



200801040108

Skagit County Auditor

1/4/2008 Page

1 of

11 3:35PM

Record and return to:

Frontier Bank

Stanwood Branch

8870 271st NW

P.O. Box 248

Stanwood, WA 98292

LAND TITLE OF SKAGIT COUNTY

111315 *re*

ASSUMPTION AGREEMENT

AGREEMENT ("Agreement") made as of the 13th day of November 2007, between BGJ, L.L.C., a Washington Limited Liability Company ("Buyer"); Skagit Surgery Center Partnership, a Washington General Partnership ("Borrower"); and Frontier Bank, a Washington banking corporation ("Lender"). Buyer, Borrower and Lender (sometimes singularly referred to as "Party" and collectively referred to as "Parties") agree as follows:

1. Facts:

1.01. Borrower is the owner of fee simple title to the real property, together with the buildings, improvements and fixtures located thereon (collectively referred to as "Borrower Property") located in Skagit County, in the State of Washington, and more particularly described on Exhibit "A" which is attached hereto and incorporated herein by this reference and briefly described as follows:

PTN, LOT 6, ALL LOT 7, BLK 1, HARTLEY AND RINGS TO MV

Tax Parcel Identification Number(s): 3727-001-007-0007.

1.02. Buyer is acquiring from Borrower fee simple title to the Borrower Property;

1.03. Lender is the owner and holder of a promissory note ("Note") in the original stated principal amount of \$115,000.00 dated March 18, 2004, made by the Borrower;

1.04. The Note is secured by a first priority deed of trust ("Deed of Trust") dated March 18, 2004, between the Borrower, as grantor, the Lender, as lender or beneficiary, and Land Title Company, as trustee, encumbering the Borrower Property, and recorded under Auditor's File No. 200403300043, public records of Skagit County, Washington. The Note is also secured by an assignment of rents ("Assignment of Rents") dated March 18, 2004, executed by Borrower as borrower and Lender as lender, a hazardous substances agreement ("Hazardous Substances

Agreement") dated March 18, 2004, executed by Borrower as borrower/indemnitor and Lender as lender and the commercial guaranties of Gary L. Brown M.D., Gary K. Johnson M.D., and James R. Gross M.D. (collectively the "Guaranties") executed March 18, 2004. The Note, Deed of Trust, Assignment of Rents, Hazardous Substances Agreement, Guaranties and all related documents executed in connection with the Note are hereinafter sometimes referred to as the "Loan Documents."

1.05. The Deed of Trust contains "due on sale or transfer" provisions, which authorize the Lender to accelerate the maturity date of the Note if the Borrower Property is sold or transferred without the Lender's consent;

1.06. At the Borrower's request, Lender has agreed to consent to the transfer of the Borrower Property to the Buyer, subject to the terms and conditions set forth below.

2. Representations and Warranties:

Borrower and Buyer severally represent and warrant to the Lender that:

(a) Each of the representations and warranties in this Paragraph captioned "Representations and Warranties" is material to the Lender's decision whether to consent to the transfer of the Borrower Property to the Buyer;

(b) Borrower has good and marketable title to the Borrower Property, free and clear of all liens and encumbrances, except those which were reflected in the Lender's existing title insurance policy(ies) or the endorsement to that policy being issued in connection with this transaction or consented to by the Lender in writing;

(c) There are no civil, arbitration, criminal, administrative, bankruptcy, insolvency or other actions, suits, proceedings, or investigations pending before any governmental ("Government") or private authority, agency, department, bureau, commission, jury, tribunal, court, nor to the best of the Borrower's and Buyer's knowledge threatened, against or affecting the Borrower, the Buyer or the Borrower Property, which could (i) affect the validity or priority of the Deed of Trust; or (ii) affect the Borrower's or the Buyer's ability to fulfill their obligations under the Note, Deed of Trust or any other Loan Documents; or (iii) materially adversely affect the business or operations of the Borrower or the Buyer;

(d) Borrower and Buyer are authorized and empowered to sign, acknowledge and deliver this Agreement, and Borrower and Buyer are authorized to fulfill all of their obligations under the Note, Deed of Trust and any other Loan Documents without any qualification whatsoever;

(e) No consent or approval of any third party (including without limitation, the holder of any of mortgage or deed of trust, or any Government) is or was required to sign, acknowledge and deliver this Agreement or any related Loan Documents;



(f) Upon the signing and delivery of this Agreement - the Note, Deed of Trust and any other Loan Documents, each will be legally binding upon the Borrower and Buyer in accordance with all of their provisions;

(g) There are no claims, claims for relief, causes of action, defenses, or set-offs which are in any way related to or arise out of the Note, the Deed of Trust, any other Loan Documents, the liens and security interests given to the Lender, the collection of the Note and/or the enforcement of the Deed of Trust and any other Loan Documents;

(h) There is no default in the fulfillment of the Borrower's obligations under the Note, Deed of Trust or any other Loan Documents, and no event or circumstance which with the passage of time and/or the giving of notice would constitute a default;

(i) The individuals signing this Agreement and any other Loan Documents on behalf of the Borrower or Buyer have been duly authorized to sign, acknowledge and deliver this Agreement and any other Loan Documents on behalf of the Borrower or Buyer;

(j) The signing and delivery of this Agreement and any other Loan Documents by the Borrower and/or the Buyer and the Borrower's or the Buyer's fulfillment of its obligations under the Note, Deed of Trust and any other Loan Documents shall not conflict with any law, regulation, rule, order, decree, judgment or other Government or private requirement (collectively referred to as "Requirements") affecting the Borrower, the Buyer and/or the Borrower Property, including without limitation intended, any provision in any contracts, leases, security agreements, mortgages, deeds of trust or other agreement to which the Borrower or the Buyer is a party or otherwise bound;

(k) The proceeds of the loan made by the Lender and evidenced by the Note have been and shall be used solely for commercial purposes and no portion of such proceeds shall be utilized for any personal or consumer purpose; and no portion of the Borrower Property is used for agricultural or farming purposes.

(l) Buyer maintains its principal place of business and chief executive office at:
124 South 12th Street
Mount Vernon, WA 98274

(m) Borrower is the sole owner of fee simple title to the Borrower Property;

(n) Neither Borrower nor Buyer have received any notice and neither the Borrower nor Buyer nor its agents have any knowledge of any pending or contemplated condemnation, eminent domain or similar proceeding affecting the Borrower Property or any part thereof, nor of any pending or contemplated public improvements in or about the Borrower Property which may in any manner affect access to or from the Borrower Property;

(o) Neither Borrower nor Buyer have received any notice and neither the Borrower nor Buyer



have any knowledge of any structural or other material defect in the improvements encumbered by the Deed of Trust, nor of any need for any extraordinary repair of the improvements encumbered by the Deed of Trust;

(p) Neither Borrower nor Buyer have received any notice and neither the Borrower nor Buyer have any knowledge of any hazardous substances, hazardous waste, or other similar substances which are prohibited or regulated by any Requirements, and which are present on, or were released from or otherwise affect the Borrower Property; except commonly used cleaners, paints and oil products and then only in compliance with all applicable Requirements;

3. Conditions Precedent:

3.01. This Agreement shall not be binding on the Lender, unless the following conditions are satisfied:

(a) Until the date that all other conditions described in this Paragraph captioned "Conditions Precedent" are satisfied, there is no default in the fulfillment of the Borrower's obligations under the Note, Deed of Trust or any other Loan Documents, and no event or circumstance which with the passage of time and/or the giving of notice would constitute a default;

(b) This Agreement is executed and recorded;

(c) The Change in Terms Agreement referenced in Paragraph 4 is executed and delivered to Lender;

(d) Gary L. Brown MD and Susan Brown, Gary K. Johnson, MD and Kristine Johnson and James R. Gross, MD and Jeanne Gross execute and deliver to Lender commercial guaranties guaranteeing payment (not mere collection) of all sums owing to Lender by Buyer, including all future advances made by Lender and all costs and expenses incurred by Lender;

(e) The Borrower Property is legally conveyed to Buyer and there is an endorsement to the Lender's existing title insurance policy(ies), showing fee simple title to the Borrower Property is vested in the Buyer, and there are no liens or encumbrances affecting title to the Borrower Property except those which were reflected in the Lender's existing title insurance policy(ies) or consented to by the Lender in writing;

(f) Resolutions duly executed by the Buyer and its members, authorizing the assumption of the Borrower's obligations and the execution of this Agreement and any other Loan Documents executed in connection with this Agreement;

(g) Payment of Lender's expenses in connection with this Agreement, the transfer of the Borrower Property, and the assumption of the Borrower's obligations, including Lender's reasonable attorneys' fees and disbursements;



(h) Such other documents, agreements, certificates and affidavits as the Lender may reasonably request.

3.02. All documents described in this Paragraph captioned "Conditions Precedent" must be satisfactory to Lender's counsel in form and substance.

4. Assumption:

Buyer hereby assumes and agrees to pay the Note, and assumes and agrees to fulfill all of the obligations of the Borrower under the Deed of Trust and any other Loan Documents, with the same force and effect as if the Buyer were the original maker of the Note, the original grantor of the Deed of Trust and the original Borrower and/or Grantor under any other Loan Documents. Additionally, Buyer agrees to the modifications set forth in the Change in Terms Agreement dated November 13, 2007.

5. No Novation:

Buyer and Borrower understand that this transaction is not a novation ("new obligation"). The Deed of Trust and other Loan Documents now in effect remain in effect and will bind the Buyer. Lender's rights and remedies under the Deed of Trust and other Loan Documents will not be limited, changed or impaired by the transfer of the Borrower Property or by anything in this Agreement.

6. No Offset and Claims:

Buyer and Borrower acknowledge that none of the Borrower's obligations under the Loan Documents are subject to any right of setoff, defense or counterclaim of any kind.

7. Waiver and Release for Lender's Benefit:

Borrower and Buyer hereby irrevocably waive any claims, claims for relief, causes of action, defenses, or set-offs either or both may have which are in any way related to or arise out of the Note, the Deed of Trust, any other Loan Documents, the liens and security interests given to the Lender, the collection of the Note and/or the enforcement of the Deed of Trust and any other Loan Documents.

8. Borrower Remains Fully Liable:

Despite the transfer of the Borrower Property to the Buyer and the Buyer's assumption of the Borrower's obligations, the Borrower shall remain fully liable for the payment of the Note, and the fulfillment of the Borrower's obligations under the Deed of Trust and any other Loan Documents. Nor shall the Borrower's liability for payment of the Note, and the fulfillment of the Borrower's obligations under the Deed of Trust and any other Loan Documents be affected in any manner by any subsequent change in the Note, Deed of Trust or any other Loan Documents.



regardless of whether the Borrower consents to or is given notice of the change.

9. Due on Sale or Transfer Provision Remains in Effect:

Despite the transfer of the Borrower Property and the Buyer's assumption of the Borrower's obligations, the provisions in the Deed of Trust and any other Loan Documents which give the Lender the right to accelerate the maturity date of the Note if the Borrower Property or other encumbered property is sold or transferred without the Lender's consent, shall remain in full force.

10. Further Assurances:

The Borrower and the Buyer shall promptly sign, acknowledge and deliver all such additional deeds, conveyances, assignments, transfers, assurances, amendments, modifications, financing statements, continuation statements and other documents as the Lender may reasonably require from time to time for the better granting, bargaining, selling, assigning and conveying to the Lender and/or trustee under the Deed of Trust for the benefit of the Lender of the Borrower Property, or perfecting the lien of the Deed of Trust or the security interests granted by the Deed of Trust.

11. Ratification:

Except to the specific extent modified by the provisions of this Agreement, the Note, Deed of Trust and any other Loan Documents remain in full force and are hereby ratified and confirmed.

12. Notices:

Any notice, demand, request, approval, consent or other communication (collectively referred to as "Notice") concerning this Agreement or any other Loan Documents shall be in writing and addressed as follows:

If to Borrower to: Skagit Surgery General Partnership
111 South 13th Street
Mount Vernon, WA 98274

If to Buyer to: BGJ, LLC
124 South 12th Street
Mount Vernon, WA 98274

If to Lender to: Frontier Bank
8870 271st NW



P.O. Box 248
Stanwood, WA 98292

With a copy to:

Attn.: David Riley
Weinstein & Riley, P.S.
2001 Western Avenue, #400
Seattle, WA 98121

Any Notice shall be given by either (i) personal delivery in which event it shall be deemed given on the date of delivery, or (ii) certified mail return receipt requested in which event it shall be deemed given three business days after the date deposited in the U.S. Mail, or (iii) nationally recognized overnight courier such as Federal Express, guaranteeing next or second business day delivery, in which event it shall be deemed given on the next or second (whichever is applicable) business day immediately following receipt by the courier. Any Party may change any address for the delivery of Notice to such Party, by giving Notice in accordance with the provisions of this Paragraph captioned "Notices." The attorneys for the Parties may give any Notice.

13. Miscellaneous:

13.01. Successors. Subject to the limitations upon transfer and sale set forth in the Deed of Trust, the rights and obligations of the Parties under this Agreement, shall inure to the benefit of and be binding upon the Parties and all persons who succeed to their respective rights and obligations.

13.02. Modifications/Waivers. This Agreement cannot be changed nor can any provision of this Agreement, or any right or remedy of the Parties, be waived orally. Changes and waivers can only be made in writing and the change or waiver must be signed by the Party against whom the change or waiver is sought to be enforced. Any waiver of any provision of this Agreement, or any right or remedy, given on any on one or more occasions shall not be deemed a waiver with respect to any other occasion.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

13.03. Governing Law. This Agreement and the other Loan Documents were prepared, negotiated, signed and delivered in the State of Washington. In the event of any dispute concerning or arising out of this Agreement or any other Loan Documents, the laws of the State of Washington shall govern and control the construction, legality and enforceability of this Agreement or any other Loan Documents, without regard to any law concerning conflicts of law or choice of law.

13.04. Consents to Jurisdiction/Venue. The Buyer and the Borrower hereby irrevocably consent to the exclusive jurisdiction and venue of the Superior Court, Snohomish County, Washington, in



any action or proceeding related to or arising out of this Agreement, or any other Loan Documents.

13.05. Time of Essence. Time is of the essence for the fulfillment of the obligations of the Borrower and Buyer under the Note, the Deed of Trust and any other Loan Documents.

13.06. Counterparts. This Agreement may be executed in counterparts with the same effect as if all signatures were contained in a single original instrument.

IN WITNESS WHEREOF, the Parties have signed, acknowledged and delivered this Agreement as of the date set forth in the first paragraph of this Agreement.

BORROWER:
SKAGIT SURGERY CENTER PARTNERSHIP

By: [Signature]
Its: Managing Partner

BUYER:
BGJ, LLC

By: [Signature]
Its: Member

LENDER:
FRONTIER BANK

By: [Signature]
Its: Vice President / PARS

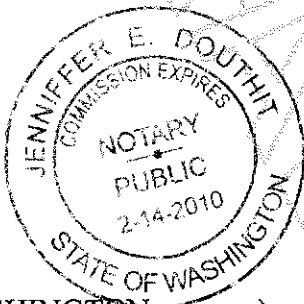


Acknowledgements

STATE OF WASHINGTON)
)
) Snohomish) ss.
COUNTY OF Island)

I, the undersigned, a notary public in and for the State of Washington, hereby certify that on this 31st day of December, 2007, personally appeared before me Mo Ludan, to me known to be the Vice President/Loan Officer of **Frontier Bank**, the entity that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said entity, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument.

GIVEN UNDER MY HAND and official seal this 31st day of Dec. , 2007.



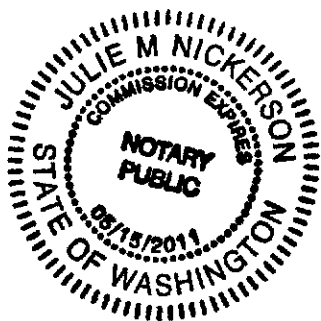
(Name) Jennifer E. Douthett
 NOTARY PUBLIC in and for the State
 of Washington, residing at
 Stanwood

My commission expires: 2/14/10.

STATE OF WASHINGTON)
) ss.
COUNTY OF Skagit)

I, the undersigned, a notary public in and for the State of Washington, hereby certify that on this 31st day of December, 2007, personally appeared before me Gary L. Brown, to me known to be the managing partner of **Skagit Surgery Center Partnership**, the entity that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said entity, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument.

GIVEN UNDER MY HAND and official seal this 31st day of December, 2007.



(Name) Julie M. Nickerson
NOTARY PUBLIC in and for the State
of Washington, residing at
Anacortes.

My commission expires: 5/15/2011



STATE OF WASHINGTON)
) ss.
COUNTY OF Skagit)

I, the undersigned, a notary public in and for the State of Washington, hereby certify that on this 31st day of December 2007, personally appeared before me Gary L. Brown, to me known to be the manager of **BGJ, L.L.C.**, the entity that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said entity, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument.

GIVEN UNDER MY HAND and official seal this 31st day of December, 2007.



Julie M. Nickerson
(Name Julie M. Nickerson)
NOTARY PUBLIC in and for the State
of Washington, residing at
Unacortes
My commission expires: 5/15/2011



EXHIBIT "A"

DESCRIPTION:

Lot 7 and the South 10 feet of Lot 6, Block 1, "HARTLEY & RINGS ADD. TO MOUNT VERNON," as per plat recorded in Volume 6 of Plats, page 16, records of Skagit County, Washington.

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



200801040108
Skagit County Auditor