

RETURN ADDRESS:

Horizon Bank
Commercial Banking
Center
2211 Rimland Drive, Suite
230
Bellingham, WA 98226



200408060140
Skagit County Auditor

8/6/2004 Page 1 of 3 12:17PM

MODIFICATION OF DEED OF TRUST

Reference # (if applicable): 200308290084

Additional on page ____

Grantor(s):

1. Watson Properties, a Limited Partnership

Grantee(s)

1. Horizon Bank

Legal Description: ptn SW NE , 18-34-4 E W.M.

Additional on page 2

Assessor's Tax Parcel ID#: 340418-1-010-0002 (P26254)

THIS MODIFICATION OF DEED OF TRUST dated August 3, 2004, is made and executed between Watson Properties, a Limited Partnership ("Grantor") and Horizon Bank, Skagit Commercial Center, 2211 Rimland Drive, Suite 230, Bellingham, WA 98226 ("Lender").

MODIFICATION OF DEED OF TRUST
(Continued)

Loan No: 1060000064

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DEED OF TRUST. Lender and Grantor have entered into a Deed of Trust dated August 28, 2003 (the "Deed of Trust") which has been recorded in Skagit County, State of Washington, as follows:

Recorded August 29, 2003 under Skagit County Auditor's File No. 200308290084.

REAL PROPERTY DESCRIPTION. The Deed of Trust covers the following described real property located in Skagit County, State of Washington:

That portion of the North 512.6 feet of the Southwest 1/4 of the Northeast 1/4 of Section 18, Township 34 North, Range 4 East, W.M., lying West of a line 650 feet West of and parallel to the East line of said Southwest 1/4 of the Northeast 1/4, EXCEPT the West 320 feet thereof.
Situate in the County of Skagit, State of Washington

The Real Property or its address is commonly known as NKN Freeway Drive, Mount Vernon, WA 98273. The Real Property tax identification number is 340418-1-010-0002 (P26254)

MODIFICATION. Lender and Grantor hereby modify the Deed of Trust as follows:

The new principal balance of Promissory Note will be \$75,000.00, all of which shall be and remain secured by the Deed of Trust. This Note is a renewal and replacement of Promissory Note from Borrower to Lender dated August 28, 2003 in the original amount of \$75,000.00. All references in the loan documents to the old Note shall be deemed to be a reference to the new Note.

CONTINUING VALIDITY. Except as expressly modified above, the terms of the original Deed of Trust shall remain unchanged and in full force and effect. Consent by Lender to this Modification does not waive Lender's right to require strict performance of the Deed of Trust as changed above nor obligate Lender to make any future modifications. Nothing in this Modification shall constitute a satisfaction of the promissory note or other credit agreement secured by the Deed of Trust (the "Note"). It is the intention of Lender to retain as liable all parties to the Deed of Trust and all parties, makers and endorsers to the Note, including accommodation parties, unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, shall not be released by virtue of this Modification. If any person who signed the original Deed of Trust does not sign this Modification, then all persons signing below acknowledge that this Modification is given conditionally, based on the representation to Lender that the non-signing person consents to the changes and provisions of this Modification or otherwise will not be released by it. This waiver applies not only to any initial extension or modification, but also to all such subsequent actions.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS MODIFICATION OF DEED OF TRUST AND GRANTOR AGREES TO ITS TERMS. THIS MODIFICATION OF DEED OF TRUST IS DATED AUGUST 3, 2004.

GRANTOR:

WATSON PROPERTIES, A LIMITED PARTNERSHIP

By: 

Edward J. Watson III, General Partner of Watson Properties, a Limited Partnership

LENDER:

HORIZON BANK

X 

Authorized Officer

PARTNERSHIP ACKNOWLEDGMENT

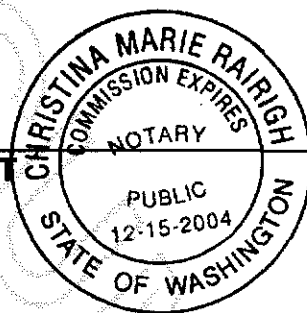
STATE OF Washington)
) SS
COUNTY OF Skagit)

On this August 7th day of August, 20 04, before me, the undersigned Notary Public, personally appeared Edward J. Watson III of Watson Properties, a Limited Partnership, and personally known to me or proved to me on the basis of satisfactory evidence to be a of the partnership that executed the Modification of Deed of Trust and acknowledged the Modification to be the free and voluntary act and deed of the partnership, by authority of statute or its Partnership Agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Modification and in fact executed the Modification on behalf of the partnership.

By: 

Notary Public in and for the State of WA

Residing at Skagit Co. WA.
My commission expires 12/15/2004



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MODIFICATION OF DEED OF TRUST
(Continued)

Loan No: 1060000064

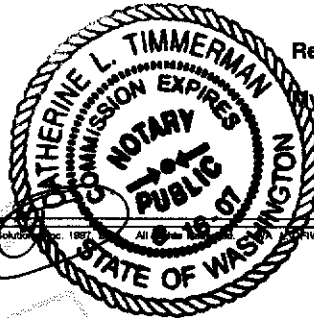
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LENDER ACKNOWLEDGMENT

STATE OF Washington)
) SS
COUNTY OF Skagit)

On this 5th day of August, 20 04, before me, the undersigned Notary Public, personally appeared John Voth and personally known to me or proved to me on the basis of satisfactory evidence to be the CML OFR V.P., authorized agent for the Lender that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of the said Lender, duly authorized by the Lender through its board of directors or otherwise, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this said instrument and that the seal affixed is the corporate seal of said Lender.

By Cathy Z Residing at Mt. Vernon
Notary Public in and for the State of WA My commission expires 6-16-07



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