



After recording return to:

Washington Mutual Bank  
Attn. POST CLOSING - 3545RMTX  
c/o Royal Ridge Operations Center  
P.O. Box 9011  
Coppell, TX 75019-9011  
Loan No. 625989051



200705070134

Skagit County Auditor

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CHICAGO TITLE CO.

1C41680 ✓

### Lease Subordination Agreement

THIS LEASE SUBORDINATION AGREEMENT ("Agreement") is made as of February 26, 2007,  
by and between WASHINGTON MUTUAL BANK, a federal association (together with its successors and assigns,  
SKAGIT VALLEY MEDICAL CENTER, INC.  
("Lender"), Skagit Valley Real Estate Partnership LLP ("Borrower"), and P.S.  
("Tenant"). Unrecorded lease

Borrower is or expects to become the landlord and Tenant is the tenant under a lease dated 01/01/2007,  
(as amended, the "Lease"). The Lease covers all or 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 a mortgage, deed of trust or other security \*  
instrument (any of the foregoing, "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, all in accordance with the terms and conditions set forth below. The parties agree  
as follows: \*Recorded under Auditors File No. 200705070132

1. **Subordination.** The Lease, and all other rights and interests of Tenant in the Property (including any  
purchase options and rights of first refusal) 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. Tenant acknowledges and agrees that no right of first refusal held by Tenant will  
be exercisable in connection with any transfer pursuant to a Foreclosure Event (as defined below).

2. **Attornment.** After any transfer of the Property pursuant to a Foreclosure Event, if Lender elects in its sole  
discretion not to foreclose out the Lease, Tenant shall attorn 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.  
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;
- (b) any offset or credit Tenant may have against Borrower or any other prior landlord;
- (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, any modification or waiver of any provision of the  
Lease;
- (f) any payment of rent by Tenant to Borrower in violation of Section 4 below;

Condo # 3 D880



(g) termination, sublease or assignment of the Lease occurring after the date of this Agreement, unless expressly approved in writing by Lender; or

(h) 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. 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) to cure such default and not terminate (or otherwise exercise any remedies with respect to) the Lease for a period of thirty (30) days following Lender's actual receipt of such notice; or such longer period as 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).

**4. 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 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, except to the extent such liability arises solely by acts or omissions of Lender during the period of Lender's ownership of the Property.

**5. 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.



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(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:

If to Lender: Washington Mutual Bank  
Royal Ridge Operations Center  
3929 W. John Carpenter Freeway  
Portfolio Administration – Transactions  
3545 PMTX  
Irving, TX 75063  
Loan No. 625989051

If to Borrower: Skagit Valley Real Estate Partnership LLP

If to Tenant: SKAGIT VALLEY MEDICAL CENTER, INC. P.S.

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.

DATED as of the day and year first above written.

Lender WASHINGTON MUTUAL BANK, a federal association

By

Its

Borrower Skagit Valley Real Estate Partnership LLP

By

Tenant SKAGIT VALLEY MEDICAL CENTER, INC. P.S.

By



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**[\*\*GUARANTOR'S CONSENT AND AGREEMENT**

Each of the undersigned, a guarantor of Tenant's obligations under the Lease (a "Guarantor") consents and agrees to the terms of the above Agreement, ratifies Guarantor's guaranty of the Lease (the "Guaranty") and confirms that: (i) all provisions of the Guaranty remain in full force and effect and (ii) Guarantor presently has no offset, defense, claim or counterclaim with respect to Guarantor's obligations under the Guaranty.

Guarantor

na

\*\*]

[INSERT APPROPRIATE ACKNOWLEDGMENT FORMS FOR EACH OF THE ABOVE SIGNATORIES]



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STATE OF California

COUNTY OF Alameda

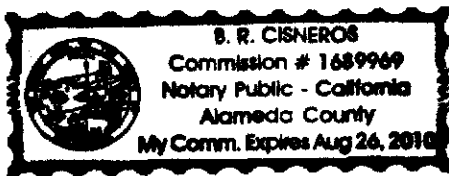
On April 27, 2007 before me, BRCisneros, Notary Public  
(Name of Notary Public)

personally appeared Barbara Villanueva

~~personally known to me~~ (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/~~they~~ executed the same in his/her/~~their~~ authorized capacity(ies), and that by his/her/~~their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

BRCisneros  
(Signature of Notary Public)



(This area for notarial seal)



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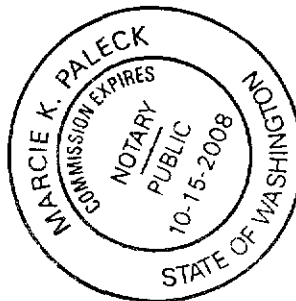
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STATE OF WASHINGTON  
COUNTY OF Skagit

I certify that I know or have satisfactory evidence that JOHN S. HALSEY, M.D. is/are the person(s) who appeared before me, and said person(s) acknowledged that ~~he~~ she/they signed this instrument, on oath stated that ~~he is~~ she is / they are authorized to execute the instrument and acknowledged it as the MANAGING PARTNER of SKAGIT VALLEY REAL ESTATE PARTNERSHIP, LLP to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Dated: May 3rd 2007

Marcie K. Paleck  
Marcie K. Paleck  
Notary Public in and for the State of Washington  
Residing at Mount Vernon  
My appointment expires: October 15, 2008



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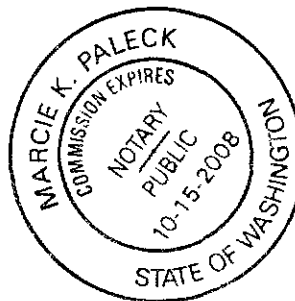
STATE OF WASHINGTON  
COUNTY OF Skagit

I certify that I know or have satisfactory evidence that LARRY A. THOMPSON is/are the person(s) who appeared before me, and said person(s) acknowledged that he/she/they signed this instrument, on oath stated that he is / she is / they are authorized to execute the instrument and acknowledged it as the Chief Executive Officer of SKAGIT VALLEY MEDICAL CENTER, INC., P.S. to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Dated: May 3<sup>rd</sup> 2007

Marcie K. Paleck

Marcie K. Paleck  
Notary Public in and for the State of Washington  
Residing at Mount Vernon  
My appointment expires: October 15, 2008



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APPENDIX A  
To  
AMENDMENT TO LEASE BETWEEN  
SKAGIT VALLEY REAL ESTATE PARTNERSHIP, LLP  
And  
SKAGIT VALLEY MEDICAL CENTER, INC. P.S

**Legal Descriptions of Property**

The land is located in the County of Skagit, State of Washington, and is described as follows:

**PARCELA:**

That portion of the Southwest Quarter of the Southeast Quarter of Section 20, Township 34 North, Range 4 East, WM, described as follows:

Beginning at a point 30.83 feet South of the Northwest corner of said Southwest Quarter of the Southeast Quarter; Thence North  $89^{\circ} 48' 35''$  East, parallel to the North line of said Southwest Quarter of the Southeast Quarter 203.81 feet, more or less, to the northerly extension of the East line (East face of building) of the existing medical building as the same exists on January 1, 2007; Thence South  $0^{\circ} 22' 16''$  East, along the line of the East face of the existing building and the same projected a distance of 134.45 feet, more or less, to the Southeast corner of said building; Thence South  $89^{\circ} 37' 44''$  West, along the Southerly face of the existing building, a distance of 22.83 feet; Thence South  $0^{\circ} 13' 17''$  East 125.39 feet more or less, to the Northerly margin of Broadway Street; Thence South  $89^{\circ} 46' 43''$  West, along said margin, 177.30 feet to the West line of said Southwest Quarter of the Southeast Quarter of Section 20; Thence North  $10^{\circ} 06' 35''$  West, along said line, 260.05 feet to the point of Beginning.

The basis of bearing for the above legal description is North  $1^{\circ} 06' 35''$  West between the found South Quarter corner and the found and accepted 1/16th corner on Kincaid Street.

Situate in the City of Mount Vernon, County of Skagit, State of Washington

**PARCELB:**

That portion of the Southwest Quarter of the Southeast Quarter of Section 20, Township 34 North, Range 4 East, WM, described as follows:

Commencing at a point 30.83 feet South of the Northwest corner of said Southwest Quarter of the Southeast Quarter; Thence North  $89^{\circ} 48' 35''$  East, parallel to the North line of said Southwest Quarter of the Southeast Quarter 203.81 feet, more or less, to the northerly extension of the East line (East face of building) of the existing medical building as the same exists on January 1, 2007 and THE TRUE POINT OF BEGINNING; Thence South  $0^{\circ} 22' 16''$  East, along the line of the East face of the existing building and the same projected a distance of 73.95 feet, Thence North  $89^{\circ} 47' 39''$  East 99.89 feet to the West margin of South 15th Street; Thence North  $1^{\circ} 09' 02''$  West, along said line, 73.94 feet to a point which lies North  $89^{\circ} 48' 35''$  East from the true point of beginning; Thence South  $89^{\circ} 48' 35''$  West 98.89 feet to THE TRUE POINT OF BEGINNING.

The basis of bearing for the above legal description is North  $1^{\circ} 06' 35''$  West between the found South Quarter corner and the found and accepted 1/16th corner on Kincaid Street.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

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SVREP to Medical Center



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**PARCEL D:**

That portion of the Southwest Quarter of the Southeast Quarter of Section 20, Township 34 North, Range 4 East, WM, described as follows:

Commencing at a point 30.83 feet South of the Northwest corner of said Southwest Quarter of the Southeast Quarter; Thence North  $89^{\circ} 48' 35''$  East, parallel to the North line of said Southwest Quarter of the Southeast Quarter 203.81 feet, more or less, to the northerly extension of the East line (East face of building) of the existing medical building as the same exists on January 1, 2007; Thence South  $0^{\circ} 22' 16''$  East, along the line of the East face of the existing building and the same projected a distance of 73.95 feet to THE TRUE POINT OF BEGINNING; Thence continue South  $0^{\circ} 22' 16''$  East 40.89 feet; Thence North  $89^{\circ} 47' 39''$  East 100.45 feet to the West margin of South 15th Street; Thence North  $1^{\circ} 09' 02''$  West, along said line, 40.89 feet to a point which lies North  $89^{\circ} 48' 35''$  East from the true point of beginning; Thence South  $89^{\circ} 48' 35''$  West 99.89 feet to THE TRUE POINT OF BEGINNING.

The basis of bearing for the above legal description is North  $1^{\circ} 06' 35''$  West between the found South Quarter corner and the found and accepted 1/16th corner on Kincaid Street.  
Situate in the City of Mount Vernon, County of Skagit, State of Washington

**PARCEL E:**

That portion of the Southwest Quarter of the Southeast Quarter of Section 20, Township 34 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at a point 360 feet South and 75 feet East of the Northwest corner;  
Thence East a distance of 75 feet;  
Thence South a distance of 135 feet;  
Thence West a distance of 75 feet;  
Thence North a distance of 135 feet to the point of beginning.

**PARCEL F:**

That portion of the Southwest Quarter of the Southeast Quarter of Section 20, Township 34 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at a point 360 feet South of the Northwest corner of said Southwest Quarter of the Southeast Quarter;  
Thence East a distance of 75 feet;  
Thence South a distance of 135 feet;  
Thence West a distance of 75 feet;  
Thence North a distance of 135 feet to the point of beginning.

**PARCEL G:**

Lots 1 and 2, Block 8, MAP OF MILLETT'S ADDITION TO MT. VERNON, according to the plat thereof recorded in Volume 2 of Plats, page 63, records of Skagit County, Washington.

**PARCEL H:**

Lots 7 and 8, Block 7, MAP OF MILLETT'S ADDITION TO MT. VERNON, according to the plat thereof recorded in Volume 2 of Plats, page 63, records of Skagit County, Washington.

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SVREP to Medical Center



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**PARCEL I:**

Lot 3, Block 7, MAP OF MILLETT'S ADDITION TO MT. VERNON, according to the plat thereof recorded in Volume 2 of Plats, page 63, records of Skagit County, Washington.

**PARCEL J:**

Lots 11 and 12, Block 6, MAP OF MILLETT'S ADDITION TO MT. VERNON, according to the plat thereof, recorded in Volume 2 of Plats, page 63, records of Skagit County, Washington

**PARCEL K:**

Lot 4, Block 7, MAP OF MILLETT'S ADDITION TO MT. VERNON, according to the plat thereof recorded in Volume 2 of Plats, page 63, records of Skagit County, Washington.

**PARCEL L:**

Lots 9 and 10, Block 7, MAP OF MILLETT'S ADDITION TO MT. VERNON, according to the plat thereof recorded in Volume 2 of Plats, page 63, records of Skagit County, Washington.

**PARCEL O:**

The South 41 feet of Lot 1, Block 1, BROADWAY ADDITION TO MOUNT VERNON, according to the plat thereof recorded in Volume 6 of Plats, page 7, records of Skagit County, Washington.

**PARCEL R:**

That portion of the Southwest  $\frac{1}{4}$  of the Southeast  $\frac{1}{4}$  of Section 20, Township 34 North, Range 4 East, W. M., described as follows:

Beginning at a point 360 feet South and 150 feet East of the Northwest corner of said Southwest  $\frac{1}{4}$  of the Southeast  $\frac{1}{4}$ ;

Thence East 75 feet;

Thence South 135 feet;

Thence West 75 feet;

Thence North 135 feet to the point of beginning



Real Estate Tax Parcel Numbers

IMV2348

IC41680

340420-0-086-0009 P26778

3709-001-002-0004 P52385

3741-008-012-0007 P53563

340420-0-088-0015 P26782

340420-0-087-0016 P26780

3741-008-002-0009 P53559

3741-007-008-0005 P53557

3741-006-012-0001 P53551

3741-007-003-0000 P53553

3741-007-004-0009 P53554

3741-007-012-0009 P53558

3709-001-001-0005 P52384

340420-0-089-0006 P26783



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