



200002250102

Kathy Hill, Skagit County Auditor

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After recording, return to:

Horizon Bank
P.O. Box 580
Bellingham, WA 98227

ASSIGNMENT OF SUB-LEASE FOR SECURITY PURPOSES

FIRST AMERICAN TITLE CO.

Abbreviated Legal: Lot 839, "SHELTER BAY DIVISION NO. 5" 61298-1

Tax Parcel No.: 5100-005-839

THIS ASSIGNMENT dated this 16 day of February, 2000 is by and between Gary D. Hartley and Wendy G. Hartley, hereinafter referred to as "Assignor," and Horizon Bank, a savings bank, hereinafter referred to as "Assignee."

1. Recitals

Assignor is the lessee or sub-lessee of the property legally described as Lot 839, "AMENDED SURVEY OF SHELTER BAY DIVISION 5, Tribal and Allotted Lands of Swinomish Indian Reservation", as recorded on June 2, 1976, in Volume 1 of Surveys, Pages 184 to 186, under Auditor's File No. 836134, records of Skagit County, Washington. Assignor's leasehold interest arises out of a lease or sub-lease dated October 31, 1978, by and between Fidalgo, Inc., a Washington Corporation, now held of record by Shelter Bay Company, a Washington corporation, as lessor or sub-lessor, and John T. Larsen and Yvette M. Larsen, and assigned to Assignor as lessee or sub-lessee on January 5, 2000 and recorded January 7, 2000.

Assignor has entered into a borrower/lender relationship with Horizon Bank, a savings bank and to secure the Promissory Note evidencing such loan, Assignor has executed a Deed of Trust in favor of Assignee.

As a further condition to Assignee entering into a loan agreement with Assignor, Assignee herein requires Assignor to conditionally assign their interest in and to the afore-described property as additional security.

2. Assignment

For good and valuable consideration, Assignor does hereby assign and set over to Assignee, for additional security purposes only, all of Assignor's right, title and interest in and to the afore-mentioned lease on the afore-described property.

3. Assignee's Right to Possession

Assignee acknowledges that this Assignment is for additional security purposes only and is made and executed contemporaneously with Assignor's execution of a Promissory Note and Deed of Trust relating to their leasehold interest and improvements thereon located on the afore-mentioned property.

In the event that Assignor is in default under the terms and condition of the Promissory Note or Deed of Trust executed in favor of Assignee to secure Assignor's obligation to Assignee, and in the event that Assignee is required to foreclose, forfeit or otherwise take possession of Assignor's interest in and to the afore-described real property, then it is agreed and understood that at such time as Assignee takes possession of the property, this Assignment of Lease shall immediately become effective and all of Assignor's right, title and interest to the Lease shall vest in Assignee, and Assignee shall be entitled to all rights, benefits and obligations of Assignor under such Lease including but not limited to the right of possession of the premises.

Dated the day and year first above written.

ASSIGNOR(s):

Gary D. Hartley
Gary D. Hartley

Wendy G. Hartley
Wendy G. Hartley

ASSIGNEE:

Horizon Bank, a savings bank

By

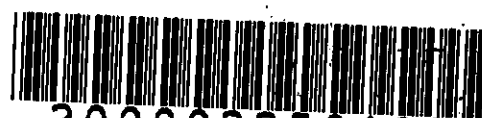
Its

Bernie A. Decker

SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax
PAID

FEB 25 2000

Amount Paid \$ - 0 -
Skagit County Treasurer
By: Deputy



200002250102

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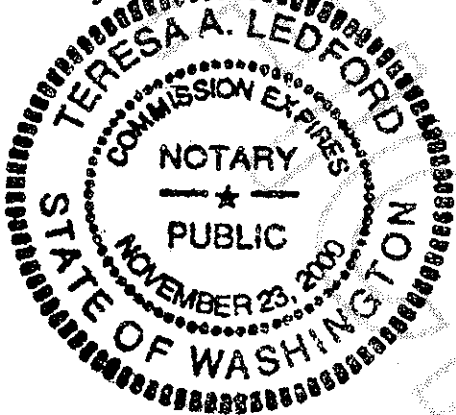
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STATE OF WASHINGTON)

) SS
COUNTY OF Snohomish)

On this day before me, the undersigned Notary Public, personally appeared Gary D. Hartley and Wendy G. Hartley, personally known to me or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 17th day of February, 2000.



Teresa A. Ledford
NOTARY PUBLIC for the State of Washington, residing
at Snohomish
My appointment expires 11/23/00

STATE OF WASHINGTON)

) SS
COUNTY OF _____)

On this day before me, the undersigned Notary Public, personally appeared _____, to me known to be the _____, of Horizon Bank, a savings bank, the entity that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of Horizon Bank, a savings bank, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument.

GIVEN under my hand and official seal this _____ day of _____, 2000.

NOTARY PUBLIC for the State of Washington, residing
at _____
My appointment expires _____



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AGREEMENT OF LESSOR


THE UNDERSIGNED, Shelter Bay Corporation, a Washington corporation, the Lessor of that certain "Shelter Bay Lease" (the "Lease" herein) described in the within and foregoing "Assignment of Sub-Lease for Security Purposes" (the "Encumbrance" herein), does state and agree as follows:

1. That the Encumbrance is hereby approved;
2. That, to the best of its knowledge and belief, the Lease and the "Master Lease" therein referred to, are currently in all respects fully performed and free of any default on the part of the respective lessees thereof;
3. That a default on the part of the Lessee with respect to the Encumbrance, of which the undersigned receives written notice, will be deemed and enforced by the undersigned as a default under the Lease; that it will send copies of any and all notices of default under the Lease to the holder of the Encumbrance at the address shown therein, or to such other address as the holder shall in writing designate; and, if as and when the property shall be repossessed by the undersigned, such repossession and any subsequent releasing or other disposition of the property or of the Lease will in all respects be subject to the Encumbrance;
4. Neither the holder of the Encumbrance, nor any person claiming by, through, or under the Encumbrance, including the purchaser at any sale in foreclosure thereof, shall be deemed to have "acquired" the property or the lease-hold encumbered unless such acquisition shall have as an incident thereto the unrestricted right of possession of the property.

DATED this 21st day of February, 2000.

SHELTER BAY COMPANY

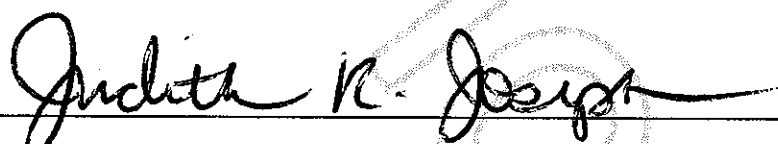
By Allan F. Osberg
Its President


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APPROVAL OF ENCUMBRANCE

This form and terms of the within and foregoing Encumbrance was approved this 24th day of February, 2000.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS


By Judith R. Joseph
Title ACTING Superintendent

Approved pursuant to Northwest Regional Office 10 BIAM Bulletin No. 2000-01
dated January 31, 2000.


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