

Return Address
DAVID GUMAER, P.S.
9 S. Washington, Suite 215
Spokane, WA 99201



200411290184
Skagit County Auditor

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1141555A

LAND TITLE OF SKAGIT COUNTY

ASSIGNMENT OF LEASES AND CASH COLLATERAL

Reference #: 200411290164 Additional on page
Grantor: WILLIAM D. SAHNOW and MELANIE F. SAHNOW, husband and wife
Additional on page SKAGIT COUNTY WASHINGTON
Grantee: Northwest Business Development Association REAL ESTATE EXCISE TAX
Additional on page NOV 29 2004

Legal Description:

Lots 7-12, Blk.6, 1st to Anac.
Lots 8-10, Blk.6, Stewart's 1st

Amount Paid
By Skagit Co. Treasurer Deputy

FOR A FULL LEGAL DESCRIPTION, SEE EXHIBIT "C" ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE.

Tax Parcel Nos.: 3788-006-012-0005, 3788-006-009-0000,
3833-006-008-0006, 3833-006-010-0002

THIS ASSIGNMENT is made by WILLIAM D. SAHNOW and MELANIE F. SAHNOW, husband and wife (hereinafter referred to as "Assignor"), whose mailing address is 2219 Commercial Avenue, Anacortes, Washington 98221, in favor of NORTHWEST BUSINESS DEVELOPMENT ASSOCIATION, a Washington nonprofit corporation, (hereinafter referred to as "Assignee"), with a mailing address of 9 S. Washington, Suite 215, Spokane, Washington 99201.

WITNESSETH:

FOR VALUE RECEIVED, Assignor does hereby ABSOLUTELY AND IMMEDIATELY SELL, ASSIGN, TRANSFER, CONVEY, SET OVER and DELIVER unto Assignee any and all existing and future leases (including subleases thereof), whether written or oral, and all future agreements for use and occupancy, and any and all extensions, renewals and replacements thereof, upon all or relating to any part of the premises described more particularly described above (the "Premises"), together with all buildings and improvements thereon. The identified Leases, if any, are either presently existing or future leases, and are as shown in Schedule 1, which is attached hereto and incorporated by reference as if fully set forth at this point. All such leases, subleases, tenancies,

agreements, extensions, renewals and replacements are hereinafter collectively referred to as the "Leases".

TOGETHER with any and all guaranties of tenant's performance under any and all of the Leases.

TOGETHER with the immediate and continuing right to collect and receive all of the rents, income, receipts, revenues, issues, profits and other income of any nature now due or which may become due or to which Assignor may now or shall hereafter (including any income of any nature coming due during any redemption period) become entitled to or may make demand or claim for, arising or issuing from or out of the Leases or from or out of the Premises or any part thereof, including, but not limited to, minimum rents, additional rents, percentage rents, parting or common area maintenance contributions, tax and insurance contributions, deficiency rents and liquidated damages following default in any Lease, and all proceeds payable under any policy of insurance covering loss of rents resulting from untenability caused by destruction or damage to the Premises, together with any and all rights and claims of any kind which Assignor may have against any tenant under the Leases or any subtenants or occupants of the Premises (all such monies, rights and claims described in this paragraph being hereinafter called "Cash Collateral"), EXCEPTING THEREFROM, any sums which by the express provisions of any of the Leases are payable directly to any governmental authority or to any other person, firm or corporation other than the landlord under the Leases.

TO HAVE AND TO HOLD the same unto the Assignee, its sublessors and assigns forever, or for such shorter period as hereinafter may be indicated.

SUBJECT, however, to a license hereby granted by Assignee to Assignor, but limited as hereinafter provided, to collect and receive all of the Cash Collateral.

FOR THE PURPOSE OF SECURING the payment of the indebtedness evidenced by a certain Promissory Note of even date herewith, made by Assignor payable to the order of Assignee in the amount of Three Thousand Ninety Six Dollars (\$396,000.00) and presently held by Assignee, including any extensions, modifications and renewals thereof and any supplemental note or notes increasing such indebtedness, as well as the payment, observance, performance and discharge of all other obligations, covenants, conditions and warranties contained in a Deed of Trust of even date herewith (hereinafter called "Mortgage") made by Assignor, recorded in the real property records of Skagit County, Washington, and in any extensions, modifications, supplements and consolidations thereof, covering the Premises and securing the Note and supplemental notes, if any (hereinafter collectively called the "Note" and "Mortgage").



TO PROTECT THE SECURITY OF THIS AGREEMENT
IT IS COVENANTED AND AGREED AS FOLLOWS:

1. Assignor's warranties re Leases and Cash Collateral.
That Assignor represents and warrants:

- a. that it has good right, title and interest in and to the Leases and Cash Collateral hereby assigned and good right to assign the same, and that no other person, partnership entity or corporation has any right, title or interest therein;
- b. that Assignor has duly and punctually performed all and singular the terms, covenants, conditions and warranties of the Leases on Assignor's part to be kept, observed and performed;
- c. that the identified Leases, if any, and all other existing Leases are valid and unmodified except as indicated herein and are in full force and effect;
- d. that, except for a Deed of Trust dated February 24, 2004, and recorded February 26, 2004, under Skagit County Auditor's File No. 200402260188 previously granted to Whidbey Island Bank, Assignor has not previously sold, assigned, transferred, mortgaged, pledged or granted a security interest in the Cash Collateral from the Premises, whether now due or hereafter to become due;
- e. that none of the Cash Collateral due and issuing from the Premises or from any part thereof has been collected for any period in excess of one (1) month from the date hereof, and that payment of any of same has not otherwise been anticipated, waived, released, discounted, set off or otherwise discharged or compromised;
- f. that Assignor has not received any funds or deposits from any tenant for which credit has not already been made on account of accrued Cash Collateral;
- g. that the tenants under the identified Leases, if any, are not in default of any of the terms thereof.

2. Assignor's Covenants of Performance. That Assignor covenants and agrees:

- a. to observe, perform and discharge, duly and punctually, all and singular the obligations,



terms, covenants, conditions and warranties of the Note and Mortgage, of the identified Leases, if any, and of all future Leases affecting the Premises on the part of Assignor to be kept, observed and performed; and to give prompt notice to Assignee of any failure on the part of Assignor to observe, perform and discharge same;

- b. to notify and direct in writing each and every present or future tenant or occupant of the Premises or any part thereof that any security deposit or other deposits heretofore delivered to Assignor have been retained by Assignor or assigned and delivered to Assignee as the case may be;
- c. to enforce (upon notice to Assignee) the performance of each and every obligation, term, covenant, condition and agreement in the Leases by any tenant to be performed, and to notify Assignee of the occurrence of any default under the Leases;
- d. to appear in and defend any action or proceeding arising under, occurring out of, or in any manner connected with the Leases or the obligations, duties or liabilities of Assignor or any tenant thereunder at the expense of Assignor;
- e. to pay all costs and expenses of Assignee, including attorneys' fees in a reasonable sum in any action or proceeding in which Assignee may appear in connection herewith;
- f. to, except for the Deed of Trust and other documents to Whidbey Island Bank, above described, neither create nor permit any lien, charge or encumbrance upon its interest as lessor of the Leases except the lien of the Mortgage or as provided in the Mortgage.

Assignor further covenants and agrees that this Assignment creates and constitutes an equitable and specific lien upon the aforesaid Cash Collateral, and that this Assignment does not create or constitute a pledge of or conditional security interest in such Cash Collateral.

3. Prior Approval for Actions Affecting Leases. That Assignor, without the prior written consent of the Assignee, further covenants and agrees:

- a. not to receive or collect any Cash Collateral from any present or future tenant of the Premises or any part thereof for a period of more than one (1)



month in advance (whether in cash or by promissory note) nor pledge, transfer, mortgage, grant a security interest in, or otherwise encumber or assign future payments of Cash Collateral (except as previously granted to Whidbey Island Bank);

- b. not to waive, forgive, excuse, condone, discount, set off, compromise, or in any manner release or discharge any tenant under any Leases of the Premises of and from any obligations, covenants, conditions and agreements by tenant to be kept, observed and performed, including the obligation to pay the Cash Collateral thereunder in the manner and at the place and time specified therein;
- c. not to cancel, terminate or consent to any surrender of any of the Leases, nor commence any action of ejectment or any summary proceedings for dispossession of the tenant under any of the Leases, nor exercise any right of recapture of the Premises provided in any Leases, nor modify or in any way alter the terms thereof;
- d. not to lease any part of the Premises, nor renew or extend the term of the Leases of the Premises unless an option therefor was originally, so reserved by tenants in the Leases or a fixed and definite rental;
- e. not to relocate any tenant within the Premises nor consent to any modification of the express purposes for which the Premises have been leased, nor consent to any subletting of the Premises or any part thereof, or to any assignment of the Leases by any tenant thereunder or to any assignment or further subletting of any sublease.

4. Rejection of Leases. That Assignor further covenants and agrees as follows:

- a. that in the event any tenant under the Leases should become the subject of any proceeding under the Federal Bankruptcy Act or any other federal, state or local statute which provides for the possible termination or rejection of the Leases assigned hereby, Assignor covenants and agrees that in the event any of the Leases are so rejected, no damage settlement shall be made without the prior written consent of the Assignee;



b. that any check in payment of damages for rejection or termination of any such Lease will be made payable both to the Assignor and Assignee;

c. Assignor hereby assigns any such payment to Assignee and further covenants and agrees that upon request of Assignee, it will duly endorse to the order of Assignee any such check, the proceeds of which will be applied to any portion of the indebtedness secured by this Assignment in such manner as Assignee may elect.

5. Default Deemed Default Under Note and Mortgage. That in the event any representation or warranty herein of Assignor shall be found to be untrue or Assignor shall default in the observance or performance of any obligation, term, covenant, condition or warranty herein, then in each such instance, the same shall constitute and be deemed to be a default under the Note and Mortgage, thereby entitling Assignee to declare all sums secured thereby and hereby immediately due and payable and to exercise any and all of the rights and remedies provided thereunder and herein, as well as those provided by law.

6. License to Collect Cash Collateral. That as long as there shall exist no default by Assignor in the payment of any indebtedness secured hereby or in the observance and performance of any other obligation, term, covenant or condition or warranty herein or in the Note and Mortgage or contained in the Leases, Assignor shall have the right under a license granted hereby (but limited as provided in the following paragraph) to collect, but not prior to accrual, all of the Cash Collateral arising from or out of said Leases or any renewals, extensions and replacements thereof, or from or out of the Premises or any part thereof, and Assignor shall receive such Cash Collateral and hold the Cash Collateral, together with the right and license herein granted as a trust fund to be applied, and Assignor hereby covenants to so apply them, as required by Assignee, first to the payment of taxes and assessments upon said Premises before penalty or interest is due thereon; second to the costs of insurance, maintenance and repairs required by the terms of said Mortgage; third to satisfaction of all obligations under the Leases and fourth, to the payment of interest, principal and any other sums becoming due under the Note and Mortgage, before using any part of the same for any other purposes.

7. Performance and Termination of License. That upon the conveyance by Assignor and its successors and assigns of the fee title of the Premises, all right, title, interest and powers granted under the License aforesaid shall automatically pass to and may be exercised by each subsequent owner; and that upon or at any time after default in the payment of any indebtedness secured hereby or in the observance or performance of any obligation, term, covenant, condition or warranty contained herein, in the



Note and Mortgage or in the Leases, Assignee, at its option and without notice, shall have the complete right, power and authority hereunder to exercise and enforce any or all of the following rights and remedies at any time:

- a. to terminate the license granted to Assignor to collect the Cash Collateral without taking possession, and to demand, collect, receive, sue for, attach and levy against the Cash Collateral in Assignee's name; to give proper receipts, releases and acquittance therefor; and after deducting all necessary and proper costs and expenses of operation and collection as determined by Assignee, including reasonable attorneys' fees, to apply the net proceeds thereof, together with any funds of Assignor deposited with Assignee, upon any indebtedness secured hereby and in such order as Assignee may determine;
- b. to declare all sums secured hereby immediately due and payable and, at its option, exercise all or any of the rights and remedies contained in the Note and Mortgage or other instrument given to secure the indebtedness secured hereby;
- c. without regard to the adequacy of the security or the solvency of Assignor, with or without any action or proceeding through any person, agent, trustee or receiver under the Mortgage, or by a receiver to be appointed by court, and without regard to Assignor's possession, to enter upon, take possession of manage and operate the Premises or any part thereof; make, modify, enforce, cancel or accept surrender of any Leases now or hereafter in effect on said Premises or any part thereof remove and evict any tenant; increase or decrease rents; decorate, clean and repair; and otherwise do any act or incur any costs or expenses as Assignee shall deem proper to protect the security hereof, as fully and to the same extent as Assignee could do if in possession; and in such event, to apply the Cash Collateral so collected in such order as Assignee shall deem proper to the operation and management of said Premises, including the payment of reasonable management, brokerage and attorneys' fees; payment of the indebtedness under the Note and Mortgage and payment to a reserve fund for replacements, which fund shall not bear interest;
- d. require Assignor to transfer all security deposits to Assignee, together with all records evidencing such deposits.



Assignor further agrees and covenants that for the purposes hereinbefore enumerated in this paragraph, Assignee shall have constructive possession, whether or not it is in actual possession, in order to effectuate such purposes, and in no event shall Assignee accrue any liability by reason of such constructive possession. Assignee shall not be required to give notice or make demand to Assignor or any tenants under then existing Leases of its actions to effectuate such purposes.

Provided, however, that the acceptance by Assignee of this Assignment with all of the rights, powers, privileges and authority so created shall not, prior to entry upon taking possession of said Premises by Assignee, be deemed or construed to constitute Assignee a "Mortgagee in Possession" nor thereafter or at any time or in any event obligate Assignee to appear in or defend any action or proceeding relating to the Leases or the Premises, or to take any action hereunder, or to extend any money or incur any expenses or perform or discharge any obligation, duty or liability under the Leases, or to assume any obligation or responsibility for any security deposits or other deposits delivered to Assignor by any tenant thereunder and not assigned and delivered to Assignee; nor shall Assignee be liable in any way for any injury or damage to person or property sustained by any person or persons, firm or corporation in or about the Premises; and

Provided further that the collection of the Cash Collateral and application as aforesaid and/or the entry upon and taking possession of the Premises shall not cure or waive any default; waive, modify or affect any notice of default required under the Note and Mortgage; or invalidate any act done pursuant to such notice. The enforcement of any right or remedy by Assignee once exercised shall continue until Assignee shall have collected and applied such Cash Collateral as may be necessary to cure the then existing default and for so long thereafter as Assignee may, in its sole discretion, deem necessary to secure the indebtedness. Although the original default be cured and the exercise of any such right or remedy be discontinued, the same or any other right or remedy hereunder shall not be exhausted and may be reasserted at any time and from time to time following any subsequent default. The rights and powers conferred upon Assignee hereunder are cumulative of and not in lieu of any other rights and powers otherwise granted Assignee.

8. Appointment of Attorney. That Assignor hereby constitutes and appoints Assignee its true and lawful attorney, coupled with an interest and in the name, place and stead of Assignor to subordinate at any time and from time to time, any Leases affecting the Premises or any part thereof to the lien of the hereinbefore described Mortgage or any other mortgage of any kind encumbering the Premises, or to any ground lease of the Premises; and to request or require such action where such



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option or authority was reserved to Assignor under any such Leases or in any case where Assignor otherwise would have the right, power or privilege so to do. This appointment is to be irrevocable and continuing and these rights, powers and privileges shall be exclusive in Assignee, its successors and assigns as long as any part of the indebtedness secured hereby shall remain unpaid. Assignor hereby warrants that it has not, at any time prior to the date hereof exercised any right to subordinate any such Lease to the Mortgage or to any other mortgage of any kind, or ground lease and further covenants not to exercise any such right.

9. Indemnification. That Assignor hereby agrees to indemnify and hold Assignee harmless from any and all liability, loss, damage or expense which Assignee may incur under or by reason of this Assignment; or for any action taken by Assignee hereunder; or by reason or in defense of any and all claims and demands whatsoever which may be asserted against Assignee arising out of the Leases, including but not limited to, any claims by any tenants of credit for rental for any period under any Leases more than one (1) month in advance of the due date thereof and security deposits paid to and received by Assignor but not delivered to Assignee. Should Assignee incur any such liability, loss, damage or expense, the amount thereof (including reasonable attorneys' fees) with interest thereon at the default rate specified in the Note shall be payable by Assignor immediately without demand, and shall be secured as a lien hereby and by said Mortgage.

10. Records. That until the indebtedness secured hereby shall have been paid in full, Assignor shall deliver to Assignee, in the event Assignee consents in writing thereto, executed copies of any and all renewals of existing Leases and future Leases upon all or any part of the Premises, and will transfer and assign such Leases upon the same terms and conditions as herein contained. Assignor hereby covenants and agrees to make, execute and deliver unto Assignee, upon demand and at any time, any and all assignments and other records and instruments, including but not limited to, rent rolls, tenant financial statements and books of account sufficient for the purpose that Assignee may deem to be advisable for carrying out the purposes and intent of this Assignment.

11. No Waiver. That the failure of Assignee to avail itself of any of the terms, covenants and conditions of this Assignment for any period of time or at any time shall not be construed or deemed to be a waiver of any such right, and nothing herein contained nor anything done or omitted to be done by Assignee pursuant hereto shall be deemed a waiver by Assignee of any of its rights and remedies under the Note and Mortgage or of the benefit of the laws of the state in which the said Premises are situated. The rights of Assignee to collect the said indebtedness, to enforce any other security therefor, or to enforce any other right or remedy hereunder may be exercised by Assignee, either prior to,



simultaneously with or subsequent to, any such other action hereinbefore described, and shall not be deemed an election of remedies.

12. Primary Security. That this Assignment of Leases and Cash Collateral is absolute, unconditional and primary in nature to the obligation evidenced and secured by the Note, Mortgage and any other document given to secure and collateralize the indebtedness secured hereby. Assignor further agrees that Assignee may enforce this Assignment without first resorting to or exhausting any other security or collateral; however, nothing herein contained shall prevent Assignee from suing on the Note, foreclosing the Mortgage, or exercising any other right or remedy under any other document evidencing or collateralizing the indebtedness secured hereby.

13. Merger. That (i) the fact the Leases or the leasehold estate created thereby may be held directly or indirectly, by or for the account of any person or entity which shall have an interest in the fee estate of the Premises, (ii) the operation of the law or (iii) any other event shall not merge any Leases or the leasehold estates created thereby with the fee estate in the Premises as long as any of the indebtedness secured hereby and by the Note and Mortgage shall remain unpaid, unless Assignee shall consent in writing to such merger.

14. Termination of Assignment. That upon payment in full of all of the indebtedness evidenced by the Note and secured by the Mortgage and payment of all sums payable hereunder, this Assignment shall be void and of no effect; and no judgment or decree entered as to said indebtedness shall operate to abrogate or lessen the effect of this Assignment until such indebtedness has actually been paid; but the affidavit, certificate, letter or statement of any officer of Assignee showing that any portion of said indebtedness or sums remains unpaid, shall be and constitutes conclusive evidence of the validity, effectiveness and continuing force of this Assignment. Any person, firm or corporation may and is hereby authorized by Assignor to rely on such affidavit, certificate, letter or statement. A demand by Assignee of any tenant for payment of Cash Collateral by reason of any default claimed by Assignee shall be sufficient direction to said tenant to make future payments of Cash Collateral to Assignee without the necessity for further consent by or notice to Assignor.

15. Notice. That all notices, demands, requests or documents of any kind which Assignee may be required or may desire to serve upon Assignor hereunder shall be sufficiently delivered by delivering same to Assignor personally; by leaving a copy of same addressed to Assignor at the address appearing hereinabove, or by Assignee depositing a copy of same in a regularly maintained receptacle of the United States mails, postage prepaid, certified or registered mail, addressed to Assignor at said address. Notices, demands, requests and documents given in such manner



shall be deemed sufficiently delivered, served or given for all purposes hereunder at the time such notice, demand, request or document shall have been delivered to or mailed as hereinbefore provided to the addressee. Rejection or refusal to accept, or inability to deliver because of changed address, of which no notice of changed address was given, shall constitute delivery of any such notice, demand or request to the addressee. Any party hereto may, by delivery of notice to the other party, designate a different address.

16. Assignment Binds Successor. That the terms, covenants, conditions and warranties contained herein and the powers granted hereby shall run with the land and shall inure to the benefit of, and bind all parties hereto and their respective heirs, successors and assigns; all tenants and their subtenants and assigns; and all subsequent owners of the Premises and subsequent holder of the Note and Mortgage.

17. Additional Rights and Remedies. In addition to, but not in lieu of, any other rights hereunder, Assignee shall have the right to institute suit and obtain a protective or mandatory injunction to prevent a breach or default of, or to enforce the observation by such Assignor of the agreements, covenants, terms any condition contained herein, and shall have the right to attorneys' fees, costs, expenses, and ordinary and punitive damages occasioned by any such breach or default by Assignor.

18. Location of Performance. Assignor expressly agrees that this Assignment is performable at Skagit County, Washington; waives the right to be sued elsewhere; and agrees and consents to the jurisdiction of any court of competent jurisdiction located in Skagit County, Washington.

19. Severability. If any provision of this Assignment or the application thereof to any entity, person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Assignment and the application of such provisions to other entities, persons or circumstances all not be affected thereby, and shall be enforced to the greatest extent permitted by law.

20. Entire Agreement. This Assignment contains the entire agreement concerning the Assignment of Leases and Cash Collateral between the parties hereto. No variations, modifications or changes herein or hereof shall be binding upon any party hereto unless set forth in a document duly executed by or on behalf of such party.

21. Construction. Whenever used herein, whenever the context so requires, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders. The word "Mortgage" as used herein shall mean Mortgage, Deed of Trust, Trust Deed, Security Deed or Deed to Secure Debt.



All obligations of each Assignor hereunder shall be joint and several.

22. Multiple Counterparts. This instrument may be executed in multiple counterparts, all of which shall be deemed originals and with the same effect as if all parties hereto had signed the same document. All of such counterparts shall be construed together and shall constitute one instrument, but in making proof, it shall only be necessary to produce one such counterpart.

23. Governing Law. The parties agree that Federal law or the law of the State of Washington shall govern the performance and enforcement of this Assignment.

IN WITNESS WHEREOF, Assignor has executed this Assignment this
23rd day of November, 2004.

WILLIAM D. SAHNOW AND
MALANIE F. SAHNOW, husband and
wife

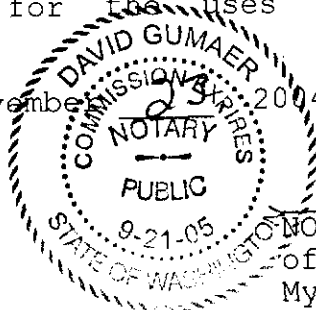
William D. Sahn
WILLIAM D. SAHNOW

MELANIE F. SAHNOW

STATE OF WASHINGTON)
) ss.
County of Skagit)

I certify that I know or have satisfactory evidence that William D. Sahnaw and Melanie F. Sahnaw, husband and wife, signed this instrument on oath and stated that they are authorized to execute the instrument and acknowledged it to be their free and voluntary act for the uses and purposes mentioned in the instrument.

DATED: November 29, 2004.



NOTARY PUBLIC in and for the State
of Washington, residing at Spokane.
My appoin



Schedule 1 - Leases

(1) Lease dated March 5, 2004, and which commenced March 1, 2004, between William D. Sahnou and Melanie F. Sahnou, husband and wife, Lessor, and RAP Investments, Inc., a Washington corporation, Lessee, whereby Lessor leases to Lessee the premises at 2219 Commercial Avenue, Anacortes, Washington 98221.


WILLIAM D. SAHNOU

November 23, 2004


MELANIE F. SAHNOU

November 23, 2004

DESCRIPTION:

PARCEL "A":

Lots 10, 11 and 12, Block 6, "FIRST ADDITION TO THE CITY OF ANACORTES, SKAGIT CO., WASHINGTON," as per plat recorded in Volume 1 of Plats, page 24, records of Skagit County, Washington.

Situate in the City of Anacortes, County of Skagit, State of Washington.

PARCEL "B":

Lots 7, 8 and 9, Block 6, "FIRST ADDITION TO THE CITY OF ANACORTES, SKAGIT CO., WASHINGTON," as per plat recorded in Volume 1 of Plats, page 24, records of Skagit County, Washington.

Situate in the City of Anacortes, County of Skagit, State of Washington.

PARCEL "C":

Lots 8, 9 and 10, Block 6, "STEWART'S FIRST ADDITION TO THE CITY OF ANACORTES", as per plat recorded in Volume 2 of Plats, page 14, records of Skagit County, Washington.

Situate in the City of Anacortes, County of Skagit, State of Washington.



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