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AFTER RECORDING RETURN TO:

Lane Powell Spears Lubersky LLP
520 S.W. Yamhill Street, Suite 800
Portland, Oregon 97204-1383
Attn.: Bryan E. Powell

KATHY HILL
SKAGIT COUNTY AUDITOR

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RECORDED: _____ FILED: _____

FIRST AMENDMENT TO SUBORDINATION AGREEMENT
FIRST AMERICAN TITLE CO.

55361-2

THIS FIRST AMENDMENT TO SUBORDINATION AGREEMENT ("Agreement") is made as June 7, 1999, by and among the State of Washington Department of Community, Trade and Economic Development ("DCTED") ("Junior Lender"), Washington Alder, LLC, a Washington limited liability company ("Borrower"), and CAPITAL CONSULTANTS, INC., an Oregon corporation, as agent for certain participant lenders ("CCI").

Recitals

A. DCTED, Borrower and CCI are parties to that certain Subordination Agreement dated as of June 25, 1998, and recorded on June 30, 1998 as instrument no. 98-06300107 in the records of Skagit County, Washington (the "Subordination"). The real property is more particularly described in Exhibit A attached hereto and incorporated herein by this reference. Unless otherwise defined in this Agreement, terms with initial capitals shall have the meanings given them in the Subordination.

B. By a First Amendment to Loan Documents of the same date herewith, Borrower and CCI have this day modified and amended certain terms and provisions of the CCI Loan Documents (the "First Amendment"), including the execution and delivery of the First Amendment To Deed Of Trust, Assignment Of Leases And Rents, Security Agreement And Fixture Filing of the same date hereof ("Trust Deed Amendment") which provides for an increase in the Note amount to \$30,000,000. As a condition precedent to the First Amendment, CCI has required that Junior Lender subordinate the Junior Lender Loan Documents to the CCI Trust Deed on the terms and conditions set forth in this Agreement.

In consideration of the foregoing and the mutual covenants of the parties contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. The CCI Trust Deed as used in the Subordination is hereby defined to mean the CCI Trust Deed as amended by the Trust Deed Amendment. Junior Lender agrees to subordinate

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the Junior Lender Loan Documents to the CCI Trust Deed as amended and to all CCI financing statements filed in connection with the CCI Loan Documents.

2. Except as otherwise modified and amended by this Agreement and the Trust Deed Amendment, the terms of the Subordination are hereby ratified and confirmed in all respects.

3. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

State of Washington Department of
Community, Trade and Economic
Development

By: Kate Heimbaer 6/10/99
Name: KATE HEIMBACH
Title: Asst. Director

"Junior Lender"

WASHINGTON ALDER, LLC
a Washington limited liability company

By: Michael L. Knobel
Michael L. Knobel, President

"Borrower"

CAPITAL CONSULTANTS, INC.
an Oregon corporation, as agent for certain
participant lenders

By: _____
Name: _____
Title: _____

"CCF"

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

State of Washington Department of
Community, Trade and Economic
Development

By: _____
Name: _____
Title: _____

"Junior Lender"

WASHINGTON ALDER, LLC
a Washington limited liability company

By: Michael L. Knobel
Michael L. Knobel, President

"Borrower"

CAPITAL CONSULTANTS, INC.
an Oregon corporation, as agent for certain
participant lenders

By: _____
Name: _____
Title: _____

"CCR"

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

State of Washington Department of
Community, Trade and Economic
Development

By: _____
Name: _____
Title: _____

"Junior Lender"

WASHINGTON ALDER, LLC
a Washington limited liability company

By: _____
Michael L. Knobel, President

"Borrower"

CAPITAL CONSULTANTS, INC.
an Oregon corporation, as agent for certain
participant lenders

By: Jeffrey L. Grayson
Name: Jeffrey L. Grayson
Title: Chairman & CEO

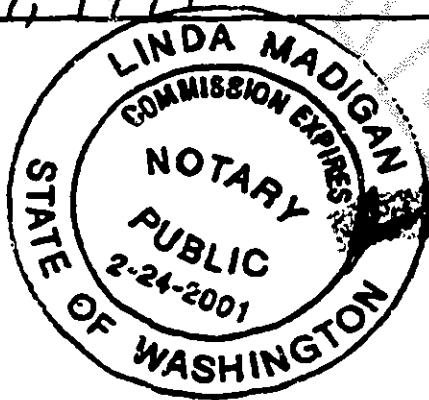
"CCP"

STATE OF WASHINGTON)
COUNTY OF Skagit) ss.

I certify that I know or have satisfactory evidence that Michael L. Knobel, who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledged it as the to be his free and voluntary act of such parties for the uses and purposes mentioned in this instrument.

DATED: June 7, 1999

Linda Madigan



NOTARY PUBLIC for the State of Washington, residing at Stanwood

My appointment expires: 2-24-2001

STATE OF WASHINGTON)
COUNTY OF) ss.

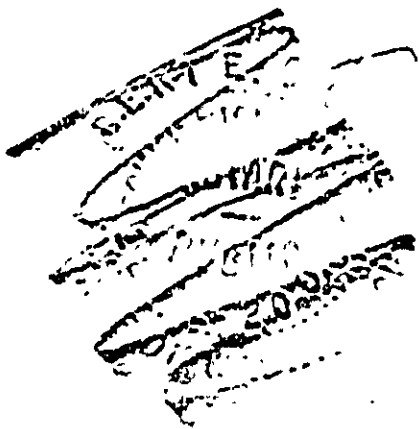
I certify that I know or have satisfactory evidence that KATE HEIMBACH, who appeared before me, and said person acknowledged that SHE signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledged it as the to be the free and voluntary act of such parties for the uses and purposes mentioned in this instrument.

DATED: 6/10/99

Robert F. Carmen
ROBERT E. CARMEN

NOTARY PUBLIC for the State of Washington, residing at OLYMPIA

My appointment expires: 12/2/200

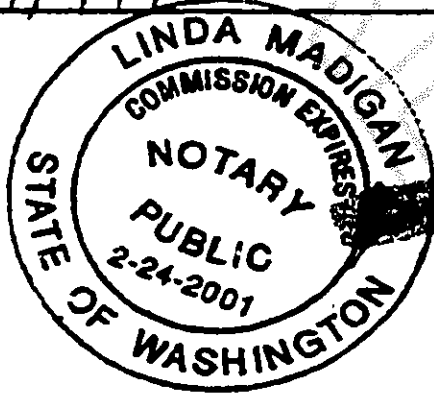


STATE OF WASHINGTON)
) ss.
COUNTY OF Skagit)

I certify that I know or have satisfactory evidence that Michael L. Knobel who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledged it as the _____ to be his free and voluntary act of such parties for the uses and purposes mentioned in this instrument.

DATED: June 7, 1999

Linda Madigan



NOTARY PUBLIC for the State of Washington, residing at Stanwood

My appointment expires: 2-24-2001

STATE OF WASHINGTON)
) ss.
COUNTY OF)

I certify that I know or have satisfactory evidence that _____, who appeared before me, and said person acknowledged that _____ signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledged it as the _____ to be the free and voluntary act of such parties for the uses and purposes mentioned in this instrument.

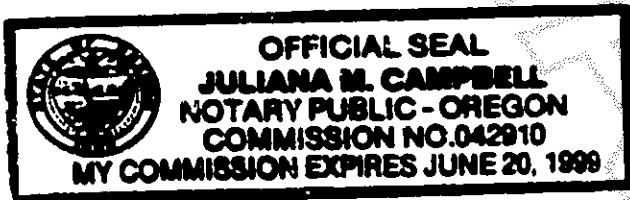
DATED: _____

NOTARY PUBLIC for the State of Washington, residing at _____

My appointment expires: _____

STATE OF OREGON)
) ss.
County of Multnomah)

This instrument was acknowledged before me on June 7th, 1999, by Jeffrey L. Grayson as Chairman & CEO of Capital Consultants, Inc. as investment advisor and agent for certain participant lenders.



Juliana M. Campbell
Notary Public for Oregon
My commission expires: 6/20/99

EXHIBIT A

Real Property Description

Legal Description:

The South 966.00 feet of Lot 3 Skagit County Short Plat No. 7-89, approved March 1, 1989, and recorded March 2, 1989 in Volume 8 of Short Plats, pages 112 and 113, records of Skagit County, Washington, being a portion of the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 9, township 34 North, Range 3 East, W.M.

EXCEPT the East 210.00 feet thereof;

AND EXCEPT any portion thereof lying Northeasterly of a line drawn parallel with and 25 feet Southwesterly of the Southwesterly bank of the existing drainage ditch maintained by Drainage District No. 19, running along the toe of the hill.

SUBJECT TO AND TOGETHER WITH easements, reservations, restrictions, covenants, liens and other instruments of record.

Situated in the County of Skagit, State of Washington.

Assessor's Property Tax Parcel Account Number(s): 340309-2-005-0009

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