

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

Whidbey Island Bank
P.O. Box 1589
Oak Harbor, Washington 98277



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Skagit County Auditor

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CHICAGO TITLE IC31157

SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT

Grantor (Borrower): CHALLENGE DEVELOPMENTS II, L.L.C., a Washington limited liability company
Grantor (Tenant): NORTHWEST UROLOGY CLINIC, INC., P.S., a Washington professional service corporation
Grantee: WHIDBEY ISLAND BANK, a Washington corporation
Legal Description: Additional Legal(s) on Exhibit A
Assessor's Tax Parcel ID Number: 350124-0-139-0103

THIS SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT (this "Agreement") is made as of 3-14-06, 2006, by and among WHIDBEY ISLAND BANK, a Washington corporation (together with its successors and assigns, "Lender"), CHALLENGE DEVELOPMENTS II, L.L.C., a Washington limited liability company ("Borrower"), and NORTHWEST UROLOGY CLINIC, INC., P.S., a Washington professional service corporation ("Tenant").

Borrower is or expects to become the landlord and Tenant is the tenant under a Business Premises Lease dated March 10, 2006 (as amended, the "Lease"). The Lease covers a portion (such leased premises, the "Leased Premises") of the real property described on the attached Exhibit A and the improvements thereon (the "Property"). Borrower has obtained or applied for a loan (the "Loan"), payment of which is to be secured by, among other things, a deed of trust, security agreement, assignment of leases and rents and fixture filing (the "Security Instrument") encumbering the Property. (All documents evidencing or securing the Loan, including the Security Instrument, are referred to as the "Loan Documents.") Tenant has agreed to subordinate the Lease to the Security Instrument, and Lender has agreed not to disturb Tenant's rights under the Lease, all in accordance with the terms and conditions set forth below. The parties agree as follows:

1. **Subordination.** The Lease, and all other rights and interests of Tenant in the Property (including any purchase options and rights of first refusal, neither of which shall be exercisable in connection with any transfer pursuant to a Foreclosure Event, as defined below) are and at all times will be subordinate to the Loan Documents and the lien of the Security Instrument, to all advances made or to be made thereunder, and to any and all renewals, extensions, modifications, or replacements thereof.

2. **Attornment.** After any transfer of the Property pursuant to a Foreclosure Event, the terms of the Lease will be recognized as a new and direct lease from Successor Landlord (as defined below) to Tenant, and Tenant hereby attorns to Successor Landlord as its landlord, such attornment to be effective and self-operative without the execution of any further instrument immediately upon such Foreclosure Event. Tenant agrees that, if any ground lease or master lease of the Property under which the Lease is a sublease is terminated for any reason, Tenant will upon request by Lender or any successor to Lender's interest in the Property attorn to the then owner of the Property as a direct tenant on the terms set forth in the Lease without regard to the termination of such ground lease or master lease. Notwithstanding any other provision of this Agreement, Successor Landlord will not be liable for or bound by any of the following:

(a) any act, omission, breach of the Lease, representation or warranty of Borrower or any other prior landlord (other than defaults of a continuing nature which Lender has notice of prior to commencing a Foreclosure Event and an opportunity to cure in accordance with this Agreement);

(b) any offset or credit Tenant may have against Borrower or any other prior landlord (other than offsets or credits provided for in the Lease or arising from defaults of a continuing nature which Lender has notice of prior to commencing a Foreclosure Event and an opportunity to cure in accordance with this Agreement);

(c) any obligation with respect to any prepaid rent for greater than one (1) month, unless such payment is required under the Lease;

(d) any obligation to return or give credit for any security deposit under the Lease, unless such security deposit has actually been delivered to Successor Landlord;

(e) unless previously approved in writing by Lender, (a) any modification or waiver of any provision of the Lease relating to (i) rent or other sums due Borrower or Tenant, (ii) the Lease term or any options to renew the Lease, or (iii) Lease termination, sublease or assignment; (b) any other modification of the Lease that materially and adversely affects the economics of the Lease to the detriment of the landlord; or (c) any termination, sublease or assignment of the Lease unless permitted under the Lease;

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(f) any payment of rent by Tenant to Borrower in violation of Section 5 below; or

(g) any purchase option or right of first refusal with respect to the Property granted under the Lease or otherwise held by Tenant.

"Foreclosure Event" means: (i) foreclosure under the Security Instrument; (ii) any other exercise by Lender of rights and remedies as a result of which a Successor Landlord becomes the owner of the Property; or (iii) delivery to Lender (or its designee or nominee) of a deed or other conveyance of the Property in lieu of (i) or (ii) above.

"Successor Landlord" means Lender or any other person or entity that becomes the owner of the Property as the result of, or after, a Foreclosure Event.

3. **Nondisturbance**. Upon a Foreclosure Event, Lender will not (and no other Successor Landlord will be entitled to) terminate the Lease, or interfere with Tenant's use, possession or enjoyment of the Leased Premises, or adversely affect the leasehold estate granted by the Lease in any Foreclosure Event; provided that if Tenant is then in default under the Lease beyond any applicable notice, grace or cure period, at Lender's option, the Lease shall be terminated by virtue of the Foreclosure Event.

4. **Notice and Opportunity To Cure Defaults**. Tenant shall notify Lender of any default by Borrower under the Lease and offer Lender the opportunity (without the obligation) to cure such default and not terminate (or otherwise exercise any remedies with respect to) the Lease for a period of 30 days following Lender's actual receipt of such notice; or such longer period as is reasonably necessary to cure such default, provided Lender commences such cure within the initial 30-day period and prosecutes the same with reasonable diligence (which, if such cure requires possession of the Property, shall include the foreclosure of the Security Instrument).

5. **Other Acknowledgments and Agreements**. Tenant acknowledges and agrees that: (a) the Lease will be assigned to Lender under the Security Instrument; (b) upon and after Lender's written request and written notice that an event of default has occurred under any of the Loan Documents, Tenant will (and Borrower authorizes Tenant to) pay all rent and other amounts due and owing to Borrower under the Lease directly to Lender; (c) Lender has no obligation to Tenant regarding Borrower's application of the proceeds of the Loan; (d) Tenant shall at the request of Lender certify promptly in writing to Lender and any proposed assignee of the Loan whether or not any default on the part of Borrower then exists under the Lease; (e) notwithstanding Section 1 above, Lender may in its sole discretion at any time record (or otherwise provide in accordance with applicable law) notice that it elects the Security Instrument to become subordinate to the Lease, which recorded or other notice need only be executed by Lender; and upon such recording (or the giving of such other notice), the Security Instrument shall be subordinate to the Lease; and (f) if Lender becomes the



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Successor Landlord, Lender shall have no liability to Tenant with respect to the Lease after Lender no longer has any ownership interest in the Property.

6. **Miscellaneous.**

(a) **Binding Effect.** This Agreement will inure to the benefit of and be binding upon the parties hereto, their successors and assigns and the holder from time to time of the Note.

(b) **Entire Agreement.** This Agreement constitutes the final expression of the entire agreement of the parties with respect to the subordination of the Lease to the lien of the Security Instrument. If there are any conflicts between the Security Instrument and the Lease, the Security Instrument shall control. This Agreement may not be modified other than by an agreement in writing, signed by the parties hereto or their respective successors in interest.

(c) **Effect on Lease.** Except as modified by this Agreement, all of the terms and provisions of the Lease will remain in full force and effect. If there are any conflicts between the Lease and this Agreement, the terms and provisions of this Agreement will control.

(d) **Counterparts.** This Agreement may be executed in any number of identical counterparts and by each party on a separate counterpart. If so executed, all of such counterparts will collectively constitute one agreement.

(e) **Waiver of Jury Trial.** **BORROWER, TENANT AND LENDER HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATED TO THIS AGREEMENT.**

(f) **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the state where the Property is located, without regard to its conflicts of laws principles.

(g) **Legal Costs.** In the event of any litigation to enforce the terms of this Agreement or to recover damages for the breach thereof, the prevailing party or parties will be entitled to recover from the nonprevailing party or parties all attorneys' fees and other costs and expenses incurred in connection therewith.

(h) **Notices.** All notices under this Agreement will be in writing and mailed or delivered by recognized overnight delivery service (such as Federal Express) at the following addresses:

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If to Lender:

Whidbey Island Bank
P.O. Box 1589
Oak Harbor, Washington 98277

If to Borrower:

Challenge Developments II, L.L.C.
12062 Marine Drive
Anacortes, Washington 98221

If to Tenant:

Northwest Urology Clinic, Inc., P.S.
~~1213 24th Street, #600~~ 1311 E. Division St.
~~Anacortes, Washington 98221~~ Mount Vernon, WA 98274

All such notices will: (a) if mailed, be effective three (3) business days following deposit in the United States mail with postage prepaid and return receipt requested; and (b) if delivered as provided above, be effective upon delivery. Any party to this Agreement may change the address for notices to that party by written notice to the other parties to this Agreement.

[Remainder of page intentionally left blank]



DATED as of the day and year first above written.

LENDER:

WHIDBEY ISLAND BANK, a Washington corporation

By: [Signature]
Name: Paul Brunner
Its VP

BORROWER:

CHALLENGE DEVELOPMENTS II, L.L.C., a Washington limited liability company

By: [Signature]
Jerald L. Zavalney, member

By: [Signature]
Michael E. Ruthford, member

TENANT:

NORTHWEST UROLOGY CLINIC, INC., P.S., a Washington professional service corporation

By: [Signature]
Darrell R. Cornelius, M.D., President

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Borrower Acknowledgments

STATE OF WASHINGTON

COUNTY OF Skagit

ss.

I certify that I know or have satisfactory evidence that JERALD L. ZAVALNEY is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as a member of CHALLENGE DEVELOPMENTS II, L.L.C., a limited liability company, to be the free and voluntary act of such limited liability company for the uses and purposes mentioned in the instrument.

Dated this 10th day of March, 2006.



Nina R. Mead

(Signature of Notary)

Nina R. Mead

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington, residing at 4505 Lindsey Ct. Anacortes, WA 98221

My appointment expires 8-29-06

JRM

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Lender Acknowledgment

STATE OF WASHINGTON

COUNTY OF Skagit

ss.

I certify that I know or have satisfactory evidence that Paul Brunkhorst is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the vice pres of WHIDBEY ISLAND BANK, a corporation, to be the free and voluntary act of such corporation for the uses and purposes mentioned in the instrument.

Dated this 14 day of March, 2006.

Mary Mansfield
(Signature of Notary)

Mary Mansfield
(Legibly Print or Stamp Name of Notary)

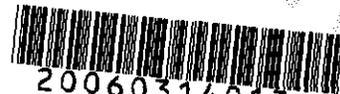
Notary public in and for the state of Washington,
residing at Amesbury

My appointment expires 10-28-09



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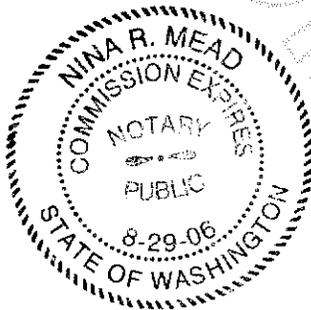
STATE OF WASHINGTON

COUNTY OF Skagit

ss.

I certify that I know or have satisfactory evidence that MICHAEL E. RUTHFORD is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as a member of CHALLENGE DEVELOPMENTS II, L.L.C., a limited liability company, to be the free and voluntary act of such limited liability company for the uses and purposes mentioned in the instrument.

Dated this 10th day of March, 2006.



Nina R. Mead
(Signature of Notary)

Nina R Mead
(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington,
residing at 4505 Lindsey Ct. Anacortes, WA 98221

My appointment expires 8-29-06

g n m

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Tenant Acknowledgment

STATE OF WASHINGTON

COUNTY OF Skagit

ss.

I certify that I know or have satisfactory evidence that DARRELL R. CORNELIUS, M.D., is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the President of NORTHWEST UROLOGY CLINIC, INC., P.S., a professional service corporation, to be the free and voluntary act of such professional service corporation for the uses and purposes mentioned in the instrument.

Dated this 10th day of March, 2006.



Nina R. Mead

(Signature of Notary)

Nina R. Mead

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington, residing at 4505 Lindsey Ct. Anacortes WA 98221

My appointment expires 8-29-06

DM

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EXHIBIT A

LEGAL DESCRIPTION

PARCEL 1

That portion of the Southeast Quarter of Section 24, Township 35 North, Range 1 East of the Willamette Meridian, described as follows:

Commencing at the East Quarter corner of said Section 24;
thence South 0°59'30" East, along the East line of said Section 24, 1,223.17 feet to an intersection with the South line of 24th Street;
thence South 89°58'48" West, along the South line of 24th Street, 396.27 feet to the true point of beginning;
thence South 0°01'35" East, 264.46 feet;
thence South 89°58'25" West, 358.50 feet to the East line of "M" Avenue;
thence North 0°01'35" West, along the East line of "M" Avenue, 264.50 feet to the South line of 24th Street;
thence North 89°58'48" East along the South line of 24th Street, 358.50 feet to the true point of beginning;

Situate in Skagit County, Washington.

PARCEL 2

[Legal description of Condominium Units to be added when finalized.**]**

PARCEL 3

[Borrower's rights under reciprocal easement agreement to be recorded at closing**]**

EXHIBIT A

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J Rc