 33°45’00” East 7.00 feet to the P.C. of a curve to the right having a radius of 21.72 feet and a central angle of 92°13’56”; thence along said curve 34.96 feet to the P.T.; thence South 58°28’55” West 10.32 feet; thence South 60°17’24” West, 15.17 feet; thence South 61°18’01” West, 2.41 feet; thence South 62°28’33” West 19.12 feet; thence South 63°45’24” West, 12.25 feet; thence South 65°57’10” West, 7.97 feet to the West line of the Otley parcel per said Boundary Line Agreement; thence along said boundary, North 35°40’40” West, 15.64 feet to the rock wall per said Boundary Line Agreement; thence along said rock wall, North 35°40’40” West 196.37 feet to said Point of Beginning.

Situate in San Juan County, Washington.