

Recording Return To:

GATES & ELLIS LLP
11th Avenue, Suite 5000
Seattle, WA 98104-7078
Attention: Diane R. Stokke



200002020064

Kathy Hill, Skagit County Auditor

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LAND TITLE COMPANY OF SKAGIT COUNTY
P-91274

AMENDMENT TO
DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING

GRANTOR: WATSON PROPERTIES, A LIMITED PARTNERSHIP

GRANTEES: (1) U.S. BANK NATIONAL ASSOCIATION (Beneficiary)
(2) WASHINGTON ADMINISTRATIVE SERVICES, INC. (Trustee)

Legal Description:

Abbreviated legal: Parcel A: Lts 28 and 29, "Heritage Square"
Parcel B: Lt 2, "Mira Vista"

Additional legal on Exhibit A

Assessor's Tax Parcel ID No(s): (1) 4400-000-028-006
Property I.D. No.: R81470
(2) 4400-000-029-0005
Property I.D. No.: R81471
(3) 4479-000-002-0002
Property I.D. No.: R83258

Reference Number Related Document: 9803100096

AMENDMENT TO DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF
LEASES AND RENTS AND FIXTURE FILING

THIS AMENDMENT TO DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING (the "Deed of Trust Amendment") dated as of the 13 day of January, 2000 is executed by Watson Properties, A Limited Partnership, a Washington limited partnership ("Borrower") to Washington Administrative Services, Inc. ("Trustee") in favor of U.S. Bank National Association ("Bank") with reference to the following facts:

RECITALS

A. Borrower and Bank entered into that certain Loan Agreement dated as of March 9, 1998 (the "Loan Agreement") whereby Bank loaned Borrower the sum of Twelve Million Two Hundred Fifty Thousand Dollars (\$12,250,000) (the "Loan") for the purpose of discharging certain existing indebtedness of the Borrower secured by a mortgage on the real property legally described in Exhibit A attached hereto and by this reference incorporated herein (the "Property").

B. The Loan is evidenced by a promissory note dated March 9, 1998 in the original face amount of Twelve Million Two Hundred Fifty Thousand Dollars (\$12,250,000) executed by Borrower as maker in favor of Bank as holder (the "Note"). The obligations of the Borrower under the Loan Agreement and the Note are secured, inter alia, by a Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing of even date therewith encumbering certain real and personal property therein described commonly known as the Mountain Glen Retirement facility situated in Skagit County, Washington (the "Property") wherein Borrower is the grantor and Bank is the beneficiary recorded March 10, 1998 in the official records of Skagit County, Washington under Skagit County Recording No. 9803100096 (the "Deed of Trust").

C. The Borrower has requested that Bank forbear or waive certain defaults under the Loan Agreement and the Bank is willing to forbear or waive certain defaults under the Loan Agreement on the express condition that Borrower agree to modify and restructure Borrower's obligations under the Loan Agreement on the terms and conditions set forth in that certain Loan Modification Agreement and Consent of Guarantors of even date herewith by and among Borrower, Related Party and Bank (the "Amendment").

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth in this Deed of Trust Amendment and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:



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AGREEMENT

1. The Deed of Trust shall hereafter secure the obligations of the Borrower under the Loan Agreement, as amended by the Amendment, and as the same may be further amended, modified, renewed or extended from time to time. All references to the Loan Agreement in the Deed of Trust shall hereafter be deemed to be references to the Loan Agreement, as amended by the Amendment, and as the same may be further amended, modified, renewed or extended from time to time.

2. Section 2.01 of the Deed of Trust is amended to add the following subsection (j) immediately following subsection (i) on page 24 of the Deed of Trust:

(j) There is any default under that certain Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated January 13, 2000, and recorded ~~January~~ 2/2, 2000, in the Official Records of Skagit County, Washington, under Skagit County Recording No. **, and the same is not fully cured within the period of time, if any, provided for cure therein, and, if no period for cure is otherwise provided therein (except for defaults comparable to the defaults described under subparagraphs (d), (e), (f), (g), (h), and (i) herein which shall be deemed immediate defaults according to their terms), within thirty (30) days after written notice from Beneficiary to Grantor thereof. **200002020063

3. Except as specifically amended hereby, all of the terms, covenants, conditions and provisions of the Deed of Trust shall remain in full force and effect. Nothing contained herein shall be deemed or construed to be an impairment of the lien of the Deed of Trust, and the lien of the Deed of Trust shall remain a first lien against the Property. Any capitalized term not otherwise defined herein shall have the same meaning as set forth in the Loan Agreement.

4. This Deed of Trust Amendment shall be binding upon Borrower and its successors and permitted assigns and shall inure to the benefit of Bank and its successors and assigns and in the event of an assignment by Bank of its rights under the Note, the Loan Agreement or any other Related Document, or any part thereof, the rights and benefits hereunder may be transferred with such document(s).



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5. Notice re Oral Commitments. Oral agreements or oral commitments to loan money, extend credit, or to forbear from enforcing repayment of a debt are not enforceable under Washington law.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust Amendment as of the day and year first above written:

WATSON PROPERTIES, A Limited Partnership, a Washington limited partnership

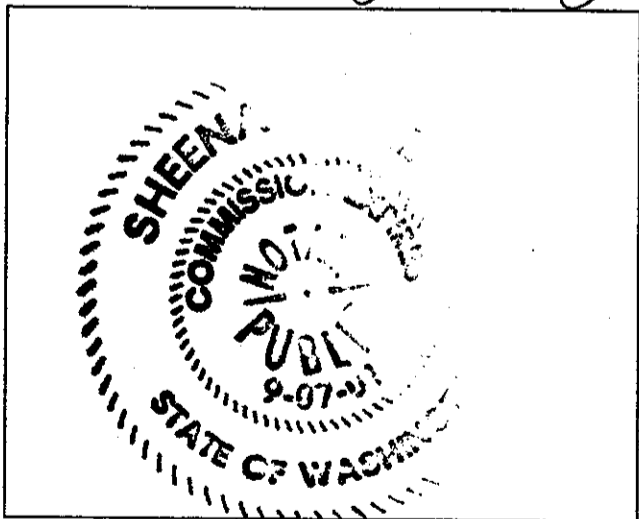
By: MOUNTAIN GLEN MANAGEMENT, L.L.C., a Washington limited liability company, General Partner

By 
Name Edward J. Watson
Title Manager

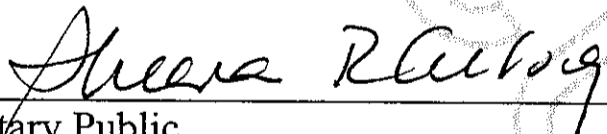
STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Edward J. Watson III is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the authorized member of Mountain Glen Management, LLC, the General Partner of Watson Properties, A Limited Partnership to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: January 13, 2000



(Use this space for notarial stamp/seal)


Notary Public
Print Name SHEENA R AEBLY
My commission expires 9-7-01



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EXHIBIT A

LEGAL DESCRIPTION

Certain real property situated in Skagit County, Washington, and more particularly described as follows:

PARCEL "A":

Lots 28 and 29, "HERITAGE SQUARE," as per plat recorded in Volume 12 of Plats, pages 65 and 66, records of Skagit County, Washington.

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

PARCEL "B":

Lot 2, "MIRA VISTA, INC.," as per plat recorded in Volume 14 of Plats, page 16, records of Skagit County, Washington.

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



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