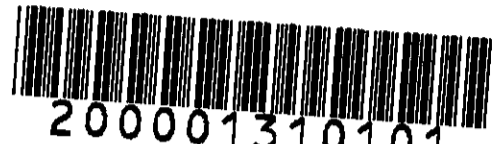


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Kathy Hill, Skagit County Auditor
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When recorded return to:
HORIZON BANK
211 E. Holly
P.O. Box 608
Bellingham, Washington 98226

Grantor:
SCI PROPERTIES, L.L.C.

Grantee:
HORIZON BANK

Legal Description:
Lots 23-25, inc. BSP No.SW-01-93(Sunset Industrial Park)and Lot 13,Sedro Acreage
* Additional legal description is on page _____ of document.

Assessor's Property Tax Parcel or Account Number:

- 8003-000-023-0002
- 8003-000-024-0003
- 8003-000-025-0004
- 4170-000-013-0001

LAND TITLE COMPANY OF SKAGIT COUNTY *pg 0159E*

(Space above this line for recording purposes)

ASSIGNMENT OF LEASES AND RENTS As Security for a Loan From HORIZON BANK

1. DATE AND PARTIES. The date of this Assignment of Leases and Rents (Agreement) is January 28, 2000, and the parties are the following:

OWNER/BORROWER:

SCI PROPERTIES, L.L.C.
a Washington Limited Liability Company
601 W. State
Sedro-Woolley, Washington 98284
Tax I.D. # 91-1961921

SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax
PAID

JAN 31 2000

BANK:

HORIZON BANK
a WASHINGTON banking corporation
211 E. Holly
P.O. Box 608
Bellingham, Washington 98226
Tax I.D. # 91-0141935

Amount Paid \$
Skagit County Treasurer
Deputy/
By: *[Signature]*

2. OBLIGATIONS DEFINED. The term "Obligations" is defined as and includes the following:

- A. A promissory note, No. 106000002, (Note) dated January 28, 2000, and executed by SCI PROPERTIES, L.L.C. (Borrower) payable in monthly payments to the order of Bank, which evidences a loan (Loan) to Borrower in the amount of \$1,350,000.00, plus interest, and all extensions, renewals, modifications or substitutions thereof.

- B. All future advances by Bank to Borrower, to Owner, to any one of them or to any one of them and others (whether or not this Agreement is specifically referred to in the evidence of indebtedness with regard to such future and additional indebtedness).
- C. All additional sums advanced, and expenses incurred, by Bank for the purpose of insuring, preserving or otherwise protecting the Collateral (as herein defined) and its value, and any other sums advanced, and expenses incurred by Bank pursuant to this Agreement, plus interest at the same rate provided for in the Note computed on a simple interest method.
- D. All other obligations, now existing or hereafter arising, by Borrower owing to Bank to the extent the taking of the Collateral (as herein defined) as security therefor is not prohibited by law, including but not limited to liabilities for overdrafts, all advances made by Bank on Borrower's, and/or Owner's, behalf as authorized by this Agreement and liabilities as guarantor, endorser or surety, of Borrower to Bank, due or to become due, direct or indirect, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several, or joint and several.
- E. Borrower's performance of the terms in the Note or Loan, Owner's performance of any terms in this Agreement, and Borrower's and Owner's performance of any terms in any deed of trust, any trust deed, any trust indenture, any mortgage, any deed to secure debt, any security agreement, any other assignment, any construction loan agreement, any loan agreement, any assignment of beneficial interest, any guaranty agreement or any other agreement which secures, guaranties or otherwise relates to the Note or Loan.

However, this security interest will not secure another debt:

- A. if Bank fails to make any disclosure of the existence of this security interest required by law for such other debt.
3. BACKGROUND. The Loan is secured by, but is not limited to, a deed of trust (Deed of Trust) dated January 28, 2000, on the following described property (Property) situated in SKAGIT County, WASHINGTON, to-wit:
SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.
4. ASSIGNMENT OF LEASES AND RENTS. Owner grants, bargains, sells, conveys, assigns and transfers to Bank as additional security all the right, title and interest in and to any and all:
- A. Existing or future leases, subleases, licenses, guaranties of performance of any party thereunder and any other written or verbal agreements for the use and occupancy of any portion of the Property, including any extensions, renewals, modifications or substitutions of such agreements (all referred to as "Leases").
 - B. Rents, issues and profits (all referred to as "Rents"), including but not limited to security deposits, minimum rent, percentage rent, additional rent, common area maintenance charges, parking charges, real estate taxes, other applicable taxes, insurance premium contributions, liquidated damages following default, cancellation premiums, "loss of rents" insurance, guest receipts, revenues, royalties, proceeds, bonuses, accounts, contract rights, general intangibles, and all rights and claims which Owner may have that in any way pertains to or is on account of the use or occupancy of the whole or any part of the Property.

In the event any item listed as Leases or Rents is determined to be personal property, this Agreement will also be regarded as a security agreement.

5. COLLECTION OF RENT. Owner may collect, receive, enjoy and use the Rents so long as Owner is not in default. Except for one lease period's rent, Owner will not collect in advance any Rents due in future lease periods, unless Owner first obtains Bank's written consent. Upon default, Owner will receive any Rents in trust for Bank and Owner will not commingle the Rents with any other funds. Any amounts collected shall be applied at Bank's discretion first to costs of managing, protecting and preserving the Property, and to any other necessary related expenses including Bank's court costs. Any remaining amounts shall be applied to reduce the Obligations. Owner agrees that this assignment is immediately effective between the parties to this Agreement and effective as to third parties on the recording of this Agreement, and this assignment will remain effective during any redemption period until the Obligations are satisfied. When the Property is not farm land or the homestead of Owner or Owner's successor in interest, Owner agrees that Bank is entitled to notify Owner or Owner's tenants to make payments of Rents due or to become due directly to Bank after such recording, however Bank agrees not to notify Owner's tenants until Owner defaults and Bank notifies Owner of the default and demands that Owner and Owner's tenants pay all Rents due or to become due directly to Bank. Owner consents to Owner's tenants paying all Rents due or to become due directly to Bank after Bank makes this notification and demand to Owner. When the Property is farm land or the homestead of Owner or Owner's successor in interest, Bank may not enforce this assignment by taking possession of the Property for the purpose of collecting Rents, but Bank may seek the appointment of a receiver to take charge of the Property, collect the Rents from non-homestead Property, and apply the Rents under this Agreement. On receiving the notice of default, Owner will endorse and deliver to Bank any payments of Rents.
6. APPLICATION OF COLLATERAL PROCEEDS. Any Rent or other payments received or to be received by virtue of the Collateral, will be applied to any amounts Borrower owes Bank on the Obligations and shall be applied first to costs and expenses, then to accrued interest and the balance, if any, to principal except as otherwise required by law.
7. WARRANTIES AND COVENANTS. To induce Bank to extend credit by entering into the Obligations, Owner makes the following warranties and covenants:
- A. Owner has good title to the Leases, Rents, and Property and the right to grant, bargain, sell, convey, assign



- and transfer to Bank as additional security the Leases and Rents, and no other person has any right in the Leases and Rents.
- B. Owner has recorded the Leases as required by law or as otherwise prudent for the type and use of the Property.
 - C. No default exists under the Leases, and the parties subject to the Leases have not violated any applicable law on leases, licenses and landlords and tenants. Owner, at its sole cost and expense, will keep, observe and perform, and require all other parties to the Leases to comply with the Leases and any applicable law. If Owner or any party to the Lease defaults or fails to observe any applicable law, Owner will promptly notify Bank of this noncompliance.
 - D. When any Lease provides for an abatement of Rents due to fire, flood or other casualty, Owner will insure against this risk of loss with a policy satisfactory to Bank.
 - E. Owner will promptly provide Bank with copies of the Leases and will certify these Leases are true and correct copies. The existing Leases will be provided on execution of the Agreement, and all future Leases and any other information with respect to these Leases will be provided immediately after they are executed.
 - F. Immediately after execution of this Agreement, Owner will notify all current and future tenants and others obligated under the Leases of Bank's right to the Leases and Rents, and will request that they immediately pay all future Rents directly to Bank when Owner or Bank demand them to do so. However, Owner does not need to provide this notice when the Property is farm land or the homestead of Owner or Owner's successor in interest.
 - G. When Bank requests, Owner will provide to Bank an accounting of Rents, prepared in a form acceptable to Bank, subject to generally accepted accounting principles in effect when such statements are made, and certified by Owner or Owner's accountant to be current, true, accurate and complete as of the date requested by Bank.
 - H. Owner has not sublet, modified, extended, canceled, or otherwise altered the Leases, or accepted the surrender of the Property covered by the Leases (unless the Leases so required), nor will Owner do so without Bank's written consent.
 - I. Owner has not assigned, compromised, subordinated or encumbered the Leases and Rents, and will not do so without Bank's prior written consent.
 - J. Owner will not enter into any future Leases without prior written consent from Bank and at Bank's request. Owner will execute and deliver such further assurances and assignments as to these future Leases as Bank requires from time to time.
 - K. Owner will not sell or remove any personal property on the Property, unless Owner replaces this personal property with like kind for the same or better value.
 - L. Owner will appear in and prosecute its claims or defend its title to the Leases and Rents against any claims that would impair Owner's interest under this Agreement, and on Bank's request, Owner will also appear in any action or proceeding in the name and on behalf of Bank. Owner will pay Bank for all costs and expenses, including reasonable attorneys' fees, incurred by Bank for appearing in any action or proceeding related to the Leases or Rents. Owner agrees to assign to Bank, as requested by Bank, any right, claims or defenses which Owner may have against parties who supply labor or materials to improve or maintain the leaseholds subject to the Leases and/or the Property.
 - M. Bank does not assume or become liable for the Property's maintenance, depreciation, or other losses or damages when Bank acts to manage, protect or preserve the Property, except for losses or damages due to Bank's gross negligence or intentional torts. Otherwise, Owner will indemnify Bank and hold Bank harmless for any and all liability, loss or damage that Bank may incur when Bank opts to exercise any of its remedies against tenants or others obligated under the Leases.
 - N. Owner will not cause or permit the leasehold estate under the Leases to merge with Owner's reversionary interest, and agrees that the Leases shall remain in full force and effect regardless of any merger of the Owner's interests and of any merger of the interests of Owner and of tenants and other parties obligated under the Lease.
 - O. Bank will be the creditor of each tenant and of anyone else obligated under the Leases who is subject to an assignment for the benefit of creditors, an insolvency, a dissolution or a receivership proceeding, or a bankruptcy.
 - P. If Owner becomes subject to a voluntary or involuntary bankruptcy, then Owner agrees that Bank is entitled to receive relief from the automatic stay in bankruptcy for the purpose of making this Agreement effective and enforceable under state and federal law and within Owner's bankruptcy proceedings.

8. EVENTS OF DEFAULT. Owner shall be in default upon the occurrence of any of the following events, circumstances or conditions (Events of Default):
- A. Failure by any party obligated on the Obligations to make payment when due; or
 - B. A default or breach by Borrower, Owner or any co-signer, endorser, surety, or guarantor under any of the terms of this Agreement, the Note, any construction loan agreement or other loan agreement, any security agreement, mortgage, deed to secure debt, deed of trust, trust deed, or any other document or instrument evidencing, guarantying, securing or otherwise relating to the Obligations; or
 - C. The making or furnishing of any verbal or written representation, statement or warranty to Bank which is or becomes false or incorrect in any material respect by or on behalf of Owner, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
 - D. Failure to obtain or maintain the insurance coverages required by Bank, or insurance as is customary and



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- proper for the Collateral (as herein defined); or
- E. The death, dissolution or insolvency of, the appointment of a receiver by or on behalf of, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against Owner, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
 - F. A good faith belief by Bank at any time that Bank is insecure with respect to Borrower, or any co-signer, endorser, surety or guarantor, that the prospect of any payment is impaired or that the Collateral (as herein defined) is impaired; or
 - G. Failure to pay or provide proof of payment of any tax, assessment, rent, insurance premium, escrow or escrow deficiency on or before its due date; or
 - H. A material adverse change in Owner's business, including ownership, management, and financial conditions, which in Bank's opinion, impairs the Collateral or repayment of the Obligations; or
 - I. A transfer of a substantial part of Owner's money or property.
9. **REMEDIES ON DEFAULT.** At the option of Bank, all or any part of the principal of, and accrued interest on, the Obligations shall become immediately due and payable without notice or demand, upon the occurrence of an Event of Default or at any time thereafter. In addition, upon the occurrence of an Event of Default or at any time thereafter by Grantor under the Deed of Trust, Bank, at Bank's option, shall have the right to exercise any or all of the following remedies:
- A. To continue to collect directly and retain Rent in Bank's name without taking possession of the Property and to demand, collect, receive, and sue for the Rent, giving proper receipts and releases, and, after deducting all reasonable expenses of collection, apply the balance as legally permitted to the Note, first to accrued interest and then to principal.
 - B. To recover reasonable attorneys' fees to the extent not prohibited by law.
 - C. To declare the Obligations immediately due and payable, and, at Bank's option, exercise any of the remedies provided by law, the Note, the Deed of Trust or this Agreement.
 - D. To seek appointment of a receiver to exercise the following powers and duties, to the extent not prohibited by law: to enter upon, take possession of, manage and operate all or any part of the Property; make, modify, enforce or cancel any Leases; evict any Lessee; increase or reduce Rent; decorate, clean and make repairs; and do any act or incur any cost the receiver shall deem proper to protect the Property as fully as Owner could do, and to apply any funds collected from the operation of the Property in such order as the receiver may deem proper, including, but not limited to, payment of the following: operating expenses, management, brokerage, attorneys' and accountants' fees, the Obligations, and toward the maintenance of reserves for repair or replacement.

The collection and application of the Rent or the entry upon and taking possession of the Property as set out in this section shall not cure or waive any default, or modify or waive any notice of default under the Note, Deed of Trust or this Agreement, or invalidate any act done pursuant to such notice. The enforcement of such remedy by Bank, once exercised, shall continue for so long as Bank shall elect, notwithstanding that such collection and application of Rent may have cured the original default. If Bank shall thereafter elect to discontinue the exercise of any such remedy, the same or any other remedy under the law, the Note, Deed of Trust or this Agreement may be asserted at any time and from time to time following any subsequent default. The word "default" has the same meaning as contained within the Note or any other instrument evidencing the Obligations, and the Deed of Trust, or any other document securing, guarantying or otherwise relating to the Obligations.

In addition, upon the occurrence of any Event of Default, Bank shall be entitled to all of the remedies provided by law, the Note and any related loan documents. Bank is entitled to all rights and remedies provided at law or equity whether or not expressly stated in this Agreement. By choosing any remedy, Bank does not waive its right to an immediate use of any other remedy if the event of default continues or occurs again.

10. **ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES.**

A. As used in this paragraph:

- (1) "Environmental Law" means, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA", 42 U.S.C. 9601 et seq.), all federal, state and local laws, regulations, ordinances, court orders, attorney general opinions or interpretive letters concerning the public health, safety, welfare, environment or a Hazardous Substance (as defined herein).
- (2) "Hazardous Substance" means any toxic, radioactive or hazardous material, waste, pollutant or contaminant which has characteristics which render the substance dangerous or potentially dangerous to the public health, safety, welfare or the environment. The term includes, without limitation, any substances defined as "hazardous material," "toxic substances," "hazardous waste" or "hazardous substance" under any Environmental Law.

B. Owner represents, warrants and agrees that:

- (1) Except as previously disclosed and acknowledged in writing to Bank, no Hazardous Substance has been, is or will be located, transported, manufactured, treated, refined, or handled by any person on, under or about the Property except in the ordinary course of business and in strict compliance with all applicable Environmental Law.



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- (2) Except as previously disclosed and acknowledged in writing to Bank, Owner has not and shall not cause, contribute to or permit the release of any Hazardous Substance on the Property.
- (3) Owner shall immediately notify Bank if: (a) a release or threatened release of Hazardous Substance occurs on, under or about the Property or migrates or threatens to migrate from nearby property; or (b) there is a violation of any Environmental Law concerning the Property. In such an event, Owner shall take all necessary remedial action in accordance with any Environmental Law.
- (4) Except as previously disclosed and acknowledged in writing to Bank, Owner has no knowledge of or reason to believe there is any pending or threatened investigation, claim, or proceeding of any kind relating to (a) any Hazardous Substance located on, under or about the Property or (b) any violation by Owner or any tenant of any Environmental Law. Owner shall immediately notify Bank in writing as soon as Owner has reason to believe there is any such pending or threatened investigation, claim, or proceeding. In such an event, Bank has the right, but not the obligation, to participate in any such proceeding including the right to receive copies of any documents relating to such proceedings.
- (5) Except as previously disclosed and acknowledged in writing to Bank, Owner and every tenant have been, are and shall remain in full compliance with any applicable Environmental Law.
- (6) Except as previously disclosed and acknowledged in writing to Bank, there are no underground storage tanks, private dumps or open wells located on or under the Property and no such tank, dump or well shall be added unless Bank first agrees in writing.
- (7) Owner will regularly inspect the Property, monitor the activities and operations on the Property, and confirm that all permits, licenses or approvals required by any applicable Environmental Law are obtained and complied with.
- (8) Owner will permit, or cause any tenant to permit, Bank or Bank's agent to enter and inspect the Property and review all records at any reasonable time to determine: (a) the existence, location and nature of any Hazardous Substance on, under or about the Property; (b) the existence, location, nature, and magnitude of any Hazardous Substance that has been released on, under or about the Property; (c) whether or not Owner and any tenant are in compliance with any applicable Environmental Law.
- (9) Upon Bank's request, Owner agrees, at Owner's expense, to engage a qualified environmental engineer to prepare an environmental audit of the Property and to submit the results of such audit to Bank. The choice of the environmental engineer who will perform such audit is subject to the approval of Bank.
- (10) Bank has the right, but not the obligation, to perform any of Owner's obligations under this paragraph at Owner's expense.
- (11) As a consequence of any breach of any representation, warranty or promise made in this paragraph, (a) Owner will indemnify and hold Bank and Bank's successors or assigns harmless from and against all losses, claims, demands, liabilities, damages, cleanup, response and remediation costs, penalties and expenses, including without limitation all costs of litigation and reasonable attorneys' fees, which Bank and Bank's successors or assigns may sustain; and (b) at Bank's discretion, Bank may release this Agreement and in return Owner will provide Bank with collateral of at least equal value to the Property secured by this Agreement without prejudice to any of Bank's rights under this Agreement.
- (12) Notwithstanding any of the language contained in this Agreement to the contrary, the terms of this paragraph shall survive any foreclosure or satisfaction of any deed of trust, mortgage or any obligation regardless of any passage of title to Bank or any disposition by Bank of any or all of the Property. Any claims and defenses to the contrary are hereby waived.

11. TERM. This Agreement shall remain in effect until the Obligations are fully and finally paid. Upon payment in full of all such indebtedness, Bank shall execute a release of this Agreement upon Owner's request.

12. GENERAL PROVISIONS.

- A. TIME IS OF THE ESSENCE. Time is of the essence in Owner's performance of all duties and obligations imposed by this Agreement.
- B. NO WAIVER BY BANK. Bank's course of dealing, or Bank's forbearance from, or delay in, the exercise of any of Bank's rights, remedies, privileges or right to insist upon Owner's strict performance of any provisions contained in this Agreement, or other loan documents, shall not be construed as a waiver by Bank, unless any such waiver is in writing and is signed by Bank.
- C. AMENDMENT. The provisions contained in this Agreement may not be amended, except through a written amendment which is signed by Owner and Bank.
- D. INTEGRATION CLAUSE. This written Agreement and all documents executed concurrently herewith, represent the entire understanding between the parties as to the Obligations and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties.
- E. FURTHER ASSURANCES. Owner agrees, upon request of Bank and within the time Bank specifies, to provide any information, and to execute, acknowledge, deliver and record or file such further instruments or documents as may be required by Bank to secure the Note or confirm any lien.
- F. GOVERNING LAW. This Agreement shall be governed by the laws of the State of WASHINGTON, provided that such laws are not otherwise preempted by federal laws and regulations.



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- G. FORUM AND VENUE. In the event of litigation pertaining to this Agreement, the exclusive forum, venue and place of jurisdiction shall be in the State of WASHINGTON, unless otherwise designated in writing by Bank or otherwise required by law.
- H. SUCCESSORS. This Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors and assigns of the parties; provided however, that Owner may not assign, transfer or delegate any of the rights or obligations under this Agreement.
- I. NUMBER AND GENDER. Whenever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.
- J. DEFINITIONS. The terms used in this Agreement, if not defined herein, shall have their meanings as defined in the other documents executed contemporaneously, or in conjunction, with this Agreement.
- K. PARAGRAPH HEADINGS. The headings at the beginning of any paragraph, or any subparagraph, in this Agreement are for convenience only and shall not be dispositive in interpreting or construing this Agreement.
- L. IF HELD UNENFORCEABLE. If any provision of this Agreement shall be held unenforceable or void, then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Agreement.
- M. NO ACTION BY BANK. Nothing contained herein shall require the Bank to take any action.

OWNER/BORROWER:

SCI PROPERTIES, L.L.C.
a Washington Limited Liability Company

By: JOHN R. NORTON 1/31/00
JOHN R. NORTON, MANAGER

STATE OF Washington ss:

COUNTY OF Skagit

I certify that I know or have satisfactory evidence that JOHN R. NORTON, MANAGER signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the authorized representative of SCI PROPERTIES, L.L.C. , a Washington Limited Liability Company to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

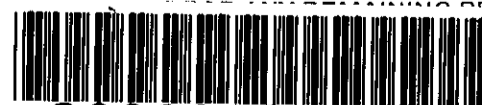
Dated: January 31, 2000

My appointment expires:
01/01/01

[SEAL]

Candace M. Taylor
NOTARY PUBLIC in and for the state of Washington,
residing at Mount Vernon
Candace M. Taylor

THIS IS THE LAST PAGE OF A 6 PAGE DOCUMENT. EXHIBITS AND/OR ADDENDA MAY FOLLOW.



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EXHIBIT "A"

This EXHIBIT "A" is referred to in and made a part of that certain Assignment of Leases and Rents (Agreement) dated January 28, 2000, by and between the following parties:

OWNER/BORROWER:

SCI PROPERTIES, L.L.C.
a Washington Limited Liability Company
601 W. State
Sedro-Woolley, Washington 98284
Tax I.D. # 91-1961921

BANK:

HORIZON BANK
a WASHINGTON banking corporation
211 E. Holly
P.O. Box 608
Bellingham, Washington 98226
Tax I.D. # 91-0141935

The properties hereinafter described are those properties referred to in the Agreement as being described in Exhibit "A":

DESCRIPTION:

PARCEL "A":

Lots 23 through 25, inclusive, of Binding Site Plan No. SW-01-93, (Sunset Industrial Park) recorded in Volume 11 of Short Plats, pages 83 and 84, under Auditor's File No. 9406100051, records of Skagit County, Washington; being a portion of the Southwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Section 23, Township 35 North, Range 4 East, W.M., and Tracts 14 and 15, "SEDRO ACREAGE", as per plat recorded in Volume 3 of Plats, page 35, records of Skagit County, Washington.

Situate in the City of Sedro-Woolley, County of Skagit, State of Washington.

PARCEL "B":

Lot 13, "SEDRO ACREAGE", as per plat recorded in Volume 3 of Plats, page 35, records of Skagit County, Washington.

Situate in the City of Sedro-Woolley, County of Skagit, State of Washington.



JAN

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