

THIS INDENTURE is given and intended as security for the payment of the principal sum of One Hundred Thousand Dollars and no cents Dollars (\$ 100,000.00), together with interest thereon in accordance with the terms of a certain promissory note of even date herewith, executed and delivered by the Mortgagor in favor of the Mortgagee, or its order, and any renewals or extensions thereof.

This indenture is also given and intended as security for the Payment by the Mortgagor to the Mortgagee of such additional sums of money as may hereafter be loaned or advanced by the mortgagee to or for the account of the Mortgagor, including any renewals or extensions thereof, it being provided, however, that the unpaid principal balance of all loans or advances made by the Mortgagee to or for the account of mortgagor which are to be secured hereby shall not at any one time exceed the principal sum set forth above and interest, regardless of any excess which may at any time be owing from said Mortgagor to the Mortgagee; provided, further, that nothing herein contained shall be construed as obligating or shall obligate the mortgagee to make any such future loans or advances and provided, further, the limitation on the amount secured hereby shall not apply to any moneys advanced or to costs or fees incurred by Mortgagee in connection with the breach or default of any term, warranty, covenant, or condition of this indenture, or of any construction or building loan agreement between Mortgagor and mortgagee related hereto.

The Mortgagor covenants and agrees with the Mortgagee that said Mortgagor will:

1. Duly and timely perform each and every term, covenant, and condition required of Mortgagor as Lessee under the "Shelter Bay Lease" above described.
2. Forever warrant the title to all of the mortgaged property to be and remain free and clear of all claims, liens and encumbrances other than this indenture, and will execute and deliver any further necessary assurances of title thereto;
3. Promptly pay the principal and interest of said indebtedness in accordance with the terms of said promissory note or notes, and any renewals or extensions thereof;
4. Pay and discharge, as the same become due and payable, and prior to delinquency, all taxes, assessments, water rates or other charges of whatever kind and character, whether similar or dissimilar to those hereinabove specified, which are now or may hereafter be levied or assessed against or which may or might become liens upon the mortgaged property or any part thereof, or upon this mortgage or the money or debt secured hereby;
5. Maintain, preserve and keep all of the mortgaged property in good condition and repair and not commit or permit waste thereof; and permit Mortgagee's inspection thereof at any and all reasonable times;
6. Keep the mortgaged property at all times insured against fire (with extended coverage) and against such other hazards and perils as the Mortgagee may require, to such amounts, under such form(s) of policy, and with such insurance company or companies, as shall be required by or satisfactory to the Mortgagee; cause to be attached to each such policy in form satisfactory to the Mortgagee a mortgagee clause rendering all loss payable first to mortgagee as its interest shall appear; assign and deliver each such policy to Mortgagee; and evidence payment in full of all premiums thereon at least ten (10) days in advance of due date;
7. NOT, WITHOUT THE MORTGAGEE'S WRITTEN CONSENT FIRST HAD AND RECEIVED, MAKE ANY SALE, CONVEYANCE OR THERE TRANSFER OF THE MORTGAGED PROPERTY, UNLESS AS AN INCIDENT OF THE CLOSING OF SUCH TRANSFER THIS INDENTURE SHALL BE FULLY PAID; PROVIDED, HOWEVER, THE PASSING OF THE MORTGAGED PROPERTY BY WILL OR BY DESCENT AND DISTRIBUTION SHALL NOT BE DEEMED A PROHIBITED TRANSFER HEREUNDER.

The event of a breach of any of the aforesaid agreements or covenants, or of any building or construction loan relating hereto, and in addition to all other rights and remedies hereunder or by law provided, the Mortgagee may, but shall not be obligated to, pay any sums or perform any acts necessary to remedy such breach, and all sums so paid and the expenses incurred in such performance shall be repaid by Mortgagor to Mortgagee on demand, with interest at the highest rate permitted by law from the date of such payment, and shall be secured by this indenture. The receipt of the tax official, assessing body, insurance company, or other person to whom Mortgagee makes such payment shall be conclusive evidence as between Mortgagor and Mortgagee of the propriety of such payment.

Any loss payable under any insurance policy aforesaid, and any moneys which may be awarded, recovered, or settled upon, for the taking, damaging, or condemnation of all or any portion of the mortgaged property, shall be applied, at the Mortgagee's option, toward payment of the indebtedness and other sums secured hereby, whether due or not. The Mortgagee shall in no event have any responsibility for the adequacy or sufficiency of any insurance, nor for the coverage thereby afforded, nor for notification with respect to, or the payment of, any premiums thereon.



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In the event of any suit or other proceeding for recovery of said indebtedness and/or foreclosure of this indenture, or wherein Mortgagee shall appear to establish or protect the lien hereof, the Mortgagor agrees to pay to mortgagee a reasonable attorneys' fee, together with the cost of search and report on title preliminary to foreclosure, all of which sums shall be secured hereby.

All rights and remedies of Mortgagee shall be cumulative and none shall be deemed exhausted by the exercise thereof. No failure or omission on the part of the Mortgagee to exercise any such right or remedy upon default shall be deemed a waiver of its right to subsequently exercise the same with respect to the same or any other default or defaults which may at any time exist.

If any term provision, or condition of this indenture shall be finally adjudged to be unlawful or unenforceable, the same shall be deemed stricken herefrom and the balance of this indenture shall be and remain in full force and effect.

This indenture is binding on the heirs, personal representatives, successors and assigns of the Mortgagor, and shall inure to the benefit of Mortgagee, its successors and assigns. Words used herein shall take the singular or plural number as the number of parties hereto shall require, and if there is more than one signer as Mortgagor, there obligations hereunder shall be joint and several.

Time is of the essence of this indenture.

The within described mortgaged property is residential and recreational and is not used principally for agricultural or farming purposes.

IN WITNESS WHEREOF, the person(s) designated as Mortgagor have executed this indenture in four (4) counterparts, the day and year first above written.

Don Henkle - trustee
Don Henkle - trustee

Don Henkle
Don Henkle

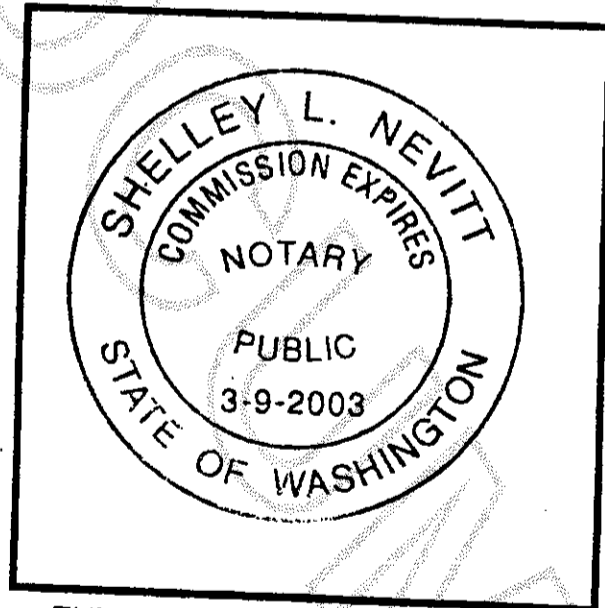
Barbara J. Henkle - trustee
Barbara J. Henkle - trustee

Don Henkle

Barbara Henkle
Barbara Henkle

Barbara Henkle

FOR RECORDING PURPOSES, DO NOT WRITE, SIGN OR STAMP WITHIN THE ONE INCH TOP, BOTTOM AND SIDE MARGINS OR AFFIX ANY ATTACHMENTS.



THIS SPACE FOR NOTARY STAMP

STATE OF WASHINGTON)
) ss.
County of Skagit)

On this day personally appeared before me Donald Henkle and Barbara J. Henkle, individually and as Trustees of the Henkle Family Trust, to me know to be the individual s described in and who executed the within and foregoing **MORTGAGE, ASSIGNMENT OF LEASE AND SECURITY AGREEMENT**, and acknowledge that the y signed the same as their steer and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 27th day of October, 2000

Shelley L. Nevitt
Shelley L. Nevitt

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

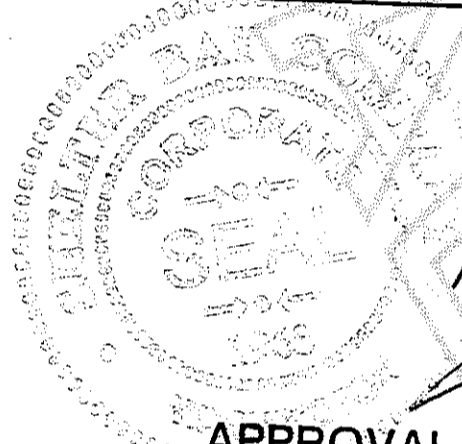


AGREEMENT OF LESSOR

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 "Mortgage, Assignment of Lease and Security Agreement" (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 of 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 31st day of October, 2000.



SHELTER BAY COMPANY

By [Signature]
Fen Allan F. Osberg
Its President

APPROVAL OF ENCUMBRANCE

This form and terms of the within and foregoing Encumbrance are approved this _____ day of _____, 20____.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

By _____

Title _____



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Consent to Encumber Leasehold Interest

In Accordance with 25 CFR 162.12(c) the following language is being added to the Assignment of Lease for _____, sub-lessees of Shelter Bay lease:

With the consent of the Secretary of the Interior acting on behalf of the Indians of the Puget Sound Agency, the lease may contain provisions authorizing the lessee to encumber his/her leasehold interest in the premises for the purpose of borrowing capital for the development and improvement of the leasehold premises. The encumbrance instrument must be approved by the Secretary. If a sale or foreclosure under the approved encumbrance occurs and the encumbrancer is the purchaser he may assign the leasehold with the approval of the Secretary and the consent of the other parties to the lease. Provided however, if the purchaser is a party other than the encumbrancer, approval by the Secretary of any assignment will be required, and such purchaser will be bound by the terms of the lease and will assume in writing all the obligations thereunder.

This consent to encumber is hereby approved, effective

11/09/00


Superintendent, Puget Sound Agency



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UNOFFICIAL DOCUMENT