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Return To:  
PRESTON GATES & ELLIS LLP  
701 Fifth Avenue, Suite 5000  
Seattle, Washington 98104-7011  
Attn: Cynthia Weed

SKAGIT COUNTY KATHY HILL

'98 AUG 12 P4:02

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RECORDED \_\_\_\_\_ FILED \_\_\_\_\_  
REQUEST OF \_\_\_\_\_

Name of Document:  
ISLAND TITLE CO.  
QB-1778 ✓

**CUSTODIAL AGENCY AGREEMENT**

Grantor: Skagit Valley College Foundation

Grantee: The Bank of New York

**ACCOMMODATION RECORDING**

Legal Description:

Island Title Company has placed  
this document for recording as a  
customer courtesy and accepts no  
liability for its accuracy or validity

Abbreviated form:

ISLAND TITLE CO.

Ptn. NW1/4, NW1/4, Sec. 16, TWP34N, R4E, WM, Skagit County, WA.

Additional legal description on page A-1 of document

Assessor's Property Tax Parcel Account Number(s):  
340416-2-007-0007

Reference number(s) of related/assigned/released/document(s):

AF#9808120122

References to documents appears on page 1 of document

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BK 1854 PG 0478

## CUSTODIAL AGENCY AGREEMENT

This Custodial Agency Agreement, dated as of July 15, 1998, is hereby made by the Skagit Valley College Foundation to The Bank of New York, in its capacity as fiscal agent for the State of Washington, as custodial agent (together, with any successor thereto, the "Custodial Agent").

FOR VALUE RECEIVED, the undersigned hereby grants, conveys, assigns and transfers to THE BANK OF NEW YORK, New York, New York, fiscal agent for the State of Washington, in the capacity of custodial agent (the "Custodial Agent"), whose address is 101 Barclay Street, 7E, New York, NY 10007, the following:

- (i) Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing recorded on August \_\_, 1998 under Skagit County Recording No. \_\_\_\_\_; and
- (ii) A resolution of the Board of Governors of the Foundation adopted on May 14, 1998;
- (iii) Lease Agreement, dated May 1, 1997, as amended, between the Foundation and Skagit Valley College (the "College");
- (iv) A resolution of the Board of Trustees of the College adopted on July 13, 1998; and
- (v) Bargain and Sale Deed, executed by the Foundation in favor of the College.

The Custodial Agent shall not be deemed be a trustee or standby trustee for the Registered Owners of Certificates. The Custodial Agent's shall be only a custodial agent pending the appointment of an Owners' Trustee for the benefit of Registered Owners. The sole duties and responsibilities of the Custodial Agent shall be as set forth in the following paragraphs.

1. Upon receipt of notice from the Owners' Trustee of its appointment pursuant to the terms of the Assignment of Payments, the Custodial Agent shall immediately assign all of its right, title and interest in this Custodial Agency Agreement to the Owners' Trustee for the benefit of the Registered Owners of the 1998 Bonds;

- or -

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2. Upon receipt of notice from the Fiscal Agent and the Foundation, the Custodial Agent shall (i) execute a Request for Conveyance with respect to the Deed of Trust substantially the form attached hereto as Exhibit B, with only those changes requested thereon by the Foundation (who shall be responsible for recording and/or delivery of the same to the College) and (ii) deliver the Deed to the College.

This Custodial Agency Agreement shall inure to the benefit of any successor fiscal agent for the State of Washington, pursuant to Ch. 43.80 RCW, and upon any such appointment by the State Finance Committee of the State of Washington, such successor fiscal agent shall succeed to the rights, duties and responsibilities of the Custodial Agent hereunder.

Capitalized terms used in this Custodial Agency Agreement shall have the meaning given such terms in Part I of Appendix 1. This Custodial Agency Agreement shall be construed in accordance with the Rules of Construction set forth in Part II of Appendix 1. Any authority or duty imposed upon the Foundation hereunder may be undertaken and performed by the Authorized Foundation Representative. The miscellaneous provisions set forth in Part III of Appendix 1 shall be incorporated into this Custodial Agency Agreement. This Custodial Agency Agreement may be supplemented and amended from time to time in accordance with Part IV of Appendix 1.

SKAGIT VALLEY COLLEGE  
FOUNDATION

By Arnold T. Vandoren  
President, Board of Governors

By Patty Perkins  
Secretary, Board of Governors

THE BANK OF NEW YORK,  
as Custodial Agent

By \_\_\_\_\_  
Its \_\_\_\_\_

2. Upon receipt of notice from the Fiscal Agent and the Foundation, the Custodial Agent shall (i) execute a Request for Conveyance with respect to the Deed of Trust substantially the form attached hereto as Exhibit B, with only those changes requested thereon by the Foundation (who shall be responsible for recording and/or delivery of the same to the College) and (ii) deliver the Deed to the College.

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SKAGIT VALLEY COLLEGE  
FOUNDATION

By \_\_\_\_\_  
President, Board of Governors

By \_\_\_\_\_  
Secretary, Board of Governors

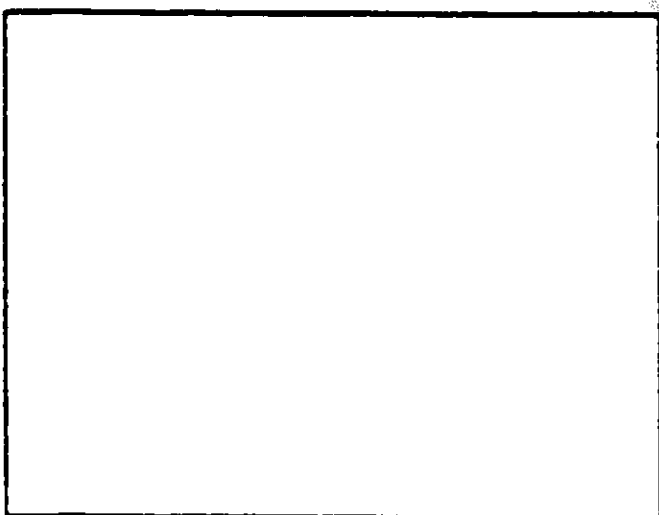
THE BANK OF NEW YORK,  
as Custodial Agent

By Peter H. Cunningham  
Its Vice President

STATE OF NEW YORK )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

I certify that I know or have satisfactory evidence that \_\_\_\_\_  
is the person who appeared before me, and said person acknowledged that he/she signed this  
instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as  
the \_\_\_\_\_ of THE BANK OF NEW YORK to be the free and voluntary  
act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_, 1998



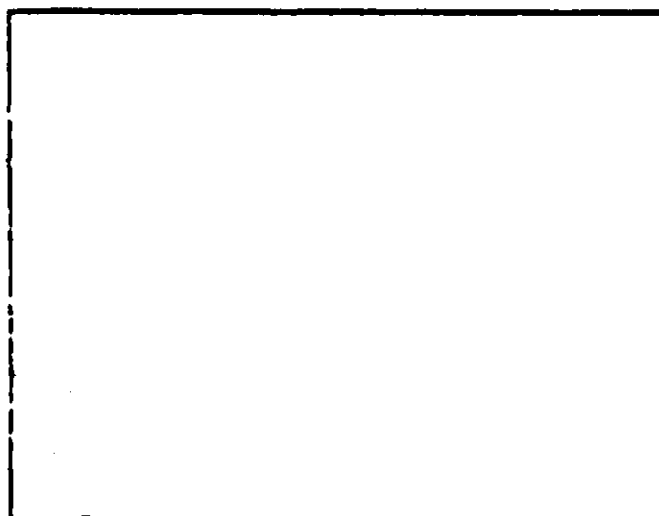
(Use this space for notarial stamp/seal)

Notary Public \_\_\_\_\_  
Print Name \_\_\_\_\_  
My commission expires \_\_\_\_\_

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF SKAGIT )

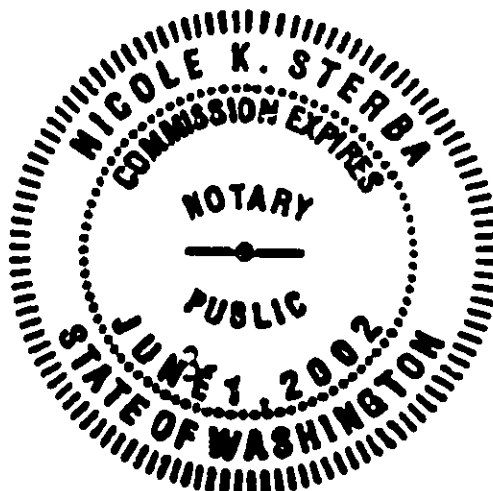
I certify that I know or have satisfactory evidence that Conrad Van Doran and Patty Perkins are  
the persons who appeared before me, and said person acknowledged that they signed this instrument, on  
oath stated that they were authorized to execute the instrument and acknowledged it as the  
PRESIDENT and SECRETARY, respectively, of the Board of Governors of the SKAGIT VALLEY  
COLLEGE FOUNDATION to be the free and voluntary act of such parties for the uses and purposes  
mentioned in the instrument.

Dated: 8-6, 1998



(Use this space for notarial stamp/seal)

*Vera A. Harvey*  
Notary Public \_\_\_\_\_  
Print Name VERA A. HARVEY  
My commission expires 5-1-2000



Subscribed and Sworn to before me this  
6 day of August, 1998.  
*Nicole K Sterba*  
Notary Public in and for the State of  
Washington, residing in Langley

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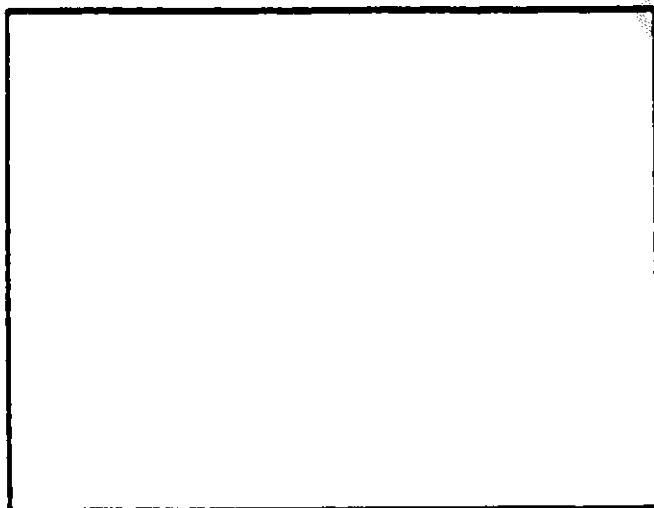
08 17 1998

07 13 1998

STATE OF NEW YORK )  
 ) ss.  
COUNTY OF KINGS )

I certify that I know or have satisfactory evidence that Peter H. Cunningham is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the Vice President of THE BANK OF NEW YORK to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: August 10, 1998



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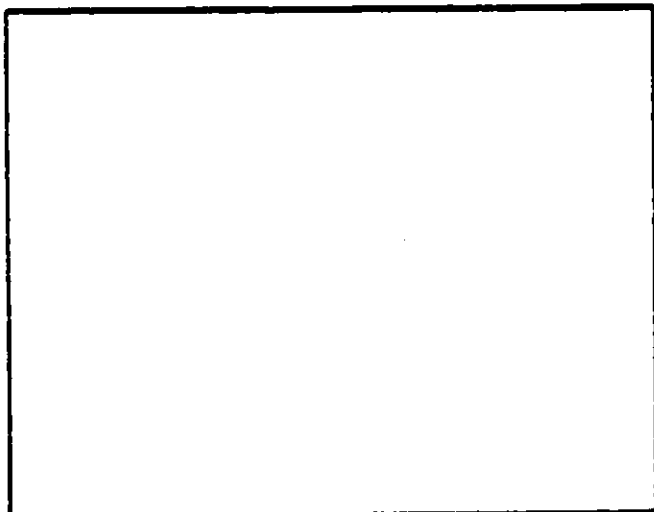
Jean F. Newman  
Notary Public  
Print Name Jean F. Newman  
My commission expires 9-30-99

JEAN F. NEWMAN  
Notary Public, State of New York  
No. 24-4812917  
Qualified in Kings County  
Certificate filed in New York County, 1999  
Commission Expires September 30, 1999

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF SKAGIT )

I certify that I know or have satisfactory evidence that Conrad Van Doran and Patty Perkins are the persons who appeared before me, and said person acknowledged that they signed this instrument, on oath stated that they were authorized to execute the instrument and acknowledged it as the PRESIDENT and SECRETARY, respectively, of the Board of Governors of the SKAGIT VALLEY COLLEGE FOUNDATION to be the free and voluntary act of such parties for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_, 1998



(Use this space for notarial stamp/seal)

\_\_\_\_\_  
Notary Public  
Print Name \_\_\_\_\_  
My commission expires \_\_\_\_\_

List of Exhibits:

Exhibit A: Legal Description of Land  
Exhibit B: Request for Reconveyance  
Appendix 1 Definitions

EXHIBIT A

LEGAL DESCRIPTION

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

That portion of the Northwest 1/4 of the Northwest 1/4 of Section 16, Township 34 North, Range 4 East W.M., described as follows:

Beginning at the Southwest corner of said subdivision; thence North 165 feet; thence East to the East line of said subdivision; thence South 165 feet; thence West to the point of beginning; EXCEPT the following described tract:

The road right-of-way known as LaVenture Road along the West line thereof.

A-1

CMV34 DOC

98/08/04

9808120123

BK 1854 PG 0485

08 17 1998

07 17 1998

**APPENDIX 1**  
to  
**Deed of Trust**  
**Escrow Agreement**  
**Custodial Agency Agreement**  
(each, a "Document")

Part I. **Definitions.** The following capitalized terms have the following meanings, when used in the above referenced Documents.

**Acquired Obligations** means the "Government Obligations," as that term is now or hereafter defined in Chapter 39.53 RCW, or any successor statute thereto, now or hereafter acquired by the Foundation to effect the advance refunding of the 1992 Bonds.

**Additional Facilities** or **Additional Projects** means facilities acquired for storage, common meeting space and offices with part of the proceeds of the Bonds.

**Approved Plans and Specifications** means (i) complete plans and specifications for the Work which (A) have been approved by all governmental authorities whose approval is required, (B) bear the signed approval of the Architect and (C) are accompanied by Architect's signed estimate of the total estimated cost of the Restoration. Such plans and specifications shall be subject to Beneficiary's approval, which approval shall not be unreasonably withheld.

**Architect** means an architect satisfactory to the Beneficiary.

**Authorized Denomination** means \$5,000 or any integral maturity thereof within a maturity.

**Authorized Foundation Representative** means the President of the Board of Governors, the Secretary of the Board of Governors, the Executive Director and shall include any other officer appointed by the foregoing.

**Beneficial Owner** means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 1998 Bonds (including persons holding 1998 Bonds through nominees, depositories or other intermediaries).

**Beneficiary** or **Foundation** means the Skagit Valley College Foundation, a Washington nonprofit corporation, qualified as a 501(c)(3) organization under the Code.

**Board** means the governing body of the Foundation.

**Bond Counsel** means Preston Gates & Ellis LLP or such other nationally recognized bond counsel firm designated by the Authorized Foundation Representative.

**Bond Default** means the failure to pay the principal of and/or interest on the 1998 Bonds when due.

**Bond Purchase Contract** means the purchase contract for the 1998 Bonds between the Underwriter and the Foundation.

**Bond Register** means the registration books maintained by the Bond Registrar for the purpose of complying with the registration requirements of the Code.

**Bond Reserve Account** means the Bond Reserve Account created and maintained pursuant to the Deed of Trust.

**Business Day** means a day of the year which is not a Saturday or Sunday or a day on which banking institutions located in the State are required or authorized to remain closed or on which the Fiscal Agent or the New York Stock Exchange is closed.

**Closing Date** means the date on which the 1998 Bonds are delivered to the Underwriter upon receipt of the purchase price thereof.

**Closing Conditions** means:

- (a) the Fiscal Agent shall have received each of the following:
  - (1) An original executed or conformed copy of each document identified in the Custodial Agency Agreement;
  - (2) Evidence of recording the Deed of Trust.
  - (3) A lender's policy of title insurance, ALTA form 1970-B with respect to the Property.
  - (4) An opinion of Bond Counsel stating in the opinion of such Counsel that under existing law, the interest on the 1998 Bonds is exempt from federal income taxation, except under certain conditions to be more fully expressed in such opinion.
- (b) The Underwriter shall have received all of the items required under the Bond Purchase Contract.

**Code** means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

**College** means Skagit Valley College, a community college of the State.

**Consultant** means an independent and nationally recognized firm of consultants with expertise in the matter under study, retained by the Foundation.

**Contractor** means a contractor satisfactory to Beneficiary.

**Cost or Costs** means any cost or reimbursements with respect to the following: (a) obligations of the Foundation incurred for labor and to contractors, builders and materialmen in connection with the acquisition, construction and installation of the Projects; (b) the cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of construction of the Projects which is not paid by the contractor or contractors or otherwise provided for; (c) all costs of engineering services, including test borings, surveys, estimates, plans and specifications and preliminary investigations, and supervising constructions, as well as for the performance of all other duties required by or consequent upon the proper construction of the Projects; (d) Costs of Issuance; (e) all other costs which the Foundation shall be required to pay, under the terms of any contract or contracts, for the acquisition, construction and installation of the Projects; (f) other costs of a nature comparable to those described in clauses (a) through (e) above which the Foundation shall be required to pay as a result of the damage, destruction, condemnation or taking of the Projects or any portion thereof; (g) fees and expenses including consultants', attorneys' and accountants' fees and expenses incurred in connection with the Projects; (h) interest on the 1998 Bonds and any interim financing of the Projects during construction; (i) the cost of the Land payable to the seller(s) thereof; and (j) any other costs incurred by the Foundation in connection with the Projects or the 1998 Bonds or pursuant to this Indenture. Costs other than Costs of Issuance must be Costs for tangible real or tangible personal property. For purposes of the preceding sentence, amounts expended for working capital are not Costs for tangible real or tangible personal property if such Costs are costs for federal income tax purposes a taxpayer (i) must charge to the property's capital account, (ii) may elect to charge to the property's capital account instead of deducting, or (iii) may elect to deduct instead of charging to the property's capital account. In no event shall the term "Costs" include any item or items of expense which, if paid or reimbursed from the proceeds of any 1998 Bonds issued as obligations described in Section 103(a) of the Code would, individually or in the aggregate, cause the interest on such Bonds to be includable for federal income tax purposes in the gross income of the Owners of thereof.

**Costs of Issuance** means administrative expenses, legal, accounting, financial and printing expenses, and all other expenses incurred in connection with the issuance and sale of 1998 Bonds, to be funded with the proceeds of the 1998 Bonds in an estimated amount of \$85,000.

**Disbursement Schedule** includes the following:

(a) **Accrued interest.** The sum of \$13,748.44 shall be deposited in the Debt Service Account and used to pay interest on the 1998 Bonds on the first Interest Payment Date.

(b) **Refunding Bond Proceeds.** The sum of \$3,346,457.00 shall be deposited with the Escrow Agent and used to defease the 1992 Bonds.

(c) **Net Proceeds.** \$512,759.16 shall be delivered to the Foundation for deposit into the Project Fund and disbursed to pay the costs of the Project, satisfy the Reserve Requirement and costs of issuance of the 1998 Bonds.

**Debt Service Account** means the account of that name created in the Revenue Bond Fund.

**Deed of Trust** means the Deed of Trust, Security Agreement, Assignment of Leases and rents and Fixture Filing, dated as of August 1, 1998, with respect to the Financed Facilities.

**DTC** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the 1998 Bonds.

**Environmental Laws** shall mean any federal, state or local law, statute, ordinance, or regulation pertaining to health, industrial hygiene, or the environmental conditions on, under or about the Real Property, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), 42 U.S.C. Section 9601 *et seq.*, as amended by the Superfund Amendments and Reauthorization Act of 1986 (PL 99-499), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, *et seq.*, the Toxic Substance Control Act, 15 U.S.C. Section 2601, the Toxic Substance Control Act, 15 U.S.C. Section 2601, *et seq.*, and the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), 42 U.S.C. Section 6901, *et seq.*

**Escrow Agent or 1992 Trustee** means Chase Manhattan Trust Company, National Association, as successor in interest to Puget Sound National Bank, trustee for the 1992 Bonds.

**Escrow Agreement** means the Escrow Deposit Agreement, dated as of July 15, 1998, between the Foundation and the Escrow Agent.

**Executive Director** means the duly appointed and acting Executive Director of the Foundation.

**Financed Facilities** means the student housing project and the other property defined with further particularity in the Deed of Trust.

**Fiscal Agency Agreement** means the Agreement of that name dated as of February 1, 1997, as amended to date, between and among the State Finance Committee of the State, The Bank of New York and Wells Fargo Bank National Association. Upon the appointment of any successor fiscal agent under Chapter 43.80 RCW, the term "Fiscal Agency Agreement" shall refer to the agreement between the State Finance Committee and the successor Fiscal Agent.

**Fiscal Agent or Bond Registrar or Beneficiary** means the fiscal agency of the State of Washington, currently The Bank of New York, pursuant to the Fiscal Agency Agreement. Upon any appointment of a successor fiscal agent by the State Finance Committee, such successor fiscal agent shall automatically succeed to the responsibilities of the Fiscal Agent.

**Future Parity Bonds** means those revenue obligations which will be issued by the Foundation in the future as Parity Bonds.

**Government Obligations** has the meaning given such term in Chapter 39.53 RCW, as amended from time to time.

**Gross Revenues** means all income, receipts and donations received by the Foundation, from any source whatsoever, including from the ownership or operation of the Financed Facilities, all lease payments, insurance and condemnation proceeds and proceeds resulting from foreclosure of the Deed of Trust and all Investment Earnings.

**Hazardous Substance** shall include without limitation:

(a) Those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances," or "solid waste" in CERCLA, RCRA, the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., and

the Toxic Substance Control Act, 15 U.S.C. Section 2601 et seq., and in the regulations promulgated pursuant to said laws;

(b) Those substances defined as "dangerous wastes," "hazardous wastes" or as "hazardous substances" under the Water Pollution Control Act, RCW 90.48.010 et seq., the Hazardous Waste Management Statute, RCW 70.105.010 et seq., the Washington Toxic Substance Control Act RCW 70.105B.010 et seq., the Washington Model Toxics Control Act, RCW 70.105D.010 et seq., and the Toxic Substance Control Act, 15 U.S.C. Section 2601 et seq., and in the regulations promulgated pursuant to said laws;

(c) Those substances listed in the United States Department of Transportation Table (49 C.F.R. 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 C.F.R. Part 302 and amendments thereto);

(d) Storm water discharge regulated under any federal, state or local law, ordinance or regulation relating to storm water drains, including, but not limited to, Section 402(p) of the Clean Water Act, 33 U.S.C. Section 1342 and the regulations promulgated thereunder.

(e) Such other substances, materials and wastes which are or become regulated under applicable local, state or federal law, or the United States government, or which are classified as hazardous or toxic under federal, state or local laws or regulations; and

(f) Any material, waste or substance which is (A) petroleum, (B) asbestos, (C) polychlorinated biphenyls, (D) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Section 1251, et seq. (33 U.S.C. Section 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. Section 1317); (E) flammable explosives; or (F) radioactive materials.

**Improvements** means all fixtures now or hereafter affixed to such Land, including all buildings, structures and improvements of every kind and description now or hereafter erected or placed thereon, and any and all machinery, boilers, equipment (including, without limitation, all equipment for the generation or distribution of air, water, heat, electricity, light, fuel or refrigeration or for ventilating or air-conditioning purposes or for sanitary or drainage purposes or for the removal of dust, refuse or garbage), partitions, appliances, furniture, furnishings, dishwashers, microwave ovens, cabinets, laundry equipment, ranges, refrigerators, radios, televisions, awnings, window shades, venetian blinds, drapes and drapery rods and brackets, screens, carpeting and other floor coverings, lobby furnishings, games and recreational equipment, incinerators, trash compactors and

other property of every kind and description now or hereafter placed, attached, affixed or installed in such buildings, structures or improvements, and all replacements, repairs, additions, accessions or substitutions or proceeds thereto or therefor; all of such fixtures, whether now or hereafter placed thereon, being hereby declared to be real property.

**Insurance Proceeds** means the proceeds of insurance.

**Interest Payment Date** means each May 1 and November 1, commencing on November 1, 1998.

**Land** means the real property described on Exhibit A to the Deed of Trust.

**Letter of Representations** means the letter of representations from the Foundation to DTC.

**Mandatory Redemption Provisions**

Unless redeemed pursuant to the Optional Redemption Provisions, the Bonds maturing on November 1, 2003 are subject to mandatory redemption at a price of par plus accrued interest to the date of redemption on November 1 of the following years in the following principal amounts:

<u>Redemption Years</u>	<u>Redemption Amounts</u>
2002	\$ 100,000
2003*	105,000

\*Maturity.

Unless redeemed pursuant to the Optional Redemption Provisions, the Bonds maturing on November 1, 2013 are subject to mandatory redemption at a price of par plus accrued interest to the date of redemption on November 1 of the following years in the following principal amounts:

<u>Redemption Years</u>	<u>Redemption Amounts</u>
2011	\$ 160,000
2012	165,000
2013*	175,000

\*Maturity.

Unless redeemed pursuant to the Optional Redemption Provisions, the Bonds maturing on November 1, 2017 are subject to mandatory redemption at a price of par plus accrued interest to the date of redemption on November 1 of the following years in the following principal amounts:

<u>Redemption Years</u>	<u>Redemption Amounts</u>
2014	\$ 185,000
2015	195,000
2016	210,000
2017*	220,000

\*Maturity.

Unless redeemed pursuant to the Optional Redemption Provisions, the Bonds maturing on November 1, 2023 are subject to mandatory redemption at a price of par plus accrued interest to the date of redemption on November 1 of the following years in the following principal amounts:

<u>Redemption Years</u>	<u>Redemption Amounts</u>
2018	\$ 235,000
2019	100,000
2020	100,000
2021	100,000
2022	100,000
2023*	100,000

\*Final Maturity.

*Maturity Schedule* means, with respect to the 1998 Bonds:

<u>Due</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
November 1, 1999	\$ 100,000	4.250%	100%
November 1, 2000	100,000	4.400	100
November 1, 2001	100,000	4.500	100
November 1, 2003	205,000	4.650	100
November 1, 2004	110,000	4.700	4.80
November 1, 2005	115,000	4.800	4.90
November 1, 2006	120,000	5.000	100
November 1, 2007	130,000	5.000	5.10
November 1, 2008	135,000	5.100	5.15
November 1, 2009	140,000	5.200	5.25

<b>Due</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Yield or Price</b>
November 1, 2010	150,000	5.300	5.35
November 1, 2013	500,000	5.500	5.60
November 1, 2017	810,000	5.625	5.80
November 1, 2023	735,000	5.750	5.90

**Minimum Authorized Denomination** means \$5,000.

**MSRB** means the Municipal Securities Rulemaking Board or any successor to its functions.

**Net Insurance Proceeds** means Insurance Proceeds (less the cost, if any, to Beneficiary of recovering and paying out such proceeds (including, without limitation, attorneys' fees and expenses, adjuster's fees, and fees incurred in Beneficiary's performance of its obligations hereunder)).

**Net Proceeds** means, when used with reference to the 1998 Bonds, the face amount of the 1998 Bonds, plus accrued interest and original issue premium, if any, and less original issue discount, if any.

**Net Revenues** or Pledged Revenues means Gross Revenues, less Operations and Maintenance Costs less restricted Revenues.

**1998 Bonds** means all of the revenue bonds of the Foundation pursuant to this resolution.

**NRMSIR** means a nationally recognized municipal securities information repository for purposes of the Rule.

**Official Statement** means any official statement, offering circular, private placement memorandum or other disclosure document pursuant to which the 1998 Bonds are initially sold or remarketed.

**Operation and Maintenance Costs** means all necessary costs to the Foundation of operating and maintaining the Project, including but not limited to administrative and general expenses, costs of insurance (including reasonable contributions for self-insurance reserves, if any), consulting technical services and repairs and replacements (to the extent not properly classifiable as capital costs) and reasonable reserves therefor, but excluding depreciation (or reserves therefor), amortization of intangibles or other bookkeeping entries of a similar nature and debt service on the Parity Bonds.

**Opinion of Counsel** means a written opinion of nationally recognized bond counsel selected by the Foundation and acceptable to the Trustee.

**Optional Redemption Provisions:** The 1998 Bonds maturing on or before November 1, 2008, are not subject to optional redemption prior to their scheduled maturities. The 1998 Bonds maturing on or after November 1, 2009, are subject to redemption at the option of the Foundation in whole or in part on any date on and after November 1, 2008, with maturities to be selected by the Foundation at a price of par plus accrued interest to the date of redemption.

**Outstanding** means, in connection with the 1998 Bonds as of the time in question, all 1998 Bonds executed and delivered under the Deed of Trust, except:

- (a) 1998 Bonds theretofore canceled or required to be canceled under Section 4.06 of the Deed of Trust;
- (b) 1998 Bonds that have been defeased in accordance with Section 4.19 of the Deed of Trust; and
- (c) 1998 Bonds in substitution for which other 1998 Bonds have been executed and delivered pursuant to Article IV of the Deed of Trust.

**Owner or Bond Owner**, whenever used herein with respect to a Bond, means the person in whose name such Bond is registered on the Bond Register.

**Parity Bond Conditions** means satisfaction of the following conditions as of the date of issuance of any future series of Parity Bonds:

- (a) The amount on deposit in the Bond Reserve Account shall be equal to the Reserve Requirement calculated immediately after the authentication and delivery of such Series of Parity Bonds;
- (b) No Event of Default has occurred and is continuing;
- (c) The Authorized Foundation Representative shall execute a certificate to the effect that the Net Revenues for the last complete Fiscal Year preceding the Closing Date of the Series of Parity Bonds have equaled at least 125% of the maximum amount of annual debt service on all Parity Bonds. For purposes of the foregoing computation, the Net Revenues for the Fiscal Year preceding the issuance of the Bonds shall be those shown by the audited financial reports prepared by an Accountant.

**Parity Bonds** means the 1998 Bonds and any Series revenue obligations issued in the future by the Foundation which have a lien upon the Pledged Revenues for the payment of the principal thereof and interest thereon equal to the lien created upon Net Revenue for the payment of the principal of and interest on the 1998 Bonds.

**Payment Date** means each date on which a payment of principal of and/or interest on the 1998 Bonds is due, whether by maturity, redemption or acceleration in advance of maturity.

**Parity Debt** means Indebtedness of the Foundation on a parity of lien with the lien created by the Deed of Trust incurred or issued by the Foundation pursuant to Section 2.07 of the Deed of Trust.

**Permitted Investments** means, to the extent they are legal investments under applicable law, any of the following obligations or securities on which neither the Foundation nor any of its affiliates is the obligor:

(a) Government Obligations, including obligations of any of the federal agencies set forth in clause (c) below to the extent unconditionally guaranteed by the United States of America;

(b) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state or of any agency or instrumentality of any such local governmental unit

(i) which shall be rated at least "Aa" by Moody's Investors Service and at least "AA" by Standard & Poor's Ratings Service,

(ii) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions,

(iii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payments of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (ii) of this clause (b), as appropriate,

(iv) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (ii) of this clause (b), as appropriate, and

(v) which bonds, obligations and cash are held by a bank or trust company organized under any laws of any state of the United States of America or any national banking association, in a fiduciary payment;

(c) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; debentures of the Federal Housing Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association; guaranteed Title XI financing of the United States Maritime Administration; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; and participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation;

(d) direct and general obligations of the State of Washington the payment of the principal and interest on which the full faith and credit of the State is pledged, or any bonds or other obligations the payment of the principal and interest on which are unconditionally guaranteed by the State of Washington;

(e) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (a), provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee;

(f) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any bank, which are rated not lower than the third highest rating category by Moody's Investors Service and Standard & Poor's Investors Service;

(g) commercial paper, other than that issued by bank holding companies, rated in the highest rating category by Moody's Investors Service and by Standard & Poor's Investors Service;

(h) repurchase agreements collateralized by any one or more of the securities described in clause (a) and (c) above, with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if

such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Service and "A-1" or "A-" or better by Standard & Poor's Ratings Service, provided:

(i) a master repurchase agreement or specific written, repurchase agreement governs the transaction; and

(ii) the securities are held free and clear of any lien by an independent third party, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the Foundation shall have received written confirmation from such third party that it holds such securities, free of any lien; and

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* in such securities is created for the benefit of the Trustee; and

(iv) the repurchase agreement has a term of 30 days or less; and

(v) the repurchase agreement matures at least 10 days (or other appropriate liquidation period) prior to an Interest Payment Date, and

(vi) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%; and

(i) taxable or nontaxable government money market portfolios or securities of or other interest in open-end or closed-end management-type investment companies or investment trusts registered under the federal investment company act of 1940, if such portfolios or investment companies or trusts are restricted to obligations with maturities of one year or less issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States of America and repurchase agreements fully collateralized by such obligations;

(j) A contract with an insurance company that provides for the return of the deposit made under the contract, plus interest, and which is issued by an insurance company whose claims paying ability is rated "AAA" by Standard & Poor's Ratings Service and/or "Aaa" by Moody's Investors Service; and

(k) A contract with a bank having capital, surplus and undivided profits or reserves of \$50,000,000 or more.

**Personal Property** means all of the property assigned or transferred or intended to be assigned or transferred to Beneficiary in paragraph B of the Deed of Trust.

**Pledged Revenues** means Gross Revenues, less Operation and Maintenance Costs and less Restricted Revenues.

**Private Person** means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

**Private Person Use** means the use of property in a trade or business by a private person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the private person as well as other arrangements that transfer to the private person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the private person apart from the general public. Use of property as a member of the general public includes attendance by the private person at municipal meetings or business rental of property to the private person on a day-to-day basis if the rental paid by such private person is the same as the rental paid by any private person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a de minimis fee to cover custodial expense.

**Projects** means the capital improvements to the facilities of the Foundation having an aggregate cost not to exceed \$150,000.

**Project Bonds** means \$150,000 new money portion of the 1998 Bonds issued to pay the costs of Projects and allocable costs of issuance.

**Property** means all of the Real Property and the Personal Property.

**Qualified Credit Facility** means (a) any irrevocable letter of credit issued by a bank, or (b) any other irrevocable instrument issued by a financial institution serving the same purpose which letter of credit or other instrument and which bank or other financial institution meets the following requirements: (i) such bank or other financial institution shall have a long term credit rating on its senior unsecured debt in one of the three highest rating categories of any rating agency, and the obligations of such bank or other financial institution under such letter of credit or other instrument shall rank on a parity with the senior unsecured debt of such bank or institution, and (ii) such letter of credit or other instrument is issued in the name of the Fiscal Agent, permits successive transfers to any

successor trustees hereunder, has a term of least one year, permits either multiple drawings thereunder in an aggregate amount of not less than the stated amount thereof or a single drawing in the full stated amount thereof (regardless of whether such amount exceeds the amount of funds then required by the Fiscal Agent to make payments hereunder) on demand of the Fiscal Agent on any date on which a payment in respect of the 1998 Bonds is required be made hereunder in the face amount of such drawing and without the payment of fees, penalties, breakage costs or other charges to the Fiscal Agent, directs a full drawing of all amounts remaining available thereunder within not less than 60 days prior to the expiration thereof if such letter of credit or instrument expires earlier than the 15th day following the maturity date of the 1998 Bonds and the Fiscal Agent has not received a replacement Qualified Credit Facility or substitute cash for deposit into the Bond Reserve Account in a manner satisfying the conditions for such substitution set forth in Section 4.09 of the Deed of Trust, and otherwise having administrative and procedural provisions and in form satisfactory to the Fiscal Agent. Notwithstanding the preceding sentence, any Qualified Credit Facility may be furnished only at the direction of the Foundation.

**Rate Covenant** has the meaning given such term in Section 4.17 of the Deed of Trust.

**Real Property** means all of the property conveyed or intended to be conveyed to Trustee in Paragraph A of the Deed of Trust.

**Record Date** means the 15th day of the month immediately preceding each Interest Payment Date.

**Refunding Bonds** means the portion of the 1998 Bonds issued pursuant to this resolution for the purposes of refunding the 1992 Bonds and paying allocable costs of issuance.

**Registered Owner** means the person named as the registered owner of a 1998 Bond in the Bond Register.

**Request for Payment** Grantor's written request for payment.

**Reserve Requirement** means the lesser of (i) 10% of the principal amount of each series of Parity Bonds; (ii) maximum annual debt service with respect to all Outstanding Parity Bonds; or (iii) 125% of average annual debt service with respect to all Outstanding Parity Bonds.

**Resolution** means a resolution adopted by the Board on May 14, 1998.

**Restoration** has the meaning given such term in Section 1.07 of the Deed of Trust.

**Restricted Revenues** means gifts or donations to the Foundation, the use and application of which has been restricted by the donor.

**Revenue Bond Fund** shall have the meaning given such term in the Deed of Trust.

**Revenue Fund** means the special fund of the Foundation, into which the Foundation shall deposit and maintain all Pledged Revenues.

**Revenues** means all amounts received by the Foundation or by the Trustee for the account of the Foundation pursuant or with respect to the Deed of Trust, including, without limiting the generality of the foregoing, payments to be made by the Foundation (including both timely and delinquent payments and any late charges, paid from any source), prepayments, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Deed of Trust, but not including any administrative fees and expenses.

**SEC** means the Securities and Exchange Commission.

**Series** means all of the Parity Bonds authenticated and delivered on original issuance and identified pursuant to the Resolution or a future resolution of the Board authorizing such Parity Bonds as a separate Series of Parity Bonds, and any Parity Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

**SID** means any public or private repository or entity designated by the State of Washington as the state repository for the purposes of the Rule and recognized as such by the SEC. As of the Closing Date, there is no such state repository.

**Underwriter** means Seattle-Northwest Securities Corporation, Seattle, Washington.

**Unrestricted Revenues** means Gross Revenues, other than gifts, the donor of which has not encumbered with restriction(s) as to use.

**Work** means work in connection with the Restoration under the Deed of Trust.

Part II. **Rules of Construction.** The following rules of construction shall be applied to each Document.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of the respective agreement.

(d) In any agreement, the words "hereof," "herein," "hereto," "hereby" and "hereunder" (except in the form of 1998 Bond) refer to the entire Agreement.

(e) Every "request," "order," "demand," "application," "appointment," "notice," "statement," "certificate," "consent," "direction" or similar action hereunder by the Foundation shall, unless the form thereof is specifically provided, be in writing signed by the Authorized Foundation Representative.

Part III. Miscellaneous Provisions. The following provisions shall be applicable to each Document.

(a) *No Personal Recourse.* No recourse shall be had for any claim based on any Document or the 1998 Bonds, including but not limited to the payment of the principal or redemption price of, or interest on, the Agency Rent represented by 1998 Bonds, against any officer, agent or employee, past, present or future, of the Foundation, the State Treasurer, the Fiscal Agent, the Custodial Agent or the Trustee or of any successor body, as such, either directly or through any of the foregoing or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or by any legal or equitable proceeding or otherwise.

(b) *Notices.* Any notice to or demand upon Foundation, the Fiscal Agent or the Custodial Agent shall be deemed to have been sufficiently given or served for all purposes by being sent by registered mail, by telegram or by telephone or telefax confirmed in writing, and addressed to the parties, respectively, or at such other address as may be filed in writing by such parties to the others as follows:

Address of the Custodial  
Agent and the Fiscal Agent:

The Bank of New York  
101 Barclay Street, 21W  
New York, NY 10286  
Attention: Bond Trustee Services  
Telephone: (212) 815-5383  
Telefax: (212) 815-5917

Address of the Foundation:

Skagit Valley College Foundation  
2405 College Way  
Mount Vernon, WA 98273  
Attention: Executive Director  
Telephone: (360) 664-9533  
Telefax: (360) 586-2613

With a copy to:

Skagit Valley College  
2405 College Way  
Mount Vernon, WA 98273  
Attention: President:  
Telephone: (360) 416-7717  
Telefax: (360) 416-7932

All notices shall be deemed effective upon receipt, refusal of delivery or attempted delivery.

(1) In the event of any strike or occurrence of another similar event which interrupts mail service, notices may be served personally upon an individual, partner or an officer or director of a corporation which is or is part of the party being served hereunder.

(2) Grantor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to Grantor at the address set forth above.

(3) Unless otherwise provided by applicable law, Trustee shall be under no obligation to notify any party hereto of any action or proceeding of any kind in which Grantor, Beneficiary and/or Trustee shall be a party, unless brought by Trustee, or of any pending sale under any other deed of trust.

(c) *Waiver of Notice.* Except as otherwise provided herein, whenever in this Document the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Appendix 1-18

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(d) *Successors and Assigns.* All the covenants, promises and agreements in this Deed of Trust contained by or on behalf of the Foundation, the Fiscal Agent or the Custodial Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

(e) *Headings for Convenience Only.* The descriptive headings in this Document are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

(f) *Counterparts.* This Document may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

(g) *Applicable Law.* Venue for any action brought under this Document shall be had in any Superior Court of Skagit County or the county in which the Land is situated, and the Parties do hereby stipulate to such jurisdiction and venue. This Document and the rights of the parties hereto shall be governed and construed in accordance with the laws of the State. Time is of the essence in the performance of the obligations under this Document.

(h) *Payments Due on Non-Business Days.* In any case where the date of maturity of interest on or principal of the Agency Rent represented by the 1998 Bonds or the date fixed for redemption of any or all of the Agency Rent represented by the 1998 Bonds shall not be a Business Day, then payment of interest or principal or redemption price need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest on such payment shall accrue for the period after such date.

(i) *Partial Invalidity.* If any term, covenant or condition of any Document or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of such Document, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of the Documents shall be valid and be enforced to the fullest extent permitted by law.

Part IV. Supplemental Agreements.

(a) *Amendments and Supplements Without Registered Owners' Consent.* Each Document may be amended or supplemented at any time and from time to time by a Supplemental Agreement, signed by the Parties thereto and consented to by the State

Treasurer, without notice to or the consent of the Registered Owners upon receipt by the Parties thereto and the Treasurer Representative of an opinion from 1998 Bond Counsel to the effect that (i) the terms of the Supplemental Agreement are not materially adverse to the interests of Registered Owners of the 1998 Bonds; and that such Supplemental Agreement shall not impair the tax-exempt status of the 1998 Bonds (if the 1998 Bonds have been designated initially as tax-exempt under federal tax law).

(b) *Amendments with Registered Owners' Consent* In addition to the authority granted under (b), the Documents may be amended from time to time by a Supplemental Agreement approved by the Registered Owners of at least a majority in aggregate principal amount of the 1998 Bonds then Outstanding; provided, that no amendment shall be made which affects the rights of some but fewer than all the Outstanding 1998 Bonds without the consent of the Registered Owners of 1998 Bonds so affected.

(c) *Fiscal Agent and Custodial Agent Authorized to Join in Amendments and Supplements; Reliance on Counsel.* The Fiscal Agent and Custodial Agent are each authorized to join with the Parties in the execution and delivery of any Supplemental Agreement as permitted by this Part and in so doing shall be fully protected by an opinion of counsel that such Supplemental Agreement or amendment is so permitted.

(d) *Effect of Supplement or Amendment.* Upon the execution and delivery of any Supplemental Agreement, the respective Document shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under such Document of the Parties with respect thereto and all Registered Owners shall thereafter be determined, exercised and enforced under such Document subject in all respects to such Supplemental Agreement.

EXHIBIT B-1

REQUEST OF FULL RECONVEYANCE

The undersigned beneficiary is the Custodial Agent and holder of the Skagit Valley College Foundation Student Housing Revenue and Refunding Bonds, 1998 (the "Bonds") securing the payment of obligations identified in Underlying Records, as defined in the Bonds, secured by that certain Deed of Trust dated July 15, 1998 in which Skagit Valley College Foundation is grantor and The Bank of New York is Fiscal Agent and Custodial Agent, filed for record on August 12, 1998, as Auditor's File No. \_\_\_\_\_, records of Skagit County, Washington.

The Bonds and all obligations and other indebtedness secured by said Deed of Trust having been fully satisfied, the Bonds and Deed of Trust are herewith surrendered to you for cancellation and reconveyance.

You are therefore requested, upon payment of all sums owing to you, to reconvey without warranty, to the person(s) entitled thereto, the right, title and interest now held by you thereunder.

Dated \_\_\_\_\_, \_\_\_\_\_.

Beneficiary:

THE BANK OF NEW YORK

By \_\_\_\_\_  
Authorized Representative