

FACILITY SUB-LEASE AGREEMENT
For
201 Lila Lane, Burlington, Washington 98233

Date: April 1, 2016

THE PARTIES TO THIS FACILITY SUB-LEASE AGREEMENT (Sub-Lease) are NORTH SOUND BEHAVIORAL HEALTH ORGANIZATION, LLC, a Washington governmental limited liability company and Behavioral Health Organization organized pursuant to Chapter 70.24 RCW (Sub-lessor), and PIONEER HUMAN SERVICES, a Washington nonprofit corporation (Sub-lessee).

- a. Premises. Sub-lessee shall occupy and provide behavioral health services at the premises located at 201 Lila Lane, Burlington, Washington, 98233, legally described in Exhibit A hereto hereinafter called Premises.
- b. Term. This Sub-Lease shall commence on April 1, 2016, and terminate on the date that Sub-lessee's contract with Sub-lessor to provide substance use disorder treatment services dated April 1, 2016, terminates.
- c. Rent.

Rent in the amount of \$1.00 per year shall be delivered to:

Accounting Department
North Sound Behavioral Health Organization
301 Valley Mall Way, Suite110
Mount Vernon, WA 98273

In the absence of an agreement otherwise, rent shall be delivered no later than the 10th business day of the month. In the absence of an agreement otherwise, payment shall be delivered by check.

- d. Use/Purpose. The premises are to be used by Sub-lessee to provide those services set forth in Sub-lessee's contract with Sub-lessor to provide crisis stabilization and sub-acute detox services dated April 1, 2016, (Services Contract) and for uses and activities reasonably related thereto and for no other business or purpose without the written consent of the Sub-lessor. As a condition of this Lease, Sub-lessee shall comply with all terms and conditions imposed on Sub-lessee in the Services Contract.
- e. Sub-lease. Sub-lessee acknowledges that Sub-lessor is the Lessee pursuant to that certain Facility Lease between Sub-lessor and Skagit County (Facility Lease) attached hereto as Appendix #1. Sub-lessee acknowledges receipt of said facility Lease and hereby promises to fully comply with all terms thereof. Sub-lessee shall

adhere to all Facility Lease requirements under identical terms and conditions as Lessee. Except as noted elsewhere in this Sub-lease, Sub-lessee assumes all responsibilities and liabilities under the Facility Lease agreement for its duration.

- f. Obligations. Except as specified elsewhere in this Sub-Lease, the Sub-lessor makes no representations or warranties to the Sub-lessee regarding the Premises, including the structural condition of the premises and the condition of all mechanical, electrical, and other systems on the premises. Sub-lessee shall be responsible for performing any work necessary to bring the premises into condition satisfactory to the Sub-lessee. By signing this Sub-Lease, Sub-lessee acknowledges that it has had adequate opportunity to investigate the premises, acknowledges responsibility for making any corrections, alterations and repairs to the premises.
- g. Utilities. Sub-lessee shall contract for and shall promptly pay to the applicable utility companies all charges for sewer, water, garbage, electricity, telephone, and/or other utility installation, use, or consumption upon the premises.
- h. Sub-lessee's Property. All personal property and/or fixtures placed upon said premises by Sub-lessee shall be at the risk of the Sub-lessee, except those obligations normally assumed by lessee, owner, or other responsible party.
- i. Alterations. Sub-lessee shall not make any alterations, additions, improvements on said premises without the prior written consent of the Sub-lessor, which consent will not be unreasonably withheld, and all alterations, additions, and improvements shall be at the sole cost and expense of the Sub-lessee. All improvements made by Sub-lessee shall remain a part of the premises upon termination of this Sub-Lease, and the said improvement shall become the absolute property of the Sub-lessor, without cost or obligation on the part of the Sub-lessor to reimburse the Sub-lessee in any regard. Sub-lessee shall keep the premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by the Sub-lessee for the purpose of making any changes and/or alterations in and to the premises.
- j. Indemnity. Sub-lessee hereby agrees to indemnify, defend, and hold harmless Sub-lessor and Skagit County from any and all liability and expense arising out of the occupancy of the building as set forth herein. For purposes of this paragraph the following definitions apply: (a) "Sub-lessor" and Skagit County includes the Sub-lessor's and Skagit County's elected officials, officers, employees, agents and assignees (b) "Liability" includes any liability arising from Sub-lessee's failure to comply with any of the terms of this agreement or the Facility Lease, including but not limited to (1) failure to maintain and use the structure and report building maintenance issues to the Sub-lessor and/or (2) failure to prevent encumbrances or liens from attaching the building. In addition, "Liability" shall include damages arising from death or injury to person, damage to property and all claims, damages demands, fines, judgment penalties, obligations and payments due to the acts or

omissions of Sub-lessee or any its employees, agents or patients (c) "expense" includes legal expenses including, but not limited to, reasonable attorneys' fees and out of pocket expenses and reasonable costs and expense of investigations. Sub-lessee shall give reasonable notice to Sub-lessor in writing of any claim or potential claim.

- k. Liability Insurance. Sub-lessee shall obtain and maintain on or with respect to the building liability insurance against liability for bodily injury and physical damage with a minimum of \$2,000,000. The policy shall be in such form as may be satisfactory to Sub-lessor and with insurers qualified to do business in the State of Washington rated A- or better by Best's Key Rating Guide, unless otherwise agreed upon in writing. Sub-lessee will give Sub-lessor 30 days' written notice before the policy in question shall be altered or cancelled. The Sub-lessor and Skagit County shall be named as additional insured parties on the policy.
- l. Casualty Insurance. Sub-lessee shall not carry any stock or goods or do anything in or about the premises which will in any way tend to increase the insurance rates on the premises or other property of Sub-lessor or Skagit County in the building. Sub-lessee agrees to obtain and maintain insurance coverage for owned equipment, furniture or other belongings as well as coverage against loss by fire or damage to the building caused by the business carried on by the Sub-lessee upon the premises during the life of the agreement, unless Sub-lessor has consented to such activities. If Sub-lessee installs any electrical equipment that overloads the lines in the premises, Sub-lessee shall, at Sub-lessee's own expense, make whatever changes are necessary to comply with the requirements of the insurance underwriters and governmental authorities having jurisdiction. Sub-lessor agrees to keep the building adequately insured against loss by fire and normal extended coverage, and Sub-lessee agrees to keep adequate insurance loss by damage of fire and normal extended coverage on all of its equipment and property located on the premises and to hold Sub-lessor harmless from any lawsuit resulting from any form of damage caused to any said personal property owned by the Sub-lessee.
- m. Casualty Damage and Repair. Sub-lessee shall notify North Sound BHO immediately in case of damage to the premises by fire or other casualty.
- n. Repairs and Maintenance.
 - (1) The Sub-lessee agrees that it will promptly provide, at its own cost and expense, all necessary cleaning, including janitorial service, parking lot maintenance, landscape maintenance, and minor repairs to the building and mechanical systems, including, but not limited to, plumbing, electrical, heating, ventilating, and air conditioning equipment, as well as the interior of the premises, keeping the same in good, neat, and sanitary conditions, reasonable wear and tear excepted. Sub-lessee agrees that any and all

painting decoration of the premises, interior or exterior, including any signage deemed appropriate by the Sub-lessee, shall be prepared and applied at its own cost and expense and without contribution from the Sub-lessor. Sub-lessee shall further repair and/or replace any and all glass which may become broken or damaged, window treatment, appliances, floor covering, and furnishings with in-kind material or equipment equal to or better than original at date of occupancy. Copies of all materials data sheets and operations manuals shall be provided to North Sound BHO upon request.

- (2) The Sub-lessor agrees to require that Skagit County meet its obligations in the Facility Lease to maintain the exterior and structural portion of the building in good condition and repair, reasonable wear and tear excepted, including, but not limited to, the structural walls, floors, foundation, and roof, including responsibility for all major repairs necessary to maintain a functional level of plumbing, electrical, heating, ventilating, and air conditioning equipment equal to the functional standard on the date of occupancy.
 - (3) Sub-lessee shall, at its sole expense, maintain the premises in good condition and promptly make all repairs and replacements, whether structural or non-structural, necessary to keep the premises in safe operating condition, including all utilities and other systems serving the premises, but excluding the roof, foundation and exterior walls, which Sub-lessor shall maintain in good condition and repair at the Sub-lessor's expense. Sub-lessee shall not damage any demising wall or disturb the structural integrity of the premises and shall promptly repair any damage or injury done to any such demising walls or structural elements caused by Sub-lessee or its employees, agents, Sub-lessees, or invitees. Notwithstanding anything in this Section to the contrary, the Sub-lessee shall not be responsible for any repairs to the premises made necessary by the negligence or willful misconduct of Sub-lessor or its agents, employees, Sub-lessees or invitees therein. Upon expiration of the Contract term, whether by lapse of time or otherwise, Sub-lessee shall promptly and peacefully surrender the premises, together with all keys, to the Sub-lessor in as good condition as when received by Sub-lessee from the Sub-lessor or as thereafter improved, reasonable wear and tear excepted.
- o. Governmental Fees. All fees, taxes, and governmental charges payable by Sub-lessee to the city, and state during the life of this Sub-Lease, resulting from Sub-lessee's operations, shall be paid by Sub-lessee.
 - p. Covenant to Hold Harmless. Sub-lessee shall indemnify and hold harmless the Sub-lessor and Skagit County and/or Sub-lessor's and/or Skagit County's agents and assigns from all damages of every kind and nature whatsoever and all expenses arising there from that may be claimed to accrue by reason of any occurrence upon

or about the premises by Sub-lessee which is attributable to the Sub-lessee's fault. All personal property in the premises shall be at the risk of Sub-lessee only Sub-lessee agrees to indemnify and hold Sub-lessor and Skagit County harmless from any and all claims by or on behalf of any firm or corporation arising from the conduct or management of the business conducted in or about the premises by Sub-lessee, or from work or things done by Sub-lessee in or about the premises. The Sub-lessee will indemnify and save Sub-lessor and Skagit County harmless against and from any and all claims arising during the term of this Sub-Lease which are attributable to the negligence of the Sub-lessee. The Sub-lessee will further indemnify and save Sub-lessor and Skagit County harmless against any breach or default on the part of the Sub-lessee in the performance of any covenant or agreement on the part of the Sub-lessee to be performed hereunder or arising from any act of negligence of Sub-lessee or any of its agents, Sub-lessee, servants, employees, or licensees in or about the premises, and from and against all costs, attorney's fees, expenses, and liabilities incurred in or about any such claim, action, or proceeding brought thereon, and in case of any action or proceeding be brought against Sub-lessee by reason on any such claim, Sub-lessee, upon notice by Sub-lessor, covenants to resist or defend such action or proceeding by attorneys reasonably satisfactory to Sub-lessor.

- q. Signs. All signs, symbols and other advertising media of permanent nature placed in, on, or about the premises, or up on any exterior portion of the building, shall be subject to the reasonable approval of Sub-lessor. The parties shall agree upon mutually acceptable advertising media. Neither party shall be unreasonable in arriving at said agreement as to the appropriate advertising media. Sub-lessee shall not install any exterior lighting or plumbing fixtures, shades or awnings, not apply any paint or other exterior decoration without the previous written consent of the Sub-lessor. Any signs placed on the premises shall be so placed with the understanding and agreement that Sub-lessee will remove the same at termination of the tenancy herein created and repair any damage or injury to the premises caused hereby and, if not so removed by Sub-lessee, the Sub-lessor may have the same so removed at Sub-lessee's expense. The Sub-lessor reserves the right to temporarily remove any exterior signs for the purpose of repairing the exterior of the building. The Sub-lessor will not unreasonably withhold its consent to any proposed sign.

- l. Right to Enter. The right is reserved to the Skagit County, its agent and workers, at all reasonable times, to enter upon any part of the premises for the purpose of inspecting the same and making any repairs which the Sub-lessor may deem necessary for the protection or preservation of the building or its equipment or appurtenances; provided that such entry shall be coordinated with Sub-lessee to preserve privacy of patients and confidentiality of patient records as required by state and federal law.

- r. Default and Re-Entry. Time is of the essence of this agreement. (i) If (a) Sub-Lessee files a voluntary petition in bankruptcy or makes a general assignment to the benefit of, or a general arrangement with, creditors; (b) there is an involuntary bankruptcy filed against Sub-Lessee that has not been dismissed within thirty (30) days of filing; (c) Sub-Lessee becomes insolvent; or (d) a receiver, trustee, or liquidating officer is appointed for Sub-Lessee's business; or (ii) If Sub-Lessee violates or breaches any of the other covenants, agreements, stipulations or conditions herein or contained in the Services Contract, and such violation(s) or breach(es) shall continue for a period of thirty (30) days after written notice of such violation(s) or breach(es) is/are sent to Sub-Lessee, or upon Sub-Lessor's discovery that Sub-Lessee made any misrepresentation (including omissions) of any fact or circumstance material to the Sub-Lessor's initial determination of the Sub-Lessee's suitability to become a tenant of the Sub-Lessor, then Sub-Lessor may at declare this Sub-Lease forfeited and the term hereof ended. In the event of any default hereunder and entry in, or taking possession of, the Premises, Sub-Lessor shall have the right, but not the obligation, to remove from the Premises all personal property located therein, and may store the same in any place selected by Sub-Lessor, including but not limited to a public warehouse, at the expense and risk of the owners thereof, with the right to sell such stored property, without notice to Sub-Lessee, after it has been stored for a period of thirty (30) days or more, with the proceeds of such sale to be applied to the cost of such sale and to the payment of charges for storage, and to the payment of any other sums of money which may then be due from Sub-Lessee to Sub-Lessor under any of the terms hereof.
- s. Costs and Attorneys' Fees. If by reason of default on the part of either party to this Sub-Lease it becomes necessary to employ an attorney to recover any payments due hereunder or to enforce any provision of this Sub-Lease, the prevailing party, whether such party be the successful claimant or the party who successfully defended against the claim of the other party, shall be entitled to recover a reasonable attorney's fee and to be reimbursed for such costs and expenses as may have been incurred by such prevailing party, including those incurred on appeal. Venue for action shall be Whatcom County Superior Court.
- t. Termination. Upon termination of this Sub-Lease or any extension thereof, whether by expiration of the stated term or sooner termination thereon as herein provided, Sub-lessee shall surrender to Sub-lessor said Premises peaceably and quietly.
- u. Assignment and Sub-Lease. Sub-lessee shall not, by operation of law or otherwise, assign or Sub-Lease any portion of the Premises without Sub-lessor's prior written consent, which consent shall be granted in the sole discretion of Sub-lessor. The consent of Sub-lessor to any assignment or Sub-Lease shall not in any manner be construed to relieve Sub-lessee from: (1) the requirement to obtain Sub-lessor's express written consent to any other or further assignment or Sub-Lease; (2) its duties and obligations under the Sub-Lease. In the event of a Sub-Lease, Sub-

lessee shall assure that such Sub-lessee is bound by all the terms and conditions of this Sub-Lease and that the Sub-lessee is provided a copy of this Sub-Lease.

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

SUB- LESSOR : North Sound Behavioral Health Organization, LLC
301 Valley Mall Way, Ste 110
Mount Vernon, WA 98273

SUB- LESSEE : Pioneer Human Services
20511 – 28th Avenue West
Lynnwood, WA 98036

Phone: (360) 416-7013
FAX: (360) 416-7017

Phone: _____
FAX: _____

w. Time is of the Essence. It is mutually agreed and understood that time is of the essence of this Sub-Lease.

IN WITNESS WHEREOF, Sub-lessor has caused this instrument to be signed by its executive director on the date and year first above written.

SUB-LESSOR:

SUB-LESSEE

NORTH SOUND BEHAVIORAL ORGANIZATION, LLC
A Washington governmental limited liability company

PIONEER HUMAN SERVICES
A Washington non-profit

Joe Valentine
Executive Director

By: _____
Its: _____

Date

Date

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this ____ day of _____ 20__ before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared JOE VALENTINE, to me known to be the Executive Director of North Sound Behavioral Health Organization, LLC, the Washington governmental limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument,

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

Notary Public in and for the state of
Washington, residing at _____
My commission expires: _____

Printed Name: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this ____ day of _____ 20__ before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the _____ of Pioneer Human Services, the Washington non-profit that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument,

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

Notary Public in and for the state of
Washington, residing at _____
My commission expires: _____

Printed Name: _____

EXHIBIT "A" LEGAL DESCRIPTION

Lot 14 and 15, "PLAT OF NORTHSOUND COMMERCIAL PARK," as per plat recorded in Volume 12 of Plats, page 46, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.

APPENDIX #1

Skagit County – NSBHO Facility Lease

INTERLOCAL COOPERATIVE AGREEMENT BETWEEN
SKAGIT COUNTY
AND
NORTH SOUND BEHAVIORAL HEALTH ORGANIZATION, LLC

THIS INTER-LOCAL COOPERATIVE AGREEMENT (hereafter the "Agreement") is made and entered into by and between SKAGIT COUNTY, WASHINGTON, a political subdivision of the State of Washington ("County") and North Sound Behavioral Health Organization, ("North Sound"), a Washington governmental limited liability company and Behavioral Health Organization organized pursuant to Chapter 70.24 RCW ("North Sound") comprised of member counties; Snohomish County, San Juan County, Island County, Whatcom County and Skagit County. North Sound and County may be individually referred to herein as "Party" and may be collectively referred to herein as the "Parties."

WHEREAS County owns real property located at 201 Lila Lane, Burlington Washington; which is currently being occupied by Pioneer Human Services pursuant to Skagit County contract for the purpose of providing mental health crisis stabilization and voluntary sub-acute detox services; and

WHEREAS behavioral health services currently being provided by the County including the contracted services of Pioneer Human Services for operating and occupying the Lila Lane facility for the purpose of providing regional mental health crisis response and voluntary sub-acute detox services will officially be the responsibility of North Sound effective April 1, 2016; and

WHEREAS North Sound intends to contract with Pioneer Human Services and/or other providers to continue providing mental health crisis stabilization and voluntary sub-acute detox triage services and desires to use the County owned 201 Lila Lane facility; and

WHEREAS the Parties do not want to interrupt the provision of these services due to the change of function between the County and North Sound; and

WHEREAS time is of the essence for the Parties to come to an understanding as to the use of the Lila Lane facility so that services are not disrupted; and therefore the Parties find it of mutual benefit to enter into a short term use agreement whereby North Sound shall have exclusive use of the 201 Lila Lane facility for providing mental health crisis stabilization and voluntary sub-acute detox services pursuant to the conditions detailed in this Interlocal Cooperative Agreement; and

WHEREAS the Parties intend to work on a potentially longer term use agreement for use of the Lila Lane facility.

NOW, THEREFORE, in consideration of the forgoing, and in consideration of the following terms and conditions and mutual promises contained herein, and pursuant to Chapter 39.34, the "Inter-Local Cooperation Act," the County and the North Sound hereby agree as follows:

1. Grant of Exclusive Use

1.1 Pursuant to the terms of this Agreement, the County hereby agrees that North Sound shall have the exclusive use of County owned real property located at 201 Lila Lane, Burlington, Washington (hereafter referred to as "Premises") as shown on the attached depiction at Exhibit "A" including all parking and curtilage. North Sound shall occupy Premises for the purpose of providing regional adult mental and/or behavioral health crisis stabilization and voluntary sub-acute detox services.

1.2 "Exclusive Use" shall mean that North Sound has at all times during the term of this Agreement the sole, absolute and uninterrupted use of Premises consistent with the conditions described in this Agreement.

1.3 Premises are to be used by North Sound to provide regional mental and/or behavioral health crisis stabilization and voluntary sub-acute detox services to adults and for uses and activities reasonably related thereto and for no other business. North Sound agrees and hereby certifies that the operation of the business to be conducted on Premises and any occupancy thereof, by North Sound, Pioneer Human Services, or any lessee/Contractor of North Sound will comply with Chapters 70.96A, RCW 71.05 and 71.24 RCW, WAC 388-865, WAC 388-877, 42 CFR Part 2, North Sound Policies or any other applicable law, regulation, rules or orders of the governments of the United States of America, State of Washington, Skagit County Washington and the City of Burlington, Washington.

1.4 North Sound shall be responsible to manage the cleanliness of Premises including each residential room as required by state, federal and local laws and rules that apply for the care and condition of a Residential Treatment Facility.

1.5 North Sound agrees not to use any machinery or equipment on Premises that might be injurious to the building. North Sound shall not make or allow any alterations, additions, improvements on said premises without the prior written consent of the County which consent will not be unreasonably withheld, and all alterations, additions, and improvements shall be at the sole cost and expense of North Sound. All improvements made by North Sound, or its contractor or its sub-lessee shall remain a part of the premises upon termination of this Agreement, and the said improvement shall become the absolute property of the County, without cost or obligation on the part of County to reimburse North Sound or its contractor or sub-lessee in any regard. North Sound shall keep the premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by the North Sound or its contractor/sub-lessee for the purpose of making any changes and/or alterations in and to Premises. All personal property and/or fixtures placed upon said Premises by North Sound or its contractor/sub-lessee shall be at the risk of North Sound.

1.6 County makes no representations or warranties to North Sound regarding the Premises, including the structural condition of Premises and the condition of all mechanical, electrical, and other systems on the premises. North Sound shall be responsible for performing any work necessary to bring Premises into condition satisfactory to North Sound or its contractor/sub-lessee. By signing this Agreement,

North Sound acknowledges that it has had adequate opportunity to investigate the Premises, acknowledges responsibility for making any necessary or required corrections, alterations and repairs to Premises.

1.7 Right to Enter. County and its agents and workers, at all reasonable times, shall have the right to enter upon any part of Premises for the purpose of inspecting and making any repairs which County may deem necessary for the protection or preservation of the building or its equipment or appurtenances; provided that County shall attempt to give reasonable notice to North Sound or any sub-lessee to preserve privacy of patients and confidentiality of patient records as required by state and federal law. In addition, North Sound shall ensure that the State Department of Health and any other regulatory agency having the authority to inspect the operations occurring on Premises shall be allowed to enter and inspect Premises. The foregoing notwithstanding, North Sound or its contractor may impose reasonable limitations on such entries to preserve individual privacy and to comply with state and federal privacy laws and regulations. North Sounds shall provide County with appropriate contact information of representative authorized to coordinate County's right to enter pursuant to this paragraph.

1.8 Signs. All signs, symbols and other advertising media of permanent nature placed in, on, or about Premises, or up on any exterior portion of Premises, shall be subject to the reasonable approval of County. The Parties shall agree upon mutually acceptable advertising media. Neither Party shall be unreasonable in arriving at said agreement as to the appropriate advertising media. North Sound or its contractors or sub-lessee shall not install any exterior lighting or plumbing fixtures, shades or awnings, not apply any paint or other exterior decoration without the prior written consent of the County. Any signs placed on Premises shall be so placed with the understanding and agreement that North Sound will remove the same at termination of the tenancy herein created and repair any damage or injury to Premises caused hereby and, if not so removed by North Sound, County may have the same so removed at North Sound's expense. County reserves the right to temporarily remove any exterior signs for the purpose of repairing the exterior of the building.

2. Term. This Agreement shall commence on April 1, 2016, and terminate on March 30, 2018, unless terminated earlier by either Party. Upon mutual agreement of the Parties the term of this Agreement may be extended. The Parties agree that this Agreement shall be terminable in the event that North Sound's contract with Pioneer terminates or is assigned without county approval which shall not be unreasonably withheld. Additionally, the Parties agree that North Sound can terminate this agreement upon written notice of and on ninety (90) days' notice by North Sound in the event that state law or regulations or DSHS or DOH contracting results in the cessation of the North Sound's ability or obligation to provide voluntary, mental health crisis stabilization and sub-acute detox services to adults. County shall have the right to terminate this Agreement upon ninety (90) days' written notice to North Sound. However, if North Sound or its contractors or sub-lessee is in default of any of the obligations set contained in this Interlocal, then the County in its sole discretion shall have the right to

terminate this Interlocal upon fifteen (15) days' written notice. Any holdover period beyond the stated term of this Agreement shall continue to be subject to all conditions and requirements of this Agreement.

3. Subletting and Assignment. North Sound shall not, by operation of law or otherwise, assign or sublease any portion of Premises without County's prior written consent, which consent shall not be unreasonably withheld. It is understood by the Parties that North Sound intends to initially contract with Pioneer Human Services ("Pioneer") to occupy and/or sub-lease Premises for the purpose of providing voluntary, mental health crisis stabilization and sub-acute detox services to adults on behalf of North Sound. North Sound certifies to County that any sublease or contract for occupancy of Premises to Pioneer Human Services or other entity or individual will be in compliance with all applicable local, state and federal laws and regulations and will indemnify County for any and all violations. The County hereby consents to such sublease/assignment to Pioneer consistent with the terms of this Agreement. The consent of County to any assignment or sublease to Pioneer or any other entity or individual, upon prior written consent by County, shall not in any manner be construed to relieve North Sound from: (1) the requirement to obtain County's express written consent to any other or further assignment or sublease; (2) its duties and obligations under this agreement or state, federal or local law. North Sound shall assure that Pioneer or any other occupant/sub-lessee of Premises is bound by all the terms and conditions of this Agreement and that the contractor, occupant or sub-lessee is provided a copy of this Agreement. North Sound shall be prohibited from entering into any agreement for the use or occupancy of Premises that is inconsistent with the terms and conditions of this Agreement.

4. Rent. North Sound hereby agrees to pay monthly rent to County in the amount of five thousand twenty dollars and eighty-three cents (\$5,020.83) per month based upon a \$12.50 per square foot charge annually. Payments shall be made on or before the 5th day each calendar month. The parties agree to re-evaluate the calculation of rent commencing on October 1, 2016 based on actual facility costs.

5. Utilities. North Sound shall contract for and shall promptly pay to the applicable utility companies all charges for sewer, water, garbage, electricity, telephone, and/or other utility installation, use, or consumption upon the premises.

6. Indemnity. North Sound hereby agrees to indemnify, defend and hold harmless County from any and all liability and expense arising out of the occupancy and use of Premises to the fullest extent allowed by law. For purposes of this paragraph the following definitions apply: (a) "County" includes the County's elected officials, officers, employees, agents and assignees (b) "Liability" includes any liability arising from North Sound or North Sound's contractors and sub-lessee's failure to comply with any of the terms of this Interlocal, including but not limited to (1) failure to maintain and use the structure and report building maintenance issues to the County (2) failure to prevent encumbrances or liens from attaching the building. In addition, "Liability" shall include damages arising from death or injury to person, damage to property and all claims, damages demands, fines, judgment penalties, obligations and payments due to the acts or omissions of North Sound or any sub-lessee or contractor (c) "expense" includes but

is not limited to legal expenses including reasonable attorneys' fees and out of pocket expenses and reasonable costs and expense of investigations. County shall give reasonable notice to North Sound in writing of any claim or potential claim.

7. Insurance.

7.1 Commercial General Liability. North Sound shall obtain and maintain on or with respect to the building liability insurance against liability for bodily injury and physical damage with a minimum of \$2,000,000. The policy shall be in such form as may be satisfactory to County, in its sole discretion, and with insurers qualified to do business in the State of Washington rated A- or better by Best's Key Rating Guide, unless otherwise specifically agreed upon in writing by County. North Sound is required to give County 30 days' prior written notice before the policy in question shall be altered or cancelled. The foregoing notwithstanding, the County accepts coverage provided by Enduris Washington Risk Pool as acceptable Insurance coverage for North Sound Any Contractor/ Sub-lessee must still provide separate insurance coverage required by this Agreement.

7.2 Casualty Insurance. North Sound or any contractor/ sub-lessee shall not carry any stock or goods or do anything in or about Premises which will in any way tend to increase the insurance rates on Premises or other property of County. North Sound and any of its contractors/sub-lessee must maintain insurance coverage for owned equipment, furniture or other belongings as well as coverage against loss by fire or damage to the building caused by, the business carried on by the North Sound or its contractors and any sub-lessee upon Premises during the life of the agreement including any holdover period. If North Sound or its contractors or sub-lessee installs any electrical equipment that overloads the lines in the premises, North Sound shall, at North Sound's own expense, make all repairs and whatever changes are necessary to comply with the requirements of the insurance underwriters and governmental authorities having jurisdiction. County agrees to keep the building adequately insured against loss by fire and normal extended coverage, and North Sound agrees to keep adequate insurance loss by damage of fire and normal extended coverage on all of its equipment and property located on the premises and to hold County harmless from any lawsuit resulting from any form of damage caused to any said personal property owned by the North Sound or any contractor, agent or sub-lessee of North Sound.

7.3 Contractor/Sub-lessee of North Sound. Any Contractor or sublease of North Sound shall be required to be bound by and carry the same insurance requirements detailed in this Interlocal Agreement as North Sound, including the requirement to name County as an additional insured on all required policies as specifically detailed in paragraph 7.4 below .t

7.4 Proof of Insurance. North Sound and its contractors/sub-lessee occupying or conducting business on Premises shall provide County with a certificate of insurance describing the coverage as set forth in this Agreement. The County, its elected officials, agents, employees, representatives, consultants and volunteers shall be named as additional insured on required policies.

7.5 North Sound's Insurance shall be Primary.

North Sound's insurance shall be primary. Any insurance or self-insurance maintained by the County, its officers, officials, employees or volunteers shall be excess of North Sound's or its contractors/sub-lessee's insurance and shall not contribute to it.

7.6 Survival of Indemnity Obligations. The Parties agree all indemnity obligations set forth in this agreement shall survive the completion, expiration or termination of this Agreement.

8. Repairs and Maintenance.

8.1 North Sound agrees that it will provide, at its own cost and expense, all necessary cleaning, including janitorial service, parking lot maintenance, landscape maintenance, and required maintenance and repairs associated with normal wear and tear to the interior of the premises, keeping it in the same good, neat, and sanitary condition. North Sound agrees that any and all painting decoration of the premises, interior or exterior, including any signage, shall be prepared and applied at North Sound's sole cost and expense and without contribution from the County. North Sound shall be responsible for and shall repair and/or replace any and all glass which may become broken or damaged, window treatment, appliances, floor covering, and furnishings with in-kind material or equipment equal to or better than original at date of occupancy. Copies of all materials data sheets and operations manuals shall be provided to the County.

8.2 County agrees to maintain the exterior and structural portion of the building in good condition and repair, reasonable wear and tear excepted, including, but not limited to, the structural walls, floors, foundation, and roof. County shall be responsible for all preventative maintenance and repairs necessary to maintain a functional level of the major building systems: plumbing, electrical, heating, ventilating, and air conditioning equipment, and fire alarm devices and suppression systems equal to the functional standard on the date of occupancy. North Sound shall notify County of any needed repairs that are outside of the North Sound's maintenance and repair scope/abilities. Additional cost associated with North Sound's failure to notify County in a timely manner shall be billed back at cost to North Sound.

8.3 North Sound shall, at its sole expense, maintain the premises in good condition and promptly make all needed repairs and replacements, necessary to keep Premises in safe operating condition, including all utilities serving the premises, but excluding the roof, foundation and exterior walls, which County shall maintain in good condition and repair at the County's expense. North Sound shall not damage any demising wall or disturb the structural integrity of Premises and shall promptly repair any damage or injury done to any such demising walls or structural elements caused by North Sound or its contractors or sub-lessee. Notwithstanding anything in this Section to the contrary, North Sound shall not be responsible for any repairs to Premises made necessary by the negligence or

willful misconduct of County or its agents, employees, or invitees therein. Upon expiration of the Contract term, whether by lapse of time or otherwise, North Sound shall promptly and peacefully surrender the premises, together with all keys, to the County in as good condition as when received by North Sound from the County or as thereafter improved, reasonable wear and tear excepted.

8.4 Casualty Damage and Repair. In case of damage to the Premises by fire or other casualty, North Sound immediately shall notify County. If Premises is damaged by fire or any other cause to such extent that the cost of restoration, as reasonably estimated by County, will equal or exceed one hundred fifty thousand dollars (\$150,000.00), and if insurance proceeds sufficient for full restoration are unavailable for any reason, then County, no later than the sixtieth (60th) days following the damage may give North Sound a notice of election to terminate the Lease. In the event of such election, this Agreement shall be deemed to terminate on the sixtieth (60th) day after the giving of such notice, and North Sound shall surrender possession of the Premises within a reasonable time thereafter (not to exceed two months), and the Rent shall be apportioned as of the date of North Sound's surrender, and any Rent paid for any period beyond such date shall be repaid to North Sound. If the cost of restoration as estimate by Skagit County shall amount to less than one hundred fifty thousand dollars (\$150,000.00) and insurance proceeds sufficient to restoration are available, or if County does not elect to terminate this Agreement pursuant to this paragraph, then County shall restore the Building and the Premises (to the extent of the improvements originally provided by County hereunder) with reasonable promptness, subject to delays beyond County's control. To the extent that the Premises are rendered untenable, Rent shall proportionally abate during the period of such untenability, unless such damage resulted from or was contributed to directly or indirectly by the act, fault of neglect of North Sound, or North Sound's employees, contractors, agents, officers, sub-lessee, invitees, or licensees, in which case Rent shall not abate.

9. Governmental Fees. North Sound shall be responsible to payment for all fees, taxes, and governmental charges payable by North Sound and or its sub-lessee to the city, county and state during the life of this Agreement, resulting from North Sounds or its contractor/sub-lessee. The parties acknowledge that North Sound, as a governmental limited liability company owned exclusively by five counties and existing as a Washington state-mandated Regional Behavioral Health Organization, is exempt from property tax and leasehold excise tax pursuant to Article 7, Section 1 of the Washington Constitution and WAC 458-29A-100(n). In the event that North Sound subleases to an entity subject to Leasehold Excise Tax, in accordance with RCW 82.29A, any leasehold excise tax shall be paid by North Sound and may collect such tax from the subtenant. North Sound shall pay any such applicable leasehold tax at the time the rent is due. Current Leasehold Tax is 12.84%, however, is subject to change. North Sound shall be notified if rate changes. As required by the State statute, the Leasehold Tax must be applied to the rental amount of \$5,020.83 per month ($\$5,020.83/\text{mo} \times 12.84\% = \$644.67/\text{mo}.$).

10. Covenant to Hold Harmless. North Sound shall indemnify and hold harmless County and County's agents, elected officials, employees and assigns from all damages of every kind and nature whatsoever and all expenses arising there from that may be claimed to accrue by reason of any occurrence upon or about Premises by North Sound or its contractors, agents or sub-lessee which is attributable to North Sound or its agents, contractors or sub-lessee's negligence or failure to act. All personal property in or about the premises shall be at the sole risk of North Sound. North Sound agrees to indemnify and hold County and County's agents harmless from any and all claims by or on behalf of any firm, individual or corporation arising from the conduct, failure to act, management or activities of the business conducted in or about Premises by North Sound and its agents, contractors or sub-lessee. North Sound will indemnify and save County and County's agents, employees and elected officials harmless against and from any and all claims arising during the term of this Agreement which are attributable to the negligence or failure to act of the North Sound and North Sound's agents, contractors or sub-lessee. North Sound will further indemnify and save County, County's elected officials and agents harmless against any breach or default on the part of North Sound and North Sound's agents, contractors or sub lessee in the performance of this agreement on the part of the North Sound, North Sound's agents, contractors or sub lessee. North Sound will further indemnify and save County, its elected officials, employees agents and volunteers, harmless against any breach or default on the part of the North Sound, its employees, agents, contractors or sub-lessee in the performance of any covenant or agreement on the part of the North Sound, its employees, agents, contractors or sub-lessee to be performed hereunder or arising from any act of negligence of Lessee or any of its agents, North Sound, servants, employees, sub-lessee, contractors or licensees in or about Premises, and from and against all costs, attorney's fees, expenses, and liabilities incurred in or about any such claim, action, or proceeding brought thereon, and in case of any action or proceeding be brought against County, its elected officials, employees, agents or volunteers by reason of any such claim, North Sound, upon notice by County, covenants to resist or defend such action or proceeding by attorneys reasonably satisfactory to County at the cost of North Sound.
11. Default and Re-Entry. Time is of the essence of this agreement. (i) If (a) North Sound files a voluntary petition in bankruptcy or makes a general assignment to the benefit of, or a general arrangement with, creditors; (b) there is an involuntary bankruptcy filed against North Sound that has not been dismissed within thirty (30) days of filing; (c) North Sound becomes insolvent; or (d) a receiver, trustee, or liquidating officer is appointed for North Sound's business; or (ii) If North Sound violates or breaches any of the other covenants, agreements, stipulations or conditions herein, and such violation or breach shall continue for a period of fifteen (15) days after written notice of such violation or breach is sent to North Sound, or upon County's discovery that North Sound made any misrepresentation (including omissions) of any fact or circumstance material to the County's initial determination of the North Sound or North Sound's lease or sublease suitability to occupy and conduct business on are about Premises, then County may declare this Agreement be forfeited and the term hereof ended. In

the event of any default hereunder and entry in, or taking possession of, the Premises, County shall have the right, but not the obligation, to remove from the Premises all personal property located therein, and may store the same in any place selected by County, including but not limited to a public warehouse, at the expense and risk of North Sound, with the right to sell such stored property, without notice to North Sound, after it has been stored for a period of thirty (30) days or more, with the proceeds of such sale to be applied to the cost of such sale and to the payment of charges for storage, and to the payment of any other sums of money which may then be due from North Sound to County under any of the terms hereof.

12. Termination. Upon termination of this Agreement or any extension thereof, whether by expiration of the stated term or sooner termination thereon as herein provided, North Sound shall surrender to County said Premises peaceably and quietly.

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

County:	Skagit County Commissioners 1800 Continental Place, Ste 100 Mount Vernon, WA 98273	NSBHO:	North Sound Behavioral Health Organization, LLC 301 Valley Mall Way, Ste 110 Mount Vernon, WA 98273
	Phone: (360) 336-9300		Phone: (360) 416-7013
	FAX: (360) 336-9307		FAX: (360) 416-7017

14. Time is of the Essence. It is mutually agreed and understood that time is of the essence of this lease

15. Venue and Choice of Law. In the event that any litigation should arise concerning the construction or interpretation of any of the terms of this Agreement, the venue of such action of litigation shall be in the Superior Court of the State of Washington in and for the County of Whatcom. This Agreement shall be governed by the laws of the State of Washington.

16. Neutral Authorship. Each of the terms and provisions of this Agreement have been reviewed and negotiated, and represents the combined work product of the parties hereto. No presumption or other rules of construction which would interpret the provisions of this Agreement in favor of or against the party preparing the same shall be applicable in connection with the construction or interpretation of any of the provisions of this Agreement. The Parties represent that they have had a full and fair opportunity to seek legal advice with respect to the terms of this Agreement and have either done so, or have voluntarily chosen not to do so. The Parties represent and warrant that they have fully read this Agreement, that they understand its meaning and effect, and that they enter into this Agreement with full knowledge of its terms. The Parties have entered into this Agreement without duress or undue influence.

17. No Third Party Beneficiaries. This Agreement is not intended to nor does it create any third party beneficiary or other rights in any third person or party, including, but not limited to, any agent, contractor, subcontractor, consultant, employee, volunteer, or other representative of either Party.
18. Status of Agreement. This Agreement is in addition to, and is not intended to replace, substitute, modify, or otherwise amend any other agreements by and between the Parties. Any other agreements by and between the Parties shall continue in full force and effect.
19. Severability. In the event any term or condition of this Agreement or application thereof to any person or circumstance is held invalid, such invalidity shall not affect other terms, conditions or applications of this Agreement which can be given effect without the invalid term, condition or applications. To this end the terms and conditions of this Agreement are declared severable.
20. Captions and Counterparts. The captions in this Agreement are for convenience and reference only and do not define, limit, or describe the scope or intent of this Agreement. This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.
21. Entire Agreement. This agreement contains all the terms and conditions agreed upon by the Parties. All items incorporated herein by reference are attached and no other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed to exist or to bind any of the Parties hereto. This agreement may be changed, modified, amended or waived only by written agreement executed by the Parties hereto.

Dated this ____ day of _____, 2016.

SKAGIT COUNTY

BOARD OF COUNTY COMMISSIONERS
SKAGIT COUNTY, WASHINGTON

Lisa Janicki, Chair

Ron Wesen, Commissioner

Attest:

Clerk of the Board

Kenneth A. Dahlstedt, Commissioner

Recommended:

Department Head

Approved as to form:

Civil Deputy Prosecuting Attorney

Approved as to indemnification:

Risk Manager

Approved as to budget:

Budget & Finance Director

State of Washington)
) ss.
County of Skagit)

I certify that I know or have satisfactory evidence that Lisa Janicki, Ron Wesen, Kenneth A. Dahlstedt, are the persons who appeared before me, and said persons acknowledged that they signed this instrument, on oath stated that they were authorized to execute the instrument and acknowledged it as a member of the Board of Commissioners of Skagit County to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

(Signature)

Print Name

My appointment expires _____

NORTH SOUND BEHAVIORAL ORGANIZATION, LLC
A Washington governmental limited liability company

Joe Valentine
BHO Administrator

Date

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this ____ day of _____ 20__ before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared JOE VALENTINE, to me known to be the BHO Administrator of North Sound Behavioral Health Organization, LLC, the Washington governmental limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument,

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

Notary Public in and for the state of
Washington, residing at _____
My commission expires: _____

Printed Name: _____

EXHIBIT "A" LEGAL DESCRIPTION

Lot 14 and 15, "PLAT OF NORTHSOUND COMMERCIAL PARK," as per plat recorded in Volume 12 of Plats, page 46, records of Skagit County, Washington.

Situated in the City of Burlington, County of Skagit, State of Washington.