

After Recording Return To:

U.S. BANK  
PO Box 2623  
Bellingham, WA 98227  
Attention: Bill Stamey

**S-84267**  
LAND TITLE COMPANY OF SKAGIT COUNTY



200101040091

, Skagit County Auditor

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SECOND AMENDMENT TO  
ASSIGNMENT OF LEASES AND CASH COLLATERAL

GRANTOR: WATSON PROPERTIES, A LIMITED PARTNERSHIP

GRANTEE: U.S. BANK NATIONAL ASSOCIATION

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: 9803100097; 200002020065

SECOND AMENDMENT TO ASSIGNMENT OF  
LEASES AND CASH COLLATERAL

THIS SECOND AMENDMENT TO ASSIGNMENT OF LEASES AND CASH COLLATERAL (the "Assignment Amendment") dated as of the 4th day of January, 2001 is executed by Watson Properties, A Limited Partnership, a Washington limited partnership ("Assignor") and U.S. Bank National Association ("Assignee") with reference to the following facts:

RECITALS

A. Assignor and Assignee entered into that certain Loan Agreement dated as of March 9, 1998 as amended by Loan Modification Agreement and Consent of Guarantors dated as of January 13, 2000 (the "Loan Agreement") whereby Assignee loaned Assignor the sum of Twelve Million Two Hundred Fifty Thousand Dollars (\$12,250,000) (the "Loan"). 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 Assignor as maker in favor of Assignee as holder, including any extensions, modifications or amendments thereof (the "Note").

B. The obligations of Assignor 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 and legally described in Exhibit A attached hereto and by this reference incorporated herein (the "Property") wherein Assignor is the grantor and Assignee is the beneficiary recorded March 10, 1998 in the official records of Skagit County, Washington under Skagit County Recording No. 9803100096, as modified by that certain Amendment to Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated January 13, 2000 and recorded February 2, 2000 in the official records of Skagit County, Washington under Skagit County Recording No. 200002020064 (the "Deed of Trust") and an Assignment of Leases and Cash Collateral of even date therewith between Assignor and Assignee recorded March 10, 1998 in the official records of Skagit County, Washington under Skagit County Recording No. 9803100097, as modified by Amendment to Assignment of Leases and Cash Collateral dated January 13, 2000 and recorded February 2, 2000 in the official records of Skagit County, Washington under Skagit County Recording No. 200002020065 (the "Assignment of Leases").

C. Assignor has requested and Assignee is willing to modify Assignor's obligations under the Loan Agreement on the terms and conditions set forth in that certain Loan Modification Agreement No. 2 and Consent of Guarantors of even date herewith by and among Assignor, Guarantors and Assignee (the "Amendment").



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

AGREEMENT

1. The Assignment of Leases shall hereafter secure the obligations of the Assignor 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 Assignment of Leases 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. Except as specifically amended hereby, all of the terms, covenants, conditions and provisions of the Assignment of Leases shall remain in full force and effect. Nothing contained herein shall be deemed or construed to be an impairment of the lien of the Assignment of Leases, and the lien of the Assignment of Leases shall remain a perfected first lien against the Cash Collateral as defined in the Assignment of Leases. Any capitalized term not otherwise defined herein shall have the same meaning as set forth in the Loan Agreement.

3. This Assignment Amendment shall be binding upon Assignor and its successors and permitted assigns and shall inure to the benefit of Assignee and its successors and assigns and in the event of an assignment by Assignee 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).

IN WITNESS WHEREOF, Assignor has executed this Assignment 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 Mountain Glen Management  
Title Owner



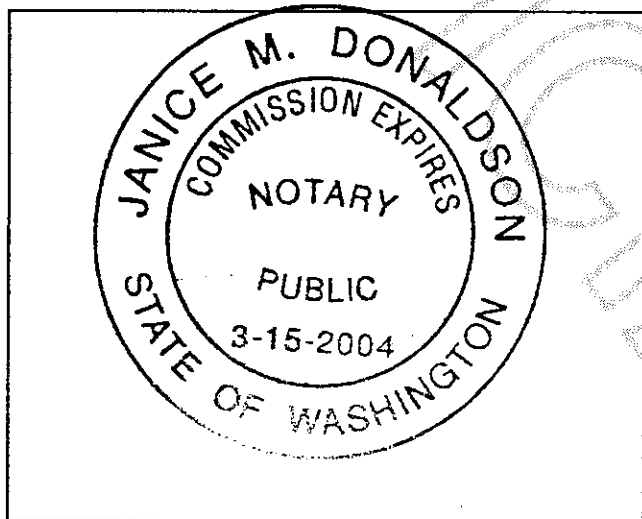
STATE OF WASHINGTON )

COUNTY OF Skagit )

) ss.

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: 1-4-01



(Use this space for notarial stamp/seal)

Janice M. Donaldson  
Notary Public  
Print Name JANICE M. DONALDSON  
My commission expires 3/15/2004



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.