

RETURN ADDRESS:
M. EDWARD SPRING
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BELLEVUE, WA 98004



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, Skagit County Auditor

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**DEED OF TRUST, ASSIGNMENT OF RENTS AND LEASES
AND SECURITY AGREEMENT**

FIRST AMERICAN TITLE CO.

A65181

Borrower: NWCC INVESTMENTS, INC. a Washington corporation
Lender: COMMERCE BANK OF WASHINGTON, CUSTODIAN
FOR ANN L. NIEDER, IRA
Trustee: FIRST AMERICAN TITLE COMPANY OF SKAGIT COUNTY

Legal Description: Portion of Tract 9, Plat of Mount Vernon Acreage
Additional legal description is on Page 25 of document.

Assessor's Property Tax Parcel Account Number(s): 3746-000-009-0202 R53847

THIS DEED OF TRUST, ASSIGNMENT OF RENTS AND LEASES AND SECURITY AGREEMENT (herein "Deed of Trust") is made this 16th day of May, 2001, by Grantor, NWCC INVESTMENTS, INC., a Washington corporation (herein "Borrower"), whose mailing address is 1420 Fifth Avenue, Suite 2200, Seattle, WA 98101. The Trustee is FIRST AMERICAN TITLE COMPANY OF SKAGIT COUNTY, whose mailing address is P.O. Box 1667, 1301-B Riverside Drive, Mount Vernon, Washington 98273. The Beneficiary is COMMERCE BANK OF WASHINGTON, CUSTODIAN FBO ANN L. NIEDER, IRA, whose mailing address is 601 Union Street, Suite 3600, Seattle, WA 98101 (herein "Lender").

In consideration of the Loan described below, Borrower hereby irrevocably GRANTS, TRANSFERS, CONVEYS and ASSIGNS to Trustee, IN TRUST, WITH POWER OF SALE, all of Borrower's present and future estate, rights, title, claim,

interest and demand, either in law or in equity, of, in and to the following property (the "Property"):

(1) The real property and all rights to the alleys, streets and roads adjoining or abutting the real property described on Exhibit "A" attached hereto (the "Realty");

(2) All buildings, improvements and tenements now or hereafter located on the Realty;

(3) All fixtures and articles of property now or hereafter attached to, or used or adapted for use in the ownership, development, operation or maintenance of the buildings, improvements, and Realty (whether such items be leased, be owned absolutely or subject to any title retaining or security instrument, or be otherwise used or possessed), including without limitation all heating, cooling, air-conditioning, ventilating, refrigerating, plumbing, generating, power, lighting, laundry, maintenance, incinerating, lifting, cleaning, fire prevention and extinguishing, security and access control, cooking, gas electric and communication fixtures, equipment and apparatus, all engines, motors, conduits, pipes, pumps, tanks, ducts, compressors, boilers, water heaters and furnaces, all ranges, stoves, disposers, refrigerators and other appliances, all escalators and elevators, baths, sinks, all cabinets, partitions, mantels, built-in mirrors, window shades, blinds, screens, awnings, storm doors, windows and sash, all carpeting, underpadding, floor covering, paneling and draperies, all furnishings of public spaces, halls and lobbies, and all shrubbery and plants; all of which items shall be deemed part of the real property and not severable wholly or in part without material injury to the freehold;

(4) All easements, all access, air and development rights, all minerals and oil, gas and other hydrocarbon substances, all royalties, all water, water rights and water stock, and all other rights, hereditaments, privileges, permits, licenses, franchises and appurtenances now or hereafter belonging or in any way appertaining to the Realty;

(5) All the rents, revenues, issues, profits and income of the Property, and all right, title and interest of Borrower in and to all present and future leases and other agreements for the occupancy or use of all or any part of the Realty, and all right, title and interest of Borrower thereunder, including without limitation all cash or security deposits, advance rentals and deposits or payments of similar nature, SUBJECT, HOWEVER, to the assignment of rents and other property to Lender herein contained.

(6) All of Borrower's right, title and interest in all tangible personal property used or useful in connection with the ownership, development, operation or maintenance of the buildings, improvements, and Realty, including without limitation, all permits, licenses and franchises with respect to the Property, the exclusive right to use of any trade names, all contract rights (including, but not limited to, architectural, engineering and management agreements), all accounts receivable, leases and rental agreements, escrow accounts, insurance policies, deposits (including but not limited to



tenant deposits), instruments, documents of title, general intangibles, and business records pertaining to the buildings, improvements and Realty excluding only cash on hand and in bank accounts.

(7) All of Borrower's right, title and interest in materials, supplies, and other goods, collectively referred to as "materials", now owned or hereafter acquired, wherever located, whether in the possession of the Borrower, warehouseman, bailee or any other person, purchased for use in the construction and redevelopment or furnishing of improvements on the said Realty together with any documents covering such materials, all contract rights and general intangibles relating to such materials, and proceeds of such materials, documents, contract rights, and general intangibles.

(8) All Borrower's right, title and interest in all site plans, plats, architectural plans, specifications, work drawings, surveys, engineering reports, test borings, market surveys, grading permits, building permits, government approvals and other work products relating to the development of the Property.

(9) All Borrower's rights under the construction contract (if any) relating to improvements on the Realty, and all amendments thereto, together with all of the right, title and interest of the Borrower in, to and under any and all performance, payment, completion or other surety bonds now or hereafter issued by any surety in connection with or related to the aforesaid construction contract, insofar as the same may be transferable by the Borrower without breach of the agreement or bond referred to.

TO SECURE THE FOLLOWING (collectively the "Secured Obligations"):

(1) Payment of the sum of THREE HUNDRED TWENTY FIVE THOUSAND DOLLARS (\$325,000.00), with Interest thereon, according to the terms and provisions of a Promissory Note dated on or about August, 1999, made by Borrower and payable to Lender, or order, together with any and all modifications, extensions, renewals and replacements thereof (collectively the "Note").

(2) Payment of all sums advanced to protect the security of this Deed of Trust, together with interest thereon as herein provided;

(3) The performance of the covenants and agreements of Borrower contained in a Loan Agreement between Borrower and Lender, dated of even date herewith;

(4) Payment of all other sums which are or which may become owing under the Loan Documents, specifically including extension fees; and

(5) Performance of all of Borrower's other obligations under the Loan Documents.



As used herein, the term "Loan Documents" means the Note, this Deed of Trust, any Loan Agreement and any Uniform Commercial Code Financing Statement executed in connection herewith, and any other instrument or document securing the Note or otherwise executed in connection therewith, together with all modifications, extensions, renewals and replacements thereof.

BORROWER HEREBY REPRESENTS, WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

ARTICLE 1
TITLE AND USE

1.1 Warranty of Title. Borrower covenants that it is lawfully seized of the estate hereby conveyed and has the right to grant, convey and assign the Property, subject to a First Deed of Trust in favor of Frontier Bank. Borrower further covenants that the Property is free from liens, encumbrances, exceptions and other charges of any kind whatsoever other than non-delinquent installments of taxes and assessments and the permitted exceptions, if any, listed on Exhibit "B" attached hereto; that no other liens, or encumbrances, whether superior or inferior to this Deed of Trust, will be created or suffered to be created by Borrower during the life of this Deed of Trust without the prior written consent of Lender (except as permitted under Article 9 below); that no default on the part of Borrower or any person exists under any of the permitted exceptions and, as applicable, all are in full force and effect and in good standing, without modification except as disclosed on Exhibit "B" attached; and Borrower will forever warrant and defend the Property unto Lender against all claims and demands of any person whomsoever, subject only to the non-delinquent installments of taxes and assessments and permitted exceptions. If applicable, as to any mortgages, Deeds of Trust, Real Estate Contracts or other liens identified on Exhibit "B" (herein "Liens"), Borrower expressly covenants and agrees as follows:

1.1.1 Complete and current copies of the agreements relating to those Liens have been furnished to Lender, and none of them have been or will be modified in any way without Lender's prior written consent.

1.1.2 Borrower is not in default with respect to those Liens and the outstanding balance of the lien, as set forth in Borrower's application for this loan or other document delivered to Lender, is accurate.

1.1.3 Borrower will fully comply with the terms of all agreements relating to the Liens and will deliver a copy of any notice of default or notice of non-performance with respect to those agreements to Lender.

1.1.4 Lender has the right to contact the holder of the Liens to confirm the status of the agreements pertaining to the Liens, and Borrower will, from time to time, at



the request of Lender, request of that lienholder a certificate stating that the agreements pertaining to the lien are in full force and effect, are unmodified, that no notice of default thereunder has been served on the Borrower, and specifying any defaults thereunder, if any.

1.2 Non-Agricultural Use. Borrower represents and warrants to Lender that the Property is not used principally for agricultural or farming purposes.

1.3 Hazardous Substances. Borrower hereby represents and warrants to Lender: (a) that no Hazardous Substance is currently being generated, stored or disposed of on, under or in the Property; (b) that neither Borrower nor, to the best of Borrower's knowledge, any other person or entity has ever caused or permitted any Hazardous Substance to be generated, placed, held, located or disposed of on, under or in the Property; and (c) that neither Borrower, nor to the best of Borrower's knowledge, has any other person or entity ever used the Property as a dump site, permanent or temporary storage site, or transfer station for any Hazardous Substance. Borrower further represents and warrants to Lender that Borrower has not received any notice of, nor is Borrower aware of, any actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, and that there is no action or proceeding pending before or appealable from any court, quasi-judicial body or administrative agency relating to Hazardous Substances affecting or alleged to be affecting the Property. As used herein, the term "Hazardous Substance" shall be interpreted broadly to include, but not be limited to, any hazardous, toxic or dangerous substance, waste or material which is or becomes regulated under any federal, state or local statute, ordinance, rule, regulation or other law now or hereafter in effect pertaining to environmental protection, contamination or clean up, including without limitation any substance, waste or material which now or hereafter is designated as hazardous in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §9601 et seq.), the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq., the Federal Water Pollution Control Act, 33 U.S.C. §1257 et seq., or the Clean Air Act, 42 U.S.C. §2001 et seq. Borrower agrees to hold harmless, indemnify and defend Lender from and against any claim, demand, penalty, fee, lien, damage, loss, expense or liability resulting from (i) any breach of this representation and warranty, including attorneys' fees and costs at, or in preparation for, any trial, appeal or review; and (ii) the clean-up of Hazardous Substances from the Property or any other properties resulting from any activities on the Property during Borrower's ownership, possession or control of the Property, which directly or indirectly result in the Property or any other property becoming contaminated with Hazardous Substances. This indemnity shall survive payment of the Loan in full or satisfaction of the Loan through foreclosure or otherwise. Nothing in this paragraph shall prejudice or impair the rights or claims of Borrower against any person or entity other than Lender with respect to the presence of Hazardous Substances as set forth above.



ARTICLE 2
BORROWER'S COVENANTS

2.1 Payment and Performance of Secured Obligations. Borrower will pay when due all sums which are now or which may become owing on the Note, and will pay and perform all other Secured Obligations, in accordance with their terms.

2.2 Payment of Taxes, Utilities, Liens and Charges.

2.2.1 Taxes and Assessments. Except as the same may otherwise be paid under Article 3 relating to reserves, Borrower will pay when due directly to the payee thereof all taxes and assessments (including without limitation, non-governmental levies or assessments such as maintenance charges, owner association dues or charges, or fees, levies or charges resulting from covenants, conditions or restrictions) levied, assessed or charged against or with respect to the Property or this Deed of Trust. Upon request, Borrower shall promptly furnish to Lender all notices of amounts due under this subparagraph and all receipts evidencing such payments.

2.2.2 Utilities. Borrower will pay when due all utility charges and assessments for services furnished to the Property.

2.2.3 Liens and Charges. Borrower will pay when due the claims of all persons supplying labor or materials to or in connection with the Property. Without waiving the restrictions of Article 4.1, Borrower will promptly discharge any lien or other charge, whether superior or inferior to this Deed of Trust, which may be claimed against the Property.

2.3 Insurance.

2.3.1 Coverages Required. Borrower will keep the following insurance coverages in effect with respect to the Property:

2.3.1.1 Insurance against loss by fire and the hazards now or hereafter embraced by the standard "extended coverage" form of insurance in an amount equal at all times to the full insurable value of the improvements then located on the Property. All such insurance coverage shall contain a "replacement cost endorsement" without reduction for depreciation, loss of rents and/or business interruption insurance coverage, an inflation coverage (referred to as a fluctuating value endorsement) and such other endorsements as Lender may reasonably request. All such endorsements shall be in form and substance satisfactory to Lender. The policy shall not contain a co-insurance clause.



2.3.1.2 Comprehensive public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Property in amounts and on terms acceptable to the Lender.

2.3.1.3 Flood insurance in an amount satisfactory to Lender and on terms satisfactory to Lender if the Property is located in a designated flood hazard area.

2.3.1.4 Insurance against such similar or other hazards, casualties, liabilities and contingencies, in such forms and amounts as Lender may from time to time reasonably require.

2.3.1.5 Builder's All Risk Insurance for the construction of the contemplated project naming Lender as an additional insured party. The coverage to be provided prior to commencement of construction.

2.3.2 Policies. Each insurance policy will be in a company and form acceptable to Lender. Each hazard insurance policy will include a Form 438BFU or equivalent mortgagee endorsement in favor of and in form acceptable to Lender. All required policies will provide for at least ten (10) days written notice to Lender prior to the effective date of any cancellation or material amendment, which term shall include any reduction in the scope or limits of coverage. Borrower shall furnish to Lender the original of each required insurance policy, or a certified copy thereof together with a certificate of insurance setting for the coverage, the limits of liability, the carrier, the policy number and the expiration date. As security for the Secured Obligations, Borrower hereby assigns to Lender all required insurance policies, together with all proceeds thereof, rights thereto and all unearned premiums returnable upon cancellation.

2.3.3 Payment; Renewals. Borrower shall promptly furnish to Lender all renewal notices relating to insurance policies. Except as the same may otherwise be paid under Article 3 relating to reserves, Borrower will pay all premiums on insurance policies directly to the carrier. At least thirty (30) days prior to the expiration date of each such policy, Borrower shall furnish to Lender a renewal policy in a form acceptable to Lender, together with evidence that the renewal premium has been paid.

2.3.4 Insurance Proceeds. In the event of any loss, Borrower will give prompt written notice thereof to the insurance carrier and Lender. Borrower hereby authorizes Lender as Borrower's attorney-in-fact to make proof of loss, to adjust and compromise any claim, to commence, appear in and prosecute, in Lender's or Borrower's name, any action relating to any claim, and to collect and receive insurance proceeds; provided, however, that Lender shall have no obligation to do so. Lender shall apply any insurance proceeds received by it hereunder first to the payment of the



costs and expenses incurred in the collection of the proceeds and then, in its absolute discretion and without regard to the adequacy of its security, to:

2.3.4.1 The payment of indebtedness secured hereby, whether then due and payable or not. Any such application of proceeds to principal on the Note shall not extend or postpone the due dates of the installment payments under the Note, or change the amounts thereof; or

2.3.4.2 The reimbursement of Borrower, under Lender's prescribed disbursement control procedures, for the cost of restoration or repair of the Property. Lender may, at its option, condition the reimbursement on Lender's approval on the plans and specifications of the reconstruction, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen, and such other evidence of costs, percentage completion of construction, application of payments and satisfaction of liens as Lender may reasonably require. Except to the extent that insurance proceeds are applied to payment of the indebtedness secured hereby under Article 2.3.4.1 above, nothing herein contained shall be deemed to excuse Borrower from restoring, repairing or maintaining the Property as provided in Article 2.4, regardless of whether or not there are insurance proceeds available or whether any such proceeds are sufficient in amount.

2.3.5 Transfer of Title. If the Property is sold pursuant to Article 8 or if Lender otherwise acquires title to the Property, Lender shall have all of the right, title and interest of Borrower in and to any insurance policies and unearned premiums thereon and in and to the proceeds resulting from any damage to the Property prior to such sale or acquisition.

2.4 Preservation and Maintenance of Property; Right of Entry.

2.4.1 Preservation and Maintenance. Borrower (i) will not commit or suffer any waste or permit any impairment or deterioration of the Property, (ii) will not abandon the Property, (iii) will restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its original condition, or such other condition as Lender may approve in writing, in the event of any damage, injury or loss thereto, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (iv) will keep the Property, including improvements, fixtures, equipment, machinery and appliances thereon, in good condition and repair and shall replace fixtures, equipment, machinery and appliances of the Property when necessary to keep such items in good condition and repair, and (v) will generally operate and maintain the Property in a manner to ensure maximum revenue.

2.4.2 Alterations. No newly constructed building or other improvement on the Realty will be structurally altered, removed or demolished, in whole or in part, which



cost is greater than Fifty Thousand Dollars (\$50,000.00) per portion of the Project, without Lender's prior written consent, which consent will not be unreasonably withheld, nor will any fixture or chattel covered by this Deed of Trust and adapted to the use and enjoyment of the Property be removed at any time without like consent unless actually replaced by an article of equal suitability, owned by Borrower, free and clear of any lien or security interest except such as may be approved in writing by Lender. No such consent will be required for any alterations previously approved by Lender under the Development Plan described in the Loan Agreement.

2.4.3 Right of Entry. Lender is hereby authorized to enter the Property, including the interior of any structures, at reasonable times and after reasonable notice, for the purpose of inspecting the Property and for the purpose of performing any of the acts it is authorized to perform hereunder.

2.5 Parking. If any part of the automobile parking areas included within the Property is taken by condemnation, or before said areas are otherwise reduced, Borrower will take all actions as are necessary to provide parking facilities in kind, size and location to comply with all governmental zoning and other regulations and all leases. Before making any contract for substitute parking facilities, Borrower will furnish to Lender satisfactory assurance of completion thereof free of liens and in conformity with all government zoning and other regulations.

2.6 Use of Property. Borrower will comply with all laws, ordinances, regulations and requirements of any governmental body, and all other covenants, conditions and restrictions, applicable to the Property, and pay all fees and charges in connection therewith. Unless required by applicable law or unless Lender has otherwise agreed in writing, Borrower will not allow changes in the use for which all or any part of the Property was intended at the time this Deed of Trust was executed. Borrower will not initiate or acquiesce in a change in the zoning classification of the Property without Lender's prior written consent.

2.7 Condemnation.

2.7.1 Proceedings. Borrower will promptly notify Lender of any action or proceeding relating to any condemnation or other taking (including without limitation change of grade), whether direct or indirect, of the Property or part thereof or interest therein, and Borrower will appear in and prosecute any such action or proceeding unless otherwise directed by Lender in writing. Borrower authorizes Lender, at Lender's option, as attorney-in-fact for Borrower, to commence, appear in and prosecute, in Lender's or Borrower's name, any action or proceeding relating to any such condemnation or other taking, and to settle or compromise any claim in connection with such condemnation or other taking; provided, however, that Lender shall have no obligation to do so. All awards, payments, damages, direct, consequential and otherwise, claims and proceeds thereof, in connection with any such condemnation or



other taking, or for conveyances in lieu of condemnation, are hereby assigned to Lender, and all proceeds of any such awards, payments, damages or claims shall be paid to Lender.

2.7.2 Application of Proceeds. Lender shall apply any such proceeds in the manner and upon the terms and conditions set forth in Article 2.3.4 relating to the application of insurance proceeds.

2.8 Protection of Lender's Security. Borrower will give notice to Lender of and will, at Borrower's sole expense, appear in and defend any action or proceeding that might affect the Property or title thereto or the interests of Lender or Trustee therein or the rights or remedies of Lender or Trustee. If any such action or proceeding is commenced or if Lender or Trustee is made a party to any such action or proceeding by reason of this Deed of Trust, or if Borrower fails to perform any obligation on its part to be performed hereunder, then Lender and/or Trustee, each in its own discretion, may make any appearances, disburse any sums, make any entries upon the Property and take any actions as may be necessary or desirable to protect or enforce the security of this Deed of Trust, to remedy Borrower's failure to perform its covenants (without, however, waiving any default by Borrower) or otherwise to protect Lender's or Trustee's interest. Borrower agrees to pay all loss, damage, costs and expenses, including reasonable attorneys' fees, of Lender and Trustee thus incurred. This paragraph shall not be construed to require Lender or Trustee to incur any expenses, make any appearances or take any actions.

2.9 Reimbursement of Lender's and Trustee's Expenses. All amounts disbursed by Lender and Trustee pursuant to Article 2.8 or any other provision of this Deed of Trust, with interest thereon at the rate then pertaining in the Note, shall be additional indebtedness of Borrower secured by this Deed of Trust. All such amounts shall be immediately due and payable and shall bear interest from the date of disbursement at the interest rate in effect on the Note from time to time, or at the maximum rate which may be collected from Borrower on such amounts by the payee thereof under applicable law if that is less.

2.10 Books and Records; Financial Statements. Borrower will keep and maintain at Borrower's address stated above, or such other place as Lender may approve in writing, books of accounts and records adequate to reflect correctly the results of the operation of the Property and copies of all written contracts, leases and other instruments which affect the Property. Such books and records, contracts, leases and other instruments shall be subject to examination, inspection and copying at any reasonable time by Lender. Borrower will furnish to Lender, from time to time but no more frequently than once a year, within sixty (60) days after the end of each fiscal year of Borrower or within sixty (60) days after written request by Lender, whichever is sooner, a balance sheet, a statement of income and expenses of the Property and a statement of changes in financial position, each in reasonable detail and certified as



correct by Borrower. Borrower will furnish, together with the foregoing financial statements and at any other time upon Lender's request, a rent schedule for the Property, certified by Borrower, showing the name of each tenant, and for each tenant, the space occupied, the lease expiration date, the rent payable and the rent paid. In addition, Borrower and any guarantor of the Note will furnish to Lender, within twenty (20) days after Lender's request therefor, a complete and current financial statement, in reasonable detail and certified as correct by Borrower or such partner or guarantor.

2.11 Hazardous Substances.

2.11.1 No Future Hazardous Substances. Borrower will not cause or permit the Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process any Hazardous Substance, except in compliance with all applicable federal, state and local statutes, ordinances, rules, regulations and other laws, nor shall Borrower cause or permit, as a result of any intentional or unintentional act or omission on the part of Borrower or any tenant, subtenant or other user or occupier of the Property, a release of any Hazardous Substance on the Property or onto any other property.

2.11.2 Compliance with Laws. Borrower will comply, and will cause all tenants, subtenants and other users and occupants of the Property to comply, with all federal, state and local laws, ordinances, rules and regulations and other laws and requirements pertaining to Hazardous Substances, and pay, or cause such tenants, subtenants and other users and occupants, to pay all fees and charges in connection therewith.

2.11.3 Notification of Lender. Borrower will promptly notify Lender of any violation of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, and will promptly furnish Lender with a copy of all notices, pleadings and other correspondence received by Borrower pertaining to any actual or alleged violation of any such statute, ordinance, rule, regulation or other law.

2.11.4 Right of Entry. Lender is hereby authorized to enter the Property, including the interior of any structures, at a reasonable time and after reasonable notice, for the purpose of inspecting the Property to ascertain the accuracy of all representations and warranties herein relating to Hazardous Substances, and the observance of all covenants herein relating thereto.

2.11.5 Indemnity. Borrower agrees to hold harmless, indemnify and defend Lender from and against any claim, demand, penalty, fee and lien, damage, loss, liability, cost or expense resulting from (i) any breach of this covenant, including attorneys' fees at and in preparation for any trial, appeal, or review; and (ii) the clean-up of Hazardous Substances from the Property or any other properties resulting from any activities on the Property during Borrower's ownership, possession or control of the



Property, which directly or indirectly result in the Property or any other property becoming contaminated with Hazardous Substances. This indemnity shall survive payment of the Loan in full or satisfaction of the Loan through foreclosure or otherwise. Nothing in this Article 2.11 shall prejudice or impair the rights or claims of Borrower against any person or entity other than Lender with respect to the presence of Hazardous Substances as set forth above.

ARTICLE 3 RESERVES

3.1 Deposits. Lender may require Borrower to deposit with Lender, in advance, such sums for real estate taxes, assessments, insurance premiums, charges and impositions in connection with Borrower or the Property as Lender reasonably deems necessary to protect Lender's interest (herein "Other Impositions"). Such deposits will not be required so long as no uncured Event of Default exists. Such sums for Other Impositions shall be deposited in a lump sum or in periodic installments, at Lender's option. If requested by Lender, Borrower will promptly deliver to Lender all bills and notices with respect to any rents, taxes, assessments, premiums and Other Impositions. Unless Borrower and Lender otherwise agree in writing, Lender shall not be required to pay Borrower any interest, earnings or profits on any sums deposited with Lender. All sums deposited with Lender under this Article 3.1 are hereby pledged as security for the Secured Obligations.

3.2 Application of Deposits. All such deposited sums shall be held by Lender and applied in such order as Lender elects to pay such rents, taxes, assessments, premiums and Other Impositions or, in the event of default hereunder, may be applied in whole or in part, to indebtedness secured hereby. The arrangement provided for in this Article 3 is solely for the added protection of Lender and entails no responsibility on Lender's part beyond the allowing of due credit, without interest, for the sums actually received by it. Upon any assignment of this Deed of Trust by lender, any funds on hand shall be turned over to the assignee and any responsibility of Lender with respect thereto shall terminate. Each transfer of the Property shall automatically transfer to the grantee all rights of Borrower with respect to any funds accumulated hereunder. Upon payment in full of the Secured Obligations, Lender shall promptly refund to Borrower the remaining balance of any deposits then held by Lender.

3.3 Adjustments to Deposits. If the total deposits held by Lender exceeds the amount deemed necessary by Lender to provide for the payment of such rents, taxes, assessments, premiums and Other Impositions as the same fall due, then such excess shall, provided no event of default then exists hereunder, be credited by Lender on the next due installment or installments of such deposits. If at any time the total deposits held by Lender is less than the amount deemed necessary by Lender to provide for the payment thereof as the same fall due, then Borrower will deposit the deficiency with



Lender within thirty (30) days after written notice to Borrower stating the amount of the deficiency.

3.4 Conditional Waiver. Notwithstanding any other provision of this Deed of Trust, Lender agrees that it will not require the payment of reserves as provided in this Article 3, so long as there is no delinquency in the payment of any taxes or assessments levied or assessed against the Property, nor any delinquency in the payment of the premiums for any insurance required under this Deed of Trust, and there is no other event of default under this Deed of Trust.

ARTICLE 4 RESTRICTIONS ON TRANSFER OR ENCUMBRANCE

4.1 Restrictions on Transfer or Encumbrance of the Property. Neither the Property nor any part thereof or interest therein shall be encumbered, sold (including sale by contract or installment sale), conveyed, or otherwise transferred either by Borrower or by operation of law (any of the foregoing being deemed a "sale"), without Lender's prior written consent, nor without Lender's prior written consent shall there be any change in the ownership of any member interests in Borrower, or in the ownership of any beneficial interests in any other Borrower which is not a natural person or persons. Any such action without Lender's prior written consent shall constitute an event of default hereunder and shall be deemed to increase the risk of Lender, and Lender may declare all sums secured hereby immediately due and payable or may at its sole option consent to such change in title, occupancy or ownership and increase the interest rate on the indebtedness secured hereby.

ARTICLE 5 UNIFORM COMMERCIAL CODE SECURITY AGREEMENT

5.1 Grant to Lender. This Deed of Trust constitutes a security agreement pursuant to the Uniform Commercial Code with respect to:

5.1.1 Any of the Property which, under applicable law, is not real property or effectively made part of the real property by the provisions of this Deed of Trust; and

5.1.2 Any and all other property now or hereafter described on any Uniform Commercial Code Financing Statement naming Borrower as Debtor and Lender as Secured Party and affecting property in any way connected with the use and enjoyment of the Property (any and all such other property constituting "Property" for purposes of this Deed of Trust); and Borrower hereby grants Lender a security interest in all property described in clauses 5.1.1 and 5.1.2 as security for the Secured Obligations. Borrower and Lender agree, however, that neither the foregoing grant of a security interest nor the filing of any such financing statement shall ever be construed as in any way derogating from the parties' hereby stated intention that everything used



in connection with the production of income from the Property or adapted for use therein or which is described or reflected in this Deed of Trust is and at all times shall be regarded for all purposes as part of the real property.

5.2 Lender's Rights and Remedies. With respect to the Property subject to the foregoing security interest, Lender has all of the rights and remedies (i) of a secured party under the Uniform Commercial Code, (ii) provided herein, including without limitation the right to cause such Property to be sold by Trustee under the power of sale granted by this Deed of Trust, and (iii) provided by law. In exercising its remedies, Beneficiary may proceed against the items of real property and any items of personal property separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies. Upon demand by Lender following an event of default thereunder, Borrower will assemble any items of personal property and make it available to Lender at the Property, a place which is hereby deemed to be reasonably convenient to both parties. Lender shall give Borrower at least five (5) days prior written notice of the time and place of any public sale or other disposition of such Property or of the time of or after which any private sale or any other intended disposition is to be made. Any person permitted by law to purchase at any such sale may do so. Such Property may be sold at any one or more public or private sales as permitted by applicable law. All expenses incurred in realizing on such Property shall be borne by Borrower.

ARTICLE 6

ASSIGNMENT OF RENTS AND LEASES; LEASES OF PROPERTY; APPOINTMENT OF RECEIVER; LENDER IN POSSESSION

6.1 Assignment of Rents and Leases. As part of the consideration for the indebtedness evidenced by the Note, and not as additional security therefor, Borrower hereby absolutely and unconditionally assigns and transfers to Lender all right, title and interest of Borrower in and to: (a) any and all present and future leases and other agreements for the occupancy or use of all or any part of the Property, and any and all extensions, renewals and replacements thereof (collectively "Leases"); (b) all cash or security deposits, advance rentals and deposits of a similar nature under the Leases; (c) any and all guarantees of tenants' or occupants' performances under any and all Leases, and all rents, issues, profits and revenues (collectively "Rents") now due or which may become due or to which Borrower may now or shall hereafter become entitled or may demand or claim (including Rents coming due during any redemption period), arising or issuing from or out of any and all Leases, including without limitation minimum, additional, percentage and deficiency rents and liquidated damages.

6.2 Collection of Rents. Prior to written notice given by Lender to Borrower of an event of default hereunder, Borrower shall have a license to, and will, collect and receive all Rents of the Property as Trustee for the benefit of Lender and Borrower, to apply the Rents so collected first to payment of taxes, assessments and other charges



on the Property prior to delinquency, second to the cost of insurance, maintenance and repairs required by the terms of this Deed of Trust, third to the costs of discharging any obligation or liability of Borrower under the Leases, and fourth to the indebtedness secured hereby, with the balance, if any, so long as no such event of default has occurred, to the account of Borrower. Upon delivery of written notice by Lender to Borrower of an event of default hereunder and stating that Lender exercises its rights to the Rents, and without the necessity of Lender entering upon and taking and maintaining full control of the Property in person, by agent or by a court-appointed receiver, Lender shall immediately be entitled to possession of all Rents from the Property as the same become due and payable, including without limitation Rents then due and unpaid, and all such Rents shall immediately upon delivery of such notice be held by Borrower as Trustee for the benefit of Lender only. Upon delivery of such written notice by Lender, Borrower hereby agrees to direct each tenant or occupant of the Property to pay all Rents to Lender on Lender's written demand therefor, without any liability on the part of said tenant or occupant to inquire further as to the existence of a default by Borrower; Borrower hereby authorizes Lender as Borrower's attorney-in-fact to make such direction to tenants and occupants upon Borrower's failure to do so as required herein. Payments made to Lender by tenants or occupants shall, as to such tenants and occupants, be in discharge of the payor's obligations to Borrower. Lender may exercise, in Lender's or Borrower's name, all rights and remedies available to Borrower with respect to collection of Rents. Nothing herein contained shall be construed as obligating Lender to perform any of Borrower's obligations under any of the Leases.

6.3 Borrower's Representations and Warranties. Borrower hereby represents and warrants to Lender that Borrower has not executed and will not execute any other assignment of said Leases or Rents (except as may be required by the Construction or Permanent Lender), that Borrower has not performed and will not perform any acts and has not executed and will not execute any instrument which would prevent Lender from exercising its rights under this Article 6, and that at the time of execution of the Deed of Trust there has been no anticipation or prepayment of any of the Rents of the Property for more than two (2) months prior to the due dates thereof. Borrower will execute and deliver to Lender such further assignments of rents and leases of the Property as Lender may from time to time request.

6.4 Leases of the Property. Borrower will comply with and observe Borrower's obligations as landlord under all Leases and will do all that is necessary to preserve all Leases in force and free from any right of counterclaim, defense or setoff. At Lender's request, Borrower will furnish Lender with executed copies of all Leases hereafter made and all Leases hereafter entered into will be on a form and in substance satisfactory to Lender. All leases will specifically provide that the tenant attorns to any person succeeding to the interest of Borrower upon any foreclosure of this Deed of Trust or conveyance in lieu thereof; such attornment shall be in such form as Lender may approve but shall provide that Tenant shall not have the right of setoff or defense to



payment of rents for any event or act that occurred prior to such successor obtaining title to Borrower's interest except to the extent such event or act is continuing at the time such successor obtains such title. Without Lender's written consent, Borrower will not collect or accept payment of any Rents of the Property more than two (2) months prior to the due dates thereof; will not execute, modify, surrender or terminate any Lease now existing or hereafter made providing for a term (including any renewal term[s]) of two (2) years or more, will not in any manner waive, discharge, release or modify the obligations of any tenant or other occupant of the Property under any Lease, or request or consent to the subordination of any Lease to any lien subordinate to this Deed of Trust.

6.5 Lender in Possession; Appointment of Receiver. Upon any event of default hereunder, Lender may, in person, by agent or by a court-appointed receiver, regardless of the adequacy of Lender's security, enter upon and take and maintain full control of the Property in order to perform all acts necessary and appropriate for the operation and maintenance thereof in the same manner and to the same extent as Borrower could do the same, including without limitation the execution, enforcement and performance of Borrower's obligations under the Loan Documents including, but not limited to the following: (1) obtaining of a construction loan to construct the Project, including the encumbering of the Property to secure such loan, (2) the execution of construction and other related contracts as may be necessary to enable Lender or receiver to cause the Project to be completed, (3) listing and sales agreements and conveyance documents to accomplish the sale of lots and/or the Project and (4) all other acts required to cause the Project to be completed as required and contemplated under these loan documents. The receiver may also collect all Rents of the Property, remove and evict tenants and other occupants, make alterations and repairs to the Property, and execute and terminate contracts providing for management or maintenance of the Property, all on such terms as are deemed best by Lender to protect the security of this Deed of Trust. From and after the occurrence of any such event of default, if any owner shall pay to Lender in advance on the first day of each month a reasonable rental for the space so occupied, and upon failure to do so Lender shall be entitled to remove such owner from the Property by any appropriate action or proceedings. Following an event of default hereunder, Lender shall be entitled (regardless of the adequacy of Lender's security) to the appointment of a receiver, Borrower hereby consenting to the appointment of such receiver, and the receiver shall have, in addition to all the rights and powers customarily given to and exercised by such receivers, all the rights and powers granted to Lender in this Article 6. Lender or the receiver shall be entitled to receive a reasonable fee for so managing the Property.

6.6 Application of Rents. All Rents collected subsequent to delivery of written notice by Lender to Borrower of an event of default hereunder shall be applied first to the costs, if any, of taking control of and managing the Property and collecting the Rents, including without limitation attorneys' fees, receiver's fees, premiums on receiver's bonds, costs of maintenance and repairs to the Property, premiums on



insurance policies, taxes, assessments and other charges on the Property, and the costs of discharging any obligation or liability of Borrower under the Leases, and then to the indebtedness secured hereby. Lender or the receiver shall be liable to account only for those Rents actually received. Lender shall not be liable to Borrower, anyone claiming under or through Borrower or anyone having an interest in the Property by reason of anything done or left undone by Lender under this Article 6.

6.7 Deficiencies. To the extent, if any, that the costs of taking control of and managing the Property, collecting the Rents, and discharging obligations and liabilities of Borrower under the Leases, exceed the Rents of the Property, the excess sums expended for such purposes shall be indebtedness secured by this Deed of Trust. Such excess sums shall be payable upon demand by Lender and shall bear interest from the date of disbursement at the default interest rate under the Note, or the maximum rate which may be collected from Borrower therefor under applicable law if that is less.

6.8 Lender Not Mortgagee in Possession. Nothing herein shall constitute Lender a "mortgagee in possession" prior to its actual entry upon and taking possession of the Property, entry upon and taking possession by a receiver not constituting possession by Lender.

6.9 Enforcement. Lender may enforce this assignment without first resorting to or exhausting any security or collateral for the indebtedness. This assignment shall terminate at such time as this Deed of Trust ceases to secure payment of indebtedness held by Lender.

ARTICLE 7 EVENTS OF DEFAULT

7.1 Events of Default. The occurrence of any one or more of the following shall constitute an event of default hereunder:

7.1.1 The failure by Borrower to make any payment promptly when due under the Note or any of the Loan Documents executed in connection with the Loan.

7.1.2 The material and continuing failure of Borrower to perform all of its obligations under any of the Loan Documents.

7.1.3 The fraud or malfeasance of Borrower in constructing the Project or in the use or application of any proceeds of the Note.

7.1.4 The falsity in any material respect of any representation or warranty by Borrower contained in the Loan Agreement or any other Loan Document.



7.1.5 The filing of a complaint for receivership against Borrower, or the filing of a voluntary or involuntary petition for bankruptcy or for reorganization (unless such complaint or petition is released or discharged within Forty-five (45) days of such filing), or Borrower voluntarily suspends its usual business.

7.1.6 An unauthorized lien or encumbrance is filed and is not removed or for which adequate security is not promptly provided by Borrower within the time frames set forth in the Loan Agreement.

ARTICLE 8 REMEDIES

8.1 Acceleration Upon Default; Additional Remedies.

8.1.1 Remedies. Borrower shall have Ten (10) days after receipt from Lender of written notice specifying a monetary default to cure such monetary default. Borrower shall have Thirty (30) days after receipt from Lender of written notice specifying a non-monetary default to cure such non-monetary default or, if such non-monetary default cannot be cured within such Thirty (30) days, then within Ninety (90) days, provided Borrower has promptly commenced and continues diligent efforts to cure the default. If there is an Event of Default which has not been cured within the applicable cure period, then Lender shall have all of the rights and remedies available to Lender against Borrower as are available to Lender as a creditor of Borrower under Washington law including, but not limited to, the right to declare the principal balance and accrued but unpaid Base Interest hereunder immediately due and payable.

In the event of default hereunder, Lender may, at its option and without notice to or demand upon Borrower, exercise any one or more of the following actions:

8.1.2 Declare any or all indebtedness secured by this Deed of Trust to be due and payable immediately.

8.1.3 Bring a court action to enforce the provisions of this Deed of Trust or any of the indebtedness or obligations, secured by this Deed of Trust.

8.1.4 Foreclose this Deed of Trust as a mortgage.

8.1.5 Cause any or all of the Property to be sold under the power of sale granted by this Deed of Trust in any manner permitted by applicable law.

8.1.6 Elect to exercise its rights with respect to the Leases and the Rents (notice of exercising this right will be given by Lender to Borrower).



8.1.7 Exercise any or all of the other rights and remedies provided for herein in the event of default hereunder.

8.1.8 Exercise any other right or remedy available under law or in equity.

8.2 Exercise of Power of Sale. For any sale under the power of sale granted by this Deed of Trust, Lender or Trustee shall record and give all notices required by law and then, upon the expiration of such time as is required by law, Trustee may sell the Property upon any terms and conditions specified by Lender and permitted by applicable law. Trustee may postpone any sale by public announcement at the time and place noticed for the sale. If the Property includes several lots or parcels, Lender in its discretion may designate their order of sale or may elect to sell all of them as an entirety. The Property, real, personal and mixed, may be sold in one parcel. To the extent any of the Property sold by the Trustee is personal Property, then Trustee shall be acting as the agent of the Lender in selling such Property. Any person permitted by law to do so may purchase at any sale. Upon any sale, Trustee will execute and deliver to the purchaser or purchasers a deed or deeds conveying the Property sold, but without any covenant or warranty, express or implied, and the recitals in the Trustee's deed showing that the sale was conducted in compliance with all the requirements of law shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrances for value.

8.3 Application of Sale Proceeds. The proceeds of any sale under this Deed of Trust will be applied in the following manner:

FIRST: Payment of the costs and expenses of the sale, including without limitation Trustee's fees, legal fees and disbursements, title charges and transfer taxes, and payment of all expenses, liabilities and advances of Trustee, together with interest on all advances made by trustee from date of disbursement at the applicable interest rate under the note from time to time.

SECOND: Payment of all sums expended by Lender under the terms of this Deed of Trust and not yet repaid, together with Base Interest on such sums from date of disbursement.

THIRD: Payment of all other indebtedness secured by this Deed of Trust in any order that the Lender chooses.

FOURTH: The remainder, if any, to the person or persons legally entitled to it.

8.4 Waiver of Order of Sale and Marshalling. Lender shall have the right to determine the order in which any or all portions of the secured indebtedness are satisfied from the proceeds realized upon the exercise of any remedies provided herein.



Borrower, any party who consents to this Deed of Trust and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof, hereby waives any and all right to require marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein, or to direct the order in which any of the Property will be sold in the event of any sale under this Deed of Trust.

8.5 Non-Waiver of Defaults. The entering upon and taking possession of the Property, the collection of rents or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the Property, and the application or release thereof as herein provided, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

8.6 Expenses During Redemption Period. If this Deed of Trust is foreclosed as a mortgage and the Property sold at a foreclosure sale, the purchaser may during any redemption period allowed, make such repairs or alterations on the Property as may be reasonably necessary for the proper operation, care, preservation, protection and insuring thereof. Any sums so paid together with interest thereon from the time of such expenditure at the default rate of interest in the Note shall be added to and become a part of the amount required to be paid for redemption from such sale.

8.7 Foreclosure Subject to Tenancies. Lender shall have the right at its option to foreclose this Deed of Trust subject to the rights of any tenant or tenants of the Property.

8.8 Remedies Cumulative. To the extent permitted by law, every right and remedy provided in this Deed of Trust is distinct and cumulative to all other rights or remedies under this Deed of Trust or afforded by law or equity or any other agreement between Lender and Borrower, and may be exercised concurrently, independently or successively, in any order whatsoever. Lender may exercise any of its rights and remedies at its option without regard to the adequacy of its security.

8.9 Lender's and Trustee's Expenses. Borrower will pay all of Lender's and Trustee's expenses incurred in any efforts to enforce any terms of this Deed of Trust, whether or not any suit is filed, including legal fees and disbursements, foreclosure costs and title charges. All such sums, with interest thereon, shall be additional indebtedness of Borrower secured by this Deed of Trust. Such sums shall be immediately due and payable and shall bear interest from the date of disbursement at the default rate of interest stated in the Note.



ARTICLE 9 GENERAL

9.1 Application of Payments. Except as applicable law or this Deed of Trust may otherwise provide, all payments received by Lender under the Note or this Deed of Trust shall be applied by Lender in the following order of priority: (a) Lender's and Trustee's expenses incurred in any efforts to enforce any terms of this Deed of Trust; (b) interest payable on advances made to protect the security of this Deed of Trust; (c) principal of such advances; (d) accrued Base Interest payable on the Note; (e) principal of the Note; and (f) any other sums secured by this Deed of Trust in such order as Lender, at its option, may determine; provided, however, that Lender may, at its option, apply any such payments received to interest or principal of the Note prior to applying such payments to interest or principal advances made to protect the security of this Deed of Trust.

9.2 Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all Notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled thereto. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Such person or persons shall pay Trustee's reasonable costs incurred in so reconveying the Property.

9.3 Successor Trustee. In accordance with applicable law, Lender may from time to time appoint a successor Trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor Trustee shall succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

9.4 Lender's Powers. Without affecting the liability of any person for payment or performance of the secured obligations, Lender, at its option, may extend the time for payment of the indebtedness secured hereby or any part thereof, reduce payment thereon, release anyone liable on any of said indebtedness, accept a renewal note or notes therefor, modify the terms and time of payment of the indebtedness, release the lien of this Deed of Trust on any part of the Property, take or release other or additional security, release or reconvey or cause to be released or reconveyed all or any part of the Property or consent and/or cause Trustee to consent to the making of any map or plat of the Property, consent or cause Trustee to consent to the granting of any easement or creating any restriction on the Property, or join or cause Trustee to join in any subordination or other agreement affecting this Deed of Trust or the lien or charge hereof. Borrower shall pay Lender a reasonable service charge, together with such title insurance premiums and attorneys' fees as may be incurred at Lender's option, for any such action if taken at Borrower's request.



9.5 Subrogation. Lender shall be subrogated for further security to the lien, although released of record, of any and all encumbrances discharged, in whole or in part, by the proceeds of the Note or any other indebtedness secured hereby.

9.6 No Violation of Usury Laws. Interest, fees and charges collected or to be collected in connection with the indebtedness secured hereby shall not exceed the maximum, if any, permitted by any applicable law. If any such law is interpreted so that said interest, fees and/or charges would exceed any such maximum and Borrower is entitled to the benefit of such law, then: (a) such interest, fees and/or charges shall be reduced by the amount necessary to reduce the same to the permitted maximum; and (b) any sums already paid to Lender which exceeded the permitted maximum will be refunded. Lender may choose to make the refund either by treating the payments, to the extent of the excess, as prepayments of principal or by making a direct payment to the person[s] entitled thereto. The provisions of this paragraph shall control over any inconsistent provision of this Deed of Trust or the Note or any other Loan Documents.

9.7 Additional Documents; Power of Attorney. Borrower, from time to time, will execute, acknowledge and deliver to Lender upon request, and hereby irrevocably appoints Lender its attorney-in-fact to execute, acknowledge, deliver and if appropriate file and record, such security agreements, assignments for security purposes, assignments absolute, financing statements, affidavits, certificates and other documents, in form and substance satisfactory to Lender, as Lender may request in order to perfect, preserve, continue, extend or maintain the assignments herein contained, the lien and security interest under this Deed of Trust and the priority thereof. Borrower will pay to Lender upon request therefor all costs and expenses incurred in connection with the preparation, execution, recording and filing of any such document.

9.8 Waiver of Statute of Limitations. To the full extent Borrower may do so, Borrower hereby waives the right to assert any statute of limitations as a defense to the enforcement of the lien of this Deed of Trust or to any action brought to enforce the Note or any other obligation secured by this Deed of Trust.

9.9 Forbearance by Lender not a Waiver. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy, and no waiver by Lender of any particular default by Borrower shall constitute a waiver of any other default or of any similar default in the future. Without limiting the generality of the foregoing, the acceptance by Lender of payment of any sums secured by this Deed of Trust after the due date thereof shall not be a waiver of Lender's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust, nor shall Lender's



receipt of any awards, proceeds or damages under Articles 2.3 and 2.7 hereof operate to cure or waive Borrower's default in payment of sums secured by this Deed of Trust.

9.10 Modifications and Waivers. This Deed of Trust cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

9.11 Notice. Except as applicable law may otherwise require, all notices and other communications shall be in writing and shall be deemed given when delivered by personal service or when mailed, by certified or registered mail, postage prepaid, addressed to the address set forth at the beginning of this Deed of Trust. Any party may at any time change its address for such purposes by delivering or mailing to the other parties hereto as aforesaid a notice of such change.

9.12 Governing Law, Severability; Captions. This Deed of Trust shall be governed by the laws of the State of Washington. If any provision or clause of this Deed of Trust conflicts with applicable law, such conflicts shall not affect other provisions or clauses hereof which can be given effect without the conflicting provision, and to this end the provisions hereof are declared to be severable. The captions and headings of the paragraphs and articles of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

9.13 Definitions. As used herein: the term "Borrower" means the Borrower herein named, together with any subsequent owner of the Property or any part thereof or interest therein; the term "Trustee" means the Trustee herein named, together with any successor Trustee; and the term "Lender" means the Beneficiary herein named, together with any subsequent owner or holder of the Note or any interest therein, including pledgees, assignees and participants.

9.14 Successors and Assigns Bound; Agents. This Deed of Trust shall bind and inure to the benefit of the parties hereto and their respective heirs, devisees, legatees, administrators, executors, successors and assigns. In exercising any rights hereunder or taking actions provided for herein, Lender and Trustee may act through their respective employees, agents or independent contractors as authorized by Lender and Trustee.

9.15 Number; Gender. This Deed of Trust shall be construed so that wherever applicable the use of the singular number shall include the plural number, and vice versa, and the use of any gender shall be applicable to all genders.

9.16 Time. Time is of the essence in connection with all obligations of Borrower herein.

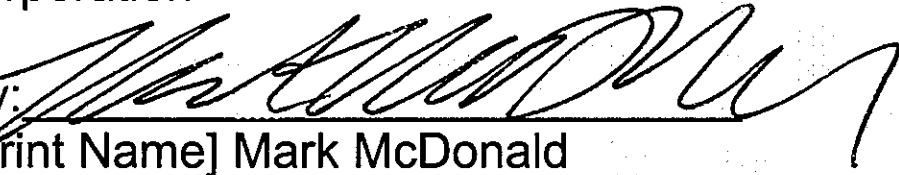


9.17 Request for Notice. Borrower hereby requests that a copy of any notice of default and notice of sale hereunder be mailed to it at its address set forth at the beginning of this Deed of Trust.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust as of the date first above written.

BORROWER:

NWCC INVESTMENTS, INC., a Washington corporation

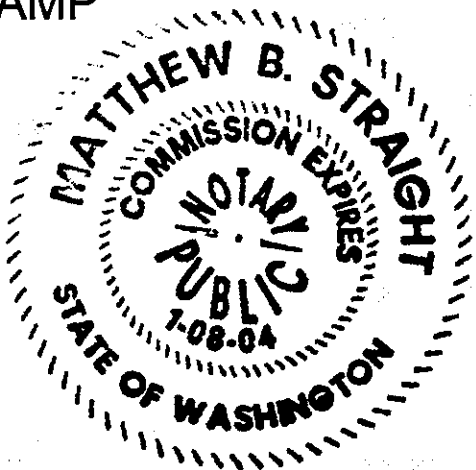
By: 
[Print Name] Mark McDonald
Its: President

STATE OF WASHINGTON)
)
COUNTY OF KING) ss.

I certify that I know or have satisfactory evidence that Mark McDonald 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 President of NWCC INVESTMENTS, Inc., to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: May 16, 2001.

SEAL/STAMP





[Print Name:] Matthew B. Straight
NOTARY PUBLIC for the State of Washington
Residing at Bellevue
My Appointment Expires: Jan 8, 2004



EXHIBIT "A"
LEGAL DESCRIPTION

The land referred to in this Deed of Trust is situated in the State of Washington, County of Skagit, and is described as follows:

The West 168 feet of Tract 9 of "PLAT OF MOUNT VERNON ACREAGE, SKAGIT COUNTY, WASHINGTON", as per plat recorded in Volume 3 of Plats, page 102, records of Skagit County, and the North 29.5 feet of the East 100 feet of the West 268 feet of said Tract 9, "PLAT OF MOUNT VERNON ACREAGE".

TOGETHER WITH a non-exclusive easement for ingress and egress over and across the South 29.5 feet of the West 268 feet of Tract 8, of said "PLAT OF MOUNT VERNON ACREAGE".



EXHIBIT "B"

PERMITTED EXCEPTIONS

1. Deed of Trust in favor of Frontier Bank, AF#9903120105.
2. Agreement, AF#9903120106.
3. Assignment of Leases, AF#9903120107.
4. Subordination Agreements, AF#9903120108, 9903120109, 9903190049, 9903120111 and 9903120112.
5. Financing Statement, AF#9903120113 and 9903150058.

