



200604270157

Skagit County Auditor

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UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A NAME & PHONE OF CONTACT AT FILER (optional)  
 Laura Quisito - (925) 280-5383

B SEND ACKNOWLEDGMENT TO: (Name and Address)

OWENS MORTGAGE INVESTMENT FUND  
 c/o Owens Financial Group, Inc.  
 2221 Olympic Blvd.  
 P. O. Box 2400  
 Walnut Creek, CA 94595

Loan #51074 - Clear Valley

LAND TITLE OF SKAGIT COUNTY  
THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1 DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME CLEAR VALLEY ENVIRONMENTAL FARM, LLC, a Washington limited liability company

OR 1b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

1c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY  
 9 Teaberry Lane Tiburon CA 94920 US

1d. TAX ID #: SSN OR EIN ADD'L INFO RE ORGANIZATION DEBTOR 1e. TYPE OF ORGANIZATION LLC 1f. JURISDICTION OF ORGANIZATION Washington 1g. ORGANIZATIONAL ID #, if any 602-583-701  NONE

2 ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME CLEAR VALLEY ENVIRONMENTAL FARM, II, INC., a California corporation

OR 2b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

2c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY  
 9 Teaberry Lane Tiburon CA 94920 US

2d. TAX ID #: SSN OR EIN ADD'L INFO RE ORGANIZATION DEBTOR 2e. TYPE OF ORGANIZATION corporation 2f. JURISDICTION OF ORGANIZATION Washington 2g. ORGANIZATIONAL ID #, if any 602-595-910  NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME OWENS MORTGAGE INVESTMENT FUND, a California limited partnership

OR 3b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

3c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY  
 2221 Olympic Blvd / P.O. Box 2400 Walnut Creek CA 94595 US

4 This FINANCING STATEMENT covers the following collateral:

See attached Addendum "A".

10-34-4  
P24443

5. ALTERNATIVE DESIGNATION (if applicable) LESSEE/LESSOR CONSIGNEE/CONSIGNOR BAILEE/BAILOR SELLER/BUYER AG. LIEN NON-UCC FILING

6.  This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Attach Addendum (if applicable) 7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (optional) All Debtors Debtor 1 Debtor 2

8. OPTIONAL FILER REFERENCE DATA

Loan #51074

# UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9 NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a ORGANIZATION'S NAME			
OR	9b INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME SUFFIX

10 MISCELLANEOUS:

See attached Addendum "A"

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11 ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one name (11a or 11b) - do not abbreviate or combine names

11a ORGANIZATION'S NAME					
OR	11b INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
11c MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
11d TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e TYPE OF ORGANIZATION	11f JURISDICTION OF ORGANIZATION	11g ORGANIZATIONAL ID # if any	<input type="checkbox"/> NONE

12 ADDITIONAL SECURED PARTY'S or ASSIGNOR S/P'S NAME - insert only one name (12a or 12b)

12a ORGANIZATION'S NAME					
OR	12b INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
12c MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

13 This FINANCING STATEMENT covers  timber to be cut or  as-extracted collateral or is filed as a  fixture filing

14. Description of real estate:

See Exhibit "A" to Addendum "A" attached hereto.

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

16. Additional collateral description:

See attached Addendum "A"

17 Check only if applicable and check only one box

Debtor is a  Trust or  Trustee acting with respect to property held in trust or  Decedent's Estate

18. Check only if applicable and check only one box

Debtor is a TRANSMITTING UTILITY

Filed in connection with a Manufactured-Home Transaction — effective 30 years

Filed in connection with a Pu

FILING OFFICE COPY — NATIONAL UCC FINANCING STATEMENT ADDENDUM (FORM UCC1)



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## ADDENDUM –“A”

### TO UCC FINANCING STATEMENT

#4 This FINANCING STATEMENT covers the following collateral (continued):

All collateral (defined below) now, or hereinafter owned by Debtor, located on that real property commonly known as: **Clear Valley Farm - 805 acres of land - Skagit County, WA** and situated in the **County of Skagit, State of Washington** and further described as **ptn 10, 11, 14 & 15-34-4-E W.M.** and hereinafter referred to as the “Premises”.

### “COLLATERAL”

A All buildings, structures, improvements, parking areas, landscaping, equipment, fixtures and articles of property now or hereafter erected on, attached to, or used or adapted for use in the operation of the real property described as **County of Skagit, State of Washington ptn 10, 11, 14 & 15-34-4-E W.M.**, attached to this UCC-1 Financing Statement and to which this **Addendum “A”** is attached (the “Premises”); including but without being limited to, all heating, air conditioning and incinerating apparatus and equipment; all boilers, engines, motors, dynamos, generating equipment, piping and plumbing fixtures, water heaters, ranges, cooking apparatus and mechanical kitchen equipment, refrigerators, freezers, cooling, ventilating, sprinkling and vacuum cleaning systems, fire extinguishing apparatus, gas and electric fixtures, carpeting, floor coverings, underpadding, elevators, escalators, partitions, mantels, built-in mirrors, window shades, blinds, draperies, screens, storm sash, awnings, signs, coffee and espresso machines and accessories, furnishings of public spaces, halls and lobbies, and shrubbery and plants, office and computer equipment, registers, retractable hose reels, safety equipment, storage accessories, air tools, gasoline/petroleum storage tanks, gasoline pumps, car wash equipment, lube shop equipment, lights, shop tools, display cases, counters, ovens, warmers, refrigerators, freezers, waste disposal units, dishwashers, beverage dispensers, ice cream makers, light fixtures, décor and including also all interest of any owner of the Premises in any of such items hereafter at any time acquired under conditional sale contract, chattel mortgage or other title retaining or security instrument, all of which property mentioned in this clause (a) shall be deemed part of the realty constituting the Premises and not severable wholly or in part without material injury to the freehold of the Premises (all of the foregoing together with replacements and additions thereto are referred to herein as “Improvements”); and

B. All compensation, awards, damages, rights of action and proceeds, including interest thereon and/or the proceeds of any policies of insurance therefore, arising out of or relating to a (i) taking or damaging of the Premises or Improvements thereon by reason of any public or private improvement, condemnation proceeding (including change of grade), sale or transfer in lieu of condemnation, or fire, earthquake or other casualty, or (ii) any injury to or decrease in the value of the Premises or the Improvements for any reason whatsoever;

C. Return premiums or other payments upon any insurance any time provided for the benefit of or naming Secured Party, and refunds or rebates of taxes or assessments on the Premises;

D. All the right, title and interest of Debtor in, to and under all written and oral leases and rental agreements (including extensions, renewals and subleases; all of the foregoing shall be referred to collectively herein as the “Leases”) now or hereafter affecting the Premises including, without limitation, all rents, issues, profits and other revenues and income therefrom and from the renting, leasing or bailment of Improvements and equipment, all guaranties of tenants’ performance under the Leases, and all rights and claims of any kind that Debtor may have against any tenant under the Leases



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or in connection with the termination or rejection of the Leases in a bankruptcy or insolvency proceeding, and the leasehold estate in the event this Instrument is on a leasehold;

E. Plans, specifications, contracts and agreements relating to the design or construction of the Improvements; Debtor's rights under any payment, performance, or other bond in connection with the design or construction of the Improvements; all landscaping and construction materials, supplies, and equipment used or to be used or consumed in connection with construction of the Improvements, whether stored on the Premises or at some other location; and contracts, agreements, and purchase orders with contractors, subcontractors, suppliers, and materialmen incidental to the design or construction of the Improvements;

F. All contracts, accounts, rights, claims or causes of action pertaining to or affecting the Premises or the Improvements, including, without limitation, all options or contracts to acquire other property for use in connection with operation or development of the Premises or Improvements, management contracts, service or supply contracts, deposits, bank accounts, general intangibles (including without limitation trademarks, trade names and symbols), permits, licenses, franchises and certificates, and all commitments or agreements, now or hereafter in existence, intended by the obligor hereof to provide Debtor with proceeds to satisfy the loan evidenced hereby or improve the premises or Improvements, and the right to receive all proceeds due under such commitments or agreements including refundable deposits and fees;

G. All books, records, surveys, reports and other documents related to the Premises, the Improvements, the Leases, or other items of collateral described herein; and

H. All additions, accessories, replacements, substitutions, proceeds (including, but not limited to, proceeds from operations of the Premises) and products of the real and personal property, tangible and intangible, described herein.

I. All water rights and water stock relating to the Premises.

J. Any and all advances and deposits made pursuant to the Loan documents between the parties dated April 10, 2006.

K. All of Debtor's right, title and interest whether present or future in those certain mitigation credits due to Debtor for restoration of approximately 375 acres of land on the Premises, which will be restored to wetlands in accordance with the provisions of Section 401 of the Clean Water Act to be issued by the Mitigation Bank Review Team ("MBRT"), as more particularly described in that certain document entitled *Clear Valley Environmental Bank Mitigation Banking Credit Program Summary*, which is attached hereto marked as Exhibit "B" and incorporated herein by this reference



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**SIGNATURE PAGE TO UCC-1 FINANCING STATEMENT**

EXECUTION IN COUNTERPARTS This UCC-1 FINANCING STATEMENT may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same agreement.

The undersigned "Debtor" hereby authorizes **OWENS MORTGAGE INVESTMENT FUND**, a California limited partnership, to file and/or record this UCC-1 FILING STATEMENT

Dated: April 10, 2006

CLEAR VALLEY ENVIRONMENTAL FARM, LLC, a Washington limited liability company

BY: SUSTAINABLE ENVIRONMENTS, LLC, a Washington limited liability company  
ITS: Managing Member

↓  
\_\_\_\_\_  
Kevin F. Noon, Managing Member

↓  
\_\_\_\_\_  
Jerome Ryan, Managing Member

↓  
\_\_\_\_\_  
James Blythe Hodge, Managing Member

CLEAR VALLEY ENVIRONMENTAL FARM, II, INC., a Washington corporation

↓  
\_\_\_\_\_  
Kevin F. Noon, Vice President

↓  
\_\_\_\_\_  
Jerome Ryan, President

↓  
\_\_\_\_\_  
James Blythe Hodge, Secretary

**Notarize**



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Dated: April 10, 2006

CLEAR VALLEY ENVIRONMENTAL FARM, LLC, a Washington limited liability company

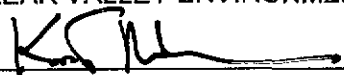
BY: SUSTAINABLE ENVIRONMENTS, LLC, a Washington limited liability company  
ITS: Managing Member


  
\_\_\_\_\_  
Kevin F. Noon, Managing Member


  
\_\_\_\_\_  
Jerome Ryan, Managing Member

  
\_\_\_\_\_  
James Blythe Hodge, Managing Member

CLEAR VALLEY ENVIRONMENTAL FARM, II, INC., a Washington corporation

  
\_\_\_\_\_  
Kevin F. Noon, Vice President

  
\_\_\_\_\_  
Jerome Ryan, President

  
\_\_\_\_\_  
James Blythe Hodge, Secretary

**Notarize**



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STATE OF CALIFORNIA

COUNTY OF MARIN

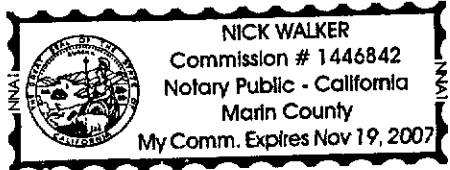
On this 22<sup>nd</sup> day of April in the year of 2006, before me, NICK WALKER, a Notary Public, personally appeared

Jerome Michael Ryan

~~personally known to me~~ (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/hers/their authorized capacity(ies), and that by his/hers/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

Signature [Signature]  
NOTARY PUBLIC



STATE OF CALIFORNIA

COUNTY OF MARIN

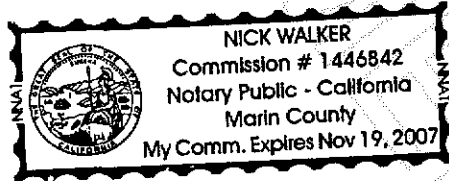
On this 22<sup>nd</sup> day of April in the year of 2006, before me, NICK WALKER, a Notary Public, personally appeared

JAMES Blythe Hodge

~~personally known to me~~ (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/hers/their authorized capacity(ies), and that by his/hers/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

Signature [Signature]  
NOTARY PUBLIC



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STATE OF COLORADO

COUNTY OF DENVER

On this 22ND day of APRIL in the year of 2006,  
before me, ALBERT BROKER, a Notary Public, personally appeared

KEVIN F NOON

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature [Handwritten Signature]  
NOTARY PUBLIC

ALBERT BROKER  
NOTARY PUBLIC  
STATE OF COLORADO

My Commission Expires 12/13/2009

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_ in the year of \_\_\_\_\_,  
before me, \_\_\_\_\_, a Notary Public, personally appeared

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature \_\_\_\_\_  
NOTARY PUBLIC



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STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_ in the year of \_\_\_\_\_,  
before me, \_\_\_\_\_, a Notary Public, personally appeared

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

Signature \_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_

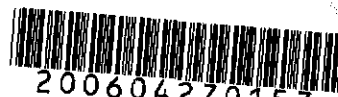
COUNTY OF \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_ in the year of \_\_\_\_\_,  
before me, \_\_\_\_\_, a Notary Public, personally appeared

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

Signature \_\_\_\_\_  
NOTARY PUBLIC



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EXHIBIT "A"  
LEGAL DESCRIPTION

PARCEL "A"

That portion of the South ½ of the Northeast ¼ of Section 10, Township 34 North, Range 4 East W.M., lying Southerly of Nookachamps Creek.

Situate in the County of Skagit, State of Washington.

PARCEL "B":

The Southeast ¼ and the East ½ of the Southwest ¼ of Section 10, Township 34 North, Range 4 East W.M., EXCEPT that portion of said Southeast ¼ of the Southwest ¼ lying within the boundaries of Tract "A" of Skagit County Short Plat No. 60-77, approved August 30, 1977 and recorded August 30, 1977 under Auditor's File No. 863767, in Volume 2 of Short Plats, page 112, records of Skagit County, Washington,

EXCEPT that portion conveyed by Deed recorded April 10, 2006, under Auditor's File No. 200604100126, described as follows:

That portion of said East ½ lying South of the North line of the South ½ of the South ½ and lying West of the East line of the West 363.45 feet of said East ½.

Situate in the County of Skagit, State of Washington.

PARCEL "C":

The West ½ of the Southwest ¼ of Section 11, Township 34 North, Range 4 East W.M.;

EXCEPT County road right of way.

ALSO EXCEPT that portion lying Southerly of the South line of Nookachamps Creek.

Situate in the County of Skagit, State of Washington.

PARCEL "D":

That portion of the following described property situated in the South ½ of the Southwest ¼ of Section 11, Township 34 North, Range 4 East W.M., lying Westerly and Northwesterly of the right of way of the Northern Pacific Railway Company:

Beginning at a point on the North and South center line of said Section, 60 feet North of where the North line of the right of way of the Seattle and International Railway crosses said line;



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PARCEL "D" Continued:

thence North 45° West to the Southerly bank of Nookachamps Creek;  
thence Westerly along the Southerly bank of said creek to the West line of said Section 11;  
thence South to the Southwest corner of said Section 11;  
thence East to the Southeast corner of the Southwest ¼ of said Section;  
thence North to the place of beginning; EXCEPT right of way of Puget Sound Cascade Railway.

Situate in the County of Skagit, State of Washington.

PARCEL "E":

That portion of the Northwest ¼ of Section 14, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the quarter post on the North side of said Section 14;  
thence West along the North line of said Section, 275.88 feet to an intersection with the Westerly right-of-way line of the Northern Pacific Railway Company and the true point of beginning;  
thence Southwesterly along said right-of-way line, 1,494.24 feet;  
thence Northwesterly in a straight line to a point 396 feet South of the Northwest corner of said Section;  
thence North 396 feet to the Northwest corner of said Section;  
thence East along the North line of said Section to the true point of beginning.

Situate in the County of Skagit, State of Washington.

PARCEL "F":

That portion of the abandoned Puget Sound and Cascade Railway right-of-way in the Southeast ¼ of the Southwest ¼ of Section 11, Township 34 North, Range 4 East, W.M., more particularly described as follows:

A strip of land 50 feet wide, being 25 feet each side of the centerline described as follows:

Beginning at a point on the South boundary line of Section 11, 296.8 feet, more or less, West from the South ¼ section corner thereof;  
thence Northeasterly to the East line of said Southeast ¼, 366 feet, more or less, North of said section corner.

Situate in the County of Skagit, State of Washington.



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PARCEL "G":

That portion of the Northwest ¼ of Section 14, Township 34 North, Range 4 East W.M., described as follows:

Beginning at the intersection of the North line of Section 14 with the Westerly line of the right of way of the Seattle Lake Shore and Eastern Railway Company, as said right of way was conveyed by deeds recorded in Volume 10 of Deeds, pages 651 to 654, records of Skagit County, Washington; thence Southwesterly along said right of way; 1494.24 feet to the true point of beginning; thence North 60°30' West, 1683 feet, more or less, to a point 396 feet South of the Northwest corner of said Section 14; thence South along the West line of the Section to a point 660 feet North of the Southwest corner of the Northwest ¼ of said Section; thence East 871.2 feet, more or less, to the Westerly line of the said railway company right-of-way; thence Northeasterly along said right of way to the true point of beginning, EXCEPT the 50 foot wide right of way of the Puget Sound and Cascade Railway Company, as said right of way was reserved in deed recorded under Auditor's File No. 138390, in Volume 115 of Deeds, page 619, records of Skagit County, Washington; AND ALSO EXCEPT that portion lying within the Southwest ¼ of the Northwest ¼ of said Section 14.

Situate in the County of Skagit, State of Washington.

PARCEL "H":

That portion of the Northwest ¼ of the Southwest ¼ of Section 14, Township 34 North, Range 4 East W.M., lying Westerly of the West line of the 100 foot wide right of way conveyed to the Seattle Lake Shore and Eastern Railway Company by deed recorded under Auditor's File No. 3823, in Volume 20 of Deeds, page 504, records of Skagit County, Washington; EXCEPT mineral rights as reserved by deed recorded under Auditor's File No. 28646, in Volume 34 of Deeds, page 392, records of Skagit County, Washington; AND ALSO EXCEPT that certain 20 foot wide strip of land conveyed to the Northern Pacific Railway Company by deed recorded under Auditor's File No. 102078, in Volume 96 of Deeds, page 509, records of Skagit County, Washington; AND ALSO EXCEPT that portion of the North 30 feet of the East 105 feet of that portion of said Northwest ¼ of the Southwest ¼ lying West of the West line of the Northern Pacific Railway, said portion being the non-vacated portion of Coltrine #211 County Road, said road being previously conveyed to Skagit County by deeds recorded under Auditor's File Nos. 75461 and 75462, in Volume 78 of Deeds, page 223, records of Skagit County, Washington, and portions of said road being vacated by Order of Vacation entered in Volume 12 of Commissioner's Journal, page 479, records of Skagit County, Washington; AND ALSO EXCEPT any portion of the as built and existing road commonly known as Gunderson Road and formerly known as Coltrine Road, extending on to said property.

Situate in the County of Skagit, State of Washington.



PARCEL "I":

The Northeast  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  of Section 15, Township 34 North, Range 4 East W.M., EXCEPT that portion thereof lying within the boundaries of Tract "A" of Skagit County Short Plat No. 60-77, approved August 30, 1977 and recorded August 30, 1977 under Auditor's File No. 863767, records of Skagit County, Washington; AND EXCEPT the West 30 feet thereof for the as built and existing County road commonly known as the McLaughlin Road extension and as said road was conveyed to Skagit County by deed recorded under Auditor's File No. 864821 and by deed recorded April 18, 1916 under Auditor's File No. 112823, in Volume 102 of Deeds, page 508, records of Skagit County, Washington; AND ALSO EXCEPT the as built and existing County road running along the South line thereof, commonly known as the McLaughlin Road.

Situate in the County of Skagit, State of Washington.

PARCEL "J":

The Northwest  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of Section 15, Township 34 North, Range 4 East W.M., EXCEPT that portion thereof lying within the boundaries of the as built and existing County road commonly known as McLaughlin Road running along the South line thereof.

Situate in the County of Skagit, State of Washington.

PARCEL "K":

The East  $\frac{1}{2}$  of the Northeast  $\frac{1}{4}$  of Section 15, Township 34 North, Range 4 East W.M., EXCEPT that portion thereof lying within the boundaries of that certain 50 foot wide strip of land conveyed to Puget Sound and Cascade Railway Company by deed recorded December 11, 1915 under Auditor's File No. 111086, in Volume 101 of Deeds, page 631, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.

PARCEL "L":

The Northeast  $\frac{1}{4}$  of the Southeast  $\frac{1}{4}$  of Section 15, Township 34 North, Range 4 East W.M., EXCEPT that portion thereof lying within the boundaries of the as built and existing State Highway right of way running through said subdivision, commonly known as Clear Lake Road and also known as College Way.

Situate in the County of Skagit, State of Washington.



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PARCEL "M":

That portion of the Northeast ¼ of the Southwest ¼ and the Northwest ¼ of the Southeast ¼ of Section 15, Township 34 North, Range 4 East W.M., lying Northerly of State Highway No. 538.

Situate in the County of Skagit, State of Washington.

PARCEL "N":

The Southwest ¼ of the Northeast ¼ of Section 15, Township 34 North, Range 4 East W.M., EXCEPT the 50 foot wide right of way conveyed to the Puget Sound and Cascade Railway Company by deed recorded under Auditor's File No. 110943, in Volume 101 of Deeds, page 586, records of Skagit County, Washington; AND ALSO EXCEPT the North 30 feet thereof conveyed to Skagit County for road purposes by deed recorded under Auditor's File No. 77104, in Volume 65 of Deeds, page 189, records of Skagit County, Washington; AND ALSO EXCEPT that portion thereof lying within the as built and existing County Road running along the North line thereof commonly known as McLaughlin Road.

Situate in the County of Skagit, State of Washington.

PARCEL "O":

The Southeast ¼ of the Northwest ¼ of Section 15, Township 34 North, Range 4 East W.M., EXCEPT the State Highway right of way running along a portion of the South line thereof, AND EXCEPT the as built and existing County road running along the North line thereof commonly known as the McLaughlin Road.

EXCEPT from all of Parcel "O" hereinabove the following described tracts:

- 1) The West 208.7 feet of the South 626.1 feet of that portion of said Southeast ¼ of the Northwest ¼, lying North of State Road No. 1-G.



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PARCEL "O" Continued:

2.) Beginning at the Northwest corner of the Southeast  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  of said Section; thence South along the West line thereof 20 feet to the Southerly line of McLaughlin Road and the true point of beginning; thence continuing South along said West line 666.63 feet to the Northwest corner of that certain parcel described in real estate contract in favor of Kenneth Moore and Phyllis Marie Moore and recorded under Auditor's File No. 8305270054; thence East along the North line of said Moore parcel and said line extended 980.15 feet; thence North parallel to the West line of said Southeast  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  666.63 feet, more or less, to the South line of McLaughlin Road; thence West along the South line to the point of beginning.

Situate in the County of Skagit, State of Washington.

PARCEL "P":

The Westerly  $\frac{1}{2}$  of that certain 100 foot wide strip of land conveyed to the Seattle Lake Shore and Eastern Railway Company by Deed dated April 4, 1890, and recorded July 13, 1890, in Volume 10 of Deeds, page 651, records of Skagit County, Washington, being a portion of the North  $\frac{1}{2}$  of the Northwest  $\frac{1}{4}$  of Section 14, Township 34 North, Range 4 East, W.M.

Situate in the County of Skagit, State of Washington.

PARCEL "Q":

The Easterly  $\frac{1}{2}$  of that portion of that certain 100 foot wide strip of land conveyed to the Seattle Lake Shore and Eastern Railway Company by Deed dated April 4, 1890, and recorded July 13, 1890, in Volume 10 of Deeds, page 651, records of Skagit County, Washington, which lies Southerly of a line drawn perpendicular through the centerline of said 100 foot wide strip of land and through the point of divergence of the Easterly right-of-way line of said 100 foot wide strip of land and the Westerly right-of-way line of the road right-of-way commonly known as State Highway No. 9, being a portion of the North  $\frac{1}{2}$  of the Northwest  $\frac{1}{4}$  of Section 14, Township 34 North, Range 4 East, W.M..

Situate in the County of Skagit, State of Washington.



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PARCEL "R":

Those two fifty foot by fifteen hundred foot strips of land conveyed to the Seattle Lake Shore and Eastern Railway Company by deeds dated April 4, 1890, and recorded July 13, 1890, and July 25, 1890, in Volume 10 of Deeds, pages 653 and 759, records of Skagit County, Washington, being portions of the North ½ of the Northwest ¼ of Section 14, Township 34 North, Range 4 East, W.M.

Situate in the County of Skagit, State of Washington.

PARCEL "S":

The Westerly ½ of that portion of that certain 100 foot wide strip of land conveyed to the Seattle Lake Shore and Eastern Railway Company by Deed dated July 17, 1891, and recorded July 25, 1891, as auditor's File No. 3823, in Volume 20 of Deeds, page 504, records of Skagit County, Washington, lying within the Northwest ¼ of the Southwest ¼ of Section 14, Township 34 North, Range 4 East W.M.

Situate in the County of Skagit, State of Washington.

PARCEL "T":

That certain 20 foot wide strip of land conveyed to the Northern Pacific Railway Company by Deed dated April 15, 1914, and recorded April 21, 1914, as Auditor's File No. 102078, in Volume 96 of Deeds, page 509, records of Skagit County, Washington, being a portion of the Northwest ¼ of the Southwest ¼ of Section 14, Township 34 North, Range 4 East, W.M.

Situate in the County of Skagit, State of Washington.

PARCEL "U":

That portion of the Northwesterly ½ of that certain 100 foot wide strip of land conveyed to the Seattle Lake Shore and Eastern Railway Company, by Deed recorded June 2, 1890, in Volume 10 of Deeds, page 574, records of Skagit County, Washington, which lies within the East ½ of the Southwest ¼ of Section 11, Township 34 North, Range 4 East, W.M.

Situate in the County of Skagit, State of Washington.



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PARCEL "V":

That portion of the Northwesterly  $\frac{1}{2}$  of that certain 100 foot wide strip of land conveyed to the Seattle Lake Shore and Eastern Railway Company, by deed recorded June 2, 1890, in Volume 10 of Deeds, page 577, records of Skagit County, Washington, which lies within the Southeast  $\frac{1}{4}$  of Section 11, Township 34 North, Range 4 East, W.M., and lies Southwesterly of the Southeasterly extension of the Northeasterly line of that certain tract conveyed to Robert G. Lundvall, et ux., by deed recorded September 3, 1982, as Auditor's File No. 8209030067.

Situate in the County of Skagit, State of Washington.

PARCEL "W":

That portion of the following described tract lying within the Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  of Section 14, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the intersection of the North line of Section 14 with the Westerly line of the right of way of the Seattle Lake Shore and Eastern Railway Company, as said right of way was conveyed by deeds recorded in Volume 10 of Deeds, pages 651 to 654, records of Skagit County, Washington;  
thence Southwesterly along said right of way, 1,494.24 feet to the true point of beginning;  
thence North  $60^{\circ}30'$  West, 1,683 feet, more or less, to a point 396 feet South of the Northwest corner of said Section 14;  
thence South along the West line of the Section to a point 660 feet North of the Southwest corner of the Northwest  $\frac{1}{4}$  of said Section;  
thence East 871.2 feet, more or less, to the Westerly line of the said railway company right of way;  
thence Northeasterly along said right of way to the true point of beginning,

EXCEPT the 50 foot wide right of way of the Puget Sound and Cascade Railway Company, as said right of way was reserved in deed recorded under Auditor's File No. 138390, in Volume 115 of Deeds, page 619, records of Skagit County, Washington,

AND ALSO EXCEPT that portion, if any, lying within the as built and existing extension of the Gunderson County Road.

Situate in the County of Skagit, State of Washington.



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PARCEL "X":

That portion of the South 660 feet of the Southwest ¼ of the Northwest ¼ of Section 14, Township 34 North, Range 4 East, W.M., lying Westerly of the West line of the 200 foot wide right of way and depot grounds of the Seattle Lake Shore and Eastern Railway Company, as said right of way and depot grounds were conveyed to said railway company by deeds recorded in Volume 10 of Deeds, page 651 to 654, records of Skagit County, Washington,

EXCEPT that certain 50 foot wide strip of land conveyed to Puget Sound and Cascade Railway Company by deed recorded under Auditor's File No. 111086, in Volume 101 of Deeds, page 631, records of Skagit County, Washington,

AND ALSO EXCEPT that portion of the South 30 feet of the East 105 feet of that portion of said Southwest ¼ of the Northwest ¼, lying West of the West line of the right of way of the Northern Pacific Railway, as said right of way existed on June 6, 1927.

Said portion being the non-vacated portion of Coltrine #211 County Road, said road being previously conveyed to Skagit County by deeds recorded under Auditor's File Nos. 75461 and 75462 in Volume 78 of Deeds, page 223, and portions of said road being vacated by Order of Vacation entered in Volume 12 of Commissioner's Records, page 479, records of Skagit County, Washington,

AND ALSO EXCEPT that portion, if any, lying within the boundaries of the as built and existing County road commonly known Gunderson Road and formerly known as Coltrine Road, extending into said property.

Situate in the County of Skagit, State of Washington.

PARCEL "Y":

That portion of the Northwest ¼ of Section 14, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the intersection of the East line of the Northern Pacific Railway right of way with the South line of the said Northwest ¼;  
thence East 606 feet, more or less, to the West line of the Big Lake Road;



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PARCEL "Y" Continued:

thence Northerly along said West line of road to intersection with the East line of the Northern Pacific Railway right of way,  
thence Southwesterly along the East line of the Northern Pacific Railway right of way to the point of beginning.

EXCEPT road right of way.

Situate in the County of Skagit, State of Washington.

PARCEL "Z":

The Southwest ¼ of the Northwest ¼ of Section 11, Township 34 North, Range 4 East, W.M., EXCEPT County road right of way.

Situate in the County of Skagit, State of Washington.

EXCEPT from the above Parcels any portion lying within that right-of-way conveyed by deed recorded October 26, 2004, under Auditor's File No. 200410260120.



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EXHIBIT "B"

**Clear Valley Environmental Bank  
Mitigation Banking Credit Program Summary**

This narrative provides a summary of information on mitigation credits within Clear Valley Environmental Bank to aid Owens Financial with establishing a legal instrument to provide an "assignment of credits" for purposes of its loan to CVEB, LLC (the "Borrower").

The Borrower will restore about 375 acres of land within the 805 acre purchase property, returning what is now part of a dairy farm to its original pre-agricultural condition as a functioning wetland. It will do so, and the following description is, according to the provisions of the Clean Water Act.

This process will be certified by an interagency group of Federal and Washington State regulatory and other governmental agencies formed into a Mitigation Bank Review Team ("MBRT").

Under the provisions of Section 401 of the Clean Water Act, the Borrower and the Mitigation Bank Review Team will enter into a Memorandum of Agreement ("MOA") that will have as an appendix the Mitigation Banking Instrument ("MBI"). The MOA specifies the legally binding contract between the Borrower and the MBRT; while the MBI specifies the detail of the actual construction, long term management and oversight of the Bank. These documents together will set out the performance standards and conditions that the Borrower must satisfy in the course of restoring or mitigating the wetland. This contract typically provides that

1. The physical ownership of the land and the operating rights to the credits can be segmented and transferred independently.
2. Assignment of the MBI and MOA can be undertaken but only with the written approval of the MBRT which approval shall not be unreasonable withheld.

The Mitigation Banking Instrument will provide that as certain conditions are satisfied from time to time, the Borrower will earn "credits", and that the Borrower will have a right to sell those credits as provided below. The credits will be released for sale in percentages, as conditions are satisfied. The Mitigation Bank Review Team (MBRT) will ensure that the step by step performance standards are met as a condition to release of the credits. Typically credits are released for sale upon the following stages:

- Upon the execution of the Mitigation Banking Instrument and the placement of an environmental easement on the bank property
- Upon the commencement of construction work which may be necessary to create or enhance the hydrology for the wetlands
- Upon the submission of "as built drawings" indicating the completion of the construction work.
- Completion of specific re-vegetation criteria
- Upon the achievement of specific performance standards over time to ensure the wetlands area is functioning and self sustaining.



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Typically credits are released over a period of ten – twelve years and in no one year are more than 15% of the total bank credits released. We anticipate the entire wetlands bank will generate 310 credits over several phases of approvals by the MBRT as set forth in the MBI.

The Clean Water Act and parallel State and local laws, provide that a person cannot damage a wetland unless it obtains a permit to do so from the United States Army Corps of Engineers, as provided in Section 404 of the Clean Water Act. As a condition to that permit, the permittee is required to restore an equivalent wetland in the same general area providing the same ecological functions. That person can do the restoration itself, or it can buy "credits" from a person who has already restored wetlands and has generated such credits.

The type and the amount of credits that the permittee must buy are spelled out in the Section 404 permit.

The purchase and sale of the credits is accounted for in an accounting procedure that is spelled out in the Mitigation Banking Instrument, and is supervised and reviewed by the Corps of Engineers.

The Borrower anticipates obtaining approvals for 40 to 45 mitigation credits in the first phase of approvals, which will be further defined in the final MOA/MBI. It is customary for this first phase of approvals to release approximately 14% (14% of 310 credits 43 credits) of the total credits of the bank, for the signing of the MOA/MBI and the placement of the conservation easement on the bank. The Borrower is willing to give the Lender an assignment of its rights to the first phase of credits, which should more than satisfy the entire loan obligation.

The Borrower is also willing to set up an escrow account with the Lender or another financial institution into which proceeds from the sale of credits would be placed. The Borrower would give the Lender a perfected security interest in such an account.

The Borrower would further be willing to include terms in the Mitigation Banking Instrument that would set up a mechanism to protect the Lender.

The Borrower would be happy to talk with counsel to the Lender to discuss these or alternative procedures.

We suggest that following review of this overview, Jake Hodge and Jerome Ryan of CVEB, LLC confer with Owens Financial's counsel and walk through the legal steps associated with an assignment of credits. Please let us know how you prefer to proceed.



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