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AFTER RECORDING MAIL TO:

Name James B. Jones
Address Carpenter & Company
Five Park Plaza, Suite 950
City, State, Zip Irvine, CA 92614

Filed for Record at Request of:

SW Land Company L.L.C. and The Foxhall Company, L.L.C.

DEED OF TRUST
(For use in the state of Washington only)

FIRST AMERICAN TITLE CO.
B70276E

THIS DEED OF TRUST, made this as of September 9, 2002 between SAUK MOUNTAIN VILLAGE, L.L.C., a Washington limited liability company, GRANTOR(S), whose address is 1124 Racine, Bellingham, Washington, 98226, FIRST AMERICAN TITLE OF SKAGIT COUNTY, whose address is 160 Cascade Place, Suite 104, Burlington, Washington 98233, TRUSTEE, and S-W- LAND COMPANY, L.L.C., a Washington limited liability company and THE FOXHALL COMPANY, LLC, a California limited liability company, as joint tenants, BENEFICIARY, whose address is 5 Park Plaza, Suite 950, Irvine, California 92614.

WITNESSETH: Grantor(s) hereby bargain(s), sell(s), and convey(s) to Trustee in trust, with power of sale, the following described real property in Skagit County, Washington:

SEE ATTACHED EXHIBIT "A" AND EXHIBIT "B"

Abbreviated Legal Description:

Section 18, Township 35, Range 3; Ptn. NW 1/4 - NE 1/4, aka Tracts 1-4, Survey 20-131

Assessor's Property Tax Parcel/Account Numbers:

350518-1-002-0300 (P113138), 350518-1-002-0000 (P39358), 350518-1-002-0500 (P113137), 350518-1-002-0400 (P113136), 350507-0-027-0006 (P38613)

which real property (sometimes referred to as the "Property") is not used principally for agricultural or farming purposes, together with all the tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any wise appertaining, and the rents, issues, and profits thereof.

This deed is for the purpose of securing performance of each agreement of Grantor(s) herein contained, and payment of the sum of Eight Hundred Thirty Thousand Five Hundred Dollars (\$830,500.00) with interest, in accordance with the terms of a promissory note of even date herewith (the "Note"), payable to Beneficiary or order, and made by Grantor(s), and all renewals, modifications, and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor(s), or any of his/her/their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

To protect the security of this Deed of Trust, Grantor(s) covenant(s) and agree(s):

A. To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure, or improvement being built or about to be built thereon; to restore promptly any building, structure, or improvement thereon which may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting the property.

B. To pay before delinquent all lawful taxes and assessments upon the property; to keep the property free and clear of all other charges, liens, or encumbrances impairing the security of this Deed of Trust.

C. To keep all buildings now or hereafter erected on the property described herein continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interest may appear, and then to the Grantor(s). The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor(s) in insurance policies then in force shall pass to the purchaser at the foreclosure sale.

D. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

E. To pay all costs, fees, and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorney's fees actually incurred, as provided by statute.

F. Should Grantor(s) fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances, or other charges against the property hereinabove described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.



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2. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.

3. The Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto, on written request of the Grantor(s) and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

4. Upon default by Grantor(s) in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; and (3) the surplus, if any, shall be distributed to the persons entitled thereto.

5. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor(s) had or had the power to convey at the time of his/her/their execution of this Deed of Trust, and such as he/she/they may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchaser and encumbrancers for value.

6. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

7. In the event of the death, incapacity, disability, or resignation of Trustee, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of an action or proceeding in which Grantor(s), Trustee, or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.



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8. This Deed of Trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on his/her/their heirs, devisees, legatees, administrators, executors, and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.

Grantor:

SAUK MOUNTAIN VILLAGE, L.L.C.,
a Washington limited liability company

By: [Signature]

Its: MEMBER

By: [Signature]

Its: Member

Beneficiary:

S-W LAND COMPANY, L.L.C., a
Washington limited liability company

By: [Signature]

Its: V.P. JAMES B. JONES

THE FOXHALL COMPANY, L.L.C., a
California limited liability company

By: [Signature]

Its: AUTHORIZED AGENT



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STATE OF WASHINGTON, }
County of _____ } ss.

ACKNOWLEDGMENT - General Partnership

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____ to me known to be the individual _____ described in and who executed the foregoing instrument, as a General partner _____ of the _____, a General Partnership, and acknowledged to me that _____ signed and sealed this said instrument as _____ free and voluntary act and deed, for the uses and purposes therein mentioned, and on oath stated _____ authorized to execute the said instrument.

GIVEN under my hand and official seal this _____ day of _____, 19____.

Notary Public in and for the State of Washington,
residing at _____

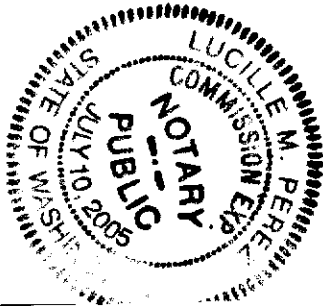
My appointment expires _____

STATE OF WASHINGTON, }
County of Skagit } ss.

ACKNOWLEDGMENT - Limited Partnership

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Frederick Flemmings, President and David Welts, Member to me known to be the individual S described in and who executed the foregoing instrument, as a ~~General partner~~ of the President and Member of Sauk Mountain Village, a LLC, a Limited Partnership, and acknowledged to me that they signed and sealed this said instrument as their free and voluntary act and deed, for the uses and purposes therein mentioned, and on oath stated they are authorized to execute the said instrument.

GIVEN under my hand and official seal this 16th day of September, 2002



Lucille M. Perez
Notary Public in and for the State of Washington,
residing at Evnet
My appointment expires 7-10-05
LUCILLE M. PEREZ

i to Deed of Trust dated 9-16-02



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STATE OF California }
COUNTY OF Orange }-ss

I certify that I know or have satisfactory evidence that John D. Flemming & James B. Jones
(is/are) the person(s) who appeared before me, and said person(s) acknowledged that (he/she/they)
signed this instrument, on oath stated that (he/she/they) (is/are) authorized to execute the instrument
and acknowledged it as the Deed of TRUST
TRUST..... to be the free and voluntary act of such party(ies) for the uses and purposes
mentioned in this instrument.

Dated: September 10, 2002.....



Cheryl Lynne Jefferson
Cheryl Lynne Jefferson
Notary Public in and for the state of California
My appointment expires: September 18, 2005

REQUEST FOR FULL RECONVEYANCE - Do not record. To be used only when note has been paid.

TO: TRUSTEE

The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, has been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

Dated: _____

RIDER NO. 1 TO DEED OF TRUST DATED AS OF SEPTEMBER 9, 2002, BY AND AMONG (i) SAUK MOUNTAIN VILLAGE, L.L.C., A WASHINGTON LIMITED LIABILITY COMPANY, AS GRANTOR; (ii) FIRST AMERICAN TITLE OF SKAGIT COUNTY, AS TRUSTEE; AND (iii) S-W LAND COMPANY, L.L.C., a WASHINGTON LIMITED LIABILITY COMPANY AND THE FOXHALL COMPANY, L.L.C., a CALIFORNIA LIMITED LIABILITY COMPANY, AS JOINT TENANTS , COLLECTIVELY AS BENEFICIARY.

The following additional provisions are made a part of the foregoing Deed of Trust:

(9) The period at the end of Paragraph (D) thereof is deleted and the following is added to the end of such Paragraph (D): "whether or not pursued to final judgment, and in any exercise of the power of sale contained therein, whether or not the sale is actually consummated."

(10) Indemnification. If by virtue of being the Beneficiary under this Deed of Trust, Beneficiary is made a party defendant to any litigation concerning the foregoing Deed of Trust or the property or any part thereof or interest therein, or the occupancy thereof by Grantor, then Grantor shall indemnify, defend and hold Beneficiary harmless from any and all liability by reason of said litigation, including reasonable attorneys' fees and expenses incurred by Beneficiary in any such litigation, whether or not any such litigation is prosecuted to judgment. If Beneficiary commences an action against Grantor to enforce any of the terms hereof or because of the breach by Grantor of any of the terms hereof, or for the recovery of any sum secured hereby, or participates in any bankruptcy or other similar action regarding Grantor, Grantor shall pay to Beneficiary reasonable attorneys' fees and expenses, and the right to such attorneys' fees and expenses shall be deemed to have accrued on the commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment. If Grantor breaches any term of this Deed of Trust, Beneficiary may take whatever action it deems appropriate, including without limitation employing an attorney or attorneys, to protect the security or its rights hereunder, and in the event of such action following any breach by Grantor, Grantor shall pay Beneficiary the reasonable expenses incurred by Beneficiary in so doing, whether or not an action is actually commenced against Grantor by reason of such breach.

(11) Events of Default. Any of the following events in addition to those set forth in the Deed of Trust, shall be deemed a default thereunder ("Default") entitling Beneficiary to the remedies set forth in Paragraph (4) or elsewhere in the Deed of Trust.

(a) Grantor shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or local statute, law or



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regulation relating to bankruptcy, insolvency or other relief for debtors; or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Grantor or of all or any part of the property, or of any or all of the royalties, revenues, rents, issues or profits thereof, or shall make any general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; or

(b) A court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against Grantor seeking any reorganization, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, and such order, judgment or decree shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive) from the first date of entry thereof; or any trustee, receiver or liquidator of Grantor or of all or any part of the property, or of any or all of the royalties, revenues, rents, issues or profits thereof, shall be appointed without the consent or acquiescence of Grantor and such appointment shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive); or

(c) A writ of execution or attachment or any similar process shall be issued or levied against all or any part of or interest in the property, or any judgment involving monetary damages shall be entered against Grantor which shall become a lien on the Trust Estate or any portion thereof or interest therein and such lien is senior to the lien on this Deed of Trust and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within sixty (60) days after its entry or levy; or

(d) There has occurred a breach of or default under any term, covenant, agreement, condition, provision, representation or warranty contained in any of the documents or instruments secured hereby.

(12) Prohibited Activities.

(a) Grantor shall not engage in, or authorize, any activities on the Property or bring onto or create on, or authorize to be brought onto or created on, the Property, any hazardous, toxic or infectious materials, wastes or substances (collectively, "Substances"), or any storage tanks or similar receptacles of any size or shape above or below ground (collectively, "Tanks"), the possession, use or installation of which requires a permit from any federal, state or local governmental agency or body ("Agency") having jurisdiction over such Tanks or Substances and which is not in compliance with any federal, state or local law, statute, rule, regulation, order, decision, or ordinance pertaining to Tanks or Substances ("Standards").

(b) Grantor shall indemnify and hold Beneficiary, Trustee and their respective successors and assigns (collectively, "Beneficiary") harmless from and against any



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and all claims, liabilities, losses, damages, costs and expenses, including, but not limited to, reasonable attorneys' fees, court costs and litigation expenses, investigators' fees, fines, penalties and remediation and/or abatement costs regarding any Substance or Tank, which Beneficiary may incur or sustain by reason of or in connection with any breach of Grantor's covenants and representations and agreements under paragraph 12(a) above. The obligation of Grantor under this paragraph 12(b) is a separate obligation of Grantor separate from the Note and shall survive the repayment of the Note and reconveyance of this Deed of Trust, foreclosure, or conveyance of this Deed of Trust, foreclosure, or conveyance of the Property by deed in lieu of foreclosure.

Beneficiary's right to enter the Property pursuant to this Deed of Trust shall include the right to conduct inspections for any Substance or any Tank, but shall be subject to the rights of tenants in possession. If any such inspection indicates the existence of any Substance or Tank in violation of any Standard, then, in addition to all the rights and remedies of Beneficiary or Trustee under this Deed of Trust, Grantor shall pay for the costs of such inspection and for remediation and/or abatement and this Deed of Trust expressly secures payment of those costs and obligations.

(13) **Additional Rights and Remedies.** At any time after the occurrence and during the continuance of an event of default, Beneficiary shall have the following additional rights and remedies:

(a) Beneficiary or its employees, acting by themselves or through a court-appointed receiver, may enter upon, possess, manage, operate, dispose of, and contract to dispose of the Property or any part thereof; take custody of all accounts; negotiate with governmental authorities with respect to the Property's environmental compliance and remedial measures; take any action necessary to enforce compliance with environmental provisions, including but not limited to spending rents to abate the problem; make, terminate, enforce or modify leases of the Property upon such terms and conditions as Beneficiary deems proper; contract for goods and services, hire agents, employees, and counsel, make repairs, alterations, and improvements to the Property necessary, in Beneficiary's judgment, to protect or enhance the security hereof; incur the risks and obligations ordinarily incurred by owners of property (without any personal obligation on the part of the receiver); and/or take any and all other actions which may be necessary or desirable to comply with Grantor's obligations hereunder and under the Note. All sums realized by Beneficiary under this subparagraph, less all costs and expenses incurred by it under this subparagraph, including attorneys' fees, and less such sums as Beneficiary deems appropriate as a reserve to meet future expenses under the subparagraph, shall be applied on any indebtedness secured hereby in such order as Beneficiary shall determine. Neither application of said sums to said indebtedness, nor any other action taken by Beneficiary under this subparagraph shall cure or waive any Event of Default or notice of default hereunder, or nullify the effect of any such notice of default. Beneficiary, or any employee or agent of Beneficiary, or a receiver appointed by a court, may



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take any action or proceeding hereunder without regard to (i) the adequacy of the security for the indebtedness secured hereunder, (ii) the existence of a declaration that the indebtedness secured hereby has been declared immediately due and payable, or (iii) the filing of a notice of default.

(b) With or without notice, and without releasing Grantor from any obligation hereunder, to cure any default of Grantor and, in connection therewith, Beneficiary or its agents, acting by themselves or through a court appointed receiver, may enter upon the Property or any part thereof and perform such acts and things as Beneficiary deems necessary or desirable to inspect, investigate, assess, and protect the security hereof, including without limitation of any of its other rights: (i) to obtain a court order to enforce Beneficiary's right to enter and inspect the Property, to which the decision of Beneficiary as to whether there exists a release or threatened release of Substances onto the Property shall be deemed reasonable and conclusive as between the parties hereto; and (ii) to have a receiver appointed to enforce Beneficiary's right to enter and inspect the Property for Substances. All costs and expenses incurred by Beneficiary with respect to the audits, tests, inspections, and examinations which Beneficiary or its agents or employees may conduct, including the fees of the engineers, laboratories, contractors, consultants, and attorneys, shall be paid by Grantor. All costs and expenses incurred by Trustee and Beneficiary pursuant to this subparagraph (including without limitation court costs, consultant fees and attorney fees, whether incurred in litigation or not whether before or after judgment) shall bear interest at the interest rate provided in the Note from the date they are incurred until said sums have been paid.

(c) To seek a judgment that Grantor has breached its covenants, representations and/or warranties with respect to the environmental provisions set forth in this Deed of Trust, by commencing and maintaining an action or actions in any court of competent jurisdiction for breach of contract, whether commenced prior to foreclosure of the Property, and to seek the recovery of any and all costs, damages, expenses, fees, penalties, fines, judgments, indemnification payments to third parties, and other out-of-pocket expenses actually incurred by Beneficiary (collectively, the "Environmental Costs") incurred or advanced by Beneficiary relating to the cleanup, remediation or other response action required by applicable law or which Beneficiary believes necessary to protect the Property, it being conclusively presumed between Beneficiary and Grantor that all such Environmental Costs incurred or advanced by Beneficiary relating to the cleanup, remediation, or other response action of or to the Property were made by Beneficiary in good faith. All Environmental Costs incurred by Beneficiary under this subparagraph (including without limitation court costs, consultant fees and attorney fees, whether incurred in litigation or not and whether before or after judgment) shall bear interest at the interest rate provided in the Note from the date of expenditure until said sums have been paid. Beneficiary shall have the right but not the obligation to bid, at the sale of the Property held under this Deed of Trust, the amount of said costs, expenses and interest in addition to the amount of the other obligations hereby secured as a credit bid, the equivalent of cash.



Grantor acknowledges and agrees that notwithstanding any term or provision contained herein or in the Note, the Environmental Costs shall be exceptions to any nonrecourse or exculpatory provision of the Note, and Grantor shall be fully and personally liable for the Environmental Costs hereunder, and such liability shall not be limited to the original principal amount of the obligations secured by this Deed of Trust, and Grantor's obligations shall survive the foreclosure, deed in lieu of foreclosure, release, reconveyance, or any other transfer of the Property or this Deed of Trust. For the purposes of any action brought under this subparagraph, Grantor hereby waives the defense of laches and any applicable statute of limitations.

(d) To waive its lien against the Property or any portion thereof, whether fixtures or personal property, to the extent such property is found to be environmentally impaired and to exercise any and all rights and remedies of an unsecured creditor against Grantor and all of Grantor's assets and property for the recovery of any deficiency and Environmental Costs. As between Beneficiary and Grantor, Grantor shall have the burden of proving that Grantor or any related party (or any affiliate or agent of Grantor or any related party) was not in any way negligent in permitting the release or threatened release of the Hazardous Substance. Grantor acknowledges and agrees that notwithstanding any term or provision contained herein or in the Note, all judgments and awards entered against Grantor shall be exceptions to any nonrecourse or exculpatory provision of the Note, and Grantor shall be fully and personally liable for all judgments and awards entered against Grantor hereunder and such liability shall not be limited to the original principal amount of the obligations secured by this Deed of Trust and Grantor's obligations shall survive the foreclosure, deed in lieu of foreclosure, release, reconveyance, or any other transfer of the Property or this Deed of Trust. For the purposes of any action brought under this subparagraph, Grantor hereby waives the defense of laches and any applicable statute of limitations.

(e) All rights and remedies of Beneficiary hereunder are cumulative and in addition to all rights and remedies provided by law.

(14) Maintain Books and Records. Grantor shall keep accurate books and records of the operation of the Property in a form which will permit the preparation of financial statements in accordance with generally accepted accounting principles. Beneficiary and its duly authorized representatives shall have the right upon Default to examine, copy, and audit Grantor's financial records and books of account at all reasonable times.

(15) Acceleration of Obligations upon Sale or Encumbrance. If any of the following occurs without Beneficiary's written consent, then Beneficiary shall have the right, at its option, to declare all sums owing under the Note and this Deed of Trust due and payable without notice: (a) Grantor voluntarily or involuntarily sells, conveys, transfers, disposes of the Property, or any part thereof or any interest therein (whether it is a legal or equitable



interest), other than pursuant to Grantor obtaining partial releases for the portion of the Property pursuant to Paragraph 17 below; (b) there is a sale, transfer, pledge, or assignment of either (i) the interest of any member of the limited liability company which is the Grantor; or (ii) a more than forty-nine percent (49%) ownership interest in a member of the limited liability company which is the Grantor; or (iii) (c) Grantor drills or extracts, or allows drilling or extracting of, oil, gas, or other fossil fuels of any kind or character from the Property, or agrees to do so; (d) all or any part of the Property, or any interest therein, is mortgaged, assigned, encumbered, or otherwise hypothecated and some or all of the proceeds of such secured loans are used directly or indirectly to finance distributions to the members of Grantor; or (e) Grantor leases all or part of the Property for a term (including extension options) of longer than six (6) months, or Grantor collects or receives more than two (2) months' rent in advance pursuant to any lease.

Grantor shall give its written consent to a transfer of the Property then encumbered by this Deed of Trust without accelerating the Note provided and only provided that 1) it is a sale of the entirety of such Property for cash (of if Grantor takes back a note as part of the purchase price for the Property, such note is tendered to Beneficiary and Beneficiary is granted a security interest therein securing repayment of the Note, and all payments on such note are made to Beneficiary until the Note is fully repaid) at fair market value as reasonably determined by Beneficiary, 2) all net proceeds are used to pay off or down liens on the Property senior to the lien created by this Deed of Trust or the Note, and 3) Beneficiary reasonably determines that the security of the Note created by this Deed of Trust would be not be impaired by such a sale pursuant to Beneficiary's reasonable determination that the business plan, ability and financial strength of the buyer with respect to the Property will not diminish the odds that, or delay the anticipated time when, the Note will be paid.

(16) Security Agreement and Fixture Filing. Pursuant to Washington law, this Deed of Trust is intended to be a Security Agreement and a Fixture Filing. This Deed of Trust is filed as a fixture filing and covers goods that are or are to become fixtures.

(a) Address of Debtor ("Grantor") and Secured Party ("Beneficiary").

- (i) Grantor: Sauk Mountain Village, L.L.C.
1124 Racine, Bellingham, Washinton, 98226
Attn: Frederick Flemming

- (ii) Beneficiary: S-W Land Company, L.L.C.
5 Park Plaza, Suite 950
Irvine, California 92614
Attn: James Jones



(b) Security Agreement and Description of Collateral.

(i) For purposes of securing the obligations described in the first page of the printed form of this Deed of Trust and Paragraph 10 of this Rider, Grantor also irrevocably grants, transfers, and assigns to Trustee in trust, with power of sale, and grants to Beneficiary a security interest in all of the following personal property in which Grantor now owns or hereafter acquires any right, title, or interest (collectively "Collateral"):

(1) All intangible property and rights relating to the construction of improvements on the Property or the operation, development, or sale of the Property or any part thereof, including, without limitation, all present and future plans, specifications, contracts, and agreements for construction of any improvements on the Property; Grantor's rights under any existing or future payment, performance, or other bonds in connection with construction of improvements on the Property; all present and future offers, bids, contracts, agreements, or purchase orders executed by or entered into with contractors, subcontractors, suppliers, or materialmen incidental to construction of improvements on the Property; all present and future claims or demands and any and all awards or payments, including interest thereon, and the right to receive the same, as a result of the exercise of the right of eminent domain, or any proceedings or purchase in lieu thereof, of any part of the Property, the alteration of the grade of any street, or any other injury to, taking of, or decrease in the value of the Property; all present and future fixtures attached to the Property all present and future permits, applications, licenses, and contracts to improve, use, develop, subdivide, sell, study, survey, or appraise any of the Property; all present and future contracts, plans, and specifications, including all amendments, modifications, supplements, general conditions and addenda thereof or thereto, prepared by or under the supervision of any architect, engineer, surveyor, or appraiser for the account of Grantor in connection with the use or development of, or construction of improvements on or to, any of the Property; all present and future use permits, rights under tentative, preliminary, or final maps, site development plans, subdivision applications, and all other zoning, regulatory, and use approvals and permits, including extension, renewal, and modification rights, relating to the use, development, or sale of any of the Property; and

(2) All fixtures, machinery, equipment, building materials, and built-in appliances (herein collectively called "equipment") now or hereafter located in, or on, or attached or affixed to, or used or intended to be used in connection with, the Property, including, without limitation, all built-in: heating, lighting, laundry, incinerating, gas, electric, and power equipment, engines, pipes, pumps, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigerating, ventilating, communications apparatus, air cooling and air conditioning apparatus, elevators and escalators, and related machinery and equipment, attached floor coverings, including rugs and carpeting, television, radio and music cable antennas and systems, screens, storm doors and windows, stoves, refrigerators, dishwashers, and other installed appliances, attached cabinets,



partitions, walls, doors, interior and exterior trim, ducts, and compressors, and trees, plants, and other items of landscaping annexed to the Property, all of which, including replacements and additions thereto, shall to the fullest extent permitted by law and for the purposes of this Deed of Trust, be deemed to be part of, and appropriated to the use of, the Property and, whether affixed or annexed thereto or not, shall be deemed conclusively to be conveyed by this Deed of Trust. The Collateral shall also consist of all accessions and additions to the foregoing, substitutions therefor, and proceeds thereof.

(ii) For purposes of this Deed of Trust, the term "fixtures" shall include all articles of personal property now or hereafter attached to, placed upon for an indefinite term, or used in connection with the Property, and appurtenances and improvements, together with all goods and other property which are or at any time become so related to the Property that an interest in them arises under real estate law.

(iii) Grantor agrees to execute and deliver to Beneficiary financing and continuation statements covering the Collateral from time to time and in such form as Beneficiary may reasonably require to perfect or continue the perfection of Beneficiary's lien or security interest with respect to the Collateral. Grantor shall pay all costs of filing those statements and renewals and releases thereof and shall pay all reasonable costs and expenses of any record searches for financing statements Beneficiary may reasonably require.

(iv) Some or all of the Collateral described in Subparagraph (i)(2) above may be or become fixtures in which Beneficiary has a security interest under this Deed of Trust. However, nothing herein shall be deemed to create any lien or interest in favor of the Trustee under this Deed of Trust in the Collateral which is not a fixture, and the purpose of this Rider to Deed of Trust is to create a fixture filing under UCC Section 9313, as amended or recodified from time to time. The rights, remedies, and interests of Beneficiary under this Deed of Trust and the Washington Commercial Code are independent and cumulative. Beneficiary may elect to exercise or enforce any of his rights, remedies, or interests under either or both this Deed of Trust or the Washington Commercial Code as Beneficiary may from time to time deem appropriate.

(v) Except as otherwise clearly and expressly provided in this Addendum to Deed of Trust (1) Grantor has not consented to any other security interest of any other person in any fixtures and has not disclaimed any interest in any fixtures; and (2) Grantor has not agreed or consented to the removal of any fixtures from the Property, and any such consent by Grantor shall not be binding on Beneficiary. Notwithstanding any other provisions of this Deed of Trust or any other agreement between Grantor and Beneficiary to the contrary, Beneficiary reserves the right to prohibit the removal of any fixtures by any person with the legal right to remove any fixtures from the Property unless and until he makes arrangements with (and satisfactory to) Beneficiary for the payment to Beneficiary of all costs of repairing any physical injury to the Property which may be caused by the removal of such



fixtures. Any payment shall be made directly to Beneficiary, and Beneficiary may hold the payment as additional collateral under this Deed of Trust or may apply the payment to any indebtedness secured by this Deed of Trust pursuant to Section 9502 of the UCC or otherwise. Failure by Grantor to cause the delivery to Beneficiary of any payment shall constitute both: (1) waste under (and a breach of) this Deed of Trust; and (2) conversion of Collateral under (and a breach of) this Deed of Trust.

(17) Partial Releases.

8) Release Price. The Property encumbered by this Deed of Trust is comprised of the real property described on the attached Exhibit "A" ("Exhibit 'A' Property"), and the real property described on the attached Exhibit "B" ("Exhibit 'B' Property"). The Exhibit 'A' Property and Exhibit 'B' Property are or may become sub-divided into separate legal parcels constituting merchant builder lots ("Lots"). With respect to the Lots in the Exhibit 'A' Property, to the extent such Lots are of approximately equal market value (the most valuable lot in said Exhibit 'A' Property not being in excess of fifty percent (50%) more valuable than the least valuable lot in the Exhibit 'A' Property), pursuant to the procedure set forth below, Beneficiary shall execute a partial reconveyance with respect to any such Lot upon payment of a sum equal to Two Hundred Ninety-Four Thousand Five Hundred Dollars (\$294,500.00) divided by the number of Lots within Exhibit 'A' Property ("Principal Lot Release Price"), plus interest on such Principal Lot Release Price accruing at the rate of 4.2% per annum from the date of the Note secured hereby to the date of Close of Escrow with respect to such Lot.

Beneficiary shall be similarly obligated to execute partial releases with respect to Lots within the Exhibit 'B' Property, except that the Principal Lot Release Price shall be equal to Five Hundred Thirty-Six Thousand Dollars (\$536,000.00) divided by the number of Lots within the Exhibit 'B' Property, plus accrued interest.

In the event the Additional Note Amount is added to the amount owing on this Note, then 1) the \$295,500.00 amount referenced above shall be increased by an amount equal to the product of the Additional Note Amount and $295,500/830,500$, and 2) the \$536,000 amount referenced above shall be increased by an amount equal to the product of the Additional Note Amount and $536,000/830,500$.

9) Release Procedure.

(i) In connection with escrows for the sale of the Lots, Trustee shall execute and deliver to the duly licensed escrow agent designated by Grantor ("Escrow Holder"), partial releases and reconveyances of such portions of the Property from the lien of this Deed of Trust, pursuant to escrow instructions which provide for the recordation thereof at the close of the escrow upon the satisfaction of the terms and conditions hereinafter set forth, which conditions are for the sole benefit of Beneficiary:



(ii) Description of Parcel to be Released. Grantor shall notify, or cause Escrow Holder to notify, Beneficiary in writing at least fifteen (15) days, but not more than forty-five (45) days, prior to the intended close of escrow for the sale of a particular Lot. Such notice (the "Release Notice") shall state the legal description of the portion of the Property to be released and the purchase price to be paid for the Lot, and shall be certified by a duly authorized officer of the general partner of Grantor.

(iii) Release Price. Escrow Holder shall pay to Beneficiary directly out of escrow an amount of money for the release of each Lot which is equal to (i) the Total Lot Release Price applicable to such Lot. The proceeds from such payment received by Beneficiary, if any, shall be applied first to the payment of the Note, as set forth therein, and then to any other indebtedness of Grantor to Beneficiary, in such order as Beneficiary may elect, as further specified in Paragraph 17(viii) below.

(iv) No Release in Event of Default. No release shall be had or will be given if there is of record an unrescinded Notice of Default under this Deed of Trust or any senior deed of trust, which Notice of Default was recorded on or before the date that Grantor entered into a binding agreement for the sale of a particular Lot.

(v) Close of Escrow. If all the terms and conditions of the escrow for the sale of the particular Lot are not satisfied and/or if such escrow does not close, then the partial release and reconveyance shall be returned to Trustee.

(vi) Legal Lot Required. Each portion of the Property released from the lien or charge of this Deed of Trust and the entire portion of the Property remaining subject to the lien of this Deed of Trust after such release shall consist of one or more legal parcels or Lots as shown on a recorded parcel or subdivision map.

(vii) Title Endorsements. At the option of the Beneficiary in Beneficiary's sole subjective discretion, the title insurance company insuring the priority of the Deed of Trust must, at the Grantor's cost and expense, issue an endorsement to that policy satisfactory to Beneficiary insuring that the release will not affect the priority of the Deed of Trust on any unreleased portions of the Property.

The Grantor agrees that the Beneficiary may at any time without notice release portions of the Property from the lien of this Deed of Trust without affecting the personal liability of any person for the payment of the Notes or any other indebtedness secured hereby, or the lien of this Deed of Trust upon the remainder of the Property, for the full amount of said Notes or other indebtedness then remaining unpaid.

(viii) Crediting Payments. No release by the Beneficiary will affect any of Grantor's obligations under the Deed of Trust or under the Note, except to the extent that payment is actually received by Beneficiary. Any payments made by Grantor to Beneficiary for the release will be credited against the indebtedness owed under the Note or other indebtedness secured by this Deed of Trust only upon actual receipt of the funds by Beneficiary. Checks received by Beneficiary will not be considered as payment until they are collected. Grantor will be fully responsible for the proper performance of Beneficiary's demand by the Escrow Holder.

(ix) Costs and Expenses. Grantor will pay all costs and expenses incurred in connection with any releases, including, but not limited to, Trustee's fees, reconveyance fees, recording fees, title indorsement premiums, and escrow fees.

(18) Total Release. Beneficiary shall cause Trustee to execute a full release and reconveyance of the balance of the Property not previously released upon the earlier to occur of (i) the date upon which escrow has closed for the last of the Lots pursuant to Grantor's submission of the last of the Release Notices to Trustee in accordance with Paragraph 17 above; or (ii) the date upon which Grantor repays to Beneficiary all amounts owing on the Note and all other amounts payable in accordance with the terms and provisions of the Note.



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(19) Governing Law. This Deed of Trust shall be governed by the laws of the State of Washington. In the event that any provision or clause of this Deed of Trust conflicts with applicable laws, such conflicts shall not affect other provisions of this Deed of Trust which can be given effect without the conflicting provision, and to this end the provisions of any instruments executed in conjunction herewith are declared to be severable. This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

(20) Notices. Whenever Beneficiary, Grantor or Trustee shall desire to give or serve any notice, demand, request or other communication with respect to this Deed of Trust, each such notice, demand, request or other communication shall be in writing and shall be effective only if the same (i) is delivered by personal service or (ii) three (3) days after having been mailed by certified or registered mail, postage prepaid, return receipt requested, addressed to the addresses of the respective parties set forth in paragraph 16 above.

Any party may at any time change its address for such notices by delivering or mailing to the other parties hereto, as aforesaid, a notice of such change.

IN WITNESS WHEREOF, this Rider No. 1 to Deed of Trust has been executed effective as of the date first above written.

GRANTOR:

SAUK MOUNTAIN VILLAGE, L.L.C.,
a Washington limited liability company

By: *David A. Wolts*
Its: MEMBER

By: *David A. Wolts*
Its: MEMBER

BENEFICIARY:

S-W LAND COMPANY, L.L.C.,
a Washington limited liability company

By: *[Signature]*
Its: V.P. JAMES B. JONES

THE FOXHALL COMPANY, L.L.C.,
a California limited liability company

By: *[Signature]*
Its: AUTHORIZED AGENT
JOHN O FLEMMING

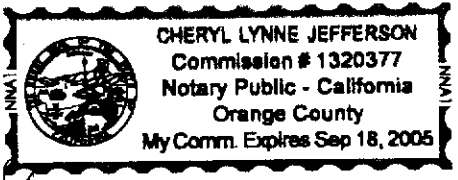


STATE OF California)
) SS.
COUNTY OF Orange)

CHERYL Lynne JEFFERSON

On September 10, 2002 before me, _____, personally appeared John D. Flemming and James B. Jones, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Cheryl Lynne Jefferson
CHERYL Lynne JEFFERSON

(Official Notarial Seal)

STATE OF Washington)
) SS.
COUNTY OF Skagit)

LUCILLE M. PEREZ

On 9-16, 2002 before me, _____, personally appeared Frederick Flemming*, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument. *and David A. Walts, President and member, respectively, of Saul Mountain Village, LLC
WITNESS my hand and official seal.



Lucille M. Perez

(Official Notarial Seal)



EXHIBIT "A"

LEGAL DESCRIPTION

Parcel "A":

The North 430 feet of the South 638.55 feet of the East 569.09 feet of the Northwest 1/4 of the Northeast 1/4 of Section 18, Township 35 North, Range 5 East, W.M.

EXCEPT road;

TOGETHER WITH that vacated portion of Fruitdale Road that has reverted thereto by operation of law.

(Also known as Parcel 1 of that certain Survey recorded under Auditor's File No. 9805290110).

Parcel "B":

That portion of the East 569.09 feet of the Northwest 1/4 of the Northeast 1/4 of Section 18, Township 35 North, Range 5 East, W.M., lying Southerly and Westerly of Fruitdale Road;

ALSO EXCEPT the South 638.55 feet thereof.

(Also known as Parcel 2 of that certain Survey recorded under Auditor's File No. 9805290110).



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EXHIBIT "B"

LEGAL DESCRIPTION

Parcel "C":

That portion of the Northwest 1/4 of the Northeast 1/4 of Section 18, Township 35 North, Range 5 East, W.M., EXCEPT the West 280 feet thereof; ALSO EXCEPT the South 208.55 feet thereof; ALSO EXCEPT the East 569.09 feet thereof, all lying Southerly of the right-of-way of Fruitdale Road.

(Also known as Parcel 3 of that certain Survey recorded under Auditor's File No. 9805290110).

Parcel "D":

The West 280 feet of the Northwest 1/4 of the Northeast 1/4 of Section 18, Township 35 North, Range 5 East, W.M., ALSO AND TOGETHER WITH that certain strip of land 100 feet in width within the South 300 feet of the Southwest 1/4 of Section 7, Township 35 North, Range 5 East, W.M., and within the Northeast 1/4 of the Northwest 1/4 of Section 18, Township 35 North, Range 5 East, W.M., as conveyed to the Seattle Lake Shore and Eastern Railway Company by Deed dated October 11, 1890 and recorded January 3, 1891 in Volume 14 of Deeds, page 495 in the records of Skagit County, Washington.

(Also known as Parcel 4 of that certain Survey recorded under Auditor's File No. 9805290110).



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