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'98 DEC -1 P3:27

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DEED OF TRUST AND SECURITY AGREEMENT,

ISLAND TITLE CO. ASSIGNMENT OF RENTS AND LEASES,
QB-1850 ✓
SECURITY AGREEMENT AND UCC FIXTURE FILING

Island Title Company has placed
this document for recording as a
customer courtesy and accepts no
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(Skagit County, Washington)

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ACCOMMODATION RECORDING

Grantor (Borrower): COLOR SPOT NURSERIES, INC.

Grantee (Lender): FLEET CAPITAL CORPORATION
as Agent,
as Beneficiary for the Benefit of Various Lenders

Grantee (Trustee): CHICAGO TITLE INSURANCE COMPANY

Legal Description (abbreviated): Portion of Section 13, Township 34 North, Range 3
East of the Willamette Meridian (Ptn. Sec. 13, T34N, R3E W.M.)

Additional references to legal description(s) are on Exhibit 1.

Assessor's Property Tax Parcel or Account Numbers: 340313-0-001-0001 R21662;
340313-0-060-0009 R21742; 340313-0-062-0007 R21745; 340313-0-065-0004 R21748;
340313-0-064-0005 R21747; 340313-1-002-0008 R21813; 340313-1-001-0009 R21812

THIS DEED OF TRUST SECURES FUTURE ADVANCES

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**LINE OF CREDIT DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF LEASES AND RENTS AND PROFITS,
FINANCING STATEMENT AND FIXTURE FILING**

This Line of Credit Deed of Trust, Security Agreement, Assignment of Leases and Rents and Profits, Financing Statement and Fixture Filing is dated as of October 15, 1998 by Color Spot Nurseries, Inc., a Delaware corporation (together with its successors and assigns, the "Grantor"), in favor of Chicago Title Insurance Company, a Missouri corporation, as Trustee (the "Trustee"), for the benefit of Fleet Capital Corporation, as Agent ("Agent") for itself as a Lender and the additional Lenders (as those terms are defined in the Credit Agreement referred to below) from time to time party thereto (Fleet, in its capacity as Agent, together with its successors and assigns, being hereafter referred to as the "Beneficiary").

1. **Definitions.**

This Line of Credit Deed of Trust, Security Agreement, Assignment of Leases and Rents and Profits, Financing Statement and Fixture Filing (as from time to time amended, modified, restated and in effect, the "Deed of Trust") is entered into in connection with a certain Loan and Security Agreement dated as of October 15, 1998, among the Grantor, the Beneficiary and the Lenders party thereto (as from time to time amended, modified, restated and in effect, the "Credit Agreement"). Terms defined in the Credit Agreement and not otherwise defined herein are used herein with the meanings so defined. The Credit Agreement, this Deed of Trust and any other present or future written agreement from time to time entered into between the Grantor, any of its Subsidiaries or any of its Affiliates, on the one hand, and Beneficiary and the Lenders, on the other hand, relating to the Credit Agreement or this Deed of Trust, and any agreement stated to be a Credit Document, each as from time to time amended, modified, restated and in effect, is referred to herein as a "Credit Document". The Credit Documents contain or may contain provisions that the interest rate, payment terms or balance may be indexed, adjusted, renewed or renegotiated, as set forth in the Credit Documents. References in this Deed of Trust to Sections and Exhibits are to Sections hereof and Exhibits hereto unless otherwise expressly specified.

2. **Deed of Trust, etc.**

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor with a mailing address of 3478 Buskirk Avenue, Suite 260, Pleasant Hill, California 94523 hereby grants, bargains, sells, conveys, transfers and assigns, IN TRUST WITH POWER OF SALE, to the Trustee with an address at 1800 Columbia Center, 701 Fifth Avenue, Seattle, Washington 98104, so much of the Property (as hereinafter defined) as constitutes the Premises (as hereinafter defined), and the Grantor hereby creates in and grants to the Beneficiary with a mailing address of One

North Franklin Street, Suite 3600, Chicago, Illinois 60606 a security interest in and to all of its right, title and interest in (but none of its obligations with respect to) so much of the Property as constitutes the Collateral (as hereinafter defined) and all proceeds and products thereof, whether now owned or hereafter acquired, in each case to secure the payment and performance by the Grantor, its subsidiaries and its affiliates of the Obligations including, without limitation:

(a) the payment of certain loans and reimbursement obligations under the Credit Agreement and under letters of credit by the Lenders to the Grantor and/or its Subsidiaries in an aggregate principal amount not to exceed \$70,000,000, at the times, in the manner and with interest all as more fully provided in the Credit Agreement, the notes issued thereunder and various letter of credit reimbursement agreements between the Grantor and Beneficiary;

(b) the payment and performance of all obligations of the Grantor under, and all amounts from time to time secured by, this Deed of Trust, including without limitation all amounts referred to in Section 8.2; and


(c) the payment and performance of all other obligations under the Credit Documents even if the aggregate amount of such obligations at any one time or from time to time exceeds the principal amount of such loans and reimbursement obligations or the face amount of any notes or other evidence of such indebtedness.

The term "Property" shall mean the real property located in the State of Washington as more particularly described in Exhibit 1, together with:

(i) all buildings, structures and improvements now existing or hereafter constructed thereon;

(ii) all leasehold interests, rights of way or use, servitudes, licenses, tenements, hereditaments, appurtenances, easements, access rights, profits, crops grown, growing or to be grown, nursery stock of any kind including, without limitation, plants, bedding plants, timber, seedlings, Christmas trees, trees, bushes or bulbs, whether grown, growing or to be grown, mineral rights, minerals in, on, under and that may be produced from the land, sanitary sewer discharge treatment capacity rights, and other rights now or hereafter existing, belonging or pertaining thereto;

(iii) all fixtures and other articles of every kind whatsoever now or hereafter owned or leased by the Grantor and used or procured for use in connection with the operation and maintenance of the foregoing, insofar as the



same are, or can by agreement of the parties be made, a part of the real estate, including without limitation any boilers, pumps, tanks, electric panels, switchboards, lighting equipment, wiring, heating, plumbing and ventilating apparatus, sprinklers, elevators, escalators, refrigerating, air conditioning and air-cooling equipment and other building service equipment;

(iv) all right, title and interest in and to any award or payment upon a Taking (as defined in Section 6) of all or any part of the foregoing;

(v) all furniture, furnishings, personal property, equipment, inventory and goods (as defined in the Uniform Commercial Code in effect in the jurisdiction in which the Property is located) now or hereafter owned or leased by the Grantor and now or hereafter placed in or on, or used in connection with the construction, operation or maintenance of, the Premises, and the Grantor's rights and interests in any licenses, permits and approvals for the ownership, construction, maintenance and operation of the Premises and all replacements therefor and accessions and additions thereto;

(vi) all estate, right, title and interest acquired by Grantor in and to real property, or any of the foregoing, after execution hereof; and

(vii) all right, title and interest in and to any insurance proceeds with respect to all or any part of the Premises or the Collateral as contemplated by Section 7.

The land, buildings, structures, improvements, rights, fixtures and other items referred in clauses (i) through (iv) above are referred to collectively as the "Premises". The personal property and the goods, rights and interests, together with all proceeds and products thereof, referred to in clauses (v) and (vi) above are referred to collectively as the "Collateral". The Premises and the Collateral are referred to collectively as the "Property".

3. Absolute Assignment of Leases and Rents.

3.1. Assignment.

The Grantor hereby irrevocably, absolutely, presently and unconditionally assigns to the Beneficiary all of the rights, interests and privileges which the Grantor has or may have as lessor in present and future leases of all or any portion of the Property and any other agreements for the use and occupancy of all or any portion of the Premises, in any modifications, extensions and renewals thereof and in the rents, charges, fees, royalties, issues, profits, revenue, income and proceeds of the Property, whether now due, past due or

to become due, including all prepaid rents and security deposits or payments in lieu thereof (collectively, the "Rents"). This is an absolute assignment, not an assignment for security.

3.2. Grant of License.

The Beneficiary hereby confers upon the Grantor a license ("License") to collect and retain the Rents as they become due and payable, so long as no Event of Default shall occur and be continuing. If an Event of Default has occurred and is continuing, the Beneficiary shall have the right, which it may choose to exercise in its sole discretion, to terminate this License without notice to or demand upon the Grantor, and without regard to the adequacy of the Beneficiary's security under this Deed of Trust.

3.3. Collection and Application of Rents.

Subject to the License granted to the Grantor under Section 3.2, the Beneficiary has the right, power and authority to collect any and all Rents. The Grantor hereby appoints the Beneficiary its attorney-in-fact to perform any and all of the following acts, if and at the times when the Beneficiary in its sole discretion may so choose:

- (a) demand, receive and enforce payment of any and all Rents; or
- (b) give receipts, releases and satisfactions for any and all Rents; or
- (c) sue either in the name of the Grantor or in the name of the Beneficiary for any and all Rents.

The Beneficiary's right to the Rents does not depend on whether or not the Beneficiary takes possession of the Property as permitted under Section 8.7. In the Beneficiary's sole discretion, it may choose to collect Rents either with or without taking possession of the Property. The Beneficiary shall apply all Rents collected by it in the manner provided under clause (v) of Section 8.5. If an Event of Default occurs while the Beneficiary is in possession of all or part of the Property and is collecting and applying Rents as permitted under this Deed of Trust, the Beneficiary, the Trustee and any receiver shall nevertheless be entitled to exercise and invoke every right and remedy afforded any of them under this Deed of Trust and at law or in equity, including the right to exercise the power of sale granted herein.

3.4. Beneficiary Not Responsible.

Under no circumstances shall the Beneficiary have any duty to produce Rents from the Property. Regardless of whether or not the Beneficiary, in person or by agent, takes actual possession of the Property, the Beneficiary is not and shall not be deemed to be:

- (a) a "mortgagee in possession" for any purpose; or
- (b) responsible for performing any of the obligations of the lessor under any lease; or
- (c) responsible for any waste committed by lessees or any other parties, any dangerous or defective condition of the Property, or any negligence in the management, upkeep, repair or control of the Property; or
- (d) liable in any manner for the Property or the use, occupancy, enjoyment or operation of all or any part of it.

3.5. Entry and Collection of Rents.

Upon the occurrence and during the continuance of an Event of Default, with or without entering upon or taking possession of the Property the Beneficiary shall be entitled to collect the Rents including those past due. Upon the occurrence and during the continuance of an Event of Default, the Beneficiary shall also have the right, but not the duty, to enter upon, take possession of and manage the Property and to fully deal with the leases thereof. In the event the Beneficiary does not so collect the Rents, or a court of competent jurisdiction denies the Beneficiary the right to all or any portion of such Rents, then the Grantor or whatever Person collects such rents on behalf of the Grantor shall hold the amount of such Rents net of operating expenses in trust for the benefit of the Beneficiary and upon request shall promptly pay the same to the Beneficiary.

3.6. Grant of Security Interest.

The parties intend for this Deed of Trust to create a lien on the Property, and an absolute assignment of the Rents, all in favor of the Beneficiary. The parties acknowledge that some of the Property and some or all of the Rents may be determined under applicable law to be personal property or fixtures. To the extent that any Property or the Rents may be or be determined to be personal property, the Grantor as debtor hereby grants the Beneficiary as secured party a security interest in all such property and the Rents, to secure payment and performance of the Obligations. This Deed of Trust constitutes a security agreement under the Washington Uniform Commercial Code, covering all such Property and Rents.

4. General Representations and Warranties of the Grantor.

The Grantor hereby represents and warrants to the Beneficiary as follows:

4.1. Title to Property.

The Grantor lawfully possesses and has good and clear record and marketable title in fee or pursuant to a leasehold interest to such of the Property as is real property and good and marketable title to the remainder of the Property, subject only to the Permitted Encumbrances. As used herein, the term "Permitted Encumbrances" shall mean the Permitted Encumbrances as defined in the Credit Agreement plus (i) the items set forth or referred to in Exhibit 2, and (ii) leases and amendments thereof entered into without violating Section 5.7.1. The Grantor has full and unlimited power and authority to encumber the Property and assign the Rents.

4.2. Compliance with Laws.

4.2.1. Zoning and Other Laws. The Premises either (i) comply with applicable zoning restrictions, special permits and variances thereto or conditional use permits of the jurisdiction in which the same are located or (ii) exist as a valid nonconforming use for their present uses and as a valid nonconforming structure for each building, structure or improvement located on the Premises. The Property is in compliance in all material respects with all applicable local, regional, municipal, state and federal laws, regulations and ordinances (including without limitation all access, building, health, safety and fire codes), and including subdivision regulations, environmental regulations and zoning ordinances.

4.2.2. Certificates and Licenses. A permanent certificate of occupancy with respect to the improvements located on the Premises is in full force and effect or is not required. All material licenses, approvals and permits necessary in connection with present uses and operation of each occupancy thereof for the purposes for which such property is currently being used have been issued by all appropriate governmental authorities except such as would not have a material adverse effect upon the current use or the value of the Premises.

4.3. No Condemnation Proceedings.

The Grantor has not received notice of any condemnation or eminent domain proceeding for any Taking of the Property, or any portion thereof, and no present negotiations for the purchase in lieu of condemnation of any portion thereof are occurring and, to the Grantor's knowledge, no such proceedings have been commenced or threatened.

4.4. Buildings and Other Improvements.

4.4.1. Construction and Completion of Improvements. To the best of the Grantor's knowledge, all buildings, structures and improvements now on

the Premises have been completed in a good and workerlike manner and in accordance with all applicable governmental laws, regulations and requirements.

4.4.2. No Encroachment. The buildings, structures and other improvements on the Property do not encroach in any material respect on any easements or on any land not included within the boundary lines of the Premises and no improvements located on neighboring or adjoining land encroach on the Premises in any material respect.

4.4.3. Utilities. Water, sewer, gas, telephone and electric power utility services are available to the Property for the present and intended uses of the Property.

4.4.4. Equipment. All of the equipment located on the Premises is in such working order, operating condition and state of repair as is necessary for the efficient operation of the business conducted thereon and, to the best of the Grantor's knowledge, the Property contains no latent defects.

4.4.5. Access. The Premises have access for the public by roadways adequate for the present and intended uses of the Property duly dedicated to the jurisdiction in which it is located or by private easement adequate for the present and intended uses of the Property.

4.5. No Management Agreement.

No management agreement affects any part of the Property and no management fee is paid to any Person for managing any part of the Property.

4.6. Other Agreements.

There are no agreements having a material affect on the Property other than this Deed of Trust, the other Credit Documents and the Permitted Encumbrances.

4.7. Use of Premises; Indebtedness.

The Grantor currently operates a commercial greenhouse facility on the Premises. Notwithstanding the foregoing, the Grantor does not use the Premises for farming or agricultural purposes. The indebtedness secured by this Deed of Trust has been incurred for business purposes and not for personal, family or household purposes.

5. General Covenants of the Grantor.

The Grantor covenants that, until all of the Obligations (except for contingent indemnification obligations pursuant to Section 12.2 of the Credit Agreement)

shall have been paid in full and so long as any Lender shall be committed to extend credit under the Credit Agreement or any other Credit Document, the Grantor will comply with the following provisions:

5.1. Credit Documents.

The Grantor will comply with all of the covenants and other provisions contained in the Credit Agreement and each other Credit Document to which it is party, all of which are incorporated herein by reference as fully as if set forth herein.

5.2. No Conveyance.

The Grantor will not directly or indirectly convey, sell, assign, transfer or otherwise dispose of the Property or any part thereof except as expressly permitted by the Credit Agreement.

5.3. No Further Encumbrances.

Except as permitted by the Credit Agreement the Grantor will not permit the Property to become subject to any deed of trust, lien, attachment, lis pendens, security interest, encumbrance or restriction other than this Deed of Trust, any other Credit Document to which the Grantor is a party which creates a lien to secure the Obligations and the Permitted Encumbrances and, subject to the right to contest such matter pursuant to the Credit Agreement, will promptly take all action necessary to cause any such deed of trust, lien, attachment, lis pendens, security interest, encumbrance or other restriction not permitted hereby to be discharged. The Grantor will diligently contest any action or proceeding which purports to affect the title to the Property or the validity or the priority of this Deed of Trust.

5.4. Recording; Title Insurance.

The Grantor will at all times cause this Deed of Trust, and each amendment, modification or supplement hereto, and appropriate financing and continuation statements under the Uniform Commercial Code in effect in the jurisdiction in which the Property is located, to be recorded and filed and to be kept recorded and filed in such manner and in such places, and will pay all recording, filing or other taxes, fees and other charges, and to comply with all such statutes and regulations, as may be required by law in order to establish, preserve and protect the liens and security interests intended to be granted to the Beneficiary pursuant to this Deed of Trust in the Property (including without limitation any Property acquired after the execution hereof) and the rights of the Beneficiary therein. The Grantor will furnish the Beneficiary with a title insurance policy in such form, and issued by a title insurance company, satisfactory to the Beneficiary (or, if customary in the jurisdiction where the Property is located, with an opinion of counsel satisfactory to the

Beneficiary), affirming the adequacy of such recording and filing (i) upon the making of any such filing or recording or refiling or rerecording, and (ii) upon the reasonable request of the Beneficiary at any other time.

5.5. Compliance with Laws.

The Grantor will timely comply with all federal, regional, state and local laws, ordinances and regulations relating to the Property or the occupancy and use thereof the failure with which to comply would have a material adverse effect on the conduct of its business or the value of the Property.

5.6. Construction and Completion of Improvements.

The Grantor will not undertake any construction on the Premises or alter any of the Property in contravention of Sections 5.7.7 and 5.7.8 without the prior written consent of the Beneficiary. The Grantor will cause any improvements to the Premises to be completed in a good and workerlike manner, and in accordance with all applicable governmental laws, rules, regulations and requirements. The Grantor will take all reasonable action to correct any defects or faults in any such improvements, and to pursue reasonably diligently any remedies or recourse which the Grantor may have under agreements, warranties and guarantees related to the construction thereof.

5.7. Operation of the Property.

5.7.1. Leases. The Grantor will not enter into any lease, sublease or any agreement of any kind permitting present or future occupancy or use of the Property or any part thereof without the prior written consent of the Beneficiary which shall not be unreasonably withheld. The Grantor will submit to the Beneficiary for the Beneficiary's review and approval biographical and financial information for each proposed tenant with each proposed lease. The Grantor will furnish to the Beneficiary copies of all leases as executed by the Grantor. The Grantor will perform punctually and comply with all the terms, covenants and agreements on the part of the Grantor to be performed under each lease and agreement to which the Property or any part thereof is at any time subject and use all reasonable means available to the Grantor to enforce the terms, covenants and agreements to be performed on the part of the other parties to such leases and agreements to be performed. The Grantor will not materially amend or terminate or take any action which in all such cases would adversely affect Grantor's rights under, or justify, effect or permit a termination of, any existing or future lease, sublease or agreement whether the Grantor is landlord or tenant thereunder without in each instance obtaining the Beneficiary's consent.

5.7.2. No Merger of Leasehold Interests. If the estates or interests of the Grantor or any tenant under any such lease of all or any portion, or

which constitutes any part, of the Property shall at any time become vested in the same Person, neither the title nor lien granted by this Deed of Trust nor the separate estates and interests in such leases shall be destroyed or terminated by application of any doctrine or principle of merger and, in such event, the Beneficiary shall continue to have and enjoy all of the rights and privileges of the Trustee and the Beneficiary, respectively, as to the separate estates and interests. In addition, upon the foreclosure of the lien created by this Deed of Trust on the Property and the Grantor's equity of redemption in the Property pursuant to the provisions hereof, any leases or subleases then existing and created by the Grantor shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless the Beneficiary or any other purchaser at any such foreclosure sale shall so elect in writing. No act by or on behalf of the Trustee or the Beneficiary or any such purchaser shall constitute a termination of any such lease or sublease unless the Beneficiary or such purchaser shall give written notice thereof to the lessee or sublessee, as appropriate.

5.7.3. Taxes and Governmental Charges. Subject to the Grantor's right to contest such taxes as expressly provided in the Credit Agreement, the Grantor agrees to pay, prior to delinquency, all applicable real property taxes and assessments, general and special, all applicable payments in lieu of taxes, if any, and all other applicable taxes and assessments of any kind or nature whatsoever, which are assessed or imposed upon the Property or become due and payable, and which create or may create a lien upon the Property or any part thereof.

5.7.4. Utility Charges. The Grantor will pay when due all utility charges which are incurred by the Grantor for the benefit of the Property or which may become a charge or lien against the Property for gas, telephone, electricity, water or sewer services furnished to the Property and all other assessments or charges of a similar nature, whether public or private, affecting the Property or any portion thereof, whether or not such assessments or charges constitute liens thereon.

5.7.5. Insurance. The Grantor will pay when due, and in any event prior to cancellation or non-renewal for failure to pay therefor, all premiums and other amounts due with respect to the insurance coverages for the Property required pursuant to Section 7.

5.7.6. Repairs. The Grantor will make such repairs and replacements and take such other steps as may be reasonably necessary to maintain the Property and any abutting grounds, sidewalks, roadways and parking and landscaped areas under the Grantor's control in at least as good repair, order and condition as the same now are or hereafter may be while this Deed of Trust is outstanding, deterioration incidental to reasonable wear excepted; provided, however, that the foregoing exception for reasonable wear shall not relieve the Grantor from the

obligation to repair or replace worn-out or inoperative elements of the Property reasonably necessary for the operation of the Property.

5.7.7. No Waste. The Grantor will not permit or suffer the waste of any of the Property.

5.7.8. No Alterations. The Grantor will not make or permit any alterations, improvements, additions, utility installations or the like to the Property, other than in the ordinary course of business.

5.7.9. Use. The Grantor will not permit the Property to be used for any purpose other than as a nursery and related uses or as otherwise permitted by the Credit Agreement.

5.7.10. Inspection. The Grantor will permit the Beneficiary, its employees and agents to inspect the Property at any time during regular business hours.

5.7.11. No Cooperative or Condominium. The Grantor will not operate the Property, or permit it to be operated, as a cooperative or condominium property in which any tenant or occupant has the right to participate in the ownership, control or management of the Property.

5.8. Escrow Account.

Upon the occurrence and during the continuance of an Event of Default and written notice from the Beneficiary, the Grantor hereby covenants to pay directly to the Beneficiary, or such other Person as the Beneficiary may from time to time designate by written notice to the Grantor, on the first day of each month, one twelfth of such amount as the Beneficiary from time to time estimates will be required to be paid, before the same becomes past due, of all taxes, betterments, assessments and other governmental liens, charges or levies, water rates, sewer use fees, utility charges, insurance premiums and other charges against the Property. The Beneficiary shall not be deemed a trustee with respect to such payments and shall not be required to keep such payment separate from its general accounts or to pay interest thereon to the Grantor. If at any time such payments are insufficient to discharge the amounts actually required to pay such taxes, betterments, assessments and other governmental liens, charges or levies, water rates, sewer use fees, utility charges, insurance premiums and other charges as may then or thereafter be due, any deficiency shall be promptly paid by the Grantor to the Beneficiary. The Grantor shall transmit to the Beneficiary all bills for such insurance premiums, taxes, betterments, assessments, sewer use fees, liens and charges as soon as received. When the Beneficiary has received from the Grantor or on the Grantor's account funds sufficient to pay such taxes, betterments, assessments and other governmental liens, charges or levies, water

rates, sewer use fees, utility charges, insurance premiums and other charges, such obligations shall, except as hereinafter provided, be paid when due. Should the amount paid by the Grantor in any year exceed the aggregate required, such excess shall be applied to the first escrow payments for the succeeding year. The obligations of the Grantor to pay taxes, betterments, assessments and other governmental liens, charges or levies, water rates, sewer use fees, utility charges, insurance premiums and other charges provided for herein shall not be affected except to the extent that such obligations have been actually met by compliance with this Section 5.8.

5.9. Management Agreement.

The Grantor will not enter into any management agreement or pay any management fee to any Person for managing any part of the Property without the prior written consent of the Beneficiary which shall not be unreasonably withheld. The Beneficiary hereby reserves the right to approve any such manager, management entity and management agreement which shall not be unreasonably withheld. In the event that any management agreement is so entered into by the Grantor, at the direction of the Beneficiary, the Grantor shall assign all of the Grantor's right, title and interest thereunder to the Beneficiary pursuant to an Assignment of Management Agreement in form and substance reasonably satisfactory to the Beneficiary, and the Grantor hereby covenants to comply with all the terms, provisions, covenants and conditions of such Assignment of Management Agreement.

5.10. Security Agreement.

Grantor agrees that this Deed of Trust constitutes a "security agreement" for the purposes of the Uniform Commercial Code as in effect in the state where the Property is located and that the Beneficiary shall have the rights of a "Secured Party" under such Uniform Commercial Code. The Grantor shall execute one or more financing statements and such other documents as the Beneficiary may from time to time require to perfect or continue the perfection of the Beneficiary's security interest in any Property or Rents. The Grantor shall pay all fees and costs that the Beneficiary may incur in filing such documents in public offices and in obtaining such record searches as the Beneficiary may reasonably require. If any financing statement or other document is filed in the records normally pertaining to personal property, that filing shall never be construed as in any way derogating from or impairing this Deed of Trust or the rights or obligations of the parties under it.

5.11. Fixture Filing.

This Deed of Trust constitutes a financing statement filed as a fixture filing under RCW 62A.9-313 and RCW 62A.9-402, as amended or recodified from time to time, covering any Property which now is or later may become fixtures attached to the Premises.

5.12. Further Assurances.

The Grantor will execute and deliver such further instruments and perform such further acts as may from time to time be reasonably requested by the Beneficiary to confirm the provisions and carry out the purposes of this Deed of Trust.

6. Eminent Domain; Application of Award.

In case of (i) any condemnation for public use of, or any damage by reason of action of any public or governmental authority to, all or any part of the Property, or (ii) any alteration of the grade of any street or highway affecting the Property, or (iii) any other injury to, or decrease in value of, the Property resulting from any such event as described in clauses (i) or (ii) above or (iv) the acquisition of the whole or any part of the Property pursuant to the terms of any redevelopment plan or agreement affecting the Property (in each case a "Taking"), or in case of the commencement of any proceedings or negotiations which might result in a Taking, the Grantor shall promptly give written notice to the Beneficiary, generally describing the nature and extent of the Taking or the nature of such proceedings and negotiations and the nature and extent of the Taking which might result therefrom, as the case may be. The Beneficiary may, at its option, appear in any proceeding for a Taking or any negotiations relating to a Taking and the Grantor shall promptly give to the Beneficiary copies of all notices, pleadings, determinations and other papers in any such proceedings. The Grantor shall in good faith and with due diligence, and with counsel reasonably satisfactory to the Beneficiary, file and prosecute the Grantor's claims for any award or payment on account of any Taking. The Grantor shall not settle any such claims without the Beneficiary's prior written consent. The settlement and application of any Taking proceeds shall be determined in accordance with the provisions of the Credit Agreement.

7. Insurance.

Except as otherwise expressly provided in the Credit Agreement, the Grantor will comply with the following provisions:

7.1. Coverage.

The Grantor will obtain and keep in force the following policies of insurance:

(i) Insurance against loss or damage to the improvements from time to time constituting a part of the Premises by reason of fire and any of the risks covered by "fire and extended coverage" insurance, in an amount sufficient to prevent it from becoming a co-insurer and not in any event less than 80% of the insurable value (replacement cost, if available) of such improvements.

(ii) Insurance against loss or damage to the Collateral by fire and other risks covered by "fire and extended coverage" insurance to the extent and in the manner customary for companies in similar businesses similarly situated or such greater amount and extent as the Beneficiary may from time to time reasonably require.

(iii) Boiler and machinery insurance covering any pressure vessels, air tanks, boilers, machinery, pressure piping and any heating, air conditioning, elevator and escalator equipment, so long as the Premises contains equipment of such nature, in such amounts as are reasonably satisfactory to the Beneficiary.

(iv) Comprehensive public liability insurance against death, personal injury and damage to property to the extent and in the manner customary for companies in similar businesses similarly situated, or such greater amount and extent as the Beneficiary may from time to time reasonably require.

(v) During the course of any construction or repair of any improvements to the Property, comprehensive public liability insurance, worker's compensation insurance and builder's completed value risk insurance, in such amounts and covering such risks as is prudent considering the nature and the extent of the construction or repair being undertaken, or such greater amount and extent as the Beneficiary may from time to time reasonably require.

(vi) In the event that the Premises shall at any time be located within an area that has been identified by the Director of the Federal Emergency Management Agency as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968 or the Federal Disaster Protection Act of 1973 (42 U.S.C.A § 4001, et seq.), all policies of flood insurance prescribed by such Acts in such amounts as the Beneficiary may from time to time require.

(vii) Business interruption insurance and/or loss of "rental value" insurance in such amounts as are reasonably requested from time to time by the Beneficiary.

(viii) Earthquake insurance in an amount required by the Beneficiary from time to time, with limits for a "single occurrence" as from time to time reasonably required by the Beneficiary.

(ix) Such other insurance coverages in such amounts as may from time to time be reasonably required by the Beneficiary against the foregoing or other hazards.

7.2. Policy Provisions.

The policies of insurance insuring against liability to others shall name the Trustee and the Beneficiary hereunder as an additional insured. Unless otherwise expressly provided in the Credit Agreement, the policies of insurance insuring against property damage shall provide that all proceeds shall be payable to the Beneficiary pursuant to a standard Deed of Trust endorsement. The Grantor shall perform and comply with all conditions of all insurance policies covering the Property.

7.3. Other Terms.

All policies of insurance provided for herein shall be effected with insurers reasonably satisfactory to the Beneficiary and qualified to do business in the jurisdiction in which the Property is located and shall provide: (i) that such policies shall not be canceled or materially amended without at least 30 days' prior written notice to the Beneficiary; (ii) that any amount payable due to loss shall be payable to the Beneficiary notwithstanding any act or omission or negligence of the Grantor which might otherwise result in forfeiture of such insurance; and (iii) that the insurer waives all rights of set off, counterclaim or deduction against the Grantor. Upon delivery hereof and thereafter prior to the expiration dates of the expiring policies, originals of the policies provided for in this Section 7, or a certificate of insurance therefor, each bearing notations evidencing the payment of premiums or accompanied by other evidence satisfactory to the Beneficiary of such payment, shall be delivered by the Grantor to the Beneficiary. The Grantor may procure and keep in force, in place of separate policies, blanket policies of insurance having the same coverage and provisions as are herein required with respect to separate policies. If such blanket insurance is so furnished, the Grantor shall deliver to the Beneficiary, in lieu of separate policies as hereinabove required, an attested copy of the policy, stating the amount allocated to the improvements located on the Premises.

7.4. Placement of Insurance by Beneficiary.

Unless the Grantor provides the Beneficiary with evidence of the insurance coverage as required by this Deed of Trust (including self-insurance if so elected by lessee in accordance with any lease) or any other agreement between the Grantor and the Beneficiary, the Beneficiary may purchase insurance at the Grantor's expense to protect the

Beneficiary's interest. This insurance may, but need not, also protect the Grantor's interest. If the Property or any part thereof becomes damaged, the coverage the Beneficiary purchases may not pay any claim the Grantor makes or any claim made against the Grantor. The Grantor may later cancel this coverage by providing evidence that the Grantor has obtained property coverage elsewhere.

The Grantor is responsible for the cost of any insurance purchased by the Beneficiary. The cost of this insurance may be added to the Obligations and be secured by this Deed of Trust. If the cost is added to the Obligations and secured by this Deed of Trust, the highest interest rate then provided in the Credit Agreement will apply to this added amount unless such interest rate would not be permitted by law, in which case the highest interest rate permitted by law will apply to this added amount. The effective date of coverage may be the date the Grantor's prior coverage lapsed or the date the Grantor failed to provide proof of coverage.

The coverage the Beneficiary purchases may be considerably more expensive than insurance the Grantor can obtain on its own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

8. Rights and Remedies of the Beneficiary.

8.1. Rights Exercisable Regardless of Default.

Whether or not an Event of Default shall have occurred, the Beneficiary shall have the rights set forth below. Such rights may be exercised by the Beneficiary at any time, but only (for those rights in Sections 8.1.1 and 8.1.2 after the Grantor has failed to timely perform the same) after written notice to the Grantor by the Beneficiary, and only to the extent permitted by law and necessary to protect the Beneficiary's and the Lenders' rights hereunder and in the Property.

8.1.1. Advances. The Beneficiary shall have the right at its sole option, but not the duty, to make any or all payments required to be made by the Grantor either hereunder or otherwise in respect of the Property. Such payments may include without limitation payments for taxes, assessments and other governmental levies, water rates, insurance premiums, maintenance, repairs or improvements constituting part of the Premises.

8.1.2. Right to Perform. The Beneficiary shall have the right at its sole option, but not the duty, to perform any obligations of the Grantor related to the Property, without waiving any other rights or releasing the Grantor from the obligation which it has to perform such obligation.

8.1.3. Legal Proceedings. The Beneficiary after written notice to the Grantor shall have the right at its sole option, but not the duty, to intervene or otherwise participate in any legal or equitable proceeding which affects the Property or any of the rights created by this Deed of Trust.

8.2. Effect of Exercise of Rights.

Any amounts paid, and any costs or expenses, including reasonable attorney's fees incurred by the Trustee or the Beneficiary pursuant to such Person's exercise of rights referred to in this Deed of Trust or in any of the other Credit Documents, including without limitation any payments made as contemplated by Section 8.1, any costs incurred as a result of the exercise by either such Person of its rights under Section 8.1.3. and any costs or expenses, including without limitation appraisers', auctioneers', accountants' or attorneys' fees incurred as a result of the exercise by either such Person of its rights under Sections 8.4 and 8.5, shall:

(i) as between the parties hereto and their successors in interest, be deemed valid (to the extent permitted by applicable law), so that in no event shall the necessity, reasonableness, amount or validity of any such payments, costs or expenses be disputed;

(ii) until paid in full, constitute a part of the Obligations and be secured by this Deed of Trust, and unless otherwise paid, be paid from the proceeds of a foreclosure sale, any insurance proceeds, the proceeds of any Taking, any amount escrowed with the Beneficiary as provided in Section 5.8 or any other amount received from the Grantor or the Property; and

(iii) be payable by the Grantor on demand to the Beneficiary, together with interest thereon from the date due at a per annum rate equal to the highest rate of interest then provided in the Credit Agreement, unless such rate would not be permitted by law, in which event interest shall be at the highest rate permitted by law.

The prevailing party in any arbitration, litigation or other proceeding pertaining to the interpretation or enforcement of this Deed of Trust, including any appeal or petition for review, shall be entitled to attorneys' fees. The prevailing party in a bankruptcy proceeding in a U.S. Bankruptcy Court shall also be entitled to attorneys' fees.

8.3. Defaults.

The occurrence of any one or more of the following events (each an "Event of Default") shall constitute a default under and breach of this Deed of Trust and permit the Beneficiary, at the Beneficiary's option, to take any action permitted by Section 8.4:

(i) the occurrence of an Event of Default under the Credit Agreement; or

(ii) the conveyance or disposition of the Property as specified in Section 5.2; or

(iii) failure to observe or perform any other covenant, agreement, condition, term or provision of this Deed of Trust (other than an Event of Default described in clauses (i) or (ii) of this Section 8.3), which failure shall not be rectified or cured to the Beneficiary's satisfaction within 30 days after the date of such default.

8.4. Remedies.

In the event of any Event of Default, the Beneficiary may at any time thereafter, at its option and without notice, exercise any or all of the following remedies:

(i) all of the rights and remedies provided in the Credit Agreement or any other Credit Document, including declaring the entire amount of the Obligations immediately due and payable, and the Obligations thereupon shall become immediately due and payable without presentment, protest or further demand or notice of any kind, all of which are hereby expressly waived;

(ii) the application to the Obligations of any deposits or other sums credited by or due from the Beneficiary or the Lenders to the Grantor (without first enforcing any other rights of the Beneficiary or the Lenders against the Grantor or against the Property) regardless of the adequacy of any security for the Obligations, and the Beneficiary and the Lenders shall have no duty to determine the adequacy of any such security in connection therewith;

(iii) all of the rights and remedies of a secured party under the Uniform Commercial Code in effect in the jurisdiction in which the Property is located;

(iv) foreclose this Deed of Trust by judicial proceeding or nonjudicially by exercise of the power of sale contained herein, appoint a receiver or specifically enforce any of the covenants hereof, including recovery; to the extent allowed by applicable law, of any deficiency judgment;

(v) by entry or other action pursuant to Section 8.7;

(vi) such other actions or proceedings available to the Beneficiary under applicable law as it deems necessary or advisable to protect its interest in the Property and the Obligations; and

(vii) exercise all other rights and remedies provided at law, in equity or in this Deed of Trust.

Such remedies shall continue until all Events of Default shall cease to exist, and may be exercised individually, sequentially or in concert, all such remedies being cumulative, the exercise of one remedy not being deemed a waiver of any of the other remedies, an election of remedies or a cure of any Event of Default.

8.5. Foreclosure of Deed of Trust By Power of Sale.

Under this power of sale, the Beneficiary shall have the discretionary right to cause some or all of the Property, including any Property which constitutes personal property, to be sold or otherwise disposed of in any combination and in any manner permitted by applicable law.

(i) Sales of Personal Property. For purposes of this power of sale, the Beneficiary may elect to treat as personal property any Property which is intangible or which can be severed from the Premises without causing structural damage. If it chooses to do so, the Beneficiary may dispose of any personal property separately from the sale of real property, in any manner permitted by Article 9 of the Washington Uniform Commercial Code, including any public or private sale, or in any manner permitted by any other applicable law. Any proceeds of any such disposition shall not cure any Event of Default or reinstate any Obligation.

In connection with any sale or other disposition of such Property, the Grantor agrees that the following procedures constitute a commercially reasonable sale:

The Beneficiary shall mail written notice of the sale to the Grantor not later than forty-five (45) days prior to such sale. Once per week during the four weeks immediately preceding such sale, the Beneficiary will publish notice of the sale in a local daily newspaper of general circulation. Upon receipt of any written request, the Beneficiary will make the Property available to any bona fide prospective purchaser for inspection during reasonable business hours. Notwithstanding, the Beneficiary shall be under no obligation to consummate a sale if, in its judgment, none of the offers received by it equals the fair value of the Property offered for sale. The foregoing

procedures do not constitute the only procedures that may be commercially reasonable.

(ii) Trustee's Sales of Real Property or Mixed Collateral. The Beneficiary may choose to dispose of some or all of the Property which consists solely of real property in any manner then permitted by applicable law. In its discretion, the Beneficiary may also or alternatively choose to dispose of some or all of the Property, in any combination consisting of both real and personal property, together in one sale to be held in accordance with the law and procedures applicable to real property, as permitted by RCW 62A.9-501(4). The Grantor agrees that such a sale of personal property together with real property constitutes a commercially reasonable sale of the personal property. For purposes of this power of sale, either a sale of real property alone, or a sale of both real and personal property together in accordance with RCW 62A.9-501(4) will sometimes be referred to as a "Trustee's Sale."

Before any Trustee's Sale, the Beneficiary or the Trustee shall give such notice of default and election to sell as may then be required by law. When all time periods then legally mandated have expired, and after such notice of sale as may then be legally required has been given, the Trustee shall sell the property being sold at a public auction to be held at the time and place specified in the notice of sale. Neither the Trustee nor the Beneficiary shall have any obligation to make demand on the Grantor before any Trustee's Sale. From time to time in accordance with then applicable law, the Trustee may, and in any event at the Beneficiary's request shall, postpone any Trustee's Sale by public announcement at the time and place noticed for that sale.

At any Trustee's Sale, the Trustee shall sell to the highest bidder at public auction for cash in lawful money of the United States. The Trustee shall execute and deliver to the purchaser(s) a deed or deeds conveying the property being sold without any covenant or warranty whatsoever, express or implied. The recitals in any such deed of any matters or facts, including any facts bearing upon the regularity or validity of any Trustee's Sale, shall be conclusive proof of their truthfulness. Any such deed shall be conclusive against all persons as to the facts recited in it.

(iii) Single or Multiple Foreclosure Sales. If the Property consists of more than one lot, parcel or item of property, the Beneficiary may:

(a) designate the order in which the lots, parcels and/or items shall be sold or disposed of or offered for sale or disposition; and

(b) elect to dispose of the lots, parcels and/or items through a single consolidated sale or disposition to be held or made under the power of sale granted herein, or in connection with judicial proceedings, or by virtue of a judgment and decree of foreclosure and sale; or through two or more such sales or dispositions; or in any other manner the Beneficiary may deem to be in its best interests (any such sale or disposition, a "Foreclosure Sale"; any two or more "Foreclosure Sales").

If it chooses to have more than one Foreclosure Sale, the Beneficiary at its option may cause the Foreclosure Sales to be held simultaneously or successively, on the same day, or on such different days and at such different times and in such order as it may deem to be in its best interests. No Foreclosure Sale shall terminate or affect the liens of this Deed of Trust on any part of the Property which has not been sold, until all of the Obligations have been paid in full.

(iv) At any Foreclosure Sale, any person, including the Grantor, the Trustee or the Beneficiary, may bid for and acquire the Property or any part of it to the extent permitted by then applicable law. Instead of paying cash for that property, the Beneficiary may settle for the purchase price by crediting the sales price of the property against the following obligations:

(a) First, the portion of the Obligations attributable to the expenses of sale, costs of any action and any other sums for which the Grantor is obligated to pay or reimburse the Beneficiary or the Trustee hereunder; and

(b) Second, all other Obligations in any order and proportions as Beneficiary in its sole discretion may choose.

(v) The proceeds of all Foreclosure Sales, and any other moneys the application of which is not otherwise herein provided for, shall be applied as follows:

(a) First, to the payment of the costs and expenses of such sale or sales and collections, including all costs and

expenses of the Beneficiary and reasonable attorneys' fees and expenses of their counsel;

(b) Second, to the payment of all other Obligations, in such order or manner as the Beneficiary shall determine in its sole and absolute discretion; and

(c) Third, the remainder shall be delivered to the Grantor, subject, however, to the rights of the holder of any then existing lien of which Beneficiary has actual notice.

(vi) To the extent permitted by applicable law, Trustee may postpone the sale of all or any portion of the Premises by public announcement at the time and place of the sale, and from time to time thereafter may again postpone such sale by public announcement or subsequently noticed sale.

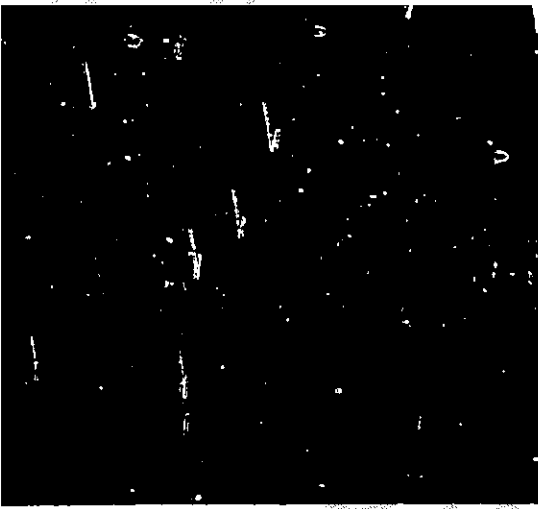
(vii) A sale of less than all of the Premises or any defective or irregular sale made hereunder shall not exhaust the power of sale provided for herein, and subsequent sales may be made hereunder until all Obligations have been satisfied or the entire Premises has been sold without defect or irregularity.

8.6. Receiver.

At any time after the occurrence and during the continuance of any Event of Default, the Beneficiary shall be entitled at its option to the appointment of a receiver of the Property. Such appointment may be made either before or after foreclosure sale, without notice, without regard to the solvency or insolvency of the Grantor at the time of application for such receiver and without regard to the then value of the Property. The Beneficiary may be appointed as such receiver.

8.7. Entry.

The Beneficiary, in person, by agent or by court appointed receiver, may enter, take possession of, manage and operate all or any part of the Property, and may also do any and all other things in connection with those actions that the Beneficiary may in its sole discretion consider necessary and appropriate to protect the security of this Deed of Trust. Such other things may include: taking and possessing all of the Grantor's or the then owner's books and records; entering into, enforcing, modifying, or canceling leases on such terms and conditions as the Beneficiary may consider proper; obtaining and evicting tenants; fixing or modifying the Rents; collecting and receiving any payment of money owing to the Grantor; completing any unfinished construction; and/or contracting for and making repairs and alterations. If the Beneficiary so requests, the Grantor shall assemble all of the Property that has been removed from the Premises and make all of it available to



the Beneficiary at the site of the Premises. The Grantor hereby irrevocably constitutes and appoints the Beneficiary as its attorney-in-fact (coupled with an interest) to perform such acts and execute such documents as the Beneficiary in its sole discretion may consider to be appropriate in connection with taking these measures, including endorsements of the Grantor's name on any instruments. Regardless of any provision of this Deed of Trust, the Beneficiary shall not be considered to have accepted any property other than cash or immediately available funds in satisfaction of any obligation of the Grantor to the Beneficiary, unless the Beneficiary has given express written notice of its election of that remedy in accordance with RCW. 9-505, as it may be amended or recodified from time to time.

8.8. No Waiver or Release.

The failure of the Beneficiary to exercise any right or remedy or option provided for herein or otherwise shall not be deemed to be a waiver of any of the covenants or obligations secured by this Deed of Trust or otherwise. No sale of all or any of the Property, no forbearance on the part of the Beneficiary, no release or partial release of any of the Property, and no extension of the time for the payment of the whole or any part of the debt hereby secured or any other indulgence given by the Beneficiary to the Grantor or any other Person, shall operate to release or in any manner affect the lien of this Deed of Trust or the original liability of the Grantor, notice of any such extensions or indulgences being hereby waived by the Grantor.

8.9. The Grantor's Waiver of Certain Rights.

The Grantor hereby waives to the extent not prohibited by applicable law that cannot be waived (i) the benefit of all laws now existing or hereafter enacted providing for any appraisal before sale of any portion of the Property, and (ii) the benefit of all laws now existing or hereafter enacted in any way extending the time for enforcement or collection of the Obligations or creating or extending a period of redemption from any sale made in collecting such debt. To the full extent the Grantor may do so, the Grantor agrees that it will not at any time insist upon, plead, claim or take the benefit or advantage of, any law now or hereafter in force providing for any appraisal, valuation, stay, extension or redemption, and the Grantor hereby waives and releases all rights of redemption, valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of the Obligations and marshaling in the event of foreclosure of the liens hereby created. The Trustee and the Beneficiary shall not be required in connection with any foreclosure, pursuant to any power of sale herein granted, or in connection with any deed in lieu of foreclosure, to foreclose, to sell or to take a deed in lieu of foreclosure, covering all or any specific portion of the Property and the Trustee and the Beneficiary may elect to foreclose, to sell or to take a deed in lieu of foreclosure to all or any portion of the Property and the Trustee and the Beneficiary's rights in connection with any foreclosure or in connection with any deed in lieu of foreclosure hereunder granted by the Grantor, may be exercised in

any combination with respect to some or all of the Property. The Trustee and the Beneficiary shall not be required to marshal the Property, the leases, rents, issues and profits assigned by the Grantor or any other security by which the Obligations are secured in any particular order.

8.10. Application of Proceeds.

The proceeds of the sales of and collections from the Property shall be applied as set forth above.

8.11. Cumulative Rights and Remedies.

All of the foregoing rights, remedies and options of the Trustee and the Beneficiary are cumulative, and may be exercised singly, together or in the alternative, and the exercise of one shall not be construed to be a waiver of any of the others or an election of remedies.

9. Certain Trustee Matters.

9.1. Execution of Reconveyances and Other Instruments by Trustee.

Upon written request of the Beneficiary from time to time and upon payment of the Trustee's fees and costs in connection therewith and, if reasonably required by the Trustee, upon presentation of this Deed of Trust for endorsement, the Trustee shall, without affecting the personal liability of any person with respect to any Obligation or the lien of this Deed of Trust upon the remainder of the Premises, (i) reconvey to "the person(s) legally entitled thereto," without warranty, any portion of the premises then held hereunder, (ii) consent in writing to the making of any map or plat thereof, (iii) join in granting any easement thereon, or (iv) join in any extension agreement, agreement subordinating the lien or charge hereof, or other agreement or document relating hereto or the Premises.

9.2. Appointment of Successor Trustee.

The Trustee or any successor acting hereunder may resign and thereupon be discharged of the trusts hereunder upon 30 days' prior written notice to the Beneficiary. Regardless of whether such resignation occurs, the Beneficiary may from time to time substitute a successor or successors to any Trustee. If permitted by law, the Beneficiary may substitute such successor or successors by recording a document executed by the Beneficiary and containing the name of the original Grantor and the Beneficiary hereunder, the book and page in which this Deed of Trust is recorded (and/or instrument number, as applicable) and the name of the new Trustee, in which event such successor Trustee shall,

without conveyance from the predecessor Trustee, succeed to all its estate, rights and duties hereunder.

9.3. Trust Irrevocable; Acceptance by Trustee.

The trust created hereby is irrevocable by the Grantor. The Trustee accepts this trust when this Deed of Trust is made a public record as provided by law.

10. General.

10.1. Grantor's Expenses.

All obligations to be performed, all items to be provided, recorded or filed and all payments to be made by the Grantor under this Deed of Trust shall be performed, provided, recorded, filed or made by the Grantor at its sole cost and expense and neither the Beneficiary nor the Lender shall be liable for any costs, expenses or other amounts as a result of the execution and delivery of this Deed of Trust by the Grantor.

10.2. Notices.

All notices, consents and other communications required or permitted to be given hereunder shall be made as provided in the Credit Agreement and in the case of the Trustee to it at the address set forth in Section 2.

10.3. Indemnity with Respect to Property Covered by this Deed of Trust.

The Grantor will indemnify and save and hold the Trustee, the Beneficiary and each Lender, and each of their directors, officers and employees, and each Person, if any, who controls the Trustee, the Beneficiary or any Lender (each such director, officer, employee and control Person is referred to herein as an "Indemnitee"), and any other agent of the Beneficiary or the Lenders, harmless from and against any and all claims, damages, losses, liabilities, judgments or expenses (including all reasonable fees and disbursements of counsel with whom any of them may consult in connection therewith and all reasonable expenses of litigation or preparation therefor) which may be incurred or sustained by or asserted against any of them, directly or indirectly, in connection with the existence or exercise of any of the Beneficiary's rights with respect to the Property covered by this Deed of Trust; provided, however, that the foregoing shall not extend to any such claim, damage, loss, liability, judgment or expense caused by or resulting from any gross negligence or action not taken in good faith by the Beneficiary or any other Indemnitee.

10.4. Waiver of Jury Trial.

Each of the parties to this Deed of Trust hereby irrevocably waives all rights to a trial by jury in any action, proceeding or counterclaim arising out of or relating to this Deed of Trust or the transactions contemplated hereby.

10.5. Defeasance.

The lien of this Deed of Trust shall be released, the application of this Deed of Trust terminated and the Property, or the applicable portions thereof, reconveyed to the Grantor by the Trustee and/or the Beneficiary in accordance with the provisions therefore in the Credit Agreement.

10.6. Assignment by Agent.

Beneficiary may assign its right, title and interest in this Deed of Trust in whole or in part to any person or entity without affecting, diminishing or abrogating Grantor's liability hereunder or the priority of the lien of this Deed of Trust. Further, any one or more of the financial institutions which are or become a party to the Credit Agreement may from time to time be replaced. Any such replacement shall not be construed as a novation and shall not affect, diminish or abrogate Grantor's liability under this Deed of Trust or the priority of this Deed of Trust.

10.7. Miscellaneous.

This Deed of Trust may not be waived, changed or discharged orally, but only by an agreement in writing signed by the Beneficiary and any oral waiver, change or discharge of any provision of this Deed of Trust shall be without authority and of no force and effect. The captions or headings at the beginning of each Section hereof are for convenience of reference only and are not a part of this Deed of Trust. The invalidity of any provisions of this Deed of Trust shall in no way affect the validity or enforceability of any other provision hereof. This Deed of Trust is a Credit Document and shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, including as such successors and assigns all holders of any Lenders. This Deed of Trust shall be governed by and construed in accordance with the laws of the state where the property is located (without giving effect to principles of conflicts of laws).

IN WITNESS WHEREOF, this Deed of Trust has been executed on behalf of the Grantor, under seal, by a person hereunto duly authorized, all as of the day and year first above written.

COLOR SPOT NURSERIES, INC., a Delaware corporation

By: Carlos R. Plaza
Name: Carlos R. Plaza
Title: Executive VP

STATE OF ILLINOIS)

County of COOK)

On this 14th day of OCTOBER, 1998, before, me the undersigned, a Notary Public in and for the State of ILLINOIS, duly commissioned and sworn, personally appeared CARLOS R. PLAZA, to me known to be the _____ of Color Spot Nurseries, Inc., the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to executed said instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year first above written.

[Seal or Stamp]



Donna L. Hirsch

Notary Public in and for the State of IL

Residing at GLENVIEW, IL

My appointment expires: 6-12-2001

EXHIBIT 1

**A leasehold interest in the real property described
on the attached sheet.**

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EXHIBIT 1

(Description of Property)

The West 20 Acres:

A portion of Section 13, Township 34 North, Range 3 East, W.M., Skagit County, Washington, described as follows:

Beginning at the North quarter corner of said Section 13, said point being on the North line of Lot 2, of Skagit County Short Plat No. 22-90, recorded in Book 10 of Short Plats, Pages 111 and 112; thence along said North line South 89 degrees 13' 02" East, a distance of 79.49 feet; thence South 00 degrees 42' 21" West, a distance of 1171.97 feet; thence North 89 degrees 13' 02" West, a distance of 31.85 feet to an existing fence; thence along said fence and projection thereof, the following six (6) courses and distances: thence North 00 degrees 42' 21" East, a distance of 463.34 feet; thence South 84 degrees 56' 28" West, a distance of 686.87 feet; thence South 10 degrees 59' 25" West, a distance of 74.47 feet; thence South 84 degrees 24' 33" West, a distance of 348.33 feet; thence North 05 degrees 05' 12" West, a distance of 87.68 feet; thence North 85 degrees 00' 17" West, a distance of 137.38 feet to the East right-of-way line of the County Road; thence along said County Road to the most Westerly corner of said Lot 2 of Short Plat No. 22-90; thence along the Westerly and Northerly boundary of said Lot 2, to the point of beginning, EXCEPT roads and dike right-of-way.

(No. 33 -(Skagit County Washington) LSE)

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EXHIBIT 2

List of Permitted Encumbrances

All matters, if any, that are expressly permitted by the terms of the Credit Agreement and are listed as title exceptions in Schedule B of the title insurance policy (but only to the extent such exceptions are approved by Beneficiary) issued by Chicago Title Insurance Company to the Beneficiary with respect to the real property described in Exhibit 1 of this Deed of Trust.