


WHEN RECORDED RETURN TO:

Seattle Mortgage Services Company
1800 112th Avenue N.E., Suite 300
Bellevue, WA 98004
#2177


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Skagit County Auditor
11/7/2001 Page 1 of 7 1:50:43PM

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5-34-4 NW-SW

FIRST AMERICAN TITLE CO.

COLLATERAL ASSIGNMENT OF LEASES

66676-2

THIS COLLATERAL ASSIGNMENT OF LEASES is made this 31 day of OCTOBER, 2001, from ARMADA/BURLINGTON LLC, a Washington limited liability company, ("Assignor") to SEATTLE MORTGAGE SERVICES COMPANY, a Washington corporation ("Lender").

FOR VALUE RECEIVED, Assignor hereby grants, transfers and assigns to Lender all of the right, title and interest of Assignor in and to all leases of Assignor on the real property described on attached Exhibit A ("Property"), including without limitation the following leases (the "Leases"):

1. Lease dated June 13, 2001, between Assignor as Lessor and Beneficial Washington Inc., as Lessee covering a portion of the Property, which lease is for a period of Five (5) years, commencing 7-11-01 with one option to extend for five years.
2. Lease dated July 16, 2001, between Assignor as Lessor and Consolidated Communications, Inc., as Lessee covering a portion of the Property, which lease is for a period of Three (3) years and three (3) months, commencing 7-21-01, with one option to extend for three years.
3. Lease dated February 2, 2001, between Assignor as Lessor and Otto J. Hanssen DDS, as Lessee covering a portion of the Property, which lease is for a period of Ten (10) years, commencing 2-22-01, with two options to extend for five years.

UNWITNESSED
TOGETHER WITH any and all extensions and renewals thereof acceptable to the Lender and together with all rents, issues and profits accruing under the Leases,

FOR THE PURPOSE OF SECURING:

ONE: Payment of the indebtedness evidenced by that certain note, including any extensions or renewals thereof, dated OCTOBER 31, 2001, in the principal sum of \$1,800,000.00 made by ARMADA/BURLINGTON, LLC, a Washington limited liability company (the "Note") and secured by a deed of trust and security agreement on the Property (the "Deed of Trust").

TWO: Payment of all other sums with interest thereon becoming due and payable to the Lender under the provisions hereof or under the provisions of the Note, Deed of Trust, and any amendments or modifications thereof.

THREE: Performance and discharge of each and every obligation, covenant and agreement of the Assignor herein and in the Note, Deed of Trust, and any other instrument securing the Note.

Assignor warrants and represents: (i) that there has been no modification or amendment whatsoever in the terms and conditions of the Leases (except as previously approved by Lender and attached to and made a part thereof); (ii) that the Leases are in full force and effect; (iii) that there are no defaults now existing under the Leases; (iv) that the payments of rents required by the Leases are paid to date; (v) that the Lessor has not accepted in any manner or form prepayment of any rent pursuant to the Leases for a period beyond thirty (30) days from the date hereof and as may be specifically recited in the Leases; and (vi) that neither the Leases nor the rents and profits therefrom have been or will be sold, assigned, or conveyed to anyone whomsoever, except as provided in this Collateral Assignment.

A. TO PROTECT THE SECURITY OF THIS ASSIGNMENT, ASSIGNOR AGREES:

1. To faithfully pay or perform, at the sole cost of Assignor, each and every obligation, covenant and agreement to be paid or performed by the Lessor under the Leases; to enforce or secure the performance of each and every obligation, covenant, condition and agreement to be paid or performed by the lessees under the Leases; not to modify, extend or in any way alter the terms of the Leases; not to collect or accept any rents or profits payable under the Leases in excess of one month in advance without the written consent of the Lender; or to waive, excuse, condone or in any manner release or discharge the lessees thereunder of or from the obligations, covenants, conditions and agreements to be performed by such lessees, including the obligation to pay the rent called for thereunder in the manner and at the place and time specified therein, and Assignor does by these presents expressly release, relinquish and surrender unto the Lender, all of its right, power

Burlington- #2177



and authority to amend, modify, extend, terminate or in any way alter the terms or provisions of the Leases, and any attempt on the part of Assignor to exercise any such right without the written authority and consent of the Lender being first had and obtained shall constitute a breach of the terms hereof entitling the Lender to declare all sums secured hereby immediately due and payable.

2. At Assignor's sole cost and expense to appear in and defend any action or proceeding arising under, growing out of or in any manner connected with the Leases or the obligations, duties or liabilities of Lessor and Lessees thereunder, and to pay all costs and expenses of the Lender, including attorney's fees in any action or proceeding in which the Lender may appear.

3. That should the Assignor fail to make any payment or to do any act as herein provided, then the Lender, but without obligation so to do and without notice to or demand on Assignor, and without releasing Assignor from any obligation thereof, may make or do the same in such manner and to such extent as the Lender may deem necessary to protect the security hereof, including specifically, without limiting its general powers, the right to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of the Lender, and also the right to perform and discharge each and every obligation, covenant and agreement of Assignor in the Leases contained; and in exercising any such powers to pay necessary costs and expenses, employ counsel and incur and pay attorney's fees.

4. To pay immediately upon demand all sums expended by the Lender under the authority hereof, together with interest thereon at six percent (6.0%) per annum above the prime rate of interest of Bank of America, National Association, as publicly announced and in effect from time to time.

B. IT IS MUTUALLY AGREED THAT:

1. So long as there shall exist no default by Assignor in the payment of any indebtedness secured hereby or in the performance of any obligation, covenant or agreement herein or in said Deed of Trust or Leases contained, Assignor shall have the right to the use and benefit of the Leases in the premises covered thereby. In the event of default, however, of any part of the indebtedness secured hereby or in the performance of any obligation, covenant or agreement herein or in the Deed of Trust (or any other instrument securing the Note), the Lender may, at its option, declare all sums secured hereby immediately due and payable and may also, at its option, without notice and without regard to the adequacy of security for the indebtedness hereby secured, either in person or by agent, enter upon, take possession of, manage and operate the Property or any part thereof, and do any acts which the Lender deems proper to protect its security, including collecting all rents and enforcing any rights which the Assignor might have had under the Leases. The entering upon and taking possession of the Property and the exercise of rights



under the Leases shall not cure any default or waive, modify or affect any notice of default under the Deed of Trust or invalidate any act done pursuant to said notice.

2. Further, Assignor covenants it will fully perform all the terms and conditions on its part to be performed in the Leases and that the Assignor will not, without prior written consent of the Lender herein, terminate or suffer or permit the termination of the Leases except upon the expiration of the term of each Lease, or suffer or permit the modification of such Leases. Assignor further covenants and agrees not to enter into any successor leases of the Property or extensions without the prior written consent of the Lender herein.

3. Any default by Assignor in the performance of any obligation, covenant or agreement herein contained and the acceleration of the indebtedness secured hereby shall constitute and be deemed to be a default under the terms of the Deed of Trust entitling the Lender to every and all rights and remedies therein contained.

That this assignment shall be cumulative to the Deed of Trust and the enforcement of either of said securities shall be no bar to any enforcement of the other and that this assignment and the Deed of Trust may be enforced independently, concurrently, or as the Holder of the Note sees fit and nothing contained herein shall affect the right of the Holder of the Note to foreclose the Deed of Trust in the event of a default thereunder.

4. The Lender shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty or liability under the Leases or under or by reason of this assignment, and Assignor shall and does hereby agree to indemnify and to hold the Lender harmless of and from any and all liability, loss or damage which it may or might incur under the Lease or under or by reason of this assignment and of and from any and all claims and demands whatsoever that may be asserted against it by reason of any alleged obligations or undertaking on its part to perform or discharge any of the terms, covenants or agreements contained in the Leases. Should the Lender incur any such liability, loss or damage under the Leases or under or by reason of this assignment, or in the defense of any such claims or demands, the amount hereof, including costs, expenses and attorney's fees, shall be secured hereby, and Assignor shall reimburse the Lender therefor immediately upon demand, and upon the failure of Assignor so to do, the Lender may declare all sums secured hereby immediately due and payable.

5. Until the indebtedness secured hereby shall have been paid in full, Assignor covenants and agrees to keep the Property leased at a good and sufficient rental and to transfer and assign to the Lender any and all later subsequent leases upon all or part of the Property upon the same or substantially the same terms and conditions as are herein contained, and to make, execute and deliver to the Lender, upon demand, any and all instruments that may be necessary therefor.



6. Upon the payment in full of all indebtedness secured hereby, this assignment shall become and be void and of no effect, but the affidavit of any officer or loan correspondent of the Lender showing any part of said indebtedness to remain unpaid shall be and constitute conclusive evidence of the validity, effectiveness and continuing force of this assignment, and any person may and is hereby authorized to rely thereupon.

7. This assignment applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Leases," as used herein, means the leases hereby assigned and any extension or renewal thereof subsequently executed by Assignor covering the Property or any part thereof. In this assignment, whenever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural, and conversely. All obligations of each Assignor hereunder are joint and several.

8. All notices, demands or documents of any kind which the Lender may be required or may desire to serve upon Assignor hereunder, may be served by delivering the same to Assignor personally, or by leaving a copy of such notice, demand or document addressed to Assignor at the address appearing opposite the signature herein below, or by depositing a copy of such notice, demand, or document in the United States mail, postage prepaid, and addressed to Assignor at the said address.

9. The invalidity of any one or more covenants, phrases, clauses, sentences or paragraphs of this Collateral Assignment of Leases shall not affect the remaining portions hereof. This Collateral Assignment of Leases shall be construed as if such invalid covenants, phrases, clauses, sentences or paragraphs, if any, had not been included herein.

IN WITNESS WHEREOF the Assignor has hereunto set his hand and seal, or has caused this assignment to be executed by its duly authorized officers and its corporate seal to be hereunto affixed, at Seattle, Washington this 31 day of OCTOBER, 2001.

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

NOV 07 2001

Amount Paid \$
Skagit Co. Treasurer
By Deputy

ARMADA/BURLINGTON, LLC, a
Washington limited liability company

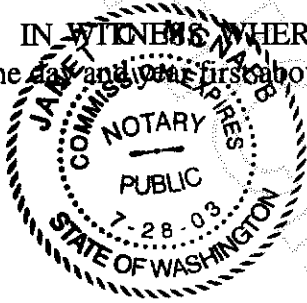
By:
Alan J. Winningham, Member

By:
James W. Lagerquist, Member

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 31st day of OCTOBER, 2001, before me personally appeared ALAN J. WINNINGHAM and JAMES W. LAGERQUIST to me known to be the members of ARMADA/BURLINGTON, LLC, a Washington limited liability company and on behalf of said limited liability company acknowledged to me that THEY signed and sealed the foregoing instrument as the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned.

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



Janet C. McNabb

[Notary Signature]

JANET C. McNABB

[Type or Print Name of Notary]

Notary Public in and for the STATE OF WASH.,
residing at KIRKLAND

My Commission expires 7-28-03



EXHIBIT "A"

Legal Description

Lots 2 and 3, CITY OF BURLINGTON BINDING SITE PLAN NO. BURL-BSP-2-00, approved August 2, 2000 and recorded March 13, 2001, as Skagit County Auditor's File No. 200103130080, being a portion of the Northwest ¼ of the Southwest ¼ of Section 5, Township 34 North, Range 4 East, W.M., TOGETHER WITH parking, access and utility easements delineated on said Plat as appurtenant thereto.

Parcel Nos: 8031-000-002-0000 P117981 and
8031-000-003-0000 P117982