

# CONTRACT OF LEASE OF OFFICE SPACE

KNOW ALL MEN BY THESE PRESENTS:

This **CONTRACT** is made and entered into this 23rd day of July, 2013, by and between:

**PHILIPPINE HEALTH INSURANCE CORPORATION**, a government owned and controlled corporation created and existing by virtue of R.A. 7875 with Regional Office address at 4F SSS Building, Harrison Road, Baguio City, represented herein by its Regional Vice President, **MS. ELVIRA C. VER**, hereinafter referred to as the "**LESSEE**";

-and-

**DANGWA TRANSPORTATION CO., INC.**, a private corporation duly registered, organized and existing under the laws of the Republic of the Philippines, with office address at Dangwa Tranco Compound, Km. 6 Betag, La Trinidad, Benguet represented herein by its Administrative Officer, **MR. ERNEST C. DANGWA**, hereinafter referred to as the "**LESSOR**".

**WITNESSETH, That:**

**WHEREAS**, the **LESSOR** is the true and lawful representative of a property located at Dangwa Tranco Compound, Km. 6 Betag, La Trinidad, Benguet;

**WHEREAS**, the **LESSEE** desires to lease the above-mentioned **LEASED PREMISES** for its Local Health Insurance Office and the **LESSOR** is willing to offer the same to the **LESSEE**;

**WHEREAS**, the subject procurement of the '**LEASED PREMISES**' is in accordance with the 2013 Annual Procurement Plan (APP) to be procured through Negotiated Procurement – Lease of Privately Owned Real Property and Venue;

**WHEREAS**, a Notice of Negotiated Procurement was published on April 18, 2013 to April 26, 2013, through PhilGEPS and PhilHealth conspicuous places;

**WHEREAS**, during the negotiation, the **LESSEE** declared the **LESSOR** as post-qualified and the bidder with the SCB / LCRB;

**WHEREAS**, the **LESSOR** has agreed to provide the requirements under the terms and conditions set in the Technical Specifications, submitted Bid Proposal (Financial) and this contract;

**NOW, THEREFORE**, for and in consideration of the foregoing premises, the parties hereto agree to be bound under the following terms and conditions, to wit:

2 Copies sent to Benguet LHIO (one for LHIO and one for Davao)  
on July 24, 2013 (through e-mail)

**ARTICLE 1**  
**DUTIES AND RESPONSIBILITIES OF THE LESSOR**

1.1. Specifications

To provide one (1) lot rentable office space with an area of **ONE HUNDRED EIGHTY SQUARE METERS (180 sq.m.)**.

1.2. Parking Requirement

Provide at least **FOUR (4)** parking spaces, to be occupied by the **LESSEE's** Officers and employees.

1.3. Building Equipment and Facilities

The office building's over all façade and architectural design is appropriate for an office building; it must be structurally safe and shall be made of reinforced concrete, structural steel or combination of both.

The building must have the following facilities/ amenities, viz:

- a. Main separate meter/ or sub-meter for electric and water supply exclusively for the use of the lessee;
- b. Sufficient electrical fixtures, lighting fixtures and convenience outlets. There should also be a provision for electrical system single phase or three phases for air-conditioning units and other office equipment to be installed.
- c. Fire/ emergency exits/door;
- d. Electrical facilities / Requirements:
  - 1.. With electric power connection and own meter capable of handling at least 50KW power requirement;
  2. All electrical fixtures, convenience outlets, switches, and telephone jacks / terminals shall be in good working condition;
  3. All electrical components within the building shall meet the electrical load requirements provided by PhilHealth.
- e. The building should be ready for the installation of telephone lines.
- f. The lessor shall provide separate restrooms for PhilHealth staff and a separate restroom for male and female clientele, stakeholders and visitors.
- g. The building owner should provide for free an adequate space for the installation of the horizontal / vertical signage.
- h. Electrical outlet / systems for the sufficient lighting of the PhilHealth signage must be provided.
- i. PhilHealth should be allowed to improve and/or renovate walls, windows and floors for the installation of air conditioning units and/or equipment;
- j. The Lessor should provide at least three (3) units 10 pounds fire extinguisher.
- k. Provision of space for the installation of 15KVA generator set.

Note: It should be understood that spaces of external and internal walls within the perimeter whether permanent or temporary, as well as fire exits, common corridors, common hallways, common restrooms are not considered in the computation of total office floor.

1.4. Other Requirement

Provide pest and rodent control on all areas occupied by the **LESSEE** at least once a year and make available the following goods and services to the **LESSEE** at no extra cost.

  
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ERNEST C. DANGWA

  
Witness for the Lessor

1.5. Utilities

Each unit has its own water and electric meter. The **LESSEE** shall pay for the water and electric consumption registered on the meters pertaining to the **LEASED PREMISES**. The **LESSOR** shall also provide the following:

- **Telephone Facilities and other Utilities** – the phone facilities like lines and cables are provided for in the building by the **LESSOR**. Telephone applications, the telephone numbers, and the expense for all other particular on the telephone shall be for the sole account of the **LESSEE**. The **LESSEE** shall see to it that payments of all the utilities availed of are paid within a reasonable period.

- 1.6. Other than those responsibilities which the **LESSOR** shall be charged with, it is understood that the **LESSOR** shall see to it that the **LEASED PREMISES** are maintained in tenantable condition and shall undertake the expenses for the general administration of the building, the upkeep and repair of the facilities and utilities if the same are required and occasioned by ordinary wear and tear. Any damage or injury caused these facilities by the **LESSEE** or any other personnel, agent or representative shall be repaired and restored by the **LESSEE** and for its account, without prejudice to other legal remedies available to the latter.

The **LESSEE** shall be responsible in providing security for the building. The **LESSOR** shall not be responsible for any theft or robbery that may occur within the **LEASED PREMISES** or for any forcible entry into the **LEASED PREMISES** by robbers, except if such loss or damage is due to the **LESSOR's** employees, agents or representatives' negligence or fault. Provided, that the **LESSOR** shall assist in the recovery and/or reparation of such loss or losses and damage or injury from those prosecuted for such crimes. Provided, further that the **LESSEE** shall have the right to provide its own security personnel at its own expense to protect and guard its **LEASED PREMISES**, officers, employees, visitors and guests, and their property, valuables and belongings.

It is likewise understood that the **LESSOR** or **LESSEE** shall not be responsible for any damage or destruction to the **LEASED PREMISES** as occasioned by fire, concerted acts of man, natural calamities or act of God unless said party is guilty of delay, fraud or negligence, or in any manner contravening the tenor of this contract. In case the **LEASED PREMISES** are totally destroyed or are declared by proper authorities as unfit for occupancy, the **LESSOR** shall notify the **LESSEE** thereof and to advise the **LESSEE** of the termination of the lease agreement.

- 1.7. **Restoration** – in the event of any damage or destruction caused by occurrence of any of the events enumerated above and the **LEASED PREMISES** can still be the subject for restoration, the **LESSEE** shall notify the **LESSOR** within fifteen (15) days after the damage has occurred of its intentions to either rescind this contract or continue with the lease with the condition that the rentals for the **LEASED PREMISES** shall be suspended for the meantime or reduced proportionately and shall be allowed to run again as soon as the restoration is completed by the **LESSOR**, at its own expense, and the **LEASED PREMISES** are ready to be occupied once again.

## ARTICLE 2

### DUTIES AND RESPONSIBILITIES OF THE LESSEE

- 2.1. The total contract price for the lease of office space is **ONE MILLION EIGHT HUNDRED THIRTY SIX THOUSAND PESOS (PhP 1,836,000.00 )**, for three fiscal years.

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**Rental Payments** – the parties herein agreed that the rental payment of the **LEASED PREMISES** shall be: **TWO HUNDRED SEVENTY FIVE PESOS (PhP 275.00)** per square meter, per month for the 1<sup>st</sup> year; **TWO HUNDRED EIGHTY THREE AND 25/100 PhP 283.25** per square meter, per month for the 2<sup>nd</sup> year; **TWO HUNDRED NINETY ONE AND 75/100 (PhP 291.75)** per square meter, per month for the 3<sup>rd</sup> year, inclusive of VAT and all government required fees and taxes payable within the first ten (10) days of the month the rent is due upon presentation of a billing statement or notice for payment, at the office of the **LESSOR**. The rental payment includes the exclusive use of parking slots.

- 2.2. **Deposit Payments** – upon signing of this Contract of Lease, the **LESSEE** shall pay the **LESSOR** the sum of **NINETY NINE THOUSAND PESOS ONLY (PhP 99,000.00)**, representing two (2) months of the 1<sup>st</sup> year rental rate as security deposit for the faithful compliance of the **LESSEE** of the covenants hereof. Said deposit shall answer for any unpaid bills for electricity, telephone and water or for any damages to the **LEASED PREMISES** at the end of the term of the lease, natural wear and tear excepted if any. This security deposit shall be returned by the **LESSOR** to the **LESSEE**, without necessity of demand, within **sixty (60) calendar days** from the date of the termination of this Contract, less unpaid bills and other bills pertaining to damages, if there be any there being no renewal of the contract of lease entered into by the parties. Said deposit shall not earn nor accrue any interest.

- 2.3. **Use of the Premises** – the **LEASED PREMISES** shall be used exclusively by the **LESSEE** for office purposes and shall not be converted to any other use without the prior written consent of the **LESSOR**.

Any violation of this condition shall give rise to the cancellation of the agreement without prejudice to the remedies available to the **LESSOR** and the corresponding right to claim for damages by the mere fact of the violation.

Ordinary heating apparatus or contrivance for heating water (e.g., microwave ovens, coffee makers, etc.) are allowed; provided, further that the outlet used shall conform with the requirements of the authorities concerned.

- 2.4. **Alteration, Additions, Installation of Permanent Fixtures and Improvements** – the **LESSEE** shall not introduce any improvement or alteration in the **LEASED PREMISES** without prior notice to and written consent of the **LESSOR**. The restoration of the **LEASED PREMISES** to its original condition due to unauthorized improvement or alteration shall be at the expense of the **LESSEE**.

The installation of the additional electric, telephone and other utilities and/or facilities shall be with prior knowledge of the **LESSOR** and shall be the account of the **LESSEE**, it being understood that the **LEASED PREMISES** have been provided with normal convenience to meet the minimum requirement for ordinary office space user.

No shade awnings, blinds or window guards shall be installed by the **LESSEE** outside of the area of the **LEASED PREMISES**. If such installations are necessary to enhance the comfort of the **LESSEE**, a written consent from the **LESSOR** shall be secured in order that the installation can be planned in a manner so as not to affect the aesthetic appearance of the building.

- 2.5. **Care of the LEASED PREMISES** – the **LESSEE** shall, at its expense maintain the **LEASED PREMISES** in clean and sanitary condition, free from noxious odors, disturbing noises, nuisances or any disturbances as shall affect the peace and quiet of the other occupants of the building nor in any manner, deface or injure any portion of the **LEASED PREMISES**. Ordinary painting or works of art may be hung within the walls of the building

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and the nail screws, attachments or abutment necessary for the same shall be removed prior to the expiration of this contract.

**LESSEE** shall provide itself with the necessary receptacles sufficient to contain wastes and paper refuse. A common garbage area shall be provided by the **LESSOR** for the use of all the occupants of the building.

No combustible and/or flammable, explosive materials, dynamites and/or harmful objects excluding normal office supplies shall be allowed entry into the building. Any violation of these prohibitions shall give rise to an action for the termination of this contract without prejudice to any action for damages which the **LESSOR** may take by mere fact of the violation.

- 2.6. **Rules and Regulations** – the **LESSEE** shall secure on its own account all permits and licenses as may be required by the national, and/or city authorities in connection with its business and use of the **LEASED PREMISES**. The **LESSEE** shall also indemnify and hold the **LESSOR** harmless from all actions, suits, damages and claims by whomsoever that may be brought or made by reason of non-observance or non-performance of duties required by laws, ordinance, rules or regulations of the national and/or city government. The **LESSOR** reserves the right to make such rules and regulations as in the judgment of the **LESSOR** may, from time to time, be necessary for the safety and protection of the premises and its use, care sanitation, and for the purpose of good order among co-tenants.
- 2.7. **Transfer of Rights** – without the express written consent of the **LESSOR**, the **LESSEE** is prohibited from directly or indirectly sub-leasing, selling, assigning, transferring, conveying, mortgaging or in any manner disposing of or encumbering its right under this Contract, in whole or in part; and no right, or interest thereto shall be conferred or vested in any one other than the **LESSEE** personally, and the **LESSEE** shall not enter directly, or indirectly into any contract or agreement with any third party to occupy the **LEASED PREMISES** under any guise whatsoever, except if such is connected with its project or activity and that any such contract or agreement made in violation of this section shall be considered absolutely void *ab initio*.
- 2.8. **Delivery and Repairs** – The **LESSEE** hereby accepts delivery of the entire commercial premises in good and tenantable condition and the **LESSEE** shall keep it in good state of conservation undertaking to conduct ordinary and minor repairs at its own expense. The **LESSEE** will not indulge in any refusal, failure, reduction or suspension of any monthly rental payment by reason of or pursuant to its pending request for necessary repairs in the **LEASED PREMISES** during the term of this lease unless such repair renders the unit or part thereof unusable for a period of five (5) days or more, in which case the corresponding rental payment shall be reduced proportionately with the period of such repair and the area so affected. It is understood that in case there is need for the **LESSEE** to undertake any repair at his sole expense pursuant to this paragraph, the **LESSEE** shall not commence or proceed with any such repair work without the prior written consent of the **LESSOR**.
- 2.9. **LESSEE** may request in writing for an increase or decrease in office space under the same terms and conditions set forth in this Contract provided that the total amount in the increase or of space will not exceed twenty-five percent (25%) of the total contract price.

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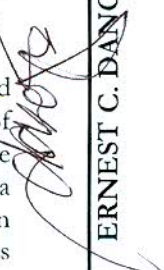
**ARTICLE 3**  
**PAYMENT OF TAXES AND SUBMISSION OF CLEARANCE**

- 3.1. **LESSOR** shall pay its taxes in full and on time. Upon failure to do so, **LESSEE** has the authority to suspend payment of the provided services.
- 3.2. **LESSOR** shall, within the duration of the contract, present to the **LESSEE** an updated tax clearance from the Collection Enforcement Division, Bureau of Internal Revenue (BIR) National Office as well as a copy of its income and business tax returns duly stamped and received by BIR and duly validated with the tax payments made thereon.


**ARTICLE 4**  
**GENERAL PROVISIONS**

- 4.1. **LEASED PREMISES** excludes other portion of the building – the **LEASED PREMISES** delineation shall be considered strictly as the portion designated in this Contract and shall not include any other portion or portion of the building, except the parking areas designated and leased by the **LESSEE**. Provided, however, that the **LESSEE** shall have the exclusive rights and privileges to the use and utilization of the common areas such as lobbies and comfort rooms located at the **LEASED PREMISES**.
- 4.2. **Other Rights and Privileges of the LESSEE** – the **LESSEE** shall have the right and privileges to issue its own internal rules, procedures and regulations to govern the conduct of its business activities and operations towards its clients and the general public, in accordance with applicable rules and regulations issued by government authorities governing a government owned and controlled corporation and other government entities and in accordance with its charter and its implementing rules and regulations and such policies as may be issued by its Board of Directors.
- 4.3. **Non-Waiver** – The failure of any of the **PARTIES** herein to insist upon the strict observance and/or performance by the other of the terms and conditions herein expressed shall not be considered as a waiver of the same it being understood that any waiver to be valid and effective shall be made in writing and signed by the concerned party or its duly authorized representative.
- 4.4. **Inspection of the Premises** – the **LESSOR** or any of its duly authorized representative or the duly designated Administrator shall be allowed entry to the **LEASED PREMISES** at reasonable hours of the day for the purpose of assessing repairs, alteration or maintenance work to be done in or about the premises or for its general up-keep. The **LESSEE** shall enable the **LESSOR's** duly authorized handymen or repairmen to gain entry into the premises and if such repair and maintenance work necessities immediate completion, the **LESSEE** shall allow the work to be done even after office hours and this permission shall be treated on a case-to-case basis.
- 4.5. **Other Related Provision** – other related provisions relative to the proper use of the **LEASED PREMISES** as may be provided in the Building Rules and Regulations may be issued by the **LESSOR** to be made applicable to all the **LESSEE's** in the building.
- 4.6. **Prospective Lessee or Lessees for the Premises** – the **LESSOR** shall be allowed by the **LESSEE** to exhibit the **LEASED PREMISES** to prospective lessors during the last TWO (2) MONTHS of the term, there having been no renewal negotiation/bidding undertaken by the **LESSEE** with the **LESSOR**.
- 4.7. **Emergency Entry into the LEASED PREMISES** – the **LESSOR**, its authorized representative or the Building Administrator, may enter the **LEASED PREMISES** during

  
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emergency of any kind which would necessitate or require such an entry. Likewise, entry into the **LEASED PREMISES** for the purpose of averting any commission of crime or offense shall be allowed without prior notice made. It is understood that any breakage that may occur during said entry shall be repaired and/or remedied by the **LESSOR** or its authorized agent, at its sole expense.

- 4.8. **Expropriation** – In the event of any expropriation of the property by the duly constituted authorities, either party may ask for the rescission of this agreement without prejudice to the right of either party to file an action for such damages by all expropriation against the expropriating and/or concerned party.
- 4.9. All taxes, licenses and permit fees which may be required by government, dues to or collectible by the local or national government pursuant to this Contract, shall be the sole responsibility of the **LESSOR**.

#### **ARTICLE 5** **PERIOD OF CONTRACT**

This contract for the Lease of Office Space of Benguet Local Health Insurance Office through Negotiated Procurement shall be from August 1, 2013 until July 30, 2016.

This Contract shall take effect on the above period, unless sooner terminated in accordance with provisions hereof.

#### **ARTICLE 6** **TERMINATION OF CONTRACT**

It is understood that this Contract expires and terminates at the end of its term as stated herein. Without prejudice to Article 8, upon termination of the term or upon receipt of such notice of termination, the **LESSEE** shall peacefully and voluntarily vacate the entire **LEASED PREMISES** and completely remove therefrom all furniture, articles and effects of any kind. This shall include the restoration of the **LEASED PREMISES** to its condition prior to alteration by the **LESSEE** as referred to in Article 2.5 of this Contract. If it become necessary for the **LESSOR** to file court action for the ejectment of the **LESSEE**, the **LESSEE** shall be liable for all unpaid rentals if any as well as for damages which the **LESSOR** may suffer.

A party shall have the right to pre-terminate or rescind this Contract in case of violation or breach of any material provision by the other party and shall be entitled to the relief and damages against the latter as a result from such violation or breach in accordance with law.

#### **ARTICLE 7** **SETTLEMENT OF DISPUTES**

If any dispute or difference of any kind whatsoever shall arise between the parties in connection with the implementation of this contract, the parties shall make every effort to resolve amicably such dispute or difference by mutual consultation.

Any and all disputes arising from the implementation of a contract, which cannot be settled amicably within thirty (30) days after receipt by one party of the other party's request for such amicable settlement, shall be submitted to arbitration in the Philippines according to the provisions of Republic Act No. 876, otherwise known as the "Arbitration Law" and Republic Act No. 9285, otherwise known as the "Alternative Dispute Resolution Act of

  
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ERNEST C. TANIGWA

  
Witness for the Lessee

2004". Provided, that by mutual agreement, the parties may agree in writing to resort to other alternative modes of dispute resolution.

The arbitral award and any decision rendered in accordance with the foregoing shall be appealable by way of a petition for review to the Court of Appeals.

**ARTICLE 8**  
**MISCELLANEOUS PROVISIONS**

All other terms, conditions and stipulations accompanying this contract together with all proposals and all mandatory provisions of the Revised Implementing Rules and Regulations of R.A. No. 9184, shall form an integral part of the contract between the PARTIES hereto.

The parties hereby certify that they have read or caused to be read to them and each and every provision of the foregoing Contract and that they had fully understood the same.

**ARTICLE 9**  
**SUPERSEDING CLAUSE**

In the event that any provision in this Contract of Lease is declared invalid, illegal or void by a competent court, the provisions not affected shall remain valid and enforceable.

IN WITNESS WHEREOF, the parties hereto have hereunto signed this Contract on this \_\_\_\_\_ day of \_\_\_\_\_ 2013 at Baguio City.

**PHILIPPINE HEALTH INSURANCE CORPORATION (PhilHealth)**

**DANGWA TRANSPORTATION CO. INC**

By:

  
**ELVIRA C. VER**  
Regional Vice President

By:

  
**MR. ERNEST C. DANGWA**  
Administrative Officer

Signed in the presence of:

  
**IMELDA CRISTETA D. VILLAMAR**  
Division Chief

\_\_\_\_\_  
Lessor Representative

## ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES )  
CITY OF Baguio City )

BEFORE ME, this 23 day of JUL 2013 2013, personally appeared the following persons exhibiting to me their respective Government issued ID's, to wit:

MS. ELVIRA C. VER  
Lessee


MR. ERNEST C. DANGWA  
Lessor

Known to me to be the same persons who executed the foregoing Contract Agreement consisting of nine (9) pages including this page on which the acknowledgement is written and they acknowledged that the same is their free act and deed and that of the corporations being represented.

WITNESS MY HAND AND SEAL on the date and place first above written.

Doc No. 304  
Page No. 62  
Book No. XV  
Series of 2010 2013

NOTARY PUBLIC

  
**RENANTE P. CABA**  
Notary Public  
Until December 31, 2013  
Notarial Appointment No. 30-NC-12-R  
PTR No. 1330014; 1-2-13; Baguio City  
Roll No. 44676; May 12, 1999  
IBP Lifetime Member No. 02257  
Baguio-Benguet Chapter  
MCLE Compliance No. IV-0006940; July 17, 2012  
Rm. 02, 3rd Flr., Noble Bldg. Calderon St.  
Baguio City

Witness for the Lessor