



200907310109
Skagit County Auditor

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UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
Alyssa Menacho, (925) 280-5384

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

LAND TITLE OF SKAGIT COUNTY
P109225 11171-5E

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE #

200604270157

1b. This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS.

2. TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to security interest(s) of the Secured Party authorizing this Termination Statement.

3. CONTINUATION: Effectiveness of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law.

4. ASSIGNMENT (full or partial): Give name of assignee in item 7a or 7b and address of assignee in item 7c; and also give name of assignor in item 8.

5. AMENDMENT (PARTY INFORMATION): This Amendment affects Debtor or Secured Party of record. Check only one of these two boxes.

Also check one of the following three boxes and provide appropriate information in items 6 and/or 7.

CHANGE name and/or address: Please refer to the detailed Instructions in regards to changing the name/address of a party.

DELETE name: Give record name to be deleted in item 8a or 8b.

ADD name: Complete item 7a or 7b, and also item 7c; also complete items 7e-7g (if applicable).

6. CURRENT RECORD INFORMATION:

6a. ORGANIZATION'S NAME

CLEAR VALLEY ENVIRONMENTAL FARM II, INC., A CALIFORNIA CORPORATION

OR 6b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

7. CHANGED (NEW) OR ADDED INFORMATION:

7a. ORGANIZATION'S NAME

CLEAR VALLEY ENVIRONMENTAL FARM II, INC., A WASHINGTON CORPORATION

OR 7b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

7c. MAILING ADDRESS

9 TEABERRY LANE

CITY

TIBURON

STATE

CA

POSTAL CODE

94920

COUNTRY

US

7d. SEE INSTRUCTIONS

ADD'L INFO RE ORGANIZATION DEBTOR

7e. TYPE OF ORGANIZATION

CORPORATION

7f. JURISDICTION OF ORGANIZATION

WASHINGTON

7g. ORGANIZATIONAL ID#, if any

602-595-910

NONE

8. AMENDMENT (COLLATERAL CHANGE): check only one box.

Describe collateral deleted or added, or give entire restated collateral description, or describe collateral assigned.

See Attached Addendum "A"

10-34 -04 NE SW P109225

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT (name of assignor, if this is an Assignment). If this is an Amendment authorized by a Debtor which adds collateral or adds the authorizing Debtor, or if this is a Termination authorized by a Debtor, check here and enter name of DEBTOR authorizing this Amendment.

9a. ORGANIZATION'S NAME

OWENS MORTGAGE INVESTMENT FUND, a California limited partnership

OR 9b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

10. OPTIONAL FILER REFERENCE DATA

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 - approximately 680 acres of land - Skagit County, WA**

and situated in the **County of Skagit, State of Washington** and further described as **SEE EXHIBIT "A" ATTACHED FOR LEGAL DESCRIPTION** 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

SEE EXHIBIT "A" ATTACHED FOR LEGAL DESCRIPTION,

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, 2007.

K. All of Debtor's right, title and interest, whether present or future, in all wetland mitigation credits awarded under that Mitigation Banking Instrument to be executed by Debtor (as Sponsor) and the U.S. Army Corps of Engineers, the Washington State Department of Ecology and Skagit County for Debtor's establishment, use, operation and maintenance of the Skagit Environmental Bank located on approximately 396 acres of land owned by Debtor near the City of Mount Vernon, Skagit County, Washington. The Skagit Environmental Bank and its operation are more particularly described in the document entitled *Clear Valley Environmental Bank Mitigation Banking Credit Program Summary*, which is attached hereto as Exhibit B and incorporated by this reference.



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SIGNATURE PAGE TO UCC-3 FINANCING STATEMENT

EXECUTION IN COUNTERPARTS. This UCC-3 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-3 FILING STATEMENT.

Dated: June 5, 2009

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 ENVIROMENTAL FARM, II, INC., a Washington corporation

→ 
Kevin F. Noon, Vice President

→ _____
Jerome Ryan, President

→ _____
James Blythe Hodge, Secretary



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STATE OF ~~WASHINGTON~~ Colorado

COUNTY OF Denver

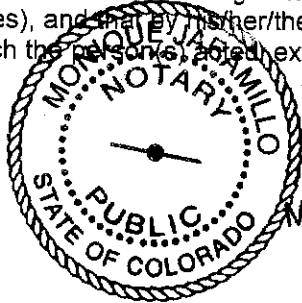
On this 1st day of July in the year of 2009 before me, the undersigned, a Notary Public in and for said State, personally appeared

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]
NOTARY PUBLIC



My Commission Expires 04/04/2012

STATE OF WASHINGTON

COUNTY OF _____

On this _____ day of _____ in the year of _____, before me, the undersigned, a Notary Public in and for said State, 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.

NOTARY PUBLIC



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Dated: June 5, 2009

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 6-30-09
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 6-30-09
Jerome Ryan, President
→ _____
James Blythe Hodge, Secretary



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STATE OF California
COUNTY OF Sonoma

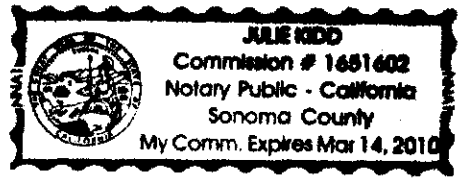
On this 30 day of June in the year of 2009
before me, Julie Kidd, a Notary Public, personally appeared

Jerome 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/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 Julie Kidd
NOTARY PUBLIC



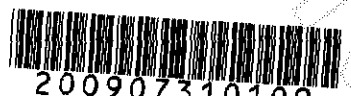
STATE OF _____
COUNTY OF _____

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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Skagit County Auditor

SIGNATURE PAGE TO UCC-3 FINANCING STATEMENT

EXECUTION IN COUNTERPARTS. This UCC-3 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.

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Dated: June 5, 2009

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
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
James Blythe Hodge, Secretary



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Skagit County Auditor

STATE OF Florida
COUNTY OF Dade

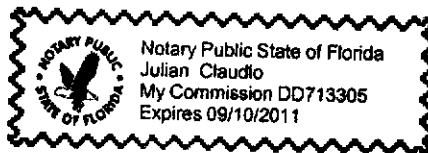
On this 10 day of July in the year of 2009
before me, Julian Claudio, a Notary Public, personally appeared James Blyde Hodge

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/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

Julian Claudio
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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Schedule "A-1":
DESCRIPTION:

PARCEL "A"

The Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 10, Township 34 North, Range 4 East, W.M.

TOGETHER WITH that portion of the Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 10, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the Northwest corner of said Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$;
thence South $0^{\circ}12'29''$ West, along the West line thereof, a distance of 660.87 feet, more or less, to the Northwest corner of that certain parcel as conveyed by Deed recorded April 10, 2006, under Auditor's File No. 200604100126;
thence South $89^{\circ}11'17''$ East along the North line thereof, 363.49 feet to the Northeast corner thereof;
thence North $62^{\circ}42'54''$ East 117.72 feet;
thence South $63^{\circ}15'58''$ East 111.40 feet;
thence South $15^{\circ}42'36''$ East 159.39 feet;
thence **South** $32^{\circ}41'51''$ East 129.01 feet;
thence South $52^{\circ}05'24''$ East 149.71 feet;
thence South $88^{\circ}04'38''$ East 128.61 feet;
thence North $79^{\circ}36'46''$ East 295.79 feet;
thence South $66^{\circ}03'52''$ East 138.90 feet, more or less, to the East line of said Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$;
thence North $0^{\circ}00'33''$ West, along said East line, 1,001.03 feet to the Northeast corner thereof;
thence North $89^{\circ}02'28''$ West, along the North line of said Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$, 1,342.60 feet to the point of beginning.

Also shown as Parcel 1 on Survey recorded under Auditor's File No. 200706190095, records of Skagit County, Washington.

TOGETHER WITH a 60 foot wide non-exclusive easement for ingress, egress and utilities over, under and across the exact location to be determined at a future time and under mutual consent as to location on the following described parcel:

That portion of the Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ and the Southwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Section 10, together with that portion of the Northeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ and the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 15, all in Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the Northwest corner of the Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of said Section 10;
thence South $0^{\circ}12'29''$ West, along the West line thereof, a distance of 660.87 feet, more or less, to the Northwest corner of that certain parcel as conveyed by Deed recorded April 10, 2006, under Auditor's File No. 200604100126;
thence South $89^{\circ}11'17''$ East, along the North line thereof, 363.49 feet to the Northeast corner thereof;
thence North $62^{\circ}42'54''$ East 117.72 feet;
thence South $63^{\circ}15'58''$ East 111.40 feet;
thence South $15^{\circ}42'36''$ East 159.39 feet;
thence South $32^{\circ}41'51''$ East 129.01 feet;



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Schedule "A-1":
DESCRIPTION CONTINUED:

PARCEL "A" Continued:

thence South 52°05'24" East 149.71 feet;
thence South 88°04'38" East 128.61 feet;
thence North 79°36'46" East 295.79 feet;
thence South 66°03'52" East 138.90 feet;
thence South 66°03'52" East 103.00 feet to the true point of beginning;
thence North 66°03'52" West 103.00 feet;
thence North 66°03'52" West 138.90 feet;
thence South 79°36'46" West 295.79 feet;
thence North 88°04'38" West 128.61 feet;
thence North 52°05'24" West 149.71 feet;
thence North 32°41'51" West 129.01 feet;
thence North 15°42'36" West 159.39 feet;
thence North 63°15'58" West 111.40 feet;
thence South 62°42'54" West 117.72 feet to the aforementioned Northeast corner of parcel described under Auditor's File No. 200604100126;
thence South 0°38'29" West, along the East line of said parcel and said parcel extended, a distance of 769.92 feet to the Southeast corner 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;
thence North 89°20'05" West, along the South line thereof, 330.03 feet to the Southwest corner thereof, said point being on the East margin of McLaughlin Extension Road;
thence South 1°26'36" West, along said margin, 1,202.86 feet to an intersection with the North margin of McLaughlin Road;
thence South 89°00'37" East, along said North margin, 967.04 feet to a point which lies South 16°45'44" West from the true point of beginning;
thence North 16°45'44" East 1,656.33 feet to the true point of beginning.

Situate in the County of Skagit, State of Washington.

PARCEL "B":

The West ½ of the Southeast ¼ of Section 10, Township 34 North, Range 4 East, W.M.

EXCEPT that portion described as follows:

Beginning at the Northwest corner of the Southeast ¼ of the Southwest ¼ of said Section 10;
thence South 0°12'29" West, along the West line thereof, a distance of 660.87 feet, more or less, to the Northwest corner of that certain Parcel as conveyed by deed recorded April 10, 2006, under Auditor's File No. 200604100126;
thence South 89°11'17" East, along the North line thereof, 363.49 feet to the Northeast corner thereof;
thence North 62°42'54" East 117.72 feet;
thence South 63°15'58" East 111.40 feet;



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Schedule "A-1":

DESCRIPTION CONTINUED:

PARCEL "B" Continued:

thence South 15°42'36" East 159.39 feet;
thence South 32°41' 51" East 129.01 feet;
thence South 52°05'24" East 149.71 feet;
thence South 88°04'38" East 128.61 feet;
thence North 79°36'46" East 295.79 feet;
thence South 66°03'52" East 138.90 feet, more or less, to the West line of said West ½ of the Southeast ¼ of said Section 10 and the true point of beginning;
thence South 66°03'52" East 103.00 feet;
thence South 78°26'16" East 220.72 feet;
thence South 57°43'31" East 112.69 feet;
thence South 76°50'23" East 84.64 feet;
thence South 76°59'11" East 180.46 feet;
thence South 54°48'59" East 93.58 feet;
thence South 25°47'39" East 91.15 feet to the South line of said West ½ of the Southeast ¼ ;
thence North 87°55'43" West, along said South line 780.52 feet to the Southwest corner thereof;
thence North 0°00'33" West, along the West line thereof, 313.89 feet, more or less, to the true point of beginning.

Also known as Parcel 2 on Survey under Auditor's File No. 200706190095, records of Skagit County, Washington.

TOGETHER WITH a 60.00 foot non-exclusive easement for ingress, egress and utilities being 30.00 feet on both sides of the following described centerline, being in a portion of Section 10 and Section 15, Township 34 North, Range 4 East, W.M.

Beginning at the Southwest corner 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;
thence South 1°26'36" West, along the East margin of McLaughlin Road Extension, as shown on said Short Plat, 43.62 feet to the true point of beginning of this centerline description;
thence the following courses along said centerline, South 86°12'32" East 174.78 feet;
thence North 85°42'17" East 172.87 feet;
thence North 58°22'51" East 393.11 feet;
thence South 88°43'21" East 1387.99 feet, more or less, to a point of intersection with the Southeasterly line of the above described Parcel and the terminus of said centerline description.

The sidelines of said Easement shall be extended or trimmed so as to form a continuous line across the Grantor's Ownership.

Situate in the County of Skagit, State of Washington.



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Schedule "A-1":
DESCRIPTION CONTINUED:

PARCEL "C":

That portion of the abandoned Puget Sound and Cascade Railway right-of-way in the Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ 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 $\frac{1}{4}$ section corner thereof;
thence Northeasterly to the East line of said Southeast $\frac{1}{4}$, 366 feet, more or less, North of said section corner.

Situate in the County of Skagit, State of Washington.

PARCEL "D":

That portion 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; 1494.24 feet to the true point of beginning;
thence North $60^{\circ}30'$ 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 $\frac{1}{4}$ 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 lying within the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of said Section 14.

Situate in the County of Skagit, State of Washington.

PARCEL "E":

Deleted.

PARCEL "F":

Deleted.



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Skagit County Auditor

Schedule "A-1":
DESCRIPTION CONTINUED:

PARCEL "G":

The Southwest ¼ of the Northeast ¼ and the Southeast ¼ of the Northwest ¼ of Section 15, Township 34 North, Range 4 East, W.M.

TOGETHER WITH that portion of the Northwest ¼ of the Northeast ¼ of said Section 15, described as follows:

Beginning at the Northwest corner of the Southeast ¼ of the Southwest ¼ of said Section 10;
thence South 0°12'29" West along the West line thereof, a distance of 660.87 feet, more or less, to the Northwest corner of that certain parcel as conveyed by Deed recorded April 10, 2006, under Auditor's File No. 200604100126;
thence South 89°11'17" East, along the North line thereof, 363.49 feet to the Northeast corner thereof;
thence North 62°42'54" East 117.72 feet;
thence South 63°15'58" East 111.40 feet;
thence South 15°42'36" East 159.39 feet;
thence South 32°41'51" East 129.01 feet;
thence South 52°05'24" East 149.71 feet;
thence South 88°04'38" East 128.61 feet;
thence North 79°36'46" East 295.79 feet;
thence South 66°03'52" East, 138.90 feet;
thence South 66°03'52" East 103.00 feet;
thence South 78°26'16" East 220.72 feet;
thence South 57°43'31" East 112.69 feet;
thence South 76°50'23" East 84.64 feet;
thence South 76°59'11" East 180.46 feet;
thence South 54°48'59" East, 93.58 feet;
thence South 25°47'39" East 91.15 feet to the North line of said Section 15 and the true point of beginning;
thence South 25°47'39" East 87.34 feet;
thence South 30°23'11" East 111.90 feet;
thence South 8°07'49" East 157.41 feet;
thence South 18°17'32" East 348.90 feet;
thence South 25°34'21" East 205.38 feet;
thence South 12°48'25" East 218.85 feet;
thence South 5°34'33" West 162.09 feet;
thence South 29°59'41" West 117.22 feet to the North margin of McLaughlin Road;
thence South 88°19'54" East, along said margin, 237.30 feet to the East line of the Northwest ¼ of the Northeast ¼ of said Section 15;
thence North 1°12'39" East, along said East line, 1,311.02 feet to the North line of said Section 15;
thence North 87°55'43" West, along said North line, 543.52 feet to the true point of beginning,

EXCEPT the following described portions thereof:

Exception 1: Any portion lying within the right of way of McLaughlin Road.

Exception 2: Any portion lying within the right of way of State Road No. 538, also known as College Way.



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Schedule "A-1":
DESCRIPTION CONTINUED:

PARCEL "G" Continued:

Exception 3: The West 208.7 feet of the South 626.1 feet of that portion of the Southeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of said Section 15, lying North of State Road No. 1-G (SR 538).

Exception 4: Beginning at the Northwest corner of the Southeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of said Section 15; 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, more or less, 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 true point of beginning.

Exception 5: Beginning at the Northwest corner of the Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 10, Township 34 North, Range 4 East, W.M.;
thence South $0^{\circ}12'29''$ West, along the West line thereof, a distance of 660.87 feet, more or less, to the Northwest corner of that certain parcel as conveyed by Deed recorded April 10, 2006, under Auditor's File No. 200604100126;
thence South $89^{\circ}11'17''$ East, along the North line thereof, 363.49 feet to the Northeast corner thereof;
thence North $62^{\circ}42'54''$ East 117.72 feet;
thence South $63^{\circ}15'58''$ East 111.40 feet;
thence South $15^{\circ}42'36''$ East 159.39 feet;
thence South $32^{\circ}41'51''$ East 129.01 feet;
thence South $52^{\circ}05'24''$ East 149.71 feet;
thence South $88^{\circ}04'38''$ East 128.61 feet;
thence North $79^{\circ}36'46''$ East 295.79 feet;
thence South $66^{\circ}03'52''$ East 138.90 feet, more or less, to the West line of the West $\frac{1}{2}$ of the Southeast $\frac{1}{4}$ of said Section 10;
thence South $66^{\circ}03'52''$ East 103.00 feet;
thence South $78^{\circ}26'16''$ East 220.72 feet;
thence South $57^{\circ}43'31''$ East 112.69 feet;
thence South $76^{\circ}50'23''$ East 84.64 feet;
thence South $76^{\circ}59'11''$ East 180.46 feet;
thence South $54^{\circ}48'59''$ East 93.58 feet;
thence South $25^{\circ}47'39''$ East 91.15 feet to the South line of the West $\frac{1}{2}$ of the Southeast $\frac{1}{4}$ of said Section 10;
thence South $25^{\circ}47'39''$ East 87.34 feet;
thence South $30^{\circ}23'11''$ East 111.90 feet;
thence South $8^{\circ}07'49''$ East 157.41 feet;
thence South $18^{\circ}17'32''$ East 348.90 feet;
thence South $25^{\circ}34'21''$ East 205.38 feet;
thence South $12^{\circ}48'25''$ East 218.85 feet;
thence South $5^{\circ}34'33''$ West 162.09 feet;
thence South $29^{\circ}59'41''$ West 139.94 feet to the South line of the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ and the true point of beginning;
thence continue South $29^{\circ}59'41''$ West 185.06 feet;



Schedule "A-1":

DESCRIPTION CONTINUED:

PARCEL "G" Continued:

thence South 71°25'46" West 334.89 feet;
thence North 86°50'15" West 213.62 feet;
thence North 85°42'09" West 472.91 feet to the West line of the said Southwest ¼ of the Northeast ¼ of Section 15;
thence North 88°33'24" West 370.33 feet, to the East line of Exception 4 described above;
thence North 1°26'36" East, along said East line, 248.56 feet to the North line of the Southeast ¼ of the Northwest ¼ of said Section 15;
thence South 89°00'37" East, along said North line, 369.85 feet to the Northeast corner of said Southeast ¼ of the Northwest ¼;
thence South 88°19'54" East, along the North line of the Northwest ¼ of the Northeast ¼ of said Section 15, a distance of 1,089.47 feet to the true point of beginning.

Exception 6: That portion, if any, that lies within the previous right of way of College Way between the center of Section 15 and the existing right of way of College Way to the West of said center of Section.

Also shown as Parcel 5 on Survey recorded under Auditor's File No. 200706190095, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.

PARCEL "H":

Those portions of Sections 10 and 11, Township 34 North, Range 4 East, W.M., described as follows:

Parcel 1:

That portion of the South ½ of the Northeast ¼ of said Section 10, lying Southerly of Nookachamps Creek.

Parcel 2:

The East ½ of the Southeast ¼ of said Section 10;

Parcel 3:

The West ½ of the Southwest ¼ of said Section 11;

EXCEPT County road right-of-way;

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

Parcel 4:

The Southwest ¼ of the Northwest ¼ of said Section 11;

EXCEPT County road right-of-ways.



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Schedule "A-1":
DESCRIPTION CONTINUED:

PARCEL "H" Continued:

Parcel 5:

Beginning at a point on the North and South centerline of said Section 11, Township 34 North, Range 4 East, W.M., a distance of 60.00 feet North of where the North line of the right-of-way of the Seattle and International Railway crosses said line;
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;
thence South to the Southwest corner of said Section 11;
thence East to the Southeast corner of said Southwest ¼ of said Section 11;
thence North to the point of beginning.

EXCEPT that portion, if any, within State Highway right-of-way;

ALSO EXCEPT that portion, if any, within former Railroad right-of-way now owned by Skagit County;

AND ALSO EXCEPT any portion lying Southeasterly of the Northwesterly line of the right-of-way for State Route 9;

Parcel 6:

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 said Section 11.

Parcel 7:

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 Southeast ¼ of said Section 11 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, under Auditor's File No. 8209030067;

EXCEPT that portion described as follows:

That portion of Section 11, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the Southwest corner of said Section 11;
thence South 88°32'07" East, along the South line of said Section 11 a distance of 1168.41 feet;
thence North 1°06'44" East 1024.71 feet to a point hereinafter referred to as Point "A" and the true point of beginning;
thence North 65°38'15" West 89.27 feet;
thence North 60°12'24" West 578.82 feet;
thence North 58°52'21" West 337.35 feet;
thence North 43°09'09" West 68.08 feet;
thence North 0°43'05" West 371.65 feet;
thence North 3°01'13" East 349.79 feet;
thence North 28°03'28" East 282.53 feet;



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Schedule "A-1":
DESCRIPTION CONTINUED:

PARCEL "H", Parcel 7, Continued:

thence North 39°46'02" East 128.04 feet;
thence North 73°15'44" East 458.76 feet;
thence North 49°28'04" East 210.47 feet;
thence along a curve to the left having a radius of 148.75 feet through a central angle of 87°56'43" an arc distance of 228.33 feet;
thence North 38°28'39" West 106.10 feet;
thence North 29°08'06" West 48.98 feet;
thence North 5°45'31" West 28.47 feet;
thence North 27°57'37" East 255.36 feet;
thence North 38°57'10" East 102.81 feet;
thence North 76°29'57" East 62.91 feet;
thence North 60°00'00" East 58.53 feet;
thence South 44°26'23" East 49.42 feet, more or less, to the Westerly margin of Babcock Road;
thence Southerly along the Westerly margin 1113.75 feet, more or less, to the East line of the West ½ of the Southwest ¼ of said Section 11;
thence South 1°06'44" West, along said East line, 2128.92 feet to the center of Nookachamps Creek;
thence Westerly along the centerline of Nookachamps Creek 157.43 feet to a point which lies South 1°06'44" West from the aforementioned Point "A";
thence North 1°06'44" East 627.06 feet to the true point of beginning.

Situate in the County of Skagit, State of Washington.

PARCEL "I":

That portion of Section 11, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the Southwest corner of said Section 11;
thence South 88°32'07" East, along the South line of said Section 11, a distance of 1168.41 feet;
thence North 1°06'44" East 1024.71 feet to a point hereinafter referred to as Point "A" and the true point of beginning;
thence North 65°38'15" West 89.27 feet;
thence North 60°12'24" West 578.82 feet;
thence North 58°52'21" West 337.35 feet;
thence North 43°09'09" West 68.08 feet;
thence North 0°43'05" West 371.65 feet;
thence North 3°01'13" East 349.79 feet;
thence North 28°03'28" East 282.53 feet;
thence North 39°46'02" East 128.04 feet;
thence North 73°15'44" East 458.76 feet;
thence North 49°28'04" East 210.47 feet;
thence along a curve to the left having a radius of 148.75 feet through a central angle of 87°56'43" an arc distance of 228.33 feet;
thence North 38°28'39" West 106.10 feet;
thence North 29°08'06" West 48.98 feet;
thence North 5°45'31" West 28.47 feet;



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Schedule "A-1":
DESCRIPTION CONTINUED:

PARCEL "I" Continued:

thence North 27°57'37" East 255.36 feet;
thence North 38°57'10" East 102.81 feet;
thence North 76°29'57" East 62.91 feet;
thence North 60°00'00" East 58.53 feet;
thence South 44°26'23" East 49.42 feet, more or less to the Westerly margin of Babcock Road;
thence Southerly along the Westerly margin 1113.75 feet, more or less, to the East line of the West ½ of the Southwest ¼ of said Section 11;
thence South 1°06'44" West, along said East line, 2128.92 feet to the center of Nookachamps Creek;
thence Westerly along the centerline of Nookachamps Creek 157.43 feet to a point which lies South 1°06'44" West from the aforementioned Point "A";
thence North 1°06'44" East 627.06 feet to the true point of beginning.

Situate in the County of Skagit, State of Washington.

PARCEL "J":

That portion of the following described tract lying within the Southwest ¼ 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, 1,494.24 feet to the true point of beginning;
thence North 60°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 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, if any, lying within the as built and existing extension of the Gunderson County Road.

Situate in the County of Skagit, State of Washington.

PARCEL "K":

Deleted.

PARCEL "L":

Deleted.



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Schedule "A-1":

DESCRIPTION CONTINUED:

PARCEL "M":

Beginning at the North ¼ corner of Section 14, Township 34 North, Range 4 East, W.M.;
thence West along the North line of said Section 14, a distance of 275.88 feet to an intersection with the
Westerly right of way line of the Northern Pacific Railway Company;
thence Southwesterly, along said right of way line 1,086.24 feet;
thence North 56°41'17" West 157.80 feet, along a line which would intersect the North line of said Section
14 at a point 329.30 feet East of the Northwest corner of said Section 14 and the true point of beginning;
thence North 46°15'53" East 126.54 feet;
thence South 53°55'39" East 185.22 feet to the center of that certain 100 foot wide right of way to Seattle
Lake Shore and Eastern Railway Company right of way as conveyed by Deed dated April 4, 1890 and
recorded July 13, 1890 in Volume 10 of Deed, page 651, records of Skagit County, Washington;
thence Northeasterly along said centerline 901.81 feet, more or less, to the North line of said Section 14;
thence Westerly, along said line, 2,113.04 feet, more or less, to a point which lies 329.30 feet Easterly from
the Northwest corner of said Section 14;
thence South 56°41'17" East 1,482.47 feet, more or less, to the true point of beginning.

Situate in the County of Skagit, State of Washington.

PARCEL "N":

The following described portions of Sections 14 and 15 of Township 34 North, Range 4 East, W.M.,
described as follows:

- 1.) That portion of the Northeast ¼ of the Southwest ¼ and the Northwest ¼ of the Southeast ¼ of said
Section 15, Township 34 North, Range 4 East, W.M., lying Northerly of State Highway No. 538.
- 2.) The Northeast ¼ of the Southeast ¼ of said 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 (SR 538)
running through said subdivision, also known as Clear Lake Road and College Way.
- 3.) The East ½ of the Northeast ¼ of said Section 15, Township 34 North, Range 4 East, W.M.
- 4.) That portion of the Northwest ¼ of the Southwest ¼ of said Section 14, 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 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,

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 No. 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, and portions of said road being vacated by Order of Vacation entered in Volume 12 of
Commissioners Journal, page 479, records of Skagit County,



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Schedule "A-1":
DESCRIPTION CONTINUED:

PARCEL "N" Continued:

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.

5.) The Westerly $\frac{1}{2}$ 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 July 17, 1891, and recorded July 25, 1891, under Auditor's File No. 3823, in Volume 20 of Deeds, page 504, records of Skagit County, lying within the Northwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of said Section 14, Township 34 North, Range 4 East, W.M..

6.) 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, under Auditor's File No. 102078, in Volume 96 of Deeds, page 509, records of Skagit County, being a portion of the Northwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of said Section 14, Township 34 North, Range 4 East, W.M..

7.) That portion of the South 660 feet of the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of said 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, pages 651 to 654, records of Skagit County,

EXCEPT that portion of the South 30 feet of the East 105 feet of that portion of said Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$, 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 No. 211 County Road, said road being previously conveyed to Skagit County by deed 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 Commissioners Records, page 479, records of Skagit County,

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

8.) 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, being a portion of the Northwest $\frac{1}{4}$ of said Section 14, Township 34 North, Range 4 East, W.M.

9.) The Easterly $\frac{1}{2}$ of that portion of that certain 100 foot 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, 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 Northwest $\frac{1}{4}$ of said Section 14, Township 34 North, Range 4 East, W.M.



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Schedule "A-1":
DESCRIPTION CONTINUED:

PARCEL "N" Continued:

10.) Those two fifty-foot by fifteen hundred-foot strips of land conveyed to the Seattle Lake Shore and Eastern Railway Company by deed 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, being a portion of said Section 14.

EXCEPT that portion of the Northwest $\frac{1}{4}$ of Section 14, Township 34 North, Range 4 East, W.M., described as follows:

All 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, under Auditor's File No. 3823, in Volume 20 of Deeds, page 504, records of Skagit County, lying Northerly of the following described line:

Beginning at the North $\frac{1}{4}$ corner of said Section 14;
thence West, along the North line of said Section 14, a distance of 275.88 feet to an intersection with the Westerly right of way line of the Northern Pacific Railway Company;
thence Southwesterly along said right of way line, 1,494.24 feet to the true point of beginning of this line description;
thence South $60^{\circ}07'16''$ East on a projection of a line that would intersect the West line of the Section at a point 396 feet South of the Northwest corner thereof, a distance of 100.66 feet to the Easterly line of said railway right of way and the terminus of said line description.



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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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