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Swinomish Indian Tribal Community

Mortgage No. 020

LEASEHOLD MORTGAGE

THIS LEASEHOLD MORTGAGE ("Security Instrument") is given on this 29th day of May, 2008. The Mortgagor is Anthony Cladoosby ("Borrower"). This Security Instrument is given to the Swinomish Indian Tribal Community, whose address is P.O. Box 817, La Conner, Washington 98257 ("Lender"). **Borrower owes Lender the principal sum of One-Hundred Forty-Four Thousand, Seven Hundred and Ninety-Six Dollars (U.S. \$144,796.00).** This debt is evidenced by Borrower's Promissory Note dated the same date as this Security Instrument ("Note"), which provides for monthly payments, with the full debt, if not paid earlier, due and payable on June 1, 2038. This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest, and all renewals, extensions and modifications; (b) the payment of all other sums, with interest, advanced under paragraph 6 to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower does hereby mortgage, grant, and convey to Lender the following described Leasehold interest located on the Swinomish Indian Reservation, Skagit County, in Washington.

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Talawhalt Lot 21 located at 17175 Squi-Qui Lane, Swinomish Indian Reservation, La Conner, Washington, 98257, constituting less than one acre legally described as follows: Lot Number 21 located at the Northwest Quarter of the Northwest Quarter and Government Lot 6, Section 36, Township 34 North, Range 2 East, WM, lying Westerly of Reservation Road, plat recorded September 20, 2007, with Skagit County auditor document number 200709200143.

TOGETHER WITH all improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, and all fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the

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foregoing is referred to in this Security Instrument as the "Property Interest."

The interests of the Borrower in the property described above were created by a lease agreement from the Swinomish Indian Tribal Community as Lessor dated May 29, 2008. Any reference to the "Property" shall be construed as referring only to the interest of Borrower created by such lease or any replacement lease.

Any purchaser at a foreclosure sale other than the Swinomish Indian Tribal Community, the Swinomish Indian Tribal Community, or a Swinomish tribal member must receive the written consent of the Lessor. The purchaser shall receive a lease for the remaining term of the existing lease unless the Swinomish Indian Tribal Community consents to an assumption of the existing lease.

This Security Instrument may be assumed, subject to credit approval by the Lender and the consent of the Swinomish Indian Tribal Community to an assumption of the existing lease or the grant of the new lease. Assumption shall not cause any adjustment of the interest rate.

A sale of property subject to the Security Instrument without an assumption of the Security Instrument may be made if a new lease for the remaining term of the existing lease is granted.

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

Borrower and Lender covenant as follows:

UNIFORM COVENANTS

1. Payment of Principal, Interest and Late Charge.

Borrower shall pay when due the principal and interest on the debt evidenced by the Note and late charges due under the Note.

2. Monthly Payments of Rents, Insurance and Other Charges.

Borrower shall include in each monthly payment, together with the principal and interest as set forth in the Note and any late charges, a sum for (a) any leasehold payments or ground rents on the Property, and (b) premiums for insurance required under Paragraph 4. These items are called "Escrow Items" and the sums paid to Lender are call "Escrow Funds."

Lender may at any time collect and hold amounts for Escrow Items in an aggregate amount not to exceed in any one year the maximum amount required for that year.

Lender shall account to Borrower for the Escrow Funds. If the amount of funds held by Lender at any lime are not sufficient to pay the Escrow Items when due. Lender may notify the

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Borrower and require Borrower to make up the shortage.

The Escrow Funds are pledged as additional security for all sums secured by this Security Instrument. Lender shall promptly refund any excess funds to Borrower. Immediately prior to a foreclosure sale of the Property or its acquisition by Lender, Borrower's account shall be credited with any balance remaining.

3. Application of payments.

All payments under paragraphs 1 and 2 shall be applied by Lender as follows:

FIRST, to the mortgage insurance premium, if any;

SECOND, to any leasehold payments or ground rents, and fire, flood and other hazard insurance premiums, as required;

THIRD, to interest due under the Note;

FOURTH, to late charges due under the Note;

FIFTH, to amortization of the principal of the Note.

4. Fire, Flood and Other Hazard Insurance.

Borrower shall insure all improvements on the Property, whether now in existence or subsequently erected, against any hazards, casualties, and contingencies, including fire, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. Borrower shall also insure all improvements on the Property, whether now in existence or subsequently erected against loss by floods. All insurance shall be carried with companies approved by Lender. The insurance policies and any renewals shall be held by Lender and shall include loss payable clauses in favor of, and in a form acceptable to Lender.

In the event of loss, Borrower shall give Lender immediate notice by mail. Lender may make proof of loss if not made promptly by Borrower. Each insurance company concerned is hereby authorized and directed to make payment for such loss directly to Lender, instead of to Borrower and to Lender jointly. All or any part of the insurance proceeds may be applied by Lender, at its option, either (a) to the reduction of the indebtedness under the Note and this Security Instrument, first to any delinquent amounts applied in the order in paragraph 3, and then to prepayment of principal, or (b) to the restoration or repair of the damaged Property. Any application of the proceeds to the principal shall not extend or postpone the due date of the monthly payments that are referred to in paragraph 2, or change the amount of such payments. Any excess insurance proceeds over an amount required to pay all outstanding indebtedness under the Note and this Security Instrument shall be paid to the entity legally entitled thereto.

In the event of foreclosure of this Security Instrument or other transfer of title to the Property that extinguishes the indebtedness, all right, title and interest of Borrower in and to insurance policies in force shall pass to the purchaser.

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5. Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds.

Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least five years after the date of occupancy, unless the Swinomish Indian Tribal Community in its sole discretion determines this requirement will cause undue hardship for Borrower. Borrower shall not rent or sublease the Property, or any portion thereof, to any other person. Borrower shall not commit waste or destroy, damage or substantially change the Property or allow the Property to deteriorate, reasonable wear and tear excepted. Lender may inspect the Property if the Property is vacant or abandoned or the loan is in default. Lender may take reasonable action to protect and preserve such vacant or abandoned Property. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to, representations concerning Borrower's occupancy of the Property as a principal residence. This Security Instrument is on a leasehold. Borrower shall comply with the provisions of the lease.

6. Condemnation.

The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in place of condemnation, are hereby assigned and shall be paid to Lender to the extent of the full amount of the indebtedness that remains unpaid under the Note and this Security Instrument. Lender shall apply such proceeds to the reduction of the indebtedness under the Note and this Security Instrument, first to any delinquent amounts applied in the order provided in paragraph 3, and then to prepayment of principal. Any application of the proceeds to the principal shall not extend or postpone the due date of the monthly payments, which are referred to in paragraph 2, or change the amount of such payments. Any excess proceeds over an amount required to pay all outstanding indebtedness under the Note and this Security Instrument shall be paid to the entity legally entitled thereto.

7. Charges to Borrower and Protection of Lender's Rights in the Property.

Borrower shall pay all Swinomish tribal governmental charges, fines and impositions that are not included in paragraph 2. Borrower shall pay these obligations on time directly to the entity that is owed the payment. If failure to pay would adversely affect Lender's interest in the Property, upon Lender's request Borrower shall promptly furnish to Lender receipts evidencing

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these payments. If Borrower fails to make these payments or the payments required by paragraph 2, or fails to perform any other covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, for condemnation or to enforce laws or regulations), then Lender may do and pay whatever is necessary to protect the value of the Property and Lender's rights in the Property, including payment of rents, hazard insurance and other items mentioned in paragraph 2.

Any amounts disbursed by Lender under this paragraph shall become an additional debt of Borrower and be secured by this Security Instrument. This Security Instrument shall have priority over any other debts of Borrower where the Property is collateralized. These amounts shall bear interest from the date of disbursement, at the Note rate, and at the option of Lender, shall be immediately due and payable.

Borrower shall promptly discharge any lien on the Property unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, (b) contests in good faith the lien by, or defends against enforcement of the lien in, a legal proceeding which in the Lender's opinion operate to prevent the enforcement of the lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument.

8. Grounds for Acceleration of Debt.

a. Default. Lender may require immediate payment in full of all sums secured by this Security Instrument if:

- (i) Borrower defaults by failing to pay in full any monthly payment required by this Security Instrument prior to or on the due date of the next monthly payment, or
- (ii) Borrower defaults by failing, for a period of thirty days, to perform any other obligations contained in this Security Instrument.

b. Sale Without Credit Approval. Lender may require immediate payment in full of all sums secured by this Security Instrument if:

- (i) All or part of the Property is sold or otherwise transferred; and
- (ii) The Property is not occupied by the purchaser or grantee as his or her principal residence, or the purchaser or grantee does so occupy the Property but his or her credit has not been approved in accordance with the requirements of the Lender.

c. No Waiver. If circumstances occur that would permit Lender to require immediate payment in full, but Lender does not require such payments, Lender does not waive its rights with respect to subsequent events.

d. Mortgage Not Insured. Borrower agrees that should this Security Instrument and the Leasehold Mortgage (initial) _____ (initial)



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Note secured thereby not be eligible for insurance within 60 days from the date hereof. Lender may, at its option and notwithstanding anything in paragraph 9, require immediate payment in full of all sums secured by this Security Instrument.

9. Reinstatement.

Borrower has a right to be reinstated if Lender has required immediate payment in full because of Borrower's failure to pay an amount due under the Note or this Security Instrument. This right applies even after foreclosure proceedings are instituted. To reinstate the Security Instrument, Borrower shall tender in a lump sum all amounts required to bring Borrower's account current including, to the extent they are obligations of Borrower under this Security Instrument, foreclosure costs and reasonable and customary attorneys' fees and expenses properly associated with the foreclosure proceeding. Upon reinstatement by Borrower, this Security Instrument and the obligations that it secures shall remain in effect as if Lender had not required immediate payment in full. However, Lender is not required to permit reinstatement if: (i) Lender has accepted reinstatement after the commencement of foreclosure proceedings within two years immediately preceding the commencement of a current foreclosure proceeding, (ii) reinstatement will preclude foreclosure on different grounds in the future, or (iii) reinstatement will adversely affect the priority of the lien created by this Security Instrument

10. Borrower Not Released; Forbearance By Lender Not a Waiver.

Extension of the time of payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successor in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

11. Successors and Assigns Bound; Joint and Several Liability; Co-Signers.

The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 8.b. Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the

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Note without that Borrower's consent.

12. Notices.

Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address states herein or any address Lender designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

13. Governing Law; Severability.

This Security Instrument shall be governed by the laws of the Swinomish Indian Tribal Community. If no law of the Swinomish Indian Tribal Community applies, then Federal Law and Washington State law may be considered. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note that can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

14. Borrower's Copy.

Borrower shall be given one conformed copy of this Security Instrument.

15. Hazardous Substances.

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Swinomish or United States federal Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substances affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with

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Swinomish or United States Environmental Law.

As used in this paragraph 15, "Hazardous Substances" are those substances defined as toxic or hazardous substances by any Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 15, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

16. Foreclosure Procedure.

If Lender requires immediate payment in full under paragraph 8, Lender may foreclose this Security Instrument by judicial proceeding in the Swinomish Indian Tribal Community Court or by voluntary foreclosure or, at the sole discretion of Lender, by any other procedure allowed under Swinomish Tribal Law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 16, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale to Borrower, Lender shall publish and post the notice of sale, and the Property shall be sold in the manner prescribed by applicable law. Lender or its designee may purchase the Property at any sale. The proceeds of the sale shall be applied in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable attorneys' fees; (b) to all sums secured by this Security Instrument (c) to the satisfaction of any outstanding indebtedness owed to any Swinomish Tribal governmental entity, subsidiary or instrumentality; and (d) any excess to the person or persons legally entitled to it.

17. Tenancy at Sufferance.

If Borrower remains in possession of the Property after the Property is sold as provided above or Lender otherwise becomes entitled to possession of the Property upon default of Borrower, Borrower shall become a tenant at sufferance of Lender or the purchaser of the Property and shall, at Lender's option, either (a) pay a reasonable rental for the use of the Property, or (b) vacate the Property immediately upon the demand of Lender.

18. Release.

Upon payment of all sums secured by this Security Instrument. Lender shall release this Security Instrument without charge to Borrower. Borrower shall pay any recordation costs.

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