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, Skagit County Auditor

9/19/2000 Page 1 of 28 3:37:21PM

**RECORDED AT THE REQUEST OF
AND AFTER RECORDING RETURN TO:**

Davis Wright Tremaine LLP
2600 Century Square
1501 Fourth Avenue
Seattle, Washington 98101-1688

Attention: Richard J. Schroeder

D-86435-E

LAND TITLE COMPANY OF SKAGIT COUNTY

**DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING**

Grantor: Upper Skagit Indian Tribe

Grantee #1 (Trustee): Land Title Insurance Company of Skagit County

Grantee #2 (Beneficiary): Wells Fargo Bank, National Association, Agent

Abbreviated Legal Description: Gov. Lots 3 & 4 & ptn EY2 SWY4, 30-36-4 EWM
Gov. Lots 1 & 2 & ptn EY2 NWY4, 31-36-4 EWM
SEY4, SEY4 & ptn NEY4 SEY4, 25-36-3 EWM
Official Legal Description on Exhibit A

Assessor's Tax Parcel ID#: 360325-4-002-0006
360325-4-008-0000
360430-0-004-0004
360430-0-005-0003
360430-3-002-0000
360430-3-004-0008
360431-0-001-0006
360431-0-002-0005
360431-2-002-0001
360431-2-004-0009

Reference No.: _____

**DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING**

THIS DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING ("Deed of Trust") dated as of September 18, 2000, is made by and among the Upper Skagit Indian Tribe, a federally recognized Indian Tribe, whose address is 25944 Community Plaza Way, Sedro Wooley, Washington 98284 ("Grantor"), Land Title Company of Skagit County, a Washington corporation, the address of which is 111 E. George Hopper Road, Burlington, Washington 98233, and its successors in trust and assigns ("Trustee"), and Wells Fargo Bank, National Association, the address of which is 5340 Kietzke Lane, Suite 201, Reno, Nevada 89502 ("Beneficiary"), as agent for the lenders and Swing Line Lender (collectively, the "Lenders") from time to time parties to the Loan and Security Agreement dated September 18, 2000 ("Loan Agreement").

1. GRANTING CLAUSE. Grantor, in consideration of the acceptance by Trustee of the trust hereunder, and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to secure the obligations described in Section 4 below, grants, bargains, sells, and conveys to Trustee and its successors in trust and assigns, forever, in trust, with power of sale, all of Grantor's estate, right, title, interest, claim and demand, now existing or hereinafter acquired, in and to the property located in the county of Skagit, State of Washington, described as follows (all of the property described in all parts of this Section 1 and all additional property, if any, described in Section 2 is herein called the "Property"):

1.1 Land and Appurtenances. Grantor's interest in the land described on Exhibit A hereto (the "Land"), and all tenements, hereditaments, rights-of-way, easements, appendages and appurtenances thereto belonging or in any way appertaining, including without limitation all of the right, title and interest of Grantor in and to any avenues, streets, ways and alleys adjoining that property, and all claims or demands of Grantor either in law or in equity in possession or expectancy of, in and to that property; and

1.2 Improvements and Fixtures. All buildings, structures and other improvements now or hereafter erected on the property described in Section 1.1 above, and all facilities, fixtures, machinery, apparatus, installations, equipment, furniture and other properties of whatsoever nature owned by Grantor (including without limitation all heating, ventilating, air conditioning, plumbing and electrical equipment, all elevators and escalators, all sprinkler systems, all engines and motors, all lighting, laundry, cleaning, fire prevention and fire extinguishing equipment, all ducts and compressors, all refrigerators, stoves and other appliances, attached cabinets, partitions, rugs, carpets and draperies, all building materials and supplies, and all construction forms and equipment), now or hereafter located in or used or procured for use in connection with that property, it being the intention of the parties that all



property of the character hereinabove described which is now owned or hereafter acquired by Grantor and which is affixed or attached to or used in connection with the property described in Section 1.1 above shall be, remain or become a portion of that property and shall be covered by and subject to the lien of this Deed of Trust, together with all permits, plans, specifications, drawings, surveys, engineering reports and other work products relating to the construction of the existing or any future improvements on the Property; and

1.3 Enforcement and Collection. Any and all rights of Grantor without limitation to make claim for, collect, receive and receipt for any and all rents, income, revenues, issues, royalties, and profits, including mineral, oil and gas rights and profits, insurance proceeds (subject to the provisions of the Loan Agreement), condemnation awards and other money, payable or receivable from or on account of any of the Property, including interest thereon, to bring any suit in equity, action at law or other proceeding for the collection of such money or for the specific or other enforcement of any such agreement, award or judgment, in the name of Grantor or otherwise, and to do any and all things which Grantor is or may be or become entitled to do with respect thereto, provided, however, that no obligation of Grantor under the provisions of any such agreements, awards or judgments shall be impaired or diminished by virtue hereof, nor shall any such obligation be imposed upon Trustee or Beneficiary; and

1.4 Miscellaneous Income and Accounts Receivable. All other income, accounts, and accounts receivable of any nature whatsoever generated from the Property including, without limitation, income from user fees, concessions, vending machines, and all other miscellaneous income; and

1.5 Books and Records. All books and records of Grantor relating to the foregoing in any form and all computer software necessary or useful to reading such books and records.

2. SECURITY AGREEMENT. To the extent any of the property described in Section 1 is personal property, Grantor, as debtor, grants to Beneficiary, for the benefit of Lenders, as secured party, a security interest therein together with a security interest in all other personal property of whatsoever nature, including without limitation, equipment, furnishings and fixtures which is located on or used or to be used in connection with any of the property described in Section 1, and any products or proceeds of any thereof. Beneficiary hereby assigns such security interest to Trustee, in trust, for the benefit of Beneficiary to be dealt with as a portion of the "Property" except as otherwise specified herein. This Deed of Trust shall be deemed to be a security agreement and fixture filing. Information concerning this security interest can be obtained from Beneficiary at the address set forth in Section 10.2.



3. ASSIGNMENT OF LEASES, RENTS AND CERTAIN CONTRACTS.

3.1 Right to Lease Property. Grantor reserves the right to enter into leases, subleases and tenancies pertaining to the Property (collectively, the "Leases"). Any such Leases shall be subordinate to the lien of this Deed of Trust.

3.2 Future Assignments. Grantor, at the request of Beneficiary, shall assign to the Trustee any lease, contract or agreement pertaining to the Property and the improvements, fixtures and equipment thereon, and to submit such assignments for approval by the Secretary of the Interior and the Commissioner of Indian Affairs ("Secretary") pursuant to Title 25 U.S.C. (unless advised in writing by the Secretary that such approval is not required). At all times prior to the effective date of such assignments, and until this Deed of Trust is terminated as herein provided, Grantor does hereby grant to Trustee the immediate and continuing right to collect and receive all of the rents, income, receipts, revenues, issues and profits (hereinafter, the "Rents") now due or which may become due or to which Grantor may now or shall hereafter (including those Rents coming due during any redemption period) become entitled or may demand or claim, arising or issuing from or out of the Leases, or from or out of the Property or any part thereof, including but not limited to minimum rents, additional rents, percentage rents, deficiency rents and liquidated damages following default, and, subject to the terms of the Loan Agreement, all proceeds payable under any policy of insurance covering loss of rents resulting from untenability caused by destruction or damage to the Property, together with any and all rights and claims of any kind which Grantor may have against any tenant under the Leases or any subtenants or occupants of the Property, EXCEPTING THEREFROM, any sums which by the express provisions of any of the Leases are payable directly to any governmental authority or to any other person, firm or corporation other than the landlord under the Lease. The term "Rents" shall also include all income of any nature whatsoever received from the Golf Course which is a part of the Property, including both transient rentals and long-term rental contracts. To the extent any of the income from the hotel is considered an "account," "account receivable" or "general intangible," this document shall also be considered a security agreement.

3.3 Plans. For value received, Grantor does hereby assign, transfer and set over unto Trustee, to have and hold the same unto Trustee, its successors and assigns, until this Deed of Trust is terminated as herein provided, all plans and specifications prepared for construction of the Golf Course and all studies, data and drawings related thereto; provided, the assignments of such plans and specifications are each subject to a license granted by Trustee to Grantor in Section 6.5 hereof, to collect and receive all of the Rents prior to the occurrence of a default hereunder; provided, however, such license is limited as hereinafter provided.



4. **OBLIGATIONS SECURED.** This Deed of Trust is given for the purpose of securing:

4.1 Performance and Payment. The performance of the obligations contained herein, in the Loan Agreement and the payment of TWENTY-THREE MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$23,500,000), with interest thereon, according to the terms of the Loan Agreement and the Revolving Loan Note and the Swing Line Note, each dated September 18, 2000 executed by Grantor pursuant to the Loan Agreement, and any and all extensions, renewals, modifications or replacements thereof, whether the same be in greater or lesser amounts;

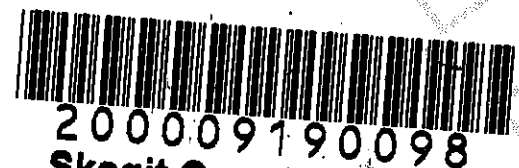
4.2 Future Advances. The repayment of any and all sums advanced or expenditures made by Beneficiary subsequent to the execution of this Deed of Trust for the maintenance or preservation of the Property or advanced or expended by Beneficiary pursuant to any provision of this Deed of Trust subsequent to its execution, together with interest thereon; and

4.3 Exclusion From Secured Obligations. Notwithstanding anything to the contrary set forth herein or in any other document which has been executed in connection with the Loan Agreement, this Deed of Trust shall not secure the obligations of Grantor under that certain Certificate and Indemnity Agreement Regarding Hazardous Substances dated as of even date herewith made by Grantor in favor of Beneficiary (the "Indemnity Agreement") or the substantial equivalent of the obligations arising under the Indemnity Agreement. All of such obligations (and substantial equivalents thereof) shall constitute the separate, unsecured recourse obligations of Grantor and shall not be deemed to be evidenced by the Loan Agreement or secured by this Deed of Trust. In addition, Borrower's obligation under the Subordinated Term Loan shall not be secured by this Deed of Trust.

4.4 Partial Reconveyance. Provided Grantor is not in default hereunder or under the Loan Agreement at the time of such partial reconveyance, Beneficiary agrees, upon request of the Grantor, to request the Trustee to reconvey (i) that portion of the Property consisting of the golf course areas and (ii) that portion of the Property consisting of the housing development and non-golf course areas (each such reconveyed portion of the Property being referred to herein as a "Parcel") if, and only if, all of the following conditions precedent to such partial reconveyance have either been waived by Beneficiary or satisfied to Beneficiary's sole satisfaction:

(a) The Parcel shall have been subdivided from the remaining portions of the Property in compliance with all applicable laws, regulations and ordinances pertaining to subdivision of land;

(b) The Parcel shall have been segregated for real estate tax purposes from the remaining portions of the Property;



(c) All necessary easements for utilities, drainage facilities, ingress and egress, or other easements, rights of way or agreements necessary for the uninterrupted and unaltered use and enjoyment of the remaining portions of the Property shall have been obtained and perfected;

(d) If necessary for a proper description of the Parcel, a survey by a licensed professional engineer shall have been completed and recorded in accordance with local law and a copy thereof delivered to Beneficiary;

(e) All persons having guaranteed payment of the indebtedness secured by this Deed of Trust shall have executed and delivered to Beneficiary a consent to the partial reconveyance, in form and substance satisfactory to Beneficiary;

(f) Endorsements to the title insurance policy insuring the lien of this Deed of Trust reasonably required by Beneficiary shall have been issued or committed for, including with out limitation endorsements assuring that (a) the granting of the partial reconveyance will not result in any junior lien holders acquiring priority over the lien of this Deed of Trust; and (b) that the remaining portions of the Property do not violate any subdivision regulations and constitute one or more tax parcels;

(g) The partial reconveyance shall not impair the existing use of the remaining portions of the Property nor render the remaining portions of the Property in violation of any zoning ordinance or regulation, setback requirement, parking requirement, or other condition on which use or building permits may have been granted;

(h) All consents necessary to such subdivision, segregation and partial reconveyance shall have been obtained by Grantor and written copies thereof provided to Beneficiary;

(i) Grantor shall have delivered to Beneficiary an opinion of its counsel, in form and substance satisfactory to Beneficiary, as to the matters set forth in subparagraphs 1.1 through 1.3, 1.7 and 1.8;

(j) All of the foregoing conditions precedent shall have been satisfied at the sole expense of Grantor; and

(k) Grantor shall have paid to Beneficiary an amount equal to one hundred twenty-five percent (125%) of the (x) total purchase price of the Property; (y) divided by the original acreage of the Property, (z) multiplied by the acreage included in the Parcel, such amount to be applied as a prepayment of the Note secured hereby.



Whether or not Beneficiary consents to any partial reconveyance requested by Grantor, Beneficiary shall be entitled to collect from Grantor and Grantor agrees to pay to Beneficiary a reasonable service charge as fixed and determined by Beneficiary, as a condition of, and as compensation for, its consideration of each request for a partial reconveyance.

5. WARRANTIES AND COVENANTS OF GRANTOR. Grantor warrants, covenants, and agrees:

5.1 Warranties.

(a) Grantor has full power and authority to grant the Property to Trustee and warrants the Property to be free and clear of all liens, charges, and other encumbrances except those, if any, noted on Exhibit B hereto.

(b) None of the Property is presently or will during the term of this Deed of Trust be used principally or at all for agricultural purposes.

5.2 Preservation of Lien. Grantor will preserve and protect the priority of this Deed of Trust as a first lien on the Property.

5.3 Repair and Maintenance of Property. Grantor will keep the Property in good condition and repair, which duty shall include but is not limited to continual cleaning, painting, landscaping, repairing and refurbishing of the Property; will underpin and support when necessary any such building or other improvement and protect and preserve the same; except as otherwise provided in the Loan Agreement, will complete or restore promptly and in good and workmanlike manner any such building or other improvement which may be damaged or destroyed and pay when due all claims for labor performed and materials furnished therefor; will not commit, suffer or permit any act upon the Property in violation of law; and will do all other acts which from the character or use of the Property may be reasonably necessary for the continued operation of the Property in a safe and legal manner, the specific enumerations herein not excluding the general.

5.4 Insurance. Grantor will maintain such insurance as is required under the Loan Agreement.

5.5 Right of Inspection. Grantor shall permit Beneficiary or its agents, at all reasonable times, to enter upon and inspect the Property.

5.6 Preservation of Licenses, Etc. Grantor shall observe and comply with all requirements necessary to the continued existence and validity of all rights, licenses, permits, privileges, franchises and concessions relating to any existing or presently contemplated use of the Property.



5.7 Further Assurances. Grantor will, at its expense, from time to time execute and deliver any and all such instruments of further assurance and other instruments and do any and all such acts, or cause the same to be done, as Trustee or Beneficiary deems necessary or advisable to grant to Trustee the Property or to carry out more effectively the purposes of this Deed of Trust.

5.8 Legal Actions. Grantor will appear in and defend any action or proceeding before any court or administrative body purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee hereunder; and will pay all costs and expenses, including cost of evidence of title and any attorneys' fees incurred by Beneficiary and Trustee, in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary or Trustee to foreclose this Deed of Trust.

5.9 Taxes, Assessments and Other Liens. Grantor will pay not later than when due all taxes, assessments, encumbrances, charges and liens with interest, on the Property or any part thereof, which at any time appear to be or are alleged to be prior and superior hereto; provided, Grantor may withhold such payment in the event it contests a tax, assessment, encumbrance, charge or lien in good faith with due diligence.

5.10 Trust Expenses. Grantor will pay all costs, fees and expenses of this trust including all such costs, fees and expenses incident to any default hereunder, including reasonable attorneys' fees.

5.11 Repayment of Expenditures. Grantor will pay immediately and without demand all sums expended hereunder by Beneficiary or Trustee with interest from date of expenditure at the rate of interest applicable under the Term Loan Note, calculated on the basis of a 360-day year, and the repayment thereof shall be secured hereby.

5.12 Management. The Property shall at all times be managed by Grantor, an entity controlled by Grantor or one or more third-party managers with recognized experience in the management of golf courses.

5.13 Personal Property. Except as otherwise permitted under the Loan Agreement for operating leases, and capital leases and property that is subject to purchase money security interests or royalty agreements, all personal property which is located at the Property or used in connection with the operation of the Property shall be owned outright by Grantor and subject to a first lien in favor of Beneficiary.

6. WARRANTIES, COVENANTS AND AGREEMENTS REGARDING LEASES.

6.1 Grantor's Warranties Regarding Leases and Rents. Grantor represents and warrants that: (i) except as provided in the Loan Agreement, Grantor has not previously



U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SANDWICH, INDIANA

sold, assigned, transferred, mortgaged or pledged the Rents from the Property, whether now due or hereafter to become due; and (ii) except as permitted by Section 6.3(a) below, any of the Rents due and issuing from the Property or from any part thereof for any period subsequent to the date hereof have not been collected and that payment of any of same has not otherwise been anticipated, waived, released, discounted, set off, or otherwise discharged or compromised by Grantor.

6.2 Grantor's Covenants of Performance. Grantor covenants and agrees:

(a) To observe, perform and discharge, duly and punctually, all obligations, terms, covenants, conditions and warranties of the Loan Agreement, the Term Loan Note, this Deed of Trust, and of all existing and future Leases affecting the Property, on the part of Grantor to be kept, observed and performed, and to give prompt notice to Trustee of (i) any failure on the part of Grantor to observe, perform and discharge same, and (ii) any notice, demand or other document received by Grantor from any tenant or subtenant under the Leases specifying any default claimed to have been made by the Grantor under the Leases;

(b) To submit each Lease to the Bureau of Indian Affairs for approval thereof pursuant to the requirements of Title 25 U.S.C. to the extent that such approval is required with respect to the Lease or the Property;

(c) To notify and direct in writing each and every present or future tenant or occupant of the Property or of any part thereof (other than for tenancies or occupancies pertaining to transient room rentals and rental of convention center space in the normal course of business) that any security deposit or other deposits heretofore delivered to Grantor have been retained by Grantor or assigned and delivered to Trustee as the case may be;

(d) To enforce or secure in the name of Trustee (upon notice to Trustee) the performance of each and every obligation, term, covenant, condition and agreement in the Leases by any tenant to be performed, and to notify Trustee of the occurrence of material defaults under the Leases;

(e) To appear in and defend any action or proceeding arising under, occurring out of, or in any manner connected with the Leases or the obligations, duties, or liabilities of Grantor and any tenant thereunder, and upon request by Trustee, to do so in the name and on behalf of Trustee, but in all cases at the sole expense of Grantor;

(f) To pay all costs and expenses of Trustee, including attorneys' fees in a reasonable sum, in any action or proceeding in which Trustee may appear in connection herewith; and

(g) To neither create nor permit any lien, charge or encumbrance upon its interest as lessor of the Leases except the liens of this Deed of Trust and the Loan Agreement, and except as otherwise provided in the Deed of Trust and the Loan Agreement.

6.3 Prior Approval for Actions Affecting Leases. Grantor further covenants and agrees that, unless commercially reasonable in the operation of facilities such as the Golf Course, it will not without the Beneficiary's prior written consent (which consent shall not unreasonably be withheld):

(a) Receive or collect any rents from any present or future tenant of the Property or any part thereof for a period of more than one (1) month in advance of the date on which such payment is due, or collect a security deposit in excess of two (2) month's rent (whether in cash or by promissory note), nor pledge, transfer, mortgage, or otherwise encumber or assign future payments of Rents;

(b) Waive, excuse, condone, discount, set off, compromise, or in any manner release or discharge any tenant under any Leases of the Property, of and from any obligations, covenants, conditions and agreements by the tenant to be kept, observed and performed, including the obligation to pay the Rents thereunder in the manner and at the place and time specified therein;

(c) Cancel, terminate or consent to any surrender of any of the Leases, nor permit any of the aforementioned (other than in connection with a default by the tenant), nor exercise any right of recapture provided in any Leases, nor modify, or in any way alter the terms thereof; or

(d) Relocate or expand the floor space of any said tenant within the Property, nor consent to any modification of the express purposes for which the Property have been leased, nor consent to any subletting of the Property or any part thereof, or to any assignment of the Leases by any tenant thereunder or to any assignment or further subletting of any sublease.

In connection with any new or modified lease to which Trustee consents, Grantor shall obtain and deliver to Trustee an estoppel certificate and a subordination, attornment and nondisturbance agreement from the tenant, both in form and substance acceptable to Trustee.

6.4 Rejection of Leases. In the event any lessee under the Leases should be the subject of any proceeding under the United States Bankruptcy Code or any other federal statute which provides for the possible termination or rejection of the Leases assigned hereby (other than leases pertaining to transient room rentals and rental of convention center space in the normal course of business), Grantor covenants and agrees that any check in payment of damages for rejection of any such Lease will be made payable both to the Grantor and Trustee; and Grantor hereby assigns any such payment to Trustee and further covenants and



agrees that upon request of Grantor it will duly endorse to the order of Trustee any such check, the proceeds of which will be applied to any portion of the indebtedness secured by this Deed of Trust as Beneficiary may elect.

6.5 License to Collect Rents. So long as there shall exist no default by Grantor in the payment of any indebtedness secured hereby or in the observance and performance of any other obligation, term, covenant or condition or warranty herein or in the Term Loan Note, the Loan Agreement, or the Leases, Grantor shall have the right under a license granted hereby (but limited as provided in Section 7.3 below), to collect, but not prior to accrual, all of the Rents arising from or out of the Property or any part thereof; and Grantor shall receive such Rents and shall hold them, as well as the right and license to receive them, as a trust fund to be applied, and Grantor hereby covenants to so apply them, as required by the Loan Agreement. Upon the conveyance by Grantor of its leasehold interest in the Property, all right, title, interest and powers granted under the license aforesaid shall automatically pass to and may be exercised by each such subsequent tenant under the Ground Lease.

6.6 Indemnification. Grantor hereby agrees to indemnify and hold Trustee harmless from any and all liability, loss, damage or expense which Trustee may incur under or by reason or in defense of any and all claims and demands whatsoever which may be asserted against Trustee arising out of the Leases, including, but not limited to, any claims by any tenants of credit for rental for any period under any Leases more than one (1) month in advance of the due date thereof, or for any security deposit, paid to and received by Grantor, but not delivered to Trustee. Should Trustee incur any such liability, loss, damage, or expense, the amount thereof (including reasonable attorneys' fees) with interest thereon at the rate of twelve percent (12%) per annum, calculated on the basis of a 360-day year, shall be payable by Grantor immediately and without demand, and shall be secured as a lien hereby.

6.7 Records. Until the indebtedness secured hereby shall have been paid in full, Grantor shall deliver to Trustee, upon written request therefor, executed copies of any and all renewals of existing Leases and all future Leases upon all or any part of the Property (other than leases pertaining to transient room rentals and rental of convention center space in the normal course of business), and will transfer and assign such Leases in the manner required by Section 3 herein. Grantor hereby covenants and agrees to make, execute and deliver unto Trustee upon demand and at any time any and all assignments and other records and instruments, including, but not limited to, rent rolls and books of account sufficient for the purpose that Trustee may deem to be advisable for carrying out the purposes and intent of this Deed of Trust.

6.8 No Merger of Leases. It is understood and agreed that (i) the fact the Leases or the leasehold estates created thereby may be held, directly or indirectly, by or for the account of any person or entity which shall have an interest in the fee estate of the Property; or (ii) any other event, shall not merge any Leases or the leasehold estates created



thereby with the fee estate in the Property as long as any of the indebtedness secured hereby shall remain unpaid, unless Trustee shall consent in writing to such merger.

7. DEFAULT.

7.1 Definition. Any of the following shall constitute an "Event of Default" as that term is hereinafter used:

(a) Grantor or any other person or entity liable therefor shall fail to pay when due any Indebtedness secured hereby;

(b) Grantor shall default in the performance of any covenant or agreement contained in this Deed of Trust, the Loan Agreement, or the Notes; or

(c) Grantor or any other person or entity liable for the repayment of the indebtedness secured hereby shall become unable or admit in writing its inability to pay its debts as they mature, or file, or have filed against it, a voluntary or involuntary petition in bankruptcy, or make a general assignment for the benefit of creditors, or be adjudicated bankrupt or insolvent.

7.2 Beneficiary's and Trustee's Right to Perform. Upon the occurrence of any Event of Default, and upon the expiration of the applicable grace period, if any, for the curing of such default set forth in the agreement under which the default arose, Beneficiary or Trustee, but without the obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligations hereunder, may: make any payments or do any acts required of Grantor hereunder in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon the Property for such purposes; commence, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien in accordance with the following paragraph; and in exercising any such powers, pay necessary expenses, employ counsel and pay a reasonable fee therefor. All sums so expended shall be payable on demand by Grantor, be secured hereby and bear interest at the Default Rate under the Loan Agreement, calculated on the basis of a 360-day year, from the date advanced or expended until repaid.

Beneficiary or Trustee in making any payment herein and hereby authorized, in the place and stead of the Grantor, in the case of a payment of taxes, assessments, water rates, sewer rentals and other governmental or municipal charges, fines, impositions or liens asserted against the Property, may make such payment in reliance on any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of the bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof; in the case of any apparent or threatened adverse claim of title, lien, statement of lien,



encumbrance, deed of trust, claim or charge Beneficiary or Trustee, as the case may be, shall be the sole judge of the legality or validity of same; and in the case of a payment for any other purpose herein and hereby authorized, but not enumerated in this paragraph, such payment may be made whenever, in the sole judgment and discretion of Trustee or Beneficiary, as the case may be, such advance or advances shall seem necessary or desirable to protect the full security intended to be created by this instrument, provided further, that in connection with any such advance, Beneficiary at its option may and is hereby authorized to obtain a continuation report of title prepared by a title insurance company, the cost and expenses of which shall be repayable by the Grantor without demand and shall be secured hereby.

7.3 Remedies on Default. Upon the occurrence of any Event of Default and upon the expiration of the applicable grace period, if any, for the curing of such default set forth in the agreement under which the default arose, Beneficiary may:

- (a) Have a receiver appointed as a matter of right, without regard to the sufficiency of the Property or any other security for the indebtedness secured hereby;
- (b) Foreclose this Deed of Trust as a mortgage or otherwise realize upon the Property;
- (c) Cause Trustee to exercise its power of sale;
- (d) Sue on the Loan Agreement according to the provisions thereof;
- (e) To the extent permitted by law, including, without limitation, RCW 61.24.100, seek and obtain a deficiency judgment following the completion of a judicial foreclosure of this Deed of Trust, except in the case of a non-judicial foreclosure sale where a deficiency judgment is prohibited by RCW 61.24.100, provided however that in the case of a non-judicial foreclosure Beneficiary shall retain all rights to seek collection from any other Collateral of all or a portion of the security for the obligations secured by this Deed of Trust;
- (f) Terminate the license granted to Grantor to collect the Rents without taking possession of the Property, and to demand, collect, receive, sue for, attach and levy against the Rents in Beneficiary's own name; to give proper receipts, releases and acquittance therefor; and after deducting all necessary and proper costs and expenses of operation and collection as determined by Beneficiary, including reasonable attorneys' fees, to apply the net proceeds thereof, together with any funds of Grantor deposited with Trustee or Beneficiary, upon any indebtedness secured hereby and in such order as Beneficiary may determine;
- (g) Enter upon, take possession of, manage and operate the Property or any part thereof; subject to Section 3 hereof, make, modify, enforce, cancel or accept surrender of any Leases now or hereafter in effect on said Property or any part thereof;



remove and evict any tenant; increase or decrease Rents; decorate, clean and repair, and otherwise do any act or incur any costs or expenses as Beneficiary shall deem proper to protect the security hereof, as fully and to the same extent as Grantor could do if in possession; and in such event, to apply the Rents so collected in such order as Beneficiary shall deem proper to the operation and management of the Property, including the payment of reasonable management, brokerage and attorneys fees, payment of the indebtedness under the Notes, the Loan Agreement, and this Deed of Trust, and payment to a reserve fund for replacements; and

(h) Require Grantor to transfer all security deposits to Beneficiary, together with all records evidencing such deposits.

Notwithstanding the foregoing, the acceptance by Trustee of this Deed of Trust, with all of the rights, powers, privileges and authority so created, shall not, prior to entry upon and taking possession of said Property by Trustee, be deemed or construed to constitute Trustee a "mortgagee in possession," nor thereafter or at any time or in any event obligate Trustee to appear in or defend any action or proceeding relating to the Leases or to the Property, or to take any action hereunder, or to expend any money or incur any expenses or perform or discharge any obligation, duty or liability under the Leases, or to assume any obligation or responsibility for any security deposits or other deposits delivered to Grantor by any lessees thereunder and not assigned and delivered to Trustee; nor shall Trustee be liable in any way for any injury or damage to person or property sustained by any person or persons, firm or corporation in or about the Property.

The collection of the Rents and application as aforesaid and/or the entry upon and taking possession of the Property shall not cure or waive any default; or waive, modify or affect any notice of default required under the Loan Agreement or this Deed of Trust; or invalidate any act done pursuant to such notice. Although the original default be cured and the exercise of any such right or remedy be discontinued, the same or any other right or remedy hereunder shall not be exhausted and may be reasserted at any time and from time to time following any subsequent default. The rights and powers conferred on Trustee hereunder are cumulative of and not in lieu of any other rights and powers otherwise granted Trustee.

7.4 No Waiver. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare an Event of Default for failure to do so. The failure of Trustee to avail itself of any of the terms, covenants and conditions of this Deed of Trust for any period of time or at any time shall not be construed or deemed to be a waiver of any such right, and nothing herein contained nor anything done or omitted to be done by Trustee pursuant hereto shall be deemed to constitute a waiver by Trustee of any of its rights and remedies under the Loan Agreement, this Deed of Trust or the laws of the State of Washington. The rights of Trustee to collect the indebtedness secured hereby, to enforce any other security therefor, or to enforce any other right or remedy hereunder, may be exercised

by Trustee either prior to, simultaneously with, or subsequent to, any other action taken hereunder and shall not be deemed an election of remedies.

8. CONDEMNATION. Any award of damages, whether paid as a result of judgment or prior settlement, in connection with any condemnation or other taking of any portion of the Property, for public or private use, or for injury to any portion of the Property is hereby assigned and shall be paid to Beneficiary which may apply such money received by it in the same manner and with the same effect as provided in the Loan Agreement.

9. TRUSTEE.

9.1 General Powers and Duties of Trustee. At any time or from time to time, without liability therefor and without notice and without affecting the liability of any person for the payment of the indebtedness secured hereby, upon written request of Beneficiary, payment of its own fees and presentation of this Deed of Trust for endorsement (in case of full reconveyance, for cancellation or retention), Trustee may:

- (a) Consent to the making of any map or plat of the Property, to the extent provided by law;
- (b) Join in granting any easement or creating any restriction thereon;
- (c) Join in any subordination or other agreement affecting this Deed of Trust or the lien or charge thereof; or
- (d) Reconvey, without warranty, all or any part of the Property.

9.2 Reconveyance and Termination of Assignment. Upon written request of Beneficiary stating that all indebtedness secured hereby has been paid, and upon surrender of this Deed of Trust to Trustee for cancellation and retention and upon payment of its fees, Trustee shall:

- (a) reconvey, without warranty, the Property then held hereunder; provided, the recitals in any reconveyance executed under this Deed of Trust of any matters of fact shall be conclusive proof of the truthfulness thereof; and provided further, the grantee in such reconveyance may be described as "the person or persons legally entitled thereto;" and
- (b) execute and record a written instrument terminating the assignment of Rents made by this Deed of Trust, which instrument may be the reconveyance required by subparagraph (a) of this Section 9.2.



No judgment or decree entered as to said indebtedness shall operate to abrogate or lessen the effect of this Deed of Trust until such indebtedness has actually been paid. The affidavit, certificate, letter or statement of any officer of Beneficiary showing any part of said indebtedness to remain unpaid shall be and constitute conclusive evidence of the validity, effectiveness and continuing force of this Deed of Trust. Any person, firm or corporation may and is hereby authorized to rely on such affidavit, certificate, letter or statement.

9.3 Powers and Duties on Default. The procedure for exercise of the Trustee's power of sale shall be as follows:

Upon written request therefor by Beneficiary specifying the nature of the default, or the nature of the several defaults, and the amount or amounts due and owing, Trustee shall execute a written notice of breach and of its election to cause the Property to be sold to satisfy the obligation secured hereby, and shall cause such notice to be recorded and otherwise given according to law.

Notice of sale having been given as then required by law and not less than the time then required by law having elapsed after recordation of such notice of breach, Trustee, without demand on Grantor, shall sell the Property at the time and place of sale specified in the notice, as provided by statute, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest and best bidder for cash in lawful money of the United States, payable at time of sale. Grantor agrees that such a sale (or a sheriff's sale pursuant to judicial foreclosure) of all the Property as real estate constitutes a commercially reasonable disposition thereof.. Whenever notice is permitted or required hereunder, ten (10) days shall be deemed reasonable. Trustee may postpone sale of all or any portion of the Property, and from time to time thereafter may postpone such sale, as provided by statute. Trustee shall deliver to the purchaser its deed and bill of sale conveying the Property so sold, but without any covenant or warranty, express or implied. The recital in such deed and bill of sale of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person other than Trustee, including Grantor or Beneficiary, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this trust, including the cost of evidence of title search and reasonable counsel fees in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof not then repaid, with accrued interest at the Default Rate set forth in the Term Loan Note, calculated on the basis of a 360-day year; all other sums then secured hereby; and the remainder, if any, to the clerk of the superior court of the county in which the sale took place, as provided in RCW 61.24.080.

9.4 Reassignment of Security Interest. At the request of Beneficiary, Trustee shall reassign to Beneficiary the security interest created hereby and after such reassignment Beneficiary shall have the right, upon the occurrence or continuance of any Event of Default, to realize upon the personal property subject to this Deed of Trust.



independent of any action of Trustee. In that regard, Beneficiary shall have the right to collect all accounts and accounts receivable that are encumbered by this Deed of Trust directly from the obligors at any time after the occurrence of an event of default hereunder.

9.5 Acceptance of Trust. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto except Beneficiary of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party unless brought by Trustee.

9.6 Reliance. Trustee, upon presentation to it of an affidavit signed by Beneficiary setting forth facts showing a default by Grantor under this Deed of Trust, is authorized to accept as true and conclusive all facts and statements therein, and to act thereon hereunder.

9.7 Replacement of Trustee. Beneficiary may, from time to time, appoint another trustee in place and stead of Trustee herein named, and thereupon Trustee herein named shall be discharged and the trustee so appointed shall be substituted as Trustee hereunder, with the same effect as if originally named Trustee herein; provided, the appointment of any successor Trustee shall not be effective until the assignment of rights and delegation of duties hereunder to such successor Trustee is approved in the manner required by 25 U.S.C. § 84, as such may be amended from time to time.

9.8 No Impairment of Right to Pursue Unsecured Obligations. The foreclosure of this Deed of Trust or sale by Trustee of the Property through the exercise of its power of sale granted hereunder shall not preclude or impair any action to collect or enforce any obligation of Grantor or any guarantor or other party liable for any of the obligations secured by this Deed of Trust, or the substantial equivalent of such obligation, which obligation is not secured by this Deed of Trust including, without limitation, the obligations of Grantor under the Indemnity Agreement and the obligations of each such guarantor under its guaranty. All of such obligations (and all substantial equivalents of such obligations) shall constitute separate recourse obligations of Grantor and each such guarantor or other party and shall not be deemed to be evidenced by the Bonds and any Parity Instrument, or secured by this Deed of Trust.

10. NOTICES.

10.1 Trustee. Any notice or demand upon Trustee shall be sent to the following address:

Land Title Company of Skagit County
111 East George Hopper Road
Burlington, Washington 98233



10.2 Grantor and Beneficiary. Any notice to or demand upon Grantor (including any notice of default or notice of sale) or notice to or demand upon Beneficiary shall be sent to the following address:

If to Grantor:

Upper Skagit Indian Tribe
25944 Community Plaza Way
Sedro Wooley, Washington 98284
Attn: Marilyn Scott, Chairman
Attn: Doreen Maloney, Acting General
Manager

With a copy to:

Skagit Valley Casino Resort
25944 Community Plaza Way
Sedro Wooley, WA 98284
Attn: General Manager and CFO

With a copy to:

Harold Chesnin
Law Office of Harold Chesnin
710 35th Avenue
Seattle, Washington 98122

If to Beneficiary:

Wells Fargo Bank, National Association
5340 Kietzke Lane, Suite 201
Reno, Nevada 89502
Attention: Sue Fuller

With a copy to:

Davis Wright Tremaine LLP
2600 Century Square
1501 Fourth Avenue
Seattle, Washington 98101-1688
Attention: Richard J. Schroeder

or to such other address as may be filed in writing by Grantor or Beneficiary with Trustee.

10.3 Method of Giving Notice. Notices shall be delivered personally or by reputable overnight courier service (such as Federal Express) and shall be deemed given when actually received or rejected by the intended recipient.

10.4 Waiver of Notice. The giving of notice may be waived in writing by the person or persons entitled to receive such notice, either before or after the time established for the giving of such notice.

11. MODIFICATIONS. Upon Grantor's written request, Beneficiary reserves the right to extend the term, or otherwise modify the terms, hereof as Beneficiary may from time to time deem appropriate and any such change shall not operate to release, in any manner, the liability of the original Grantor or Grantor's successors in interest. No variations, modifications or changes herein or hereof shall be binding upon any party hereto unless set forth in a document duly executed by or on behalf of such party and duly approved in the manner required by 25 U.S.C. §§84 and 415.

12. SUCCESSORS AND ASSIGNS. All provisions herein contained shall be binding upon and inure to the benefit of the respective successors and assigns of the parties; provided, the Trustee and Beneficiary shall comply with 25 U.S.C. § 84 when assigning their interests in this Deed of Trust.

13. GOVERNING LAW; VENUE; SEVERABILITY. This Deed of Trust shall be governed by the law of the State of Washington without regard to the conflict or choice of law provisions thereof. Venue for any legal action regarding this document shall be the U.S. District Court for the Western District of the State of Washington, a Superior Court of the State of Washington or the Grantor's Tribal Court. In the event that any provision or clause of this Deed of Trust conflicts with applicable law, the conflict 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 this Deed of Trust are declared to be severable.

14. LIMITED WAIVER OF SOVEREIGN IMMUNITY.

14.1 Waiver. The Grantor hereby expressly, unequivocally and irrevocably (i) waives any immunity from suit or action it enjoys with respect to controversies, claims, counterclaims and/or crossclaims brought by the Trustee or any Beneficiary under this Deed of Trust; (ii) consents to suit or action upon controversies and claims brought by the Trustee or any Beneficiary under this Deed of Trust; (iii) agrees that any legal action or proceedings against the Grantor (at trial or appeal or by way of arbitration) brought by the Trustee or any Beneficiary with respect to this Deed of Trust may be brought in any court provided for in Section 13 hereof; (iv) waives any right and/or claim it has under the tribal exhaustion doctrine, or to otherwise raise as a defense to suit, action or venue the plaintiff's failure to exhaust its remedies in tribal court; and (v) consents to the personal jurisdiction and venue of such courts with respect to actions arising under this Deed of Trust and/or any action, suit or proceeding to enforce any of the Trustee's or Beneficiary's rights and/or remedies under any of the foregoing.

14.2 Enforcement. The Grantor agrees that a final judgment in any such action or proceeding may be enforced in any court having jurisdiction by suit or action on the judgment or in any other manner provided by law, that such judgment shall be a lien and/or



charge against the Property, and that the Property is subject to attachment, levy and sale by virtue of an execution on any such judgment.

14.3 Process Agent. Service of process against the Grantor shall be made to the Chairman or Secretary of the Tribe.

15. GRANTOR'S RIGHT TO POSSESSION. Grantor may be and remain in possession of the Property for so long as it is not in default hereunder and Grantor may, while it is entitled to possession of the Property, use the same.

16. MAXIMUM INTEREST. No provision of this Deed of Trust shall require the payment or permit the collection of interest in excess of the maximum permitted by law. If any excess of interest in such respect is herein provided for, neither Grantor nor its successors or assigns shall be obligated to pay that portion of such interest which is in excess of the maximum permitted by law, and the right to demand the payment of any such excess shall be and is hereby waived and this Section 16 shall control any provision of this Deed of Trust which is inconsistent herewith.

17. NO THIRD PARTY BENEFICIARIES. It is expressly agreed by Grantor that this Deed of Trust shall not be construed or deemed made for the benefit of any third party or parties.

18. TERMINATION. This Deed of Trust shall terminate on the earlier of: (i) the date all obligations owed to Lender are paid under the Loan Agreement; and (ii) September 30, 2015.

19. SECTION 81 REPRESENTATIONS.

19.1 In compliance with 25 U.S.C. § 81, the addresses and occupations of the parties to this Deed of Trust are as follows:

Party in Interest:	Upper Skagit Indian Tribe
Address:	25944 Community Plaza Sedro Woolley, Washington 98284
Occupation:	Indian Tribe
Party in Interest:	Land Title Company
Address:	111 East George Hopper Road Mount Vernon Washington 98233
Occupation:	Title insurance company



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Party in Interest

Address:

Occupation

Wells Fargo Bank, National Association

5340 Kietzke lane, Suite 201

Reno, Nevada 89502

National banking association

Party in Interest:

Address:

Occupation:

KeyBank National Association

700 Fifth Avenue, 48th Floor

Seattle, Washington 98104

National banking association

19.2 Fixed limited time to run: this Deed of Trust terminates on the earlier of:
(i) the date all Obligations are paid or defeased under the Loan Agreement; and
(ii) September 30, 2015.

19.3 This Deed of Trust is executed by the Grantor pursuant to authority provided in Article III and Article VI of the Tribe's By-Laws and Resolution No. 00-48 of Grantor's Tribal Council.

19.4 The reasons for exercising this authority are to finance of the Golf Course and Skagit Valley Casino Resort in furtherance of the economic development objectives of the Grantor.

19.5 The consideration for this Deed of Trust is the mutual promises, representations, warranties and covenants herein set forth.

19.6 This Deed of Trust was executed on or about 3:00 P.M. PDT on September 18, 2000, at the offices of Davis Wright Tremaine LLP, in Seattle, Washington, for the particular purposes set forth above.

19.7 This Deed of Trust is executed in duplicate, and each party received one executed original counterpart.

20. MISCELLANEOUS.

20.1 Whenever the context so requires the singular number includes the plural herein, the impersonal includes the personal, and the use of any gender shall include all genders.

20.2 The headings to the various sections have been inserted for convenient reference only and shall not modify, define, limit or expand the express provisions of this Deed of Trust.



20.3 NOTWITHSTANDING ANY OTHER POSSIBLE CONSTRUCTION OF ANY PROVISION HEREIN, THE TRUSTEE ACKNOWLEDGES AND AGREES THAT IT NEITHER HAS, NOR SHALL IT ASSERT, ANY RIGHTS TO UNDER THE COMPACT (AS DEFINED IN THE LOAN AGREEMENT) TO MANAGE THE GOLF COURSE AS A GAMBLING ESTABLISHMENT.

20.4 PLEASE BE ADVISED THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, Grantor has caused this Deed of Trust to be duly executed and delivered by its duly authorized officers as of the day first above written.

GRANTOR: UPPER SKAGIT INDIAN TRIBE

By: Marilyn M. Scott
Name: Marilyn Scott
Title: Chairman

By: Clifford Edwards
Name: Clifford Edwards
Title: Secretary



SIGNATURE IDENTIFICATION CERTIFICATE

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

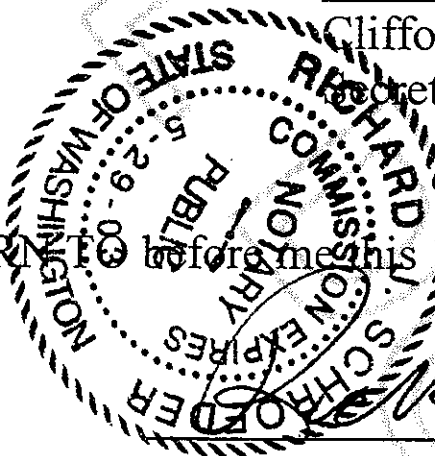
I, Clifford Edwards, certify that I am the Secretary of the Upper Skagit Indian Tribe (the "Tribe") and have been at all times since 1998, that Marilyn Scott is the Chairman of the Tribe and has been at all times since 1999.

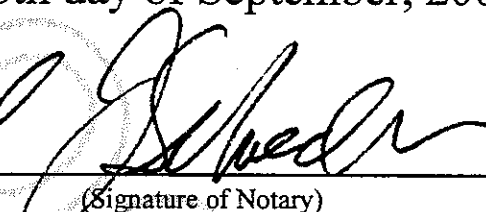
I further certify that the Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing, of the Upper Skagit Indian Tribe, bears the signature of Marilyn Scott as Chairman of the Tribe.

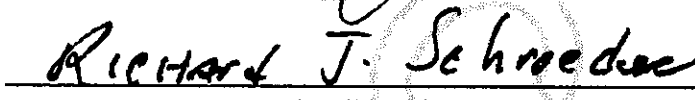
DATED this 18th day of September, 2000.


Clifford Edwards
Secretary

SUBSCRIBED AND SWORN to before me this 18th day of September, 2000.




(Signature of Notary)


(Legibly Print or Stamp Name of Notary)

NOTARY PUBLIC in and for the State of Washington, residing at Seattle
My appointment expires 5/29/03



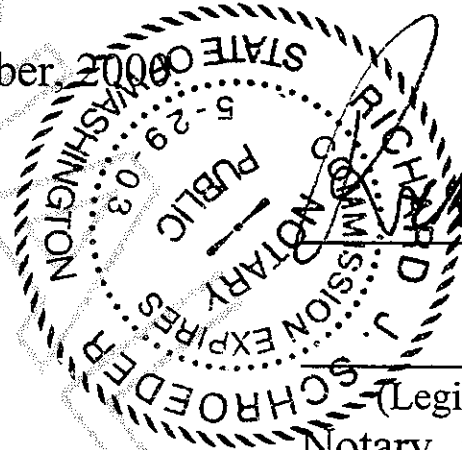
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STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 18th day of September, 2000, before me, the undersigned Notary Public, duly commissioned and qualified in and for the said State and County, personally came and appeared Marilyn Scott, Chairman, and Clifford Edwards, Secretary of the UPPER SKAGIT INDIAN TRIBE, a federally-recognized Indian tribe, and acknowledged to me that the foregoing instrument was signed by them on behalf of such tribe, and acknowledged the foregoing instrument to be the free act and deed of such tribe.

Dated this 18th day of September, 2000.



(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington, residing at Suwa

My appointment expires 5/29/03



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P-86435-E

DESCRIPTION:

PARCEL "A":

Government Lots 3 and 4 and that portion of the East $\frac{1}{4}$ of the Southwest $\frac{1}{4}$, lying Westerly of the Primary State Highway No. 1 as condemned in Skagit County Superior Court Cause Nos. 26638 and 29374, in Section 30, Township 36 North, Range 4 East, W.M..

Situate in the County of Skagit, State of Washington.

PARCEL "B":

Government Lots 1 and 2 and that portion of the East $\frac{1}{4}$ of the Northwest $\frac{1}{4}$, lying Westerly of Primary State Highway No. 1, as condemned in Skagit County Superior Court Cause Nos. 26638 and 29374, Section 31, Township 36 North, Range 4 East, W.M..

Situate in the County of Skagit, State of Washington.

PARCEL "C":

The Southeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ and that portion of the Northeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Section 25, Township 36 North, Range 3 East, W.M., lying Southeasterly of the County Road, commonly known as Colony Road, as conveyed to Skagit County by deed dated May 18, 1932, and recorded July 15, 1932, under Auditor's File No. 251703, records of Skagit County, Washington;

EXCEPT road along the West line thereof, commonly known as Hobson Road, as conveyed to Skagit County by deed dated January 13, 1939, and recorded March 23, 1939, under Auditor's File No. 311164, records of Skagit County, Washington, and by deed dated December 10, 1938, and recorded March 23, 1939, under Auditor's File No. 311167, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.



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, Skagit County Auditor

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ALTA COMMITMENT

Order No.: P-86435-E

I. The following are the requirements to be complied with:

- A. Instruments necessary to create the estate or interest to be insured must be properly executed, delivered and duly filed for record.
- B. Payment to or for the account of the grantors or mortgagors of the full consideration for the estate or interest to be insured.

II. Schedule B of the Policy or Policies to be issued (as set forth in Schedule A) will contain exceptions to the following matters unless the same are disposed of to the satisfaction of the Company:

- A. Defects, liens, encumbrances, adverse claims or other matters, if any created, first appearing in the public records or attaching subsequent to the effective date hereof but prior to the date the proposed Insured acquires for value of record the estate or interest or mortgage thereon covered by this Commitment.

B. GENERAL EXCEPTIONS:

1. Rights or claims of parties in possession not shown by the public records.
2. Public or private easements, or claims of easements, not shown by the public records.
3. Encroachments, overlaps, boundary line disputes, or other matters which would be disclosed by an accurate survey or inspection of the premises.
4. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished imposed by law and not shown by the public records, or Liens under the Workmen's Compensation Act not shown by the public records.
5. Rights of use, control or regulation by the United States of America, in the exercise of powers over navigation; any prohibition or limitation on the use, occupancy or improvement of the land resulting from the rights of the public or riparian owners to use any waters which may cover the land.
6. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
7. Any service, installation, connection, maintenance or construction charges for sewer, water, electricity or garbage removal.
8. General taxes not now payable or matters relating to special assessments and special levies, if any, preceding the same becoming a lien.
9. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

C. SPECIAL EXCEPTIONS:

1. Excise tax, if unpaid. Said tax in Skagit County being .0128.

According to information received solely from the records of the Skagit County Treasurers Office, said property is located within unincorporated Skagit County and is therefore, subject to the surcharge of .0025 of the applicable sales price. Therefore, a total excise tax will be due of .0153.

NOTE: Under the provisions of Chapter 245, Laws of 1991 (SHB 1316), the Skagit County Treasurer will charge a \$2.00 processing fee on each excise tax affidavit processed where no excise tax is paid.

If there is excise tax paid, the \$2.00 fee will not be applicable.

- Continued -

EXHIBIT B



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, Skagit County Auditor

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2. General taxes, as follows, together with interest, penalty and statutory foreclosure costs, if any, after delinquency:

<u>Account No.</u>	<u>Year</u>	<u>Amount Billed</u>	<u>Amount Paid</u>	<u>Balance Owing</u>
360325-4-002-0006	2000	\$1,719.17	\$ 859.59	\$ 859.58
Property I.D. No.: R48273				
360325-4-008-0000	2000	\$1,786.43	\$ 893.22	\$ 893.21
Property I.D. No.: R48280				
360430-0-004-0004	2000	\$1,260.73	\$ 630.37	\$ 630.36
Property I.D. No.: R50342				
360430-0-005-0003	2000	\$1,261.98	\$ 630.99	\$ 630.99
Property I.D. No.: R50343				
360430-3-002-0000	2000	\$ 473.47	\$ 236.74	\$ 236.73
Property I.D. No.: R50368				
360430-3-004-0008	2000	\$ 365.16	\$ 182.58	\$ 182.58
Property I.D. No.: R50370				
360431-0-001-0006	2000	\$1,263.18	\$ 631.59	\$ 631.59
Property I.D. No.: R50389				
360431-0-002-0005	2000	\$1,264.33	\$ 632.17	\$ 632.16
Property I.D. No.: R50390				
360431-2-002-0001	2000	\$ 335.15	\$ 167.58	\$ 167.57
Property I.D. No.: R50407				
360431-2-004-0009	2000	\$ 346.88	\$ 173.44	\$ 174.44
Property I.D. No.: R50410				

3. DEED OF TRUST AND THE TERMS AND CONDITIONS THEREOF:

Grantor:	Port Gardner Timber Co., Inc., a
	Washington corporation
Trustee:	Island Title Company
Beneficiary:	Skagit State Bank
Amount:	\$707,836.27
Dated:	December 6, 1995
Recorded:	May 3, 2000
Auditor's No.:	200005030077

Said Deed of Trust is a re-recording of Auditor's File Nos. 9512110052 and 9602140131.

4. DEED OF TRUST AND THE TERMS AND CONDITIONS THEREOF:

Grantor:	Port Gardner Timber Co., Inc., a
	Washington corporation
Trustee:	Island Title Company
Beneficiary:	Skagit State Bank
Amount:	\$1,015,994.80
Dated:	May 7, 1997
Recorded:	May 19, 1997
Auditor's No.:	9705190104

- Continued -



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5. Matters relating to ALTA Extended Policy coverage and/or Homeowners Endorsement coverage: The results of our inspection will be furnished by supplemental report.

6. For easements, restrictions, and other exceptions, see Schedule "B-1", attached.

NOTE #1: EFFECTIVE JANUARY 1, 1997, AND PURSUANT TO AMENDMENT OF WASHINGTON STATE STATUTES RELATING TO STANDARDIZATION OF RECORDED DOCUMENTS, THE FOLLOWING FORMAT AND CONTENT REQUIREMENTS MUST BE MET. FAILURE TO COMPLY MAY RESULT IN REJECTION OF THE DOCUMENTS BY THE RECORDER.

Margins to be 3" on top of first page and 1" on sides and bottom, 1" on top, sides and bottom of each succeeding page. Font size of 8 points or larger, paper size of no more than 8 1/2" by 14". No attachments on pages such as stapled or taped notary seals, pressure seals must be smudged.

INFORMATION WHICH MUST APPEAR ON THE FIRST PAGE

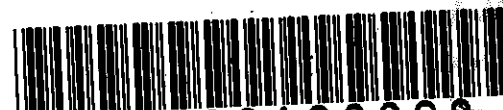
- a.) Title or titles of documents. If assignment or reconveyance, reference to auditor's file number of subject deed of trust must be included.
- b.) Names of grantor(s) and grantee(s) with reference to additional names on following pages, if any.
- c.) Abbreviated legal description (lot, block, volume/page of plat or section/township/range and quarter section or government lot for unplatted).
- d.) Assessor's tax parcel number(s).
- e.) Return address which may appear in the upper left hand 3" top margin.

Pursuant to item c.) above, the abbreviated legal description for the subject property is as follows:

- A: Gov. Lots 3 & 4 & ptn E $\frac{1}{2}$ SW $\frac{1}{4}$, 30-36-4 E W.M.
- B: Gov. Lots 1 & 2 & ptn E $\frac{1}{2}$ NW $\frac{1}{4}$, 31-36-4 E W.M.
- C; SE $\frac{1}{4}$ SE $\frac{1}{4}$ & ptn NE $\frac{1}{4}$ SE $\frac{1}{4}$, 25-36 3 E W.M.

NOTE #2: According to the application, title is to vest in UPPER SKAGIT INDIAN TRIBE. We find no pertinent matters of record against the names of said parties.

- Continued -



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