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03/23/2022 01:38 PM Pages: 1 of 6 Fees: \$412.00  
Skagit County Auditor

**RETURN ADDRESS:**

PEOPLES BANK  
Loan Services Department  
PO Box 233  
LYNDEN, WA 98264

**01-183718-OE SK**

**NOTICE: THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE COLLATERAL BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.**

**SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT AND ESTOPPEL CERTIFICATE**

Reference # (if applicable): 200703290077, 201310210265, 200808150212, 201310210266  
DOT 202104020150

Grantor(s): SKAGIT VALLEY REAL ESTATE PARTNERSHIP, LLP, a Washington limited liability partnership;  
SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1, a Washington public hospital district

Grantee(s) PEOPLES BANK, a Washington state chartered commercial bank

Legal Description: Ptn SW/SE; Sec 20-Twn. 34N-Rg 4E; Ptn Block 1-Broadway Add to Mt. Vernon;  
Ptn Blocks 6, 7 and 8 - Millett's Add. To Mt. Vernon.

Additional on Exhibit A

Assessor's Tax Parcel ID#: 340420-0-086-0009, P26778, 340420-0-087-0016, P26780, 340420-0-088-0015, P26782, 3709-001-001-0005, P52384, 3709-001-002-0004, P52385, 3741-006-012-0001, P53551, 3741-007-003-0000, P53553, 3741-007-004-0009, P53554, 3741-007-008-0005, P53557, 3741-007-012-0009, P53558, 3741-008-002-0009, P53559, 3741-008-012-0007, P53563, 3709-001-002-0100, P125894

**THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT dated March 19, 2021 ("Agreement"), is made and executed among Skagit Valley Real Estate Partnership, LLP, a Washington state limited liability partnership, whose address is 4419 Kiowa Drive, Mount Vernon, WA 98273 ("Landlord"); Skagit County Public Hospital District No. 1, a Washington public hospital district, whose address is 1400 E Kincaid Street, Mount Vernon, WA 98273 ("Tenant"); and PEOPLES BANK, a Washington state chartered commercial bank, MOUNT VERNON OFFICE, 1801 RIVERSIDE DRIVE, MOUNT VERNON, WA 98273 ("Lender").**

**SUBORDINATED LEASES.** Tenant and Landlord have executed leases of the property described herein. The following information is the summary of the basic terms and conditions of the such leases:

A lease dated February 15, 2007 and effective January 1, 2007 which is evidenced by a Memorandum of Lease dated March 26, 2007 and recorded on March 29, 2007, under Skagit County Auditor's File No. 200703290077, which is further evidenced by a Memorandum of Lease dated October 10, 2013 and recorded on October 21, 2013, under Skagit County Auditor's File No. 201310210265, and which lease was amended by the first amendment thereto dated February 24, 2010 and the Second Amendment to Skagit PHD No. 1 Lease-Founders Building ("Second Amendment"), dated September 10, 2013, and the Third Amendment to Skagit PHD NO.1 Lease-Founders Building dated May 28, 2015 ("Third Amendment"), and the Fourth Amendment to Skagit Valley Medical Center Lease dated January 29, 2021. ("Fourth Amendment"), and all other amendments and modifications thereto; and

A lease executed April 6, 2007 and April 9, 2007, which is evidenced by a Memorandum of Lease dated August 4, 2008 and recorded August 15, 2008 under Skagit County Auditor's File Number 200808150212 and which is further evidenced by a Memorandum of Lease dated October 10, 2013 and recorded October 21, 2013 under Skagit County Auditor's File Number 201310210266, and which lease was amended by the Skagit Valley Medical Center Amendment to Lease of New Building, executed on June 5, 2007 and June 7, 2007, and all other amendments and modifications thereto;

The leases above, including all amendments and modifications thereto, whether or not recited above, are collectively referred to herein as the "Lease".

**REAL PROPERTY DESCRIPTION.** The Lease covers buildings and related parking spaces located at 1400 E. Kincaid Street, Mount Vernon, Washington, which are commonly known as the Founders Building and the MLJ Building, and which consist of the following described real property (the "Real Property") located in Skagit County, State of Washington:

See EXHIBIT A, which is attached to this Agreement and made a part of this Agreement as if fully set forth herein.

The Real Property or its address is commonly known as 1400 E Kincaid Street, Mount Vernon, WA 98273. The Real Property tax identification numbers for the Real Property are: 340420-0-086-0009, P26778, 340420-0-087-0016, P26780, 340420-0-088-0015, P26782, 3709-001-001-0005, P52384, 3709-001-002-0004, P52385, 3741-008-012-0001, P53551, 3741-007-003-0000, P53553, 3741-007-004-0009, P53554, 3741-007-008-0005, P53557, 3741-007-012-0009, P53558, 3741-008-002-0009, P53559, 3741-008-012-0007, P53563, 3709-001-002-0100, P125894.

**SUPERIOR INDEBTEDNESS.** Lender has extended or has agreed to extend the following described financial accommodations to Landlord, secured by the Real Property (the "Loan" or the "Superior Indebtedness"):

A Promissory Note dated on or about March 29, 2021 in the original principal amount of \$10,300,502.42 ("Note").

**LENDER'S LIEN.** The Superior Indebtedness is or will be secured by the Real Property and evidenced by a mortgage, deed of trust, or other lien instrument, dated on or about March 29, 2021, from Landlord to Lender (the "Lender's Lien"). As a condition to the granting of the requested financial accommodations, Lender has required that the Lien of Lender's Lien be and remain superior to the Lease and all of Tenant's rights in the Real Property ("Lease Rights").

**REQUESTED FINANCIAL ACCOMMODATIONS.** Landlord and Tenant each want Lender to provide financial accommodations to Landlord in the form of the Superior Indebtedness. Landlord and Tenant each represent and acknowledge to Lender that Landlord and Tenant will benefit as a result of these financial accommodations from Lender to Landlord, and Landlord and Tenant acknowledge receipt of valuable consideration for entering into this Agreement.

**IN EXCHANGE FOR GOOD AND VALUABLE CONSIDERATION, THE SUFFICIENCY AND RECEIPT OF WHICH ARE HEREBY ACKNOWLEDGED, LENDER, LANDLORD, AND TENANT HEREBY AGREE AS FOLLOWS:**

**ESTOPPEL CERTIFICATE.** Tenant hereby certifies to and agrees with Lender that, as of the date of this Agreement, Lender is relying on all of the following certifications and agreements of Tenant as consideration for Lender executing this Agreement:

- (A) As of the date of this Agreement, the Lease is in full force and effect and is the valid and binding obligation of Tenant, enforceable in accordance with its terms.
- (B) All requirements for the commencement and validity of the Lease have been satisfied.
- (C) Neither Tenant nor Landlord is in default under the Lease and, to Tenant's knowledge, as of the date of this Agreement, no event has occurred and no condition exists, which with the giving of notice, the passage of time, or both, would constitute a default by Tenant or Landlord under the Lease.
- (D) As of the date of this Agreement, there are no defenses, counterclaims or setoffs against rents or charges due or which may become due under the Lease and, to Tenant's knowledge, no claim by Tenant of any nature exists against Landlord under the Lease. To Tenant's knowledge, all obligations of Landlord that have accrued as of the date of this Agreement have been fully performed.
- (E) None of the rent, which Tenant is required to pay under the Lease, has been prepaid, or will in the future be prepaid, more than one month in advance.
- (F) The Lease shall not after the date of this Agreement be modified, terminated, or amended, without the prior written consent of Lender for any termination and each such amendment or modification. Any attempted modification, termination, or amendment without the prior written consent of Lender shall be void. Notwithstanding the foregoing, any amendments or modifications contemplated in the Lease or that reflect the exercise of Tenant's rights under the Lease shall not require Lender's consent. For any amendment or modification of the Lease requiring consent of Lender, Lender agrees to respond within ten (10) business days to a written request for consent and to not unreasonably withhold, condition, or delay its consent. If Lender fails to respond within such ten (10) business day period, Lender shall be deemed to have approved such request.

(G) Except for that certain sublease dated on or about November 1, 2008, between Skagit Valley Medical Center, Inc., P.S. as sublessor and The Coffee Doctor, Inc., as sublessee, if such sublease remains in effect, Tenant has not assigned, mortgaged, sublet, encumbered or otherwise transferred any or all of its interest under the Lease and, during the term of the Loan, agrees to not assign, mortgage, sublet, encumber, or otherwise transfer ("Transfer") any or all of its interest under the Lease without the prior written consent of Lender; not to be unreasonably withheld, conditioned, or delayed. If Lender fails to respond within ten (10) business days to a written request for consent to a Transfer, Lender shall be deemed to have approved such Transfer request.

**SUBORDINATION.** Notwithstanding anything in the Lease to the contrary, the parties acknowledge and agree that the Lease and Lease Rights are and shall be subject and subordinate in right, interest and lien, and for all purposes, to the lien of Lender's Lien, and to all renewals, modifications, consolidations, replacements, and extensions thereof, and to any subsequent lien of the Lender with which Lender's Lien may be spread or consolidated, to the full extent of the principal sum and all other amounts secured thereby and interest thereon. Tenant will not cause the Lease to be subordinated to any interests other than those held by or made for the benefit of Lender, and its successors and assigns, without the prior written consent of Lender.

**NON-DISTURBANCE.** So long as the Lease is in full force and effect and Tenant is not in default under the Lease beyond any applicable cure period, Lender shall not name or join Tenant as a defendant in any exercise of Lender's rights and remedies arising upon a default of the Loan under the Note and/or under Lender's Lien unless applicable law requires Tenant to be made a party thereto as a condition to proceeding against Landlord or pursuing such rights and remedies. In the latter case, Lender may join Tenant as a defendant in such action only for such purpose and not to terminate the Lease or otherwise adversely affect Tenant's rights under the Lease or this Agreement in such action. If the Lease has not been terminated, then, when Lender succeeds to the interest of Landlord, the Lender shall not terminate or disturb Tenant's possession of Tenant's premises under the Lease, except in accordance with the terms of the Lease and this Agreement.

**ATTORNMEN.** If Lender shall succeed to the interest of the Landlord under the Lease, and the Lease shall not have expired or been terminated in accordance with the terms of the Lease or this Agreement, Tenant shall, from and after such event, attorn to Lender, all rights and obligations under the Lease to continue as though the interest of Landlord had not terminated. Such attornment shall be effective and self-operative without the execution of any further instrument on the part of the parties hereto. Tenant agrees, however, to execute and deliver at any time and from time to time, upon the request of Lender, any instrument or certificate which, in the reasonable judgment of Lender, may be necessary or appropriate in any such foreclosure proceeding or otherwise to evidence such attornment.

**NO LIABILITY FOR LENDER.** Lender in the event of attornment shall have the same remedies in the event of any default by Tenant (beyond notice and any period given Tenant to cure such default) in the payment of annual base rent or additional rent or in the performance of any of the terms, covenants, and conditions of the Lease on Tenant's part to be performed that are available to Landlord under the Lease. Tenant shall have the same remedies against Lender for the breach of an agreement contained in the Lease that Tenant might have had against Landlord if Lender had not succeeded to the interest of Landlord; provided, however, that Lender shall not be:

- (A) Liable for any act or omission of or any claims against any prior landlord, including Landlord, except for those defaults of a continuing nature that remain uncured at the time Lender succeeds to Landlord; or
- (B) Subject to any offsets or defenses which Tenant might have against any prior landlord, including Landlord, except for any offset, abatement or counterclaim rights of which Lender received written notice prior to the date Lender succeeded to the interest of Landlord, including without limitation, the monthly Base Rent credits from January 2021 through December 2023, as further described in the Fourth Amendment (which Lender hereby acknowledges and accepts); or
- (C) Bound by any rent or additional rent which Tenant might have paid for more than the current month to any prior landlord, including Landlord; or
- (D) Bound by any amendment or modification of the Lease, or waiver of any of its terms, made without its consent (or deemed consent); or
- (E) Liable for any sum that any prior landlord, including Landlord, owed to Tenant, including without limitation any security deposit, unless the amount owed was actually delivered to Lender; or
- (F) Bound by any surrender, cancellation, or termination of the Lease, in whole or in part, agreed upon between Landlord and Tenant and made without Lender's consent (or deemed consent); provided, however, that any termination contemplated in the Lease (including without limitation in connection with a casualty or condemnation), and that reflects the exercise of Tenant's rights under the Lease, shall not require Lender's consent to be valid and binding; or
- (G) Liable for any construction obligation of any prior landlord, including Landlord; or
- (H) Liable for any breach of representation or warranty of any prior landlord, including Landlord.

**NEW LEASE.** If Lender shall succeed to the interest of the Landlord under the Lease, upon the written request of Lender to Tenant, Tenant shall execute and deliver to Lender a lease of the Real Property upon the same terms and conditions as the Lease between Landlord and Tenant, which lease shall cover any unexpired term of the Lease existing prior to such transfer.

**ACKNOWLEDGMENT AND AGREEMENT BY LANDLORD.** Landlord, as landlord under the Lease, acknowledges and agrees for itself and its heirs, successors and assigns to each of the following:

- (A) This Agreement does not in any way release Landlord from its obligations to comply with the terms, provisions, conditions, covenants, agreements and clauses of the Note, Lender's Lien or any other documents executed in connection with the Loan.
- (B) In the event of a default under the Note, or any of the other documents executed in connection with the Loan, Landlord hereby consents to Tenant's attornment to Lender and, upon such event, Tenant shall pay all rent and all other sums due under the Lease to Lender as provided in the Lease. Landlord agrees that any payments made by Tenant to Lender in connection with Tenant's attornment, or a notice from Lender instructing Tenant to make payments to Lender, shall fully satisfy Tenant's obligation to make such payment under the Lease and Landlord releases Tenant from liability in

connection therewith.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:

**Liens.** Lender waives and releases any and all contractual liens and security interests or common law, constitutional, and/or statutory liens and security interests arising by operation of law to which Lender might now or in the future be entitled to on any of Tenant's personal property (except to the extent of Landlord's interest therein (if any)). Landlord agrees not to grant any security interest in favor of Lender in connection with such personal property.

**Amendments.** This Agreement constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** If any party hereto institutes any suit or action against another party(ies) to enforce any of the terms of this Agreement, the prevailing party shall be entitled to recover such sum from the other party(ies) as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses that a party reasonably incurs to enforce its rights hereunder shall be payable on demand by the party in breach of this Agreement. To the extent Lender incurs reasonable expenses to enforce its rights against Landlord hereunder, such expenses shall become a part of the indebtedness payable on demand by Landlord and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, attorneys' fees and legal expenses, whether or not there is a lawsuit, including attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees and title insurance, and court costs in addition to all other sums provided by law and to the extent permitted by applicable law.

**Authority.** Any person who signs this Agreement on behalf of Landlord and Tenant represents and warrants that he or she has authority to execute this Agreement.

**Caption Headings.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

**Counterparts.** This Agreement may be executed in multiple counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts, taken together, shall constitute one and the same Agreement.

**Governing Law.** This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Washington without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Washington.

**Choice of Venue.** If there is a lawsuit, Landlord agrees upon Lender's request to submit to the jurisdiction of the courts of Skagit County, State of Washington.

**Notices.** Any notice required to be given under this Agreement shall be given in writing, and, shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing among Lender, Landlord, and Tenant shall constitute a waiver of any of Lender's rights or of any of Landlord's and/or Tenant's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

**Successors.** This Agreement shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Agreement.

**Waive Jury.** All parties to this Agreement hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party. (Initial Here)

EACH PARTY TO THIS AGREEMENT ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT, AND EACH PARTY AGREES TO ITS TERMS. THIS AGREEMENT IS DATED MARCH 29, 2021.

LANDLORD:

SKAGIT VALLEY REAL ESTATE PARTNERSHIP, LLP

By: [Signature]  
John S. Halsey, Managing Partner of Skagit Valley Real Estate Partnership, LLP, a Washington limited liability partnership

By: [Signature]  
John W. Eustoeszer, Partner / Secretary / Treasurer of Skagit Valley Real Estate Partnership, LLP, a Washington limited liability partnership

LENDER:  
PEOPLES BANK

X [Signature] Authorized Officer

TENANT:

SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO 1

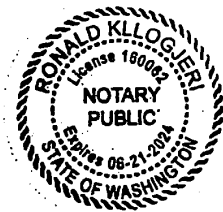
By: [Signature]  
Paul Ishizuka, Chief Financial Officer of Skagit County Public Hospital District No 1

### PARTNERSHIP ACKNOWLEDGMENT

STATE OF WASHINGTON

COUNTY OF SKAGIT

This record was acknowledged before me on APRIL 1, 2021 by John S. Halsey, Managing Partner of Skagit Valley Real Estate Partnership, LLP.



[Signature]  
(Signature of notary public)

BURLINGTON  
(Title of office)

My commission expires:  
6-21-2024  
(date)

PARTNERSHIP ACKNOWLEDGMENT

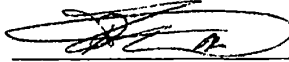
STATE OF WASHINGTON )

) SS

COUNTY OF SKAGIT )

This record was acknowledged before me on APRIL 1, 2021 by John W. Erbstoesser, Partner  
/ Secretary / Treasurer of Skagit Valley Real Estate Partnership, LLP.





(Signature of notary public)

BURLINGTON

(Title of office)

My commission expires:

6-21-2024

(date)

CORPORATE ACKNOWLEDGMENT

STATE OF WASHINGTON )

) SS

COUNTY OF SKAGIT )

This record was acknowledged before me on APRIL 1, 2021 by Paul Ishizuka, Chief Financial  
Officer of Skagit County Public Hospital District No 1.





(Signature of notary public)

BURLINGTON

(Title of office)

My commission expires:

6-21-2024

(date)