

## CONTRACT OF LEASE

### KNOW ALL MEN BY THESE PRESENTS:

This **CONTRACT OF LEASE** made and entered into at Davao City, Philippines, by and between:

**VALGOSONS REALTY, Inc.**, a corporation duly organized and existing under and by virtue of the laws of the Philippines with office address at Valgosons Building C.M Recto Street, Davao City, represented by its Director for Operations – **MR. RICKY R. VALENCIA**, of legal age, Filipino, single and a resident of Davao City, Philippines, hereinafter referred to as the **LESSOR**;

- And -

**PHILIPPINE HEALTH INSURANCE CORPORATION**, a government owned and controlled corporation duly registered, organized and existing under Philippine laws with principal office address at R.C Reyes Building, Quimpo Blvd, Ecoland, Matina, Davao City, Philippines, represented herein by its Regional Vice President **MR. DENNIS B. ADRE**, hereinafter referred to as the **LESSEE**.

- Witnesseth -

WHEREAS, the **LESSOR** is the owner in fee simple of a parcel of land together with the two (2) storey commercial building existing thereon, known as "Valgosons Realty, Inc." located at Bolton Extension, Poblacion, Davao City covered under TCT No. T-46805 of the Registry of Deeds for Davao City;

WHEREAS, the **LESSEE** has offered to lease an office space owned by the **LESSOR**, for Philhealth Regional Office XI, and the **LESSOR** has accepted under the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereto agree and covenant as follows:

1. **SUBJECT OF LEASE.** Two storey commercial building with an entire floor area of 1,579.58 square meters, including the bunkhouse and with a total lot area approximately 2,900 square meters located along Bolton Extension, Poblacion, Davao City;
2. **TERM OF LEASE.** This contract of lease will commence on May 1, 2013 and will end April 30, 2018;
3. **RENEWAL.** This contract may be renewed within thirty (30) days prior to the expiration of the term. The **LESSEE** will make a formal notice to the **LESSOR** of its intention to renew the lease for another term and under such terms and conditions as maybe mutually agreed upon by the parties in writing;
4. **DUTIES AND RESPONSIBILITIES OF THE LESSEE.** The total contract price for the lease of office space is **Thirty Million Eight Hundred thirty Three Thousand Twenty Three Pesos Only (P 30,833,023.00)** for five (5) years.

5. **RENTAL PAYMENTS** – the parties herein agreed that the rental payment of the LEASED PREMISES shall be:

5.1 Two Hundred Ninety Four & 38/100 (P 294.38) only per square meters per month or Four Hundred Sixty Five Thousand Pesos (P 465,000.00) only per month (for 1<sup>st</sup> year);

5.2 Three Hundred Nine & 10/100 (P 309.10) only per square meters per month or Four Hundred Eighty Eight Thousand Two Hundred Fifty Pesos (P 488,250.00) only per month (for 2<sup>nd</sup> year);

5.3 Three Hundred Twenty Four & 56/100 (P 324.56) only per square meters per month or Five Hundred Twelve Thousand Six Hundred Sixty Three Pesos (P 512,663.00) only per month (for 3<sup>rd</sup> year);

5.4 Three Hundred Forty & 78/100 (P 340.78) only per square meters per month or Five Hundred Thirty Eight Thousand Two Hundred Ninety Six Pesos (P 538,296.00) only per month (for 4<sup>th</sup> year); and;











5.5 Three Hundred Fifty Seven & 82/100 (P 357.82) only per square meters per month or Five Hundred Sixty Five Thousand Two Hundred Ten Pesos (P 565,210.00) only per month (for 5<sup>th</sup> year), Philippine Currency, inclusive of all government required fees and taxes, to be paid on or before the tenth (10<sup>th</sup>) day of the succeeding month upon presentation of a billing or notice for payment by the LESSOR to the LESSEE. The withholding tax shall be paid by the LESSEE who shall provide the LESSOR the withholding tax certificate;

6. **DEPOSIT.** Upon the execution of this Contract of Lease, the LESSEE shall pay to the LESSOR the sum of **Nine Hundred Thirty Thousand Pesos (P 930,000.00) Only**, Philippine Currency, as *two (2) months security deposit*. The security deposit shall answer for damages and for any of the LESSEE's obligation under this Contract of Lease subject to return without interest within ten (10) days upon termination of this contract should there be no renewal entered into by the parties and after the leased premises shall have been surrendered to the LESSOR less whatever account which the LESSEE might then be owing to the LESSOR. Said security deposit shall in no case be used or offset against any monthly rental due during the term of this Contract of Lease;

7. **EXCLUSIVE USE OF THE LEASED PREMISES.** The leased premises shall be used exclusively by the LESSEE for office purposes and shall not be converted into any other use, without prior written consent from the LESSOR. The use of the premises shall be subject to the uniformly applicable building rules and regulations which the LESSOR may subsequently provide to all lessees and /or occupants with the objective of safeguarding their persons and properties, the common safety and welfare, and more important, fostering a desirable relationship among the occupants of the building;

8. **RENOVATIONS, PERMANENT IMPROVEMENTS, ORDINARY AND MAJOR REPAIRS.**

- a. The LESSEE shall renovate at its own expense the leased premises upon approval by the LESSOR of its architectural plan. Any subsequent alterations, additions or further improvements on the leased premises at its own expense will require the submission of similar architectural plans subject to amendment and/or approval by the LESSOR.

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- b. In the course of the renovation, materials to be removed from the existing building unusable to **LESSEE** shall be turned over to the authorized representative of the **LESSOR**.
- c. The parties agree that, except for the **LESSEE's** air conditioning units, all permanent immovable improvements or alterations of whatever nature as may be made thereon shall form an integral part of the leased premises and shall not be removed there from but shall belong to and become the exclusive property of the **LESSOR**, without any right on the part of the **LESSEE** to the reimbursement of the cost or value thereof.
- d. The **LESSEE** shall undertake all ordinary repairs and maintenance on the leased premises at its own expense. Repair on the electric outlets, telephone lines, switch boxes, air conditioning facilities, electrical wirings and plumbing fixtures shall likewise be for the exclusive account of the **LESSEE**.
- e. The initial renovation and any other subsequent renovations and/or repairs on the leased premises arising out of damage caused by acts of the **LESSEE** or its employee/s or third persons, or those necessarily relating to its use of the leased premises shall be for the **LESSEE's** account.
- f. All major and extraordinary repairs arising out of structural defects on the building shall be for the **LESSOR's** account. For purposes of this provision, major or extraordinary repair is such repair that will cost at least **FIVE HUNDRED THOUSAND & 00/100 (P 500,000.00) Pesos Only**, Philippine Currency. In the event that the portion of the leased premises cannot be utilized during the period of repair, the **LESSOR** will grant a moratorium or waiver of rental payment of such damaged portion for such period of time as maybe needed to repair or restore damaged portion of the leased premises.
- g. The **LESSOR** warrants that the **LESSEE** shall have peaceful possession of the leased premises during the term of this Contract of Lease. However, disturbance caused by natural calamities and force majeure as well as those caused by acts beyond the **LESSOR's** control are excepted.

9. **UTILITIES.** The **LESSEE** shall have at its own name and exclusive account – electric power, water and telephone lines separate from that of the building's and its other lessees. All utility bills used by the **LESSEE** shall be paid by it and the **LESSOR** shall have be rendered free from the non payment or cut off due to non payment of the **LESSEE's** utility bills.

10. **INSURANCE.** The **LESSOR** shall insure the building excluding stocks and fixtures of the **LESSEE**. Henceforth, the **LESSEE** shall provide the insurance coverage of its interest in the leased premises.

11. **LAWS AND ORDINANCES.** The **LESSEE** shall comply with and abide by the City Ordinances regarding the use of the leased premises and shall also comply with health regulations and secure permits or licenses for its business operations. The **LESSEE** shall indemnify and hold harmless the **LESSOR** against all actions, suits, damages and claim made by whomsoever by reason of its non-observance of and/or non compliance with rules, regulations, ordinances, laws or any of the covenants of this contract.

12. **INJURY TO THIRD PERSON.** The **LESSEE** shall be solely responsible for any harm or injury as may be suffered by its employee/s or third person while within the leased premises, when the acts complained of were caused by its negligence;

13. **INSPECTION OF PREMISES.** The **LESSOR** or his/its representatives, with the proper notice to the **LESSEE** and at a reasonable hour of any working day, shall be allowed entry to the leased premises to conduct inspection for repairs or improvements. Subsequent access to the leased premises shall be given to the authorized person/s who will undertake the repair or improvement in order to lessen inconvenience to the employee and clients, or avoid disruption of office work or activities;

14. **REALTY TAX.** The real estate taxes and other payment imposed on the leased property shall be for the exclusive of the **LESSOR**;

15. **SUBLEASE, TRANSFER OR RIGHTS.** The **LESSEE** has absolutely no right to assign or transfer its right under this Contract of Lease nor has it the right to sublease or sublet all or any part of the leased premises. Any violation of this provision shall be a basis for immediate termination of this contract;

16. **MORTGAGE AND ENCUMBRANCE.** The **LESSOR** reserves his/its right to mortgage the property including the leased premises or to sell the property provided that a written prior notice shall be given to the **LESSEE** at least two (2) months prior to the actual date of effectivity of the encumbrance sale, or transfer, provided further, that the terms and conditions of this contract and the rights acquired there from by the **LESSEE** shall be protected in its entirety during the term of this contract;

17. **VIOLATION OF THE CONTRACT.** A violation by one of the parties of any of the terms and conditions set forth herein shall result as a right or basis for the termination of this contract. In such event, the aggrieved party will make a formal notice to the guilty party regarding the terms and conditions being violated. However, the parties shall endeavor to amicably or extra judicial settle the matter. Furthermore, if amicable or extrajudicial settlement cannot be arrived at and the termination of the contract is the only solution, then the conditions set forth under Section 17 of this contract will be applied and the procedure expressed therein shall be followed;

#### 18. **TERMINATION**

A. This contract of lease shall end on the terminal date agreed upon by the parties should there be no written renewal of the term entered into by the parties;

B. It shall also be terminated due to the violation or breach by one of the parties of any of the agreed terms and conditions, and if amicable settlement cannot be reach by the parties;

C. This contract shall also be terminated when as a result of the occurrence of natural calamities, the leased premises is rendered uninhabitable and unfit for occupancy.

In case the termination occurs due to the expiration of the lease contract and no renewal or extension is agreed upon, the **LESSEE** shall peacefully vacate the leased premises and return the same in condition it was first entered including **LESSOR's** airconditioning units, except for the effects of ordinary wear and tear. **LESSEE** shall repair any damage or injury caused by the removal of its airconditioning units. Improvements which could not be removed without damaging or injuring the leased premises shall be deemed

part and parcel of the leased premises and the same shall become the property of the **LESSOR** without any obligation on the part of the **LESSOR** to pay for their cost. Within ten (10) calendar days and after full payment of the **LESSEE's** utility bills, after the leased premises are totally vacated, the amount previously constituted as security deposit shall be returned by the **LESSOR** to the **LESSEE** without interest and without need of demand in accordance with section 5 hereof. In case the termination occurs as a result of the **LESSEE'S** breach or violation of any of the terms or condition agreed upon, the **LESSEE** shall peacefully vacate the premises and return the same free of its effects and other movables. Except for ordinary wear and tear, any damage or injury to the leased premises shall be repaid and restored by the **LESSEE** at its expense. A moving out period of five (5) working days without rental charge shall be allowed by the **LESSOR**.

If termination shall ensue due to destruction of the leased premises, the **LESSOR** shall return the security deposit within the same period as mentioned above. The **LESSOR** shall not be answerable or responsible for any damage or injury to the properties of the **LESSEE** caused by the destruction of the leased premises due to natural events or force majeure as well as any cause that is beyond the **LESSOR'S** control;

- D. The **LESSEE** may terminate this Contract of Lease for any cause at any time before the expiration of the term agreed upon by giving written notice to the **LESSOR** thirty (30) days prior to the intended date provided that the entire rental for the remaining period shall be paid by the **LESSEE** to the **LESSOR**.

19. **NON WAIVER.** The failure of the **LESSOR** to insist upon the strict performance of any of the terms, conditions and covenants hereof shall not be deemed a relinquishment or waiver of any subsequent breach or default of such terms and conditions and covenants.

20. **LITIGATION AND VENUE.** In the event judicial relief against the guilty party is filed before the regular courts for the enforcement of the terms and conditions of this contract, the guilty party, in addition to any other damages that may be awarded by the court, agrees to pay ten percent (10%) of the amount claimed but in no case be less than **TEN THOUSAND & 00/100 (P 10,000.00) Pesos Only** as attorney's fees, aside from the costs of litigation and other expenses which the entitles the aggrieved party to recover. The parties hereby agree that the venue of court action arising from this contract shall be exclusively in the proper court of Davao City.

21. **EXCLUSIVENESS OF THE AGREEMENT.** This lease agreement supersedes and renders void any and all agreements and understanding, oral and/or written, previously entered into between parties covering the property herein leased, the same having been merged herein. This agreement may not be modified or altered except by instrument in writing signed by the parties or their representatives.

IN WITNESS WHEREOF, the parties hereto have signed this contract of this  
\_\_\_\_\_ day of \_\_\_\_\_ 2013 at Davao City, Philippines.

**PHIL. HEALTH INSURANCE CORP.**  
Lessee

**VALGOSONS REALTY, Inc.**  
Lessor

By:



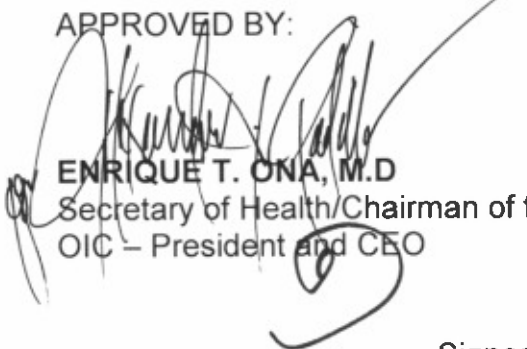
**DENNIS B. ADRE**  
Regional Vice President

By:



**MR. RICKY A. VALENCIA**  
Director of Operations

APPROVED BY:



**ENRIQUE T. ONA, M.D**  
Secretary of Health/Chairman of the Board and  
OIC – President and CEO


Signed in the Presence



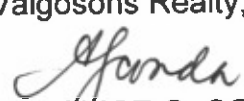
**MR. RAMON F. ARISTOZA, JR.**  
OIC – Area Vice President  
Mindanao Area



**MR. ERVEGIO P. NAKILA**  
Corporate Secretary  
Valgosons Realty, Inc.



**HECTOR P. MALATE**  
BAC Chairman /Head, HCDMD  
Philhealth Regional Office XI



**MS. ALICE G. CONDA**  
Corporate Accountant  
Valgosons Realty, Inc.



**PATRICK ANGELO L. UY**  
Chief Social Insurance Officer  
Philhealth Regional Office XI



**ATTY. ARNEIL B. SUBIBI**  
Division Chief, MSD  
Philhealth regional Office XI



**AILEAN G. OPOL**  
Fiscal Controller IV

REPUBLIC OF THE PHILIPPINES)  
City OF PASIG) S.S  
X-----/

ACKNOWLEDGMENT

*9/10*  
*JUN 13 2013*  
BEFORE ME, a Notary Public for and in the City of Davao, Philippines, this 2013 appeared MR. DENNIS B. ADRE, Regional Vice President of Philippine Health Insurance Corporation, exhibiting his B.I.R No. 118-141-276 as competent proof of identity, known to me and to me known to be the same person who executed the foregoing instrument, and he acknowledged to me that the same is his free and voluntary act and deed.

This Instrument consists of 7 pages including the page hereof whereon this Acknowledgement is written, is signed by the parties and the witnesses.

IN TESTIMONY WHEREOF, I have hereunto signed and affixed my notarial seal on the date and the place first above written

Doc. No. 39  
Page No. 8  
Book No. II  
Series of 2013

*Maria Primarica C. Guipo*  
MARIA PRIMARICA C. GUIPO  
UNTIL DECEMBER 31, 2013  
NOTARIAL COMMISSION SERIAL NO 025-2012  
PTR DA 2546726 DTD 1/7/10, DAVAO CITY  
IBP DA 012777 DTD 1/7/10, DAVAO CITY  
LIN NO 615-928-752  
ROLL NO 54301

REPUBLIC OF THE PHILIPPINES)  
CITY OF DAVAO) S.S  
X-----/

ACKNOWLEDGMENT

*9/10*  
*JUN 06 2013*  
BEFORE ME, a Notary Public for and in the City of Davao, Philippines, this 2013 appeared MR. RICKY A. VALENCIA, exhibiting his S.S.S ID No. 09-2746687-9 competent proof of identity, known to me and to me known to be the same person who executed the foregoing instrument, and he/she acknowledged to me that the same is his/her free and voluntary act and deed.

This Instrument consists of 7 pages including the page hereof whereon this Acknowledgement is written, is signed by the parties and the witnesses.

IN TESTIMONY WHEREOF, I have hereunto signed and affixed my notarial seal on the date and the place first above written

Doc. No. 150  
Page No. 30  
Book No. XLV  
Series of 2013

*Francisco M. Villano, Jr.*  
FRANCISCO M. VILLANO, JR.  
Notary Public  
Until December 31, 2014  
PTR O.R No. 2419511; 12-21-12  
IBP O.R No. 084220; 11-28-12  
Roll No. 50469; 05-03-2005  
M/F Vaigason's Bldg., City Hall Drive, Davao City