

After Recording Return To:

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

LAND TITLE COMPANY OF SKAGIT COUNTY

S-84267



200101040090

, Skagit County Auditor

1/4/2001 Page 1 of 5 4:12:39PM

SECOND AMENDMENT TO
DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING

GRANTOR: WATSON PROPERTIES, A LIMITED PARTNERSHIP

GRANTEES: (1) U.S. BANK NATIONAL ASSOCIATION (Beneficiary)
(2) WASHINGTON ADMINISTRATIVE SERVICES, INC. (Trustee)

Legal Description:

Abbreviated legal: Parcel A: Lts 28 and 29, "Heritage Square"
Parcel B: Lt 2, "Mira Vista"

Additional legal on Exhibit A

Assessor's Tax Parcel ID No(s):
SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax
PAID

JAN 04 2001

Amount Paid \$
Skagit County Treasurer
By: Deputy

(1) 4400-000-028-006
Property I.D. No.: R81470

(2) 4400-000-029-0005
Property I.D. No.: R81471

(3) 4479-000-002-0002
Property I.D. No.: R83258

Reference Number Related Document: 9803100096; 200002020064

SECOND AMENDMENT TO DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING

THIS SECOND AMENDMENT TO DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING (the "Second Amendment") dated as of the 4th day of January, 2001 is executed by Watson Properties, A Limited Partnership, a Washington limited partnership ("Borrower") to Washington Administrative Services, Inc. ("Trustee") in favor of U.S. Bank National Association ("Bank") with reference to the following facts:

RECITALS

A. Borrower and Bank entered into that certain Loan Agreement dated as of March 9, 1998, as amended by Loan Modification Agreement and Consent of Guarantors dated as of January 13, 2000 (the "Loan Agreement") whereby Bank loaned Borrower the sum of Twelve Million Two Hundred Fifty Thousand Dollars (\$12,250,000) (the "Loan"). The Loan is evidenced by a promissory note dated March 9, 1998 in the original face amount of Twelve Million Two Hundred Fifty Thousand Dollars (\$12,250,000) executed by Borrower as maker in favor of Bank as holder, including any extensions, modifications or amendments thereof (the "Note").

B. The obligations of Borrower under the Loan Agreement and the Note are secured, inter alia, by a Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing of even date therewith encumbering certain real and personal property commonly known as the Mountain Glen Retirement facility situated in Skagit County, Washington and legally described in Exhibit A attached hereto and by this reference incorporated herein (the "Property") wherein Borrower is the grantor and Bank is the beneficiary recorded March 10, 1998 in the official records of Skagit County, Washington under Skagit County Recording No. 9803100096, as modified by that certain Amendment to Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated January 13, 2000 and recorded February 2, 2000 in the official records of Skagit County, Washington under Skagit County Recording No. 200002020064 (the "Deed of Trust").

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



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, Skagit County Auditor

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

AGREEMENT

1. The Deed of Trust shall hereafter secure the obligations of the Borrower under the Loan Agreement, as amended by the Amendment, and as the same may be further amended, modified, renewed or extended from time to time. All references to the Loan Agreement in the Deed of Trust shall hereafter be deemed to be references to the Loan Agreement, as amended by the Amendment, and as the same may be further amended, modified, renewed or extended from time to time.

2. Except as specifically amended hereby, all of the terms, covenants, conditions and provisions of the Deed of Trust shall remain in full force and effect. Nothing contained herein shall be deemed or construed to be an impairment of the lien of the Deed of Trust, and the lien of the Deed of Trust shall remain a first lien against the Property. Any capitalized term not otherwise defined herein shall have the same meaning as set forth in the Loan Agreement.

3. This Second Amendment shall be binding upon Borrower and its successors and permitted assigns and shall inure to the benefit of Bank and its successors and assigns and in the event of an assignment by Bank of its rights under the Note, the Loan Agreement or any other Related Document, or any part thereof, the rights and benefits hereunder may be transferred with such document(s).

4. **Notice re Oral Commitments. 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, Borrower has executed this Second Amendment as of the day and year first above written:

WATSON PROPERTIES, A Limited Partnership, a Washington limited partnership

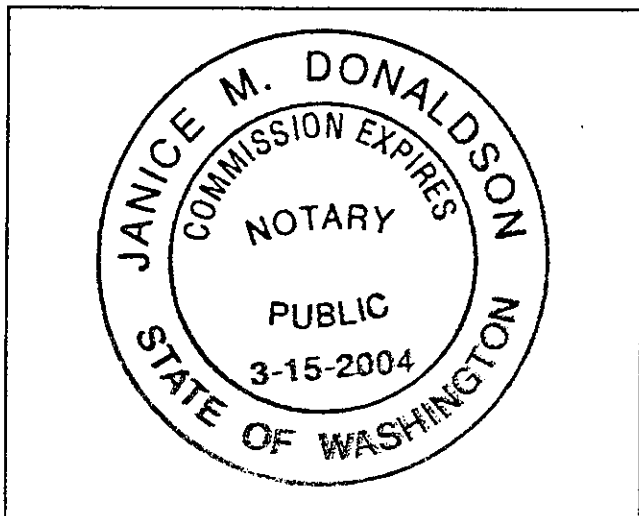
By: MOUNTAIN GLEN MANAGEMENT, L.L.C., a Washington limited liability company, General Partner

By [Signature]
Name Ed Watson
Title Owner

STATE OF WASHINGTON)
COUNTY OF Skagit) ss.

I certify that I know or have satisfactory evidence that Edward J. Watson III is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the authorized member of Mountain Glen Management, LLC, the General Partner of Watson Properties, A Limited Partnership to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 1-4-01



(Use this space for notarial stamp/seal)

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



200101040090
Skagit County Auditor

EXHIBIT A

LEGAL DESCRIPTION

Certain real property situated in Skagit County, Washington, and more particularly described as follows:

PARCEL "A":

Lots 28 and 29, "HERITAGE SQUARE," as per plat recorded in Volume 12 of Plats, pages 65 and 66, records of Skagit County, Washington.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

PARCEL "B":

Lot 2, "MIRA VISTA, INC.," as per plat recorded in Volume 14 of Plats, page 16, records of Skagit County, Washington.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

