

GUARANTEE



First American Title Insurance Company



First American

First American Title Insurance Company
3670 Lake St, Ste 300
Homer, AK 99603
Phn - (907)235-5201
Fax - (907)235-5203

TRUSTEE'S SALE GUARANTEE

LIABILITY: \$ **150,000.00**

ORDER NO.: **TESTCJP100**

FEE: \$ **732.00**

YOUR REF.:

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE LIMITS OF LIABILITY AND OTHER PROVISIONS OF THE CONDITIONS AND STIPULATIONS HERETO ANNEXED AND MADE A PART OF THIS GUARANTEE,

First American Title Insurance Company
a Corporation, herein called the Company

GUARANTEES

First National Bank Alaska

herein called the Assured, against loss not exceeding the liability amount stated above which the Assured shall sustain by reason of any incorrectness in the assurance which the Company hereby gives that, according to the public records, on the date stated below:

1. The title to the herein described estate or interest was vested in the vestee named, subject to the matters shown as Exceptions herein, which Exceptions are not necessarily shown in the order of their priority;
2. The names and addresses of persons who have recorded requests for a copy of notice of default and for a copy of notice of sale are as shown herein;
3. The names and addresses of additional persons who, as provided by Alaska Statutes 34.20.070 are entitled to receive a copy of Notice of Default and a copy of Notice of Sale as shown herein.
4. The herein described land is located in the city or judicial district state herein and, if designated the newspaper or newspapers listed herein qualify for publication of notice pursuant to Alaska Statutes 09.35.140.

Dated: September 05, 2005 at 8:00 A.M.

Title to said estate or interest at the date hereof is vested in:

Santa Claus and Mrs. Claus, husband and wife

The estate or interest in the land hereinafter described or referred to covered by this Guarantee is:

Fee Simple Estate

The land referred to in this Guarantee is situated in the State of Alaska, County of Palmer, and is described as follows:

Lot 9, Block 3, BARRY'S FINGER LAKE SUBDIVISION, according to the official plat thereof, filed under Plat Number 60-12, Records of the Palmer Recording District, Third Judicial District, State of Alaska.

EXCEPTIONS:

1. Reservations or exceptions in patents or in acts authorizing the issuance thereof.
2. Taxes levied by The Municipality of Anchorage for the year 2005:
Tax Account No.: 050-700-12-000
Amount: \$3,250.00
Due Date: 1st Half Due June 15, 2nd Half Due August 15
Balance Due: \$1,334.16 due June 15, 2005
Land Valuation: \$50,000.00
Improvements: \$175,000.00
Exemption: \$18,200.00 (Local)
Code Area: 1
Mill Rate: 16.29
3. Urban Renewal Plan, including the terms and provisions thereof, as contained in document recorded in Misc. Book 108 at Page 290.

And amendments thereto,

Recorded: August 18, 1970
Recording Information: Misc. Book 193 at Page 90

4. The effect of the notes which appear on the plat of said subdivision. (Copy attached)
5. Slope easements as dedicated and reserved on the plat of said subdivision as follows;

"There shall be reserved adjacent to the dedicated streets shown hereon a slope reservation easement sufficient to contain cut and fill slopes of 1.5 feet horizontal for each 1 foot vertical (1.5 to 1) of cut or fill for the purpose of providing and maintaining the lateral support of the constructed streets. There is reserved to the grantors, their successors and assigns, the right to use such areas at any time upon providing and maintaining other adequate lateral support, as approved by the Municipality."

6. Easements as dedicated and shown on the plat of said subdivision. (Copy attached)

7. Covenants, conditions, restrictions and/or easements; but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, family status, or national origin to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes:

Recording Information: December 7, 1977 in Book 253 at Page 636

And amendments thereto,

Recorded: April 12, 1978

Recording Information: Book 287 at Page 902

And amendments thereto,

Recorded: May 26, 1978

Recording Information: Book 300 at Page 708

8. Terms, conditions and provisions as contained in the Horizontal Property Regimes Act and supplements thereto, of the State of Alaska.

9. Subject to any unpaid dues or assessments now due or owing the Terrace Sixteen Condominium Association, Inc. .

10. Uniform Common Interest Ownership Act, including the terms, conditions and provisions provided therein, and in any supplements or amendments thereof, of the State of Alaska.

11. Deed of Trust and the terms and conditions thereof.

Grantor/Trustor: Santa Claus and Mrs. Claus, husband and wife

Grantee/Beneficiary: First National Bank Alaska

Trustee: First American Title of Alaska

Amount: \$175,000.00

Recorded: January 10, 2001

Recording Information: Serial Number 2001-000000-0

The beneficial interest under said Deed of Trust has been assigned to Alaska Housing Finance Corporation, by Assignment recorded January 15, 2001, as Instrument No. Serial Number 2001-000000-1 .

12. Any bankruptcy proceeding not disclosed by the acts that would afford notice as to said land, pursuant to Title 11, U.S.C. 549 (c) of the Bankruptcy Reform Act of 1978 and any amendments thereto.

Note: Assessments due The Municipality of Anchorage:

Sewer Trunk: Paid

Lateral: Paid

Water: Paid

Note: This Guarantee/Report is restricted to the use of the Attorney for the Beneficiary and Trustee under Deed of Trust identified in Exception No. herein and is for the purpose of determining those persons to be given "notice" of proposed Trustee's Sale affecting said premises, as required by Alaska Statutes 34.20.070 (Alaska Deed of Trust Act, as amended). THIS GUARANTEE IS NOT TO BE USED AS A BASIS FOR CLOSING ANY TRANSACTION AFFECTING TITLE TO SAID PROPERTY.

Note: This Company will, upon request of the Trustee or his attorney, on the 30th day preceding the date set for the Trustee's Sale give a verbal report (to be followed immediately by a written supplemental) advising on the filing or non-filing of federal tax liens affecting the premises under examination. (THE RESPONSIBILITY, HOWEVER, FOR DETERMINING THE "30th DAY" BEFORE THE SALE AND MAKING THE REQUEST ON THAT SAME DAY IS TO BE BORNE BY THE APPLICANT.)

Note: This Company makes no assurances as to the person or persons in possession.

INFORMATION FOR ASSURED

1. City in which said land is located: Anchorage
2. Judicial District in which land is located: Third Judicial District
3. Legal Publication: Alaska Journal of Commerce or Anchorage Daily News
4. The names and addresses of additional persons who, as provided by Alaska Statutes 34.20.070, according to the public records, are entitled to receive a copy of Notice of Default and a copy of Notice of Sale are:
 - A. Santa Claus
1225 North Pole Lane
Anchorage, AK 99502
 - B. Mrs. Claus
1225 North Pole Lane
Anchorage, AK 99502
 - C. Occupant
1225 North Pole Lane
Anchorage, AK 99502
 - D. Terrace Sixteen Condominium Homeowners Association, Inc.
2000 Debarr Road
Anchorage, AK 99514
5. An inspection must be made of the land described in this Guarantee within 10 days of recording of the Notice of Default and a copy of said Notice must be served prior to the expiration of said 10 day period upon any occupant(s) or other party claiming or who may claim an interest in said land not disclosed of record, including but not limited to, mechanics' or material men's lien claimants.
6. Attention is called to Soldiers' and Sailors' Relief Act of 1940 and amendments thereto which contain inhibitions against the sale of land under a deed of trust if the owner is entitled to the benefits of said Act.
7. Attention is called to the Federal Tax Lien Act of 1966 which, among other things, provides for the giving of written notice of sale in a specified manner to the Secretary of Treasury or his delegates as a requirement for the discharge or divestment of a Federal Tax Lien in a nonjudicial sale, and establishes with respect to such lien a right in the United States to redeem the property within a period of 120 days from the date of any such sale.
8. Attention is called to the Fair Debt Collection Practices Act of 15 U.S.C. 1692 et seq. which, among other duties, may require notices of rights under the Act to be given to the Trustors under the Deed of Trust to be foreclosed.

SCHEDULE OF EXCLUSIONS FROM COVERAGE OF THIS GUARANTEE

1. Except to the extent that specific assurance are provided in Schedule A of this Guarantee, the Company assumes no liability for loss or damage by reason of the following:
 - (a) Defects, liens, encumbrances, adverse claims or other matters against the title, whether or not shown by the public records.
 - (b) (1) Taxes or assessments of any taxing authority that levies taxes or assessments on real property; or, (2) Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not the matters excluded under (1) or (2) are shown by the records of the taxing authority or by the public records.
 - (c) (1) Unpatented mining claims; (2) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (3) water rights, claims or title to water, whether or not the matters excluded under (1), (2) or (3) are shown by the public records.
2. Notwithstanding any specific assurances which are provided in Schedule A of this Guarantee, the Company assumes no liability for loss or damage by reason of the following:
 - (a) Defects, liens, encumbrances, adverse claims or other matters affecting the title to any property beyond the lines of the land expressly described in the description set forth in Schedule (A), (C) or in Part 2 of this Guarantee, or title to streets, roads, avenues, lanes, ways or waterways to which such land abuts, or the right to maintain therein vaults, tunnels, ramps, or any structure or improvements; or any rights or easements therein, unless such property, rights or easements are expressly and specifically set forth in said description.
 - (b) Defects, liens, encumbrances, adverse claims or other matters, whether or not shown by the public records; (1) which are created, suffered, assumed or agreed to by one or more of the Assureds; (2) which result in no loss to the Assured; or (3) which do not result in the invalidity or potential invalidity of any judicial or non-judicial proceeding which is within the scope and purpose of the assurances provided.
 - (c) The identity of any party shown or referred to in Schedule A.
 - (d) The validity, legal effect or priority of any matter shown or referred to in this Guarantee.

GUARANTEE CONDITIONS AND STIPULATIONS

1. Definition of Terms.

The following terms when used in the Guarantee mean:

- (a) the "Assured": the party or parties named as the Assured in this Guarantee, or on a supplemental writing executed by the Company.
- (b) "land": the land described or referred to in Schedule (A) (C) or in Part 2, and improvements affixed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to in Schedule (A) (C) or in Part 2, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways.
- (c) "mortgage": mortgage, deed of trust, trust deed, or other security instrument.
- (d) "public records" : records established under state statutes at Date of Guarantee for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge.
- (e) "date": the effective date.

2. Notice of Claim to be Given by Assured Claimant.

An Assured shall notify the Company promptly in writing in case knowledge shall come to an Assured hereunder of any claim of title or interest which is adverse to the title to the estate or interest, as stated herein, and which might cause loss or damage for which the Company may be liable by virtue of this Guarantee. If prompt notice shall not be given to the Company, then all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any Assured under this Guarantee unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

3. No Duty to Defend or Prosecute.

The Company shall have no duty to defend or prosecute any action or proceeding to which the Assured is a party, notwithstanding the nature of any allegation in such action or proceeding.

4. Company's Option to Defend or Prosecute Actions; Duty of Assured Claimant to Cooperate.

Even though the Company has no duty to defend or prosecute as set forth in Paragraph 3 above:

(a) The Company shall have the right, at its sole option and cost, to institute and prosecute any action or proceeding, interpose a defense, as limited in (b), or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest as stated herein, or to establish the lien rights of the Assured, or to prevent or reduce loss or damage to the Assured. The Company may take any appropriate action under the terms of this Guarantee, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this Guarantee. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(b) If the Company elects to exercise its options as stated in Paragraph 4(a) the Company shall have the right to select counsel of its choice (subject to the right of such Assured to object for reasonable cause) to represent the Assured and shall not be liable for and will not pay the fees of any other counsel, nor will the Company pay

any fees, costs or expenses incurred by an Assured in the defense of those causes of action which allege matters not covered by this Guarantee.

(c) Whenever the Company shall have brought an action or interposed a defense as permitted by the provisions of this Guarantee, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from an adverse judgment or order.

(d) In all cases where this Guarantee permits the Company to prosecute or provide for the defense of any action or proceeding, an Assured shall secure to the Company the right to so prosecute or provide for the defense of any action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of such Assured for this purpose. Whenever requested by the Company, an Assured, at the Company's expense, shall give the Company all reasonable aid in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest as stated herein, or to establish the lien rights of the Assured. If the Company is prejudiced by the failure of the Assured to furnish the required cooperation, the Company's obligations to the Assured under the Guarantee shall terminate.

5. Proof of Loss or Damage.

In addition to and after the notices required under Section 2 of these Conditions and Stipulations have been provided to the Company, a proof of loss or damage signed and sworn to by the Assured shall be furnished to the Company within ninety (90) days after the Assured shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the matters covered by this Guarantee which constitute the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the Assured to provide the required proof of loss or damage, the Company's obligation to such Assured under the Guarantee shall terminate. In addition, the Assured may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Guarantee, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Assured shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the Loss or Damage. All information designated as confidential by the Assured provided to the Company, pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Assured to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in the above paragraph, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this Guarantee to the Assured for that claim.

6. Options to Pay or Otherwise Settle Claims: Termination of Liability.

In case of a claim under this Guarantee, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Liability or to Purchase the Indebtedness.

The Company shall have the option to pay or settle or compromise for or in the name of the Assured any claim which could result in loss to the Assured within the coverage of this Guarantee, or to pay the full amount of this Guarantee or, if this Guarantee is issued for the benefit of a holder of a mortgage or a lienholder, the Company shall have the option to purchase the indebtedness secured by said mortgage or said lien for the amount owing thereon, together with any costs, reasonable attorneys' fees and expenses incurred by the Assured claimant which were authorized by the Company up to the time of purchase.

Such purchase, payment or tender of payment of the full amount of the Guarantee shall terminate all liability of the Company hereunder. In the event after notice of claim has been given to the Company by the Assured the Company offers to purchase said indebtedness, the owner of such indebtedness shall transfer and assign said indebtedness, together with any collateral security, to the Company upon payment of the purchase price.

Upon the exercise by the Company of the option provided for in Paragraph (a) the Company's obligation to the Assured under this Guarantee for the claimed loss or damage, other than to make the payment required in that paragraph, shall terminate, including any obligation to continue the defense or prosecution of any litigation for which the Company has exercised its options under Paragraph 4, and the Guarantee shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other Than the Assured or With the Assured Claimant.

To pay or otherwise settle with other parties for or in the name of an Assured claimant any claim Assured against under this Guarantee, together with any costs, attorneys' fees and expenses incurred by the Assured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of the option provided for in Paragraph (b) the Company's obligation to the Assured under this Guarantee for the claimed loss or damage, other than to make the payment required in that paragraph, shall terminate, including any obligation to continue the defense or prosecution of any litigation for which the Company has exercised its options under Paragraph 4.

7. Determination and Extent of Liability.

This Guarantee is a contract of Indemnity against actual monetary loss or damage sustained or incurred by the Assured claimant who has suffered loss or damage by reason of reliance upon the assurances set forth in this Guarantee and only to the extent herein described, and subject to the Exclusions From Coverage of This Guarantee.

The Liability of the Company under this Guarantee to the Assured shall not exceed the least of:

(a) the amount of liability stated in Schedule A or in Part 2;

(b) the amount of the unpaid principal indebtedness secured by the mortgage of an Assured mortgagee, as limited or provided under Section 6 of these Conditions and Stipulations or as reduced under Section 9 of these Conditions and Stipulations, at the time the loss or damage Assured against by this Guarantee occurs, together with interest thereon; or

(c) the difference between the value of the estate or interest covered hereby as stated herein and the value of the estate or interest subject to any defect, lien or encumbrance Assured against by this Guarantee.

8. Limitation of Liability.

(a) If the Company establishes the title, or removes the alleged defect, lien or encumbrance, or cures any other matter Assured against by this Guarantee in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.

(b) In the event of any litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title, as stated herein.

(c) The Company shall not be liable for loss or damage to any Assured for liability voluntarily assumed by the Assured in settling any claim or suit without the prior written consent of the Company.

9. Reduction of Liability or Termination of Liability.

All payments under this Guarantee, except payments made for costs, attorneys' fees and expenses pursuant to Paragraph 4 shall reduce the amount of liability pro tanto.

10. Payment of Loss.

(a) No payment shall be made without producing this Guarantee for endorsement of the payment unless the Guarantee has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.

(b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within thirty (30) days thereafter.

11. Subrogation Upon Payment or Settlement.

Whenever the Company shall have settled and paid a claim under this Guarantee, all right of subrogation shall vest in the Company unaffected by any act of the Assured claimant.

The Company shall be subrogated to and be entitled to all rights and remedies which the Assured would have had against any person or property in respect to the claim had this Guarantee not been issued. If requested by the Company, the Assured shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The Assured shall permit the Company to sue, compromise or settle in the name of the Assured and to use the name of the Assured in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the Assured the Company shall be subrogated to all rights and remedies of the Assured after the Assured shall have recovered its principal, interest, and costs of collection.

12. Arbitration.

Unless prohibited by applicable law, either the Company or the Assured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Assured arising out of or relating to this Guarantee, any service of the Company in connection with its issuance or the breach of a Guarantee provision or other obligation. All arbitrable matters when the Amount of Liability is \$1,000,000 or less shall be arbitrated at the option of either the Company or the Assured. All arbitrable matters when the amount of liability is in excess of \$1,000,000 shall be arbitrated only when agreed to by both the Company and the Assured. The Rules in effect at Date of Guarantee shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permits a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

13. Liability Limited to This Guarantee; Guarantee Entire Contract.

(a) This Guarantee together with all endorsements, if any, attached hereto by the Company is the entire Guarantee and contract between the Assured and the Company. In interpreting any provision of this Guarantee, this Guarantee shall be construed as a whole.

(b) Any claim of loss or damage, whether or not based on negligence, or any action asserting such claim, shall be restricted to this Guarantee.

(c) No amendment of or endorsement to this Guarantee can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

14. Notices, Where Sent.

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this Guarantee and shall be addressed to the Company at 2 First American Way. Bldg. 2, Santa Ana, CA. 92707.

Form No. 1282 (Rev. 12/15/95)

ENDORSEMENT

Attached to Guarantee No. TESTCJP100

Issued By

First American Title Insurance Company

Dated: September 27, 2005

Re:

The Company hereby guarantees the Assured against loss or damage by reason of:

The failure of the Trustee or substituted Trustee, not having exercised due diligence in accordance with Section 34.20.070 of the Statutes of the State of Alaska, in ascertaining the last known address of the interest parties, referred to in this Guarantee, who are entitled to receive a copy of the notice of default and a copy of the notice of sale.

This endorsement is made a part of the Guarantee and is subject to the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the Guarantee and any prior endorsements, nor does it extend the effective date of the Guarantee and any prior endorsements, nor does it increase the face amount thereof.

AK - Due Diligence Endorsement