

RECORDING REQUESTED BY:



200302030253  
Skagit County Auditor

AND WHEN RECORDED MAIL TO:

2/3/2003 Page 1 of 4 3:22PM

STOEL RIVES LLP  
600 University Street, Suite 3600  
Seattle, WA 98101-3197

Attn.: Virginia M. Pedreira

FIRST AMERICAN TITLE CO.

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

b9090

FIRST AMENDMENT TO LEASEHOLD DEED OF TRUST

Reference No. of Related  
Document:

200206040067

NAME OF GRANTOR:

ADVANCED H2O, INC.

NAME OF GRANTEE:

COMERICA BANK-CALIFORNIA

ABBREVIATED

LEGAL

DESCRIPTION:

LOT 22, "HOPPER ROAD BUSINESS PARK"

ASSESSOR'S  
PROPERTY TAX  
PARCEL ACCOUNT  
NUMBERS:

8025-000-022-0000 (P-116595)  
5002382 (L109760)

THIS FIRST AMENDMENT TO LEASEHOLD DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING (WITH ASSIGNMENT OF RENTS AND LEASES) (this "Amendment") is dated as of January 9, 2003, by ADVANCED H2O, INC., a Washington corporation ("Grantor"), with FIRST AMERICAN TITLE INSURANCE COMPANY, as Trustee, and COMERICA BANK-CALIFORNIA, a California banking corporation, as Beneficiary ("Beneficiary").

## RECITALS

A. Grantor executed for the benefit of Beneficiary that certain Leasehold Deed of Trust, Security Agreement and Fixture Filing (with Assignment of Rents and Leases) dated May 31, 2002, and recorded on June 4, 2002, in the Official Records of Skagit County, Washington, as Auditor's Instrument No. 200206040067 (the "**Deed of Trust**"), encumbering Grantor's fee and leasehold interests in the real property described in Exhibit A of the Deed of Trust (the "**Property**"). Capitalized terms used but not otherwise defined herein shall have the meanings given in the Deed of Trust.

B. The Deed of Trust was executed in connection with certain credit facilities extended to Grantor pursuant to the terms and conditions of that certain Loan and Security Agreement by and between Grantor and Beneficiary dated as of May 31, 2002, as amended by the Second Amendment thereto (the "**Loan and Security Agreement**").

C. Grantor and Beneficiary have agreed to further amend the terms of the Loan and Security Agreement pursuant to the terms of that certain Third Amendment to Loan and Security Agreement and Limited Waiver dated January 9, 2003 (the "**Third Amendment to LSA**"), to provide for, among other things, (i) an increase in the Revolving Facility to a credit limit of up to the principal amount of Two Million Five Hundred Thousand Dollars (\$2,500,000) and extension of the maturity date of such Revolving Facility, and (ii) the extension of a term loan (the "**Term Loan**") to Grantor in an amount not to exceed One Million Three Hundred Thousand Dollars (\$1,300,000).

NOW, THEREFORE, Grantor and Beneficiary hereby agree as follows:

1. Confirmation of Deed of Trust. Grantor hereby acknowledges and confirms that the Deed of Trust, as amended hereby, currently encumbers all of the Property as a valid and first priority lien for each of the debts and obligations therein set forth, and that Grantor has no offset or defense thereto.

2. Obligations Secured. The Deed of Trust is hereby amended to provide that, in addition to the obligations and other sums owing under the Deed of Trust as secured thereby, the Deed of Trust shall be granted to also secure (1) all amounts owing under the Revolving Facility as increased and amended, (2) all amounts owing under the Term Loan, and (3) all obligations and amounts owing by Grantor under the Loan and Security Agreement as amended by the Third Amendment to LSA and as may be further amended from time to time. For the purpose of securing the foregoing, Grantor hereby conveys and warrants to First American Title Insurance Company, as Trustee, in trust with power of sale, without affecting or impairing the continuing validity or original priority of the Deed of Trust as amended hereby, all of the Property and other collateral described in the Deed of Trust as security for the increased obligations described herein, subject to the terms and obligations set forth in the Deed of Trust.

3. Reaffirmation. Except as expressly set forth herein, the Deed of Trust shall remain unmodified and in full force and effect, and Grantor hereby reaffirms each and every of the terms and provisions of the Deed of Trust, as originally set forth therein, as to the fee and leasehold interests encumbered by the lien of the Deed of Trust.



4. Entire Agreement. This Amendment contains the entire agreement of Grantor and Beneficiary with respect to this amendment of the Deed of Trust and supersedes all previous oral and written discussions and agreements with respect to such amendment, and the Deed of Trust and this Amendment may not be further modified except through the execution of a subsequent written agreement by Grantor and Beneficiary or their respective successors or assigns.

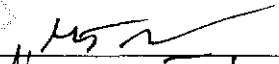
5. Counterparts. This document may be executed in two or more original counterparts which, when combined, shall constitute one original document.

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, Grantor and Beneficiary have executed and delivered this Amendment as of the date first above written.


GRANTOR:

ADVANCED H2O, INC., a Washington corporation

By   
Printed Name: Michael T. Allen  
Its: CFO

BENEFICIARY:

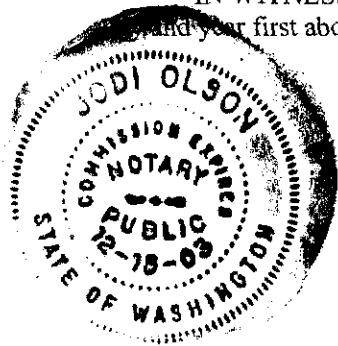
COMERICA BANK-CALIFORNIA, a California  
banking corporation

By   
Printed Name: JEFF ROBERTS  
Its: Vice President

STATE OF WASHINGTON )  
 )ss.  
COUNTY OF King )

On this 9th day of January, 2003, before me personally appeared Michael Allen to me known to be the CEO of ADVANCED H2O, INC., the Washington 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 was authorized to execute said instrument and that the seal affixed, if any, 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.



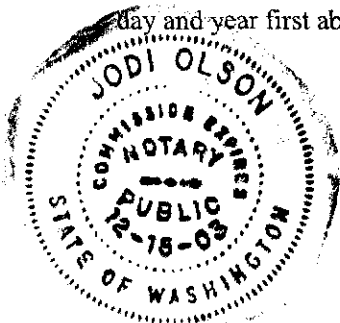
Signature: [Signature]  
Name: (print) Jodi Olson

NOTARY PUBLIC in and for the State  
of Washington, residing at Seattle  
My appointment expires: 12/15/03

STATE OF WASHINGTON )  
 )ss.  
COUNTY OF King )

On this 9th day of January, 2003, before me personally appeared Jeffrey Roberts to me known to be the VP of COMERICA BANK-CALIFORNIA, the California banking corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said banking corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument on behalf of said banking corporation.

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



Seattle-3169694.1 0045043-00054

Signature: [Signature]  
Name: (print) Jodi Olson

NOTARY PUBLIC in and for the State  
of Washington, residing at Seattle  
My appointment expires: 12/15/03

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200302030253  
Skagit County Auditor