

CONTRACT OF LEASE

KNOW ALL MEN BY THIS CONTRACT:

This **CONTRACT** is made and entered into this ____ day of _____, 2020, by and between:

PHILIPPINE HEALTH INSURANCE CORPORATION, a government owned and controlled corporation created and existing by virtue of R.A. 7875 as amended, with office address at Valgosons Building Bolton Extension, Davao City, represented herein by its **PRESIDENT AND CHIEF EXECUTIVE OFFICER ATTY. DANTE A. GIERRAN, C.D.**, hereinafter referred to as the "**LESSEE**";

-and-

VALGOSONS REALTY, INC., a private establishment duly registered, organized and existing under the laws of the Republic of the Philippines, with business address at Valgosons Building C.M Recto Street, Davao City, represented herein by its **DIRECTOR FOR OPERATIONS, RICKY R. VALENCIA**, of legal age, Filipino, single and a resident of Davao City, Philippines, hereinafter referred to as the "**LESSOR**".

- witnesseth -

WHEREAS, the **LESSOR** is the registered and absolute owner of a two (2) storey concrete and commercial building with an area of **TWO THOUSAND NINE HUNDRED SEVENTY NINE & 58/100 SQUARE METERS (2,979.58 SQUARE METERS)**, more or less, situated along Bolton Extension, Davao City covered under TCT No. T-46805 of the Registry of Deeds, Davao City;

WHEREAS, the **LESSEE** intended to lease an office space owned by the **LESSOR, VALGOSONS REALTY, INC.**, for Philhealth Regional Office XI in the City of Davao, with a floor area of **SIX HUNDRED FIFTY (650)** square meters more or less;

NOW THEREFORE, for and in consideration of the following premises, the **LESSOR** leases unto the **LESSEE** the subject property above-described, subject to the following **TERMS** and **CONDITIONS**:

1. **SUBJECT OF LEASE.** Two (2) storey commercial building with a floor area of 650 square meters more or less located along Bolton Extension, Davao City;
2. **TERM OF LEASE.** This contract of lease commences from **SEPTEMBER 1, 2020 and ends on AUGUST 31, 2025**;
3. **DUTIES AND RESPONSIBILITIES OF THE LESSEE.** The total contract price for the lease of office space is **FOURTEEN MILLION ONE HUNDRED THIRTY TWO THOUSAND FIVE HUNDRED EIGHTY SIX PESOS AND 00/100 (P 14,132,586.00) ONLY** for **FIVE (5) YEARS**;
4. **RENTAL PAYMENTS** – the parties herein agreed that the rental payment of the **LEASED PREMISES** shall be:

4.1 **TWO HUNDRED TWENTY ONE THOUSAND EIGHT HUNDRED TWENTY FIVE & 50/100 PESOS (P221,825.50)** only per month or **TWO MILLION SIX HUNDRED SIXTY ONE THOUSAND NINE HUNDRED SIX & 00/100 PESOS (P 2,661,906.00)** only (for 1st year);

4.2 **TWO HUNDRED TWENTY EIGHT THOUSAND FOUR HUNDRED EIGHTY ONE & 50/100 PESOS (P228,481.50)** only per month or **TWO**

MILLION SEVEN HUNDRED FORTY ONE THOUSAND SEVEN HUNDRED SEVENTY EIGHT & 00/100 PESOS (P2,741,778.00) only (for 2nd year);

4.3 TWO HUNDRED THIRTY FIVE THOUSAND THREE HUNDRED THIRTY NINE & 00/100 PESOS (P 235,339.00) only per month or TWO MILLION EIGHT HUNDRED TWENTY FOUR THOUSAND SIXTY EIGHT & 00/100 PESOS (P 2,824,068.00) only (for 3rd year);

4.4 TWO HUNDRED FORTY TWO THOUSAND THREE HUNDRED NINETY EIGHT & 00/100 PESOS (P 242,398.00) only per month or TWO MILLION NINE HUNDRED EIGHT THOUSAND SEVEN HUNDRED SEVENTY SIX & 00/100 PESOS (P 2,908,776.00) only (for 4th year);

4.5 TWO HUNDRED FORTY NINE THOUSAND SIX HUNDRED SEVENTY ONE & 50/100 PESOS (P 249,671.50) only per month or TWO MILLION NINE HUNDRED NINETY SIX THOUSAND FIFTY EIGHT & 00/100 PESOS (P 2,996,058.00) only (for 5th year);

4.6 All payments shall be inclusive of all government required fees and taxes, to be paid on or before the tenth (10th) day of the succeeding month upon presentation of a billing or notice for payment. As required by Revenue Law and Regulations, the applicable tax shall be withheld by the **LESSEE**, who shall provide the **LESSOR** with a withholding tax certificate.

5. **DEPOSIT.** Upon the execution of this Contract of Lease, the **LESSEE** shall pay to the **LESSOR** the sum of **FOUR HUNDRED FORTY THREE THOUSAND SIX HUNDRED FIFTY ONE & 00/100 (P 443,651.00) PESOS 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;
6. **USE OF THE PREMISES.** The leased area shall be used by the **LESSEE** for office purposes and shall not be converted into another use without prior authority 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 personalities, and the common safety and welfare;
7. **ELECTRIC SERVICES.** All electrical components within the building shall meet the electrical load requirements of Philhealth. The **LESSOR** may make modifications thereof where correct tapping of electric service and other utilities is considered necessary. The **LESSEE** may avail of the building electrician and handyman for the purpose, with charges shouldered by it. Where portions or parts of the improvements affect portion or parts of the structure, the **LESSOR** will require necessary correction of submitted plans. Any subsequent alterations, addition or further improvements on the leased premises will require the submission of the plan and for the approval of the **LESSOR**;
8. **UTILITIES.** The subject building will be provided with electric power and water supply facilities. All bills for the power and water consumed by the **LESSEE** shall be paid by it;

9. **TELEPHONE AND COMMUNICATION.** The subject building will be provided with telephone line facilities. All telephone bills for the lines used by **LESSEE** shall be paid by it;

10. **LIGHT AND LIGHTING FIXTURES.** The building shall be provided with lights, lighting fixtures with fluorescent tubes and diffusers by the **LESSOR**. However, the lighting supplies will be replaced when busted or damaged with cost shouldered by the **LESSEE**;

11. **RESPONSIBILITIES OF BOTH PARTIES:**

- A. The **LESSEE** hereby agrees to keep the leased premises in clean, good and in sanitary condition at all times in accordance with quality standards of the building;
- B. The **LESSOR** shall not be liable for the presence in the leased premises of bugs, vermin, rats, ant, termites, insects and other pest of any kind or nature whatsoever. However, upon request by the **LESSEE** or the **LESSOR'S** own volition, regular pest control service shall be undertaken by the **LESSOR** of the leased premises;
- C. The **LESSOR** reserves the right to prescribe or limit the weight of any machinery, equipment and similar article that may be brought and placed in the leased premises;
- D. The common corridors, hallways and lobbies of the building are destined as passageway for ingress to and egress from the leased premises and no obstruction shall be caused therein;
- E. The **LESSEE** shall not cause the exterior façade of the building to be changed or altered in any way, without the prior written consent of **the LESSOR**;
- F. The **LESSEE** shall not cause the emission of obnoxious odor and other nuisances, and that it be used in a manner that will not disturb the peace and tranquility of the other building occupants;
- G. The **LESSOR** shall see to it that the premises are rendered in a tenable condition. In the event that destruction is caused by the occurrence of natural events, immediate repair or restoration shall be undertaken by the **LESSOR**, granting moratorium or waiver of rental payment for the period of time needed for such repair or restoration;
- H. The **LESSEE** shall undertake all ordinary repairs on the leased premises at its own cost. Repair on the electric outlets, telephone, switchboxes, air conditioning facilities, electrical wiring and other similar ordinary repairs shall likewise be for the account of the **LESSEE**;
- I. The **LESSOR** shall undertake all major and extraordinary repairs on the leased premises at his/its own expense. In the event that the leased premises cannot be utilized during the period of repair, the **LESSOR** grants a moratorium or waiver of rental payment for such period;
- J. The **LESSOR** warrants that the **LESSEE** shall have the peaceful possession of the leased premises for the duration of the term agreed upon except when the disturbance is caused by natural calamities or acts outside **LESSOR'S** control;

K. The Lessor shall **APPLY PEST CONTROL** and **RODENT CONTROL** on all the areas occupied by **PHILHEALTH REGIONAL OFFICE XI** at least once every year;

L. The Lessor shall provide sufficient number of portable, **CYLINDRICAL FIRE EXTINGUISHER** at ten (10) lbs. per cylinder, dry chemical type for Valgosons Annex Building I;

12. LAWS AND ORDINANCES. The **LESSEE** shall comply and abide with the ordinance of the city regarding the use of the premises, comply with health regulations and secure permits or license business operations;

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

14. 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;

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

16. The **LESSEE** agrees to pay the **DOCUMENTARY STAMP TAX (DST)** which shall be affixed on this Contract pursuant to Section 194 of the National Internal Revenue Code as amended by R.A 7660 which took effect on January 13, 1994;

17. SUB-LEASE. The **LESSEE** shall not sublet, allow, or permit the leased premises to be occupied in whole or in part by any person, firm or corporation, neither shall the **LESSEE** assign its rights hereunder to any other person or entity and no right of interest thereto or therein shall be conferred on or vested in anyone by the **LESSEE** without the **LESSOR'S** approval;

18. MORTGAGE, ENCUMBRANCE AND/OR DISPOSITION OF THE PROPERTY BY THE LESSOR. In the event that the **LESSOR** should sell, mortgage, or encumber the subject property, without prior notice to the **LESSEE**, the **LESSOR** warrants that the rights of the **LESSEE** under the contract are protected and upheld;

19. VIOLATION. A violation by one of the parties of any of the terms and conditions set forth herein will give the aggrieved party a right or basis for the termination of this contract. In such event, the aggrieved party will make a formal notice to terminate the contract;

20. TERMINATION

A. This contract of lease shall end on the terminal date agreed upon there being no renewal or contract agreement 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 amicable settlement cannot be reached by the parties;

- C. The same shall also be terminated when as a result of the occurrence of natural calamities, the leased premises is rendered in a condition 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 the condition it was first entered into, except for the effects of ordinary wear and tear. Damage or any injury to the leased premises caused by the removal of articles or improvements by the **LESSEE** shall be allowed by the **LESSOR**, without cost/expenses to the former. Within ten (10) calendar days after the leased premises are vacated, the deposit constituted shall be returned by the **LESSOR** to the **LESSEE** without need of demand in accordance with **Paragraph 5**. 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 remove its effect and improvements. Except for ordinary wear and tear, any damage or injury to the leased premises shall be restored by the **LESSEE**. A moving out period of five (5) working days without rental charge shall be allowed by the **LESSOR**. In case the **LESSOR** is the guilty party, the latter shall also pay damages equivalent to one (1) month rental to the **LESSEE** before the actual vacation of the premises, without prejudice to other remedies as provided for by the law;

If termination is due to destruction of the leased premises, the **LESSOR**, shall return the deposit constituted within the same period as above-mentioned. 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 to any cause that is beyond the **LESSOR'S** control;

- D. Any party may terminate this **CONTRACT OF LEASE** for any cause at any time before the expiration of the term agreed upon by giving the other party thirty (30) days written notice of termination prior to the intended date without incurring any liability as to the damages, subject to the terms and conditions set forth in the proceeding sub paragraphs;

21. **DELAY IN VACATION OF THE PREMISES.** Except as provided for in the immediately preceding paragraph, if the premises is not vacated within five (5) days grace period allowed by the **LESSOR**, then the **LESSEE** shall be charged with the corresponding daily rentals of the premises to be effected from the terminal date when the premises is totally vacated;
22. **NON-WAIVER.** The failure of the **LESSOR** to insist upon the strict performances 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;
23. **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 in the 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 less than **TEN THOUSAND PESOS & 00/100 (P 10,000.00)** as attorney's fees, aside from the cost of litigation and other expenses which the law entitles the aggrieved party to recover. The parties agree the venue of court action is in the proper courts of Davao City;


24. **SEPARABILITY CLAUSE.** If any paragraph, sub-paragraph or part of this contract is declared invalid, such shall not affect the other paragraph, sub-paragraphs or parts of this contract;


25. **SUPERSEDING CLAUSE.** This contract of lease supersedes and renders void any and all agreements and undertakings, oral or written, which may have been entered into by and between the parties, the same being considered as having been incorporated herein. Any changes or alterations in this contract shall be valid if made in writing and duly signed by the parties.

IN WITNESS WHEREOF, the parties hereto have signed this contract of this _____ day of _____ 2020 at City of Davao, Philippines.


PHILIPPINE HEALTH INSURANCE CORPORATION
LESSEE


VALGOSONS REALTY, INC.
LESSOR


ATTY. DANTE A. GIERRAN, CPA
President and Chief Executive Officer (CEO)



RICKY R. VALENCIA
Director for Operations


Signed in the presence of:



ARNEL F. DE JESUS
EVP and Chief Operating Officer


DR. FRANCISCO Z. SORIA, JR.
Vice President
Concurrent, AVP for Mindanao


HECTOR ZENON LEONARDO P. MALATE, M.D.
Acting Regional Vice President


GARY S. VELAYO
AO IV / OIC-MSD


CHERYL F. ARACAN
FC IV / OIC-AdmSS


ALICE G. CONDA
Accountant, Valgosons Realty, Inc.

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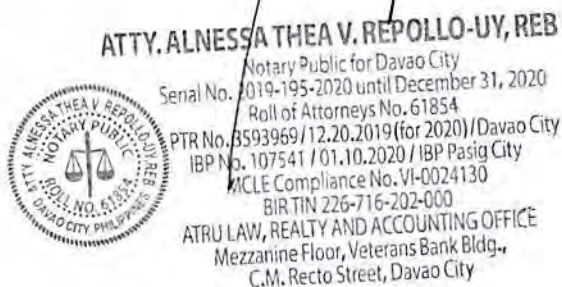
ACKNOWLEDGEMENT

BEFORE ME, a Notary Public for and in the City of Davao, Philippines, this _____, 2020 appeared ATTY. DANTE A. GIERRAN, CPA, President and Chief Executive Officer of Philippine Health Insurance Corporation (PHIC), exhibiting his **EMPLOYEE ID NO.** _____ 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. 16;
Page No. 5;
Book No. XV;
Series of 2020



REPUBLIC OF THE PHILIPPINES)
CITY OF DAVAO) S.S
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ACKNOWLEDGEMENT

BEFORE ME, a Notary Public for and in the City of Davao, Philippines, this DEC 09 2020, 2020 appeared RICKY R. VALENCIA, Director for Operations of Valgosons Realty, Inc., exhibiting his **B.I.R T.I.N.** 919 JJJ 877 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. 512;
Page No. 104;
Book No. CVII;
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