

CONTRACT OF LEASE

This Contract of Lease is made and executed by and between:

HI-TONE CONSTRUCTION AND DEVELOPMENT CORPORATION, a corporation organized operating under and by virtue of Philippine Laws with principal office address at Diversion Road, Bogtong, Legaspi City, duly represented by its Managing Officer, **EDGAR S. ACOSTA**, hereinafter referred to as the "**LESSOR**";

-and-

The **GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS)**, a social insurance institution created under Commonwealth Act No. 186, as amended, and operating under its present Charter, Republic Act No. 8291, otherwise known as the GSIS Act of 1997, with principal office address at the GSIS Headquarters Building, Financial Center Area, Pasay City, Philippines, represented herein by **RACHEL T. EDJAN**, OIC-Vice President, South Luzon, hereinafter referred to as the "**LESSEE**".

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R E C I T A L S

Whereas:

1. The **LESSOR** and the **LESSEE** entered in 2012 into a Contract of Lease of a portion of the Co Building involving 520 square meters including three (3) parking slots, hereinafter referred to as the **Leased Premises**;
2. The Contract of Lease was renewed thereafter by the parties, the last renewal of which expired on December 31, 2016.
3. The **LESSEE** offers to renew the Contract of Lease and the **LESSOR** accepts the offer to lease the **Leased Premises** for a period of three (3) years, or from August 16, 2017 to December 31, 2019.

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NOW, THEREFORE, for and in consideration of the above Recitals, the parties agree as follows.

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**Article I
TERM OF LEASE**

- 1.1 **Lease Period and Renewal.** - This Contract shall commence August 16, 2017 and shall expire on the midnight of December 31, 2019. This Contract shall, unless otherwise agreed upon, be deemed automatically renewed and shall continue to be in force on a month to month basis at the option of the **LESSEE** under the same terms and conditions except for the lease period which shall be as may be agreed upon by the parties.

**Article II
RENTALS AND PAYMENT**

- 2.1 **Lease Rental.** The **LESSEE** shall pay the **LESSOR**, for the use and occupancy of the Leased Premises, a gross monthly rental as follows:

Contract period	Monthly Rental
16 August 2017 to 31 December 2017	Php 180,505.71
01 January 2018 to 31 December 2018	Php 198,556.28
01 January 2019 to 31 December 2019	Php 218,411.91

payable within the first 15 days of the applicable month and every month thereafter without the necessity of demand or notice. It is understood that all applicable taxes, including Documentary Stamp (DST), if any, shall be borne by the **LESSOR**.

For this purpose, the **LESSOR** acknowledges that the **LESSEE** is not a withholding agent for DST and hereby undertakes and commits itself to make direct payments to the BIR of any DST that may be imposed on the execution and/or performance of this Contract.

- 2.2 **Escalation Clause.** The rental rate shall be subject to a ten percent (10%) annual escalation effective January 2018 and every year thereafter.

ARTICLE III – OBLIGATIONS AND RIGHTS OF THE LESSOR

- 3.1 **Damage to the Leased Premises** - In case of damage to the building, the **Leased Premises** or its appurtenances by fire, conflagration, flood, earthquake, war or any other unforeseen cause, the **LESSEE** shall give immediate notice thereof to the **LESSOR**. The damage to the **Leased Premises** and its appurtenances shall be repaired according to the original plans of the building at the expense of the **LESSOR**. The damage to the improvements, equipment, and movable fixtures introduced by the **LESSEE** shall be at the latter's expense; provided, however, that the **LESSEE** may rescind the Contract if the **Leased Premises** are fortuitously destroyed to such an extent that it is incapable of being restored/repaired.

If the damage to the **Leased Premises** and its appurtenances is attributable to the **LESSEE**, its officers, employees, agents, members or guests, the same shall be repaired at the sole expense of the **LESSEE**. If the damage is attributable to the **LESSOR**, its officers, employees, agents, or guests, the same shall be repaired at the sole expense of the **LESSOR**. Should there be any dispute as to who caused the damage, the matter shall be referred for resolution by an arbitrator mutually chosen by the parties and his decision shall be final and binding on the parties. The cost of arbitration shall be equally shared by the parties.

- 3.2 **Examination, Repair and Maintenance of the Leased Premises** – The **LESSOR** or its authorized representative shall, by previous arrangement with the **LESSEE**, have the right to enter the **Leased Premises** during reasonable office hours to enable the **LESSOR** to determine compliance by **LESSEE** with the terms and conditions of this Contract, and during the last month prior to the expiration of the lease, to show the **Leased Premises** to prospective tenants, provided that such inspection or examination shall not cause unnecessary disturbance to the business of the **LESSEE**.

All minor repairs and maintenance of the **Leased Premises** shall be for the sole account of the **LESSEE**.

3.3 **Inflation** - In case an extraordinary inflation of the Philippine Peso should supervene during the term of this lease or renewal thereof, the value of the currency at the time of the establishment of the obligation shall be the basis of payment as provided for in Art. 1250 of the Civil Code of the Philippines. In such eventuality, **LESSOR** may adjust the rent accordingly.

3.4 **LESSOR'S Warranties.** The **LESSOR** warrants the following:

3.4.1 It has a valid title and absolute ownership of the property and the **Leased Premises** and that the same is free from all liens and encumbrances of any kind whatsoever.

3.4.2 The **LESSEE** shall enjoy full, continuous and peaceful possession of the **Leased Premises** for the entire period of lease including any renewal thereof.

3.4.3 It has not given or promised to give money or gift, directly or indirectly, to any official or employee of the **LESSEE** in order to secure this Contract.

ARTICLE IV – OBLIGATIONS AND RIGHTS OF THE LESSEE

4.1 **Security and Safety Regulations** - The **LESSEE** shall provide and assign its own security personnel to safeguard and secure the **Leased Premises**, its officers, employees, agents, members or guests; provided, however, that such security personnel shall closely coordinate with the **LESSOR** and barangay/village association. Crowd control and vehicular traffic management shall be the sole responsibility of the **LESSEE**.

The **LESSEE** shall indemnify and hold free and harmless the **LESSOR** from any and all losses, claims, demands, suits and actions made or brought about by third persons due to its acts or omissions or those of its employees or agents under this Contract.

4.2 **Improvements and Alterations** - The **LESSEE** may make alterations or introduce improvements on the **Leased Premises**, provided that the integrity of the structure of the **Leased Premises** shall not be impaired and that the plan and/or specification shall have prior approval of the **LESSOR**. All such alterations and improvements shall become the property of the **LESSOR** upon termination or expiration of the lease, without obligation to reimburse the **LESSEE** for the cost thereof.

All movable fixtures and improvements such as but not limited to air-conditioning units, electric fans, telephone units, movable partitions/dividers and the like introduced by the **LESSEE** in or upon the **Leased Premises**, shall remain the property of the **LESSEE** and the same may be removed by the **LESSEE** upon termination or expiration of the lease.

Improvements on the **Leased Premises** such as ceilings, fixed partitions/dividers, water closets, lavatories, plumbing fixtures and installations, lighting fixtures, electrical wirings, switches and outlets, electrical panel boards, and circuit breakers belong to the **LESSOR**. Any additional fixtures, alterations or replacements thereof by the **LESSEE** shall pertain in ownership to the **LESSOR**.

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4.3 **Minor Repairs.** Expenses for minor repairs and maintenance of the **Leased Premises** in order to keep the same in good and tenantable condition for the duration of this Contract shall be for the account of the **LESSEE**. Major repairs, however, shall be for the account of the **LESSOR**. For purposes of classifying repairs, major repairs are those costing more than P5,000.00 while minor repairs are those costing P5,000.00 or less per particular kind of repair in question.

4.4 **Government Permits, Licenses, Regulations** - The **LESSEE** shall, at its own expense, comply with all laws, ordinances, regulations and orders of any office or agency of the Local and National Government, Albay Electric Cooperative (APEC), BayanTel and other utility and service providers affecting or pertaining to the alteration and repair of the **Leased Premises**, and the introduction, repairs, and operation of all equipment and movable fixtures, as well as the operation of its activity or business thereat. The **LESSEE** shall have the sole responsibility to secure or obtain all the necessary permits, renovation plan, electrical plan with corresponding load schedule, licenses, and authorizations and to pay the fees thereof.

4.5 **Utility and Taxes** - The **LESSEE** shall pay for its water, electricity, telephone services, and other utilities necessary to the **LESSEE'S** business operation; provided that the **LESSOR** does not guarantee the potability of the water sourced from Legazpi City Water District (LCWD). The **LESSEE** may likewise operate a back-up generator in the **Leased Premises** when necessary.

Real property tax on the land and building, including existing improvements at the inception of this Contract, shall be for the account of the **LESSOR**.

4.6 **Signage and Advertisements** - The **LESSEE** may, upon prior written approval from the **LESSOR** and from the City Government of Legazpi, place or put up on the **Leased Premises** such signs, institutional logo or advertisements as may be necessary to identify it or advertise its establishment, provided that no such signs or advertisements shall encroach or obstruct any other portion of the building.

4.7 **LESSEE'S Warranties.** The **LESSEE** warrants the following:

4.7.1 It has the legal authority to operate its Legazpi Branch Office pursuant to its Charter and that it is possessed with all the permits and licenses required and incident thereto.

4.7.2 The **LESSEE** warrants that it will use the premises for the conduct and operation of its business and that it has inspected the premises and found the same and its existing improvements fit and in working condition for **LESSEE'S** intended purpose.

4.7.3 The **LESSEE** warrants it has followed the procedure and complied with the requirements provided in Republic Act No. 9184, otherwise known as the "Government Procurement Reform Act", and its Revised Implementing Rules and Regulations (RIRR), in procuring this Contract. Any violation of this warranty shall be sufficient ground for the **LESSOR** to revoke or cancel this contract without necessity of legal action. The **LESSEE** shall indemnify and hold free and harmless the **LESSOR**, its directors and officers, from any or all losses, claims, demands, suits and actions made or brought about by the government, its agencies or instrumentalities and third persons pursuant to any violation of the Government Procurement Reform Act or its RIRR.

4.7.4 The **LESSEE** shall indemnify and hold the **LESSOR** free and harmless against all losses, claims, demands, suits and actions made or brought about by third persons due to the non-observance or non-performance of said laws, ordinances, regulations and orders. The **LESSEE** shall provide the **LESSOR** with copies of said permits, plans, licenses, and authorizations.

ARTICLE V – TRANSFER OF RIGHTS

- 5.1 **Expropriation** - In the event that expropriation proceedings are instituted during the period of this lease by any instrumentality of the Government or any other entity with authority to exercise such power, the **LESSEE** may rescind this Contract should the **Leased Premises**, in its opinion, become unuseful for the purpose for which it is being leased, and the **LESSOR** shall be obliged to return or to reimburse to the **LESSEE** all amounts corresponding to the security deposit subject to the provisions of Section 2.2 of this Contract, and any unapplied advance rental payments.
- 5.2 **Sale of the Leased Premises** - Any sale, assignment of rights or mortgage of the land and building or of the **Leased Premises** made by the **LESSOR** shall be subject to all the terms and conditions of this Contract including any renewal thereof.
- 5.3 **Assignment and Sublease** - The **LESSEE** shall not assign or transfer its rights, interest and obligations under this Contract, or sublease the **Leased Premises** or any portion of the lot without the written consent of the **LESSOR**, and no right, title or interest thereto or therein shall be conferred on or vested in anyone other than the **LESSEE** without such written consent.
- 5.4 **Successors-in-Interest**. This Contract shall be binding and enforceable on the parties and their respective assigns and successors-in-interest.

ARTICLE VI – TERMINATION

- 6.1 **Effect of Violations** - The parties hereby agree that all the provisions contained in this Contract shall be deemed as conditions, as well as covenants, and that this Contract shall be automatically terminated and cancelled without resorting to court action should either party violate any or all said conditions, including the payment of rent and other charges when due within the time herein stipulated and such violation continues un-remedied within fifteen (15) days from **LESSOR'S** demand to the **LESSEE** to remedy the same.
- 6.2 **Surrender of the Premises**. The **LESSEE** agrees to surrender the **Leased Premises** and return the possession thereof to the **LESSOR** at the expiration of the term or pre-termination of this Contract by the **LESSOR** in as good a condition as reasonable wear and tear, and fortuitous event will permit, without unreasonable delay, and devoid of all occupants, furniture, articles and effects of any kind including all alterations and improvement which the **LESSEE** may have done in accordance with the provisions of this Contract.

ARTICLE VII – MISCELLANEOUS PROVISIONS

- 7.1 **Dispute Resolution** - In the event that any legal action is instituted by either party to enforce its rights under this Contract or any of the terms and conditions herein, the prevailing party shall be paid by the other party a reasonable amount for its legal expenses and charges, including attorney's fees which in no case shall be less than Php50,000.00 in addition to other damages, expenses of litigation and cost of suit as allowed under this Contract and the law.
- 7.2 **Arbitration.** If after ten (10) days, the parties have failed to resolve the dispute, the matter shall be submitted for arbitration pursuant to R.A. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004: Provided, however, that the parties may agree in writing to resort to other alternative modes of dispute resolution.
- 7.3 **Liability for Death, Injury, Loss or Damage** - The **LESSEE** assumes full responsibility for any death, injury, loss or damage caused to, or suffered and sustained by its property, or the property of the **LESSOR**, or on the person or property of its agents, employees, clients or any third person in or about the Leased Premises, or while remaining either casually or on business in or about the premises hereby leased to the **LESSEE**. The **LESSEE** also assumes full responsibility for providing security at all times to the Leased Premises. The **LESSEE** further binds itself to indemnify and hold the **LESSOR** free and harmless against all actions, suits, damages and claims for any such death, injury, loss or damage to property from whomsoever.
- The **LESSEE** shall procure third party liability insurance from a reputable insurance company and furnish the **LESSOR** with a copy of the policy.
- 7.4 **Insurance Premium.** The premium for property insurance on the **Leased Premises** shall be for the account of the **LESSOR**. Provided, however, that any additional amount of insurance premiums that correspond to the added value of the insured property of the **LESSEE** shall be for the latter's own account.
- 7.5 **Non-Disclosure.** The **LESSOR** shall not use or disclose to any person, firm, or corporation any information concerning the affairs of the **LESSEE** which it may have acquired in the course of or as an incident to this Contract for its own benefit to the detriment of the **GSIS**.
- 7.6 **Non-Adverse Witness.** In no case shall the **LESSOR** and its personnel assist any party in any action, suit or proceedings against the **GSIS**, the members of its Board of Trustees, or any of its officials, agents and employees in connection with the performance of its undertakings under this Contract of Lease.
- 7.7 **Non-Waiver of Rights.** The failure of the parties to insist upon a strict performance of any of the terms and conditions of this Contract shall not be deemed a waiver of any right or remedy that a party may have, nor shall it be construed as a waiver of any subsequent breach or default of the terms, conditions and covenants thereof, which terms and conditions shall continue to be in full force and effect. No waiver by either party of any of the rights under this Contract shall be deemed to have effect unless expressed in writing and signed by either party.
- 7.8 **Amendments.** No modification of, or amendment to, the terms and conditions of this Contract shall be valid unless set out in writing and signed by the authorized representative of each party.

- 7.9 **Written Notices.** Any notice under this Contract shall be in writing and shall be delivered by personal service or registered mail, postage pre-paid, or by telefax or telegram, charges pre-paid, addressed to a party at the address first above written or at such other address as one party may give notice of to the other party.
- 7.10 **Separability.** If any term or condition of this Contract is held to be invalid or contrary to law, the validity of the other terms and conditions shall not be affected.
- 7.11 **Survival of Obligations.** The obligations and undertaking of the parties which by their nature should continue beyond the expiration and termination of this Contract shall survive the expiration or termination hereof.
- 7.12 **Venue of Action.** Any action arising from arbitration or other modes of dispute settlement as agreed upon by the parties pursuant to Section 7.2 of this Contract shall be brought by the aggrieved party exclusively before the proper Court in the City of Pasay.
- 7.13 **Governing Laws.** This Contract of Lease shall be subject to the pertinent provisions of RA No. 9184, otherwise known as the Government Procurement Reform Act, its Revised Implementing Rules and Regulations, and other related laws, rules and regulations.

IN WITNESS WHEREOF. the Parties have signed this Contract on the date and at the place first written above.


HI-TONE CONSTRUCTION AND DEVELOPEMNT CORPORATION

GOVERNMENT SERVICE INSURANCE SYSTEM

EDGAR S. ACOSTA
Managing Officer

RACHEL T. EDJAN
OIC-Vice President, South Luzon

SIGNED IN THE PRESENCE OF:



ERWIN R. ROALLOS
OIC-Branch Manager

CERTIFIED FUNDS AVAILABLE:
GL Account: 5102121000
Php Php 815,187.08 (from August 16, 2017 to December 31, 2017)

Certified Included in the 2017 APP:
Negotiated Procurement - Rental of Office Space

MARIA CORAZON G. MAGDURULAN
Manager, BASSAD

ROMEO G. DE LUNA, JR.
Head, GBAC Secretariat

2017-GSIS-AMP-103

CY 2018: Php 2,382,675.37
CY 2019: Php 2,620,942.91

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
CITY OF LEGASPI

) s.s.
AUG 25 2017

BEFORE ME, this _____ at Legaspi City, personally appeared:

Names	Valid ID's	Date/Place Issued
EDGAR S. ACOSTA	SSS ID No. <u>05-0257536-3</u>	<u>Legaspi City</u>
RACHEL T. EDJAN	GSIS ID No. <u>007043</u>	<u>Pasay City</u>

known to me and to me known to be the same EDGAR S. ACOSTA , in representation of the LESSOR as a juridical person, and RACHEL T. EDJAN, in representation of the LESSEE as a juridical person, who executed the foregoing instrument and acknowledged to me that the same is their free and voluntary act and deed and that of the entities they represent.

This instrument refers to a Contract of Lease consisting of eight (8) pages, including this page where the Acknowledgment is written, signed by the parties and their witnesses on each and every page thereof, and sealed with my notarial seal.

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

[Signature]
REYNALDO L. HERRERA
 NOTARY PUBLIC
 UNTI NOTARY PUBLIC
 ROLL OF ATTY. No. 28581
 ISP No. - 798071
 TIN No. - 177-519-382
 PTR No. - 3906647-1-4-0015

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 Book No. 708
 Series of 2017.

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