



**UCC FINANCING STATEMENT**  
 FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)  
**Laura Orsito (925) 289-5383**

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

OWENS REALTY MORTGAGE, INC.  
 c/o Owens Financial Group, Inc.  
 2221 Olympic Blvd.  
 P.O. Box 2400  
 Walnut Creek, CA 94595 Loan #51336

**GUARDIAN NORTHWEST TITLE CO.**  
 108166-3  
 THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here  and provide the Individual Debtor information in item 1D of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME <b>CLEAR VALLEY ENVIRONMENTAL FARM, LLC</b>				
OR				
1b. INDIVIDUAL'S SURNAME		FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
1c. MAILING ADDRESS <b>1028 Wilmington Way</b>		CITY <b>Redwood City</b>	STATE <b>CA</b>	POSTAL CODE <b>94062</b>
			COUNTRY <b>US</b>	

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here  and provide the Individual Debtor information in item 1D of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME <b>CLEAR VALLEY ENVIRONMENTAL FARM II, INC.</b>				
OR				
2b. INDIVIDUAL'S SURNAME		FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
2c. MAILING ADDRESS <b>1028 Wilmington Way</b>		CITY <b>Redwood City</b>	STATE <b>CA</b>	POSTAL CODE <b>94062</b>
			COUNTRY <b>US</b>	

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE or ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME <b>OWENS REALTY MORTGAGE, INC., a Maryland corporation</b>				
OR				
3b. INDIVIDUAL'S SURNAME		FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
3c. MAILING ADDRESS <b>2221 Olympic Blvd / P.O. Box 2400</b>		CITY <b>Walnut Creek</b>	STATE <b>CA</b>	POSTAL CODE <b>94595</b>
			COUNTRY <b>US</b>	

4. COLLATERAL: This financing statement covers the following collateral:  
 See attached Addendum "A".

P24443, 10-34-04

5. Check only if applicable and check only one box: Collateral is  held in a Trust (see UCC1Ad, item 17 and Instructions)  being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:  
 Public-Finance Transaction  Manufactured-Home Transaction  A Debtor is a Transmilling Utility

6b. Check only if applicable and check only one box:  
 Agricultural Lien  Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable):  Lessee/Lessor  Consignee/Consignor  Seller/Buyer  Bailor/Ballor  Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:  
**To be recorded in the official records of Skagit County, WA - Doc date 11/03/14**

# UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS

9. NAME OF FIRST DEBTOR: Same as line 1a or 1b on Financing Statement; if line 1b was left blank because individual Debtor name did not fit, check here

9a. ORGANIZATION'S NAME

CLEAR VALLEY ENVIRONMENTAL FARM, LLC

OR  
9b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

10. DEBTOR'S NAME: Provide (10a or 10b) only one additional Debtor name or Debtor name that did not fit in line 1b or 2b of the Financing Statement (Form UCC1) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name) and enter the mailing address in line 10c

10a. ORGANIZATION'S NAME

OR  
10b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

10c. MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

11.  ADDITIONAL SECURED PARTY'S NAME or  ASSIGNOR SECURED PARTY'S NAME: Provide only one name (11a or 11b)

11a. ORGANIZATION'S NAME

OR  
11b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

11c. MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

12. ADDITIONAL SPACE FOR ITEM 4 (Collateral):

13.  This FINANCING STATEMENT is to be filed (or recorded) in the REAL ESTATE RECORDS (if applicable)

14. This FINANCING STATEMENT:

covers timber to be cut  covers as-extracted collaterals  is filed as a fixture filing

15. Name and address of a RECORD OWNER of real estate described in item 16 (if Debtor does not have a record interest):

16. Description of real estate:

See attached Exhibit "A".

17. MISCELLANEOUS:

FILING OFFICE COPY — UCC FINANCING STATEMENT ADDENDUM (Form UCC-1)

International Association of Commercial Administrators (IACA)



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Skagit County Auditor

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ADDENDUM –“A”

TO UCC FINANCING STATEMENT

DEBTOR NAME: CLEAR VALLEY ENVIRONMENTAL FARM, LLC, a Washington limited liability company; and CLEAR VALLEY ENVIRONMENTAL FARM II, INC., a Washington corporation

SECURED PARTY: OWENS REALTY MORTGAGE, INC., a Maryland corporation

\*\*\*\*\*

#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: Approximately 380 acres of land, Skagit County, WA; and situated in the County of Skagit, State of Washington and further described as SEE EXHIBIT "A" ATTACHED HERETO AND HEREIN INCORPORATED BY THIS REFERENCE FOR LEGAL DESCRIPTION HEREIN INCORPORATED BY THIS REFERENCE 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 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



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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 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 November 3, 2014.

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 Corp 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 mitigation Banking Credit Program Summary, which is attached hereto as **Exhibit "B"** and incorporated by this reference.

**Governing Law: WITHOUT REGARD TO ANY PRINCIPLES OF CONFLICT LAW, THIS INSTRUMENT AND ALL OF THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA EXCEPT THAT THE PROCEDURAL AND SUBSTANTIVE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED RELATING TO THE CREATION, PERFECTION OR PRIORITY OF LIENS AND SECURITY INTERESTS AND TO FORECLOSURE OR OTHER REMEDY WITH RESPECT TO THE PROPERTY SHALL NECESSARILY GOVERN. IN NO EVENT WILL CALIFORNIA'S "ONE FORM OF ACTION RULE" (California Civil Code of Procedure section 726) BE AVAILABLE TO BORROWER, IT'S SUCCESSORS AND/OR ASSIGNS. THE VENUE FOR ANY DISPUTE, WHETHER IN FEDERAL OR STATE COURT, SHALL BE IN CONTRA COSTA COUNTY, CALIFORNIA.**

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\*\*\*SEE NEXT PAGE FOR SIGNATURES\*\*\*

**SIGNATURE PAGE TO UCC-1 FINANCING STATEMENT ADDENDUM DATED  
November 3, 2014**

**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 REALTY MORTGAGE, INC., a Maryland corporation ("Secured Party")**, to file such financing statements, or any renewals and/or replacements thereof or any UCC-3 amendment statements without Debtor's signature, for filing in such filing offices as Secured Party deems necessary, in its sole discretion, to perfect, or maintain the perfection of, Secured Party's security interests in all such property.

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

BY: SE SKAGIT LAND, LLC, a Washington limited liability company  
ITS: Managing Member

BY: JCPOETSCH ADVISORS, INC., a California corporation  
ITS: Managing Member

BY:   
Jeffrey Poetsch, President

BY:   
Alison Poetsch, Secretary

BY: \_\_\_\_\_  
John Patrick May, Managing Member

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

BY:   
Jeffrey Poetsch, President

BY:   
Alison Poetsch, Secretary



\*\*\*SEE NEXT PAGE FOR SIGNATURES\*\*\*

**SIGNATURE PAGE TO UCC-1 FINANCING STATEMENT ADDENDUM DATED  
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CLEAR VALLEY ENVIRONMENTAL FARM, LLC, a Washington limited liability company

BY: SE SKAGIT LAND, LLC, a Washington limited liability company  
ITS: Managing Member

BY: JCPOETSCH ADVISORS, INC., a California corporation  
ITS: Managing Member

BY: \_\_\_\_\_  
Jeffrey Poetsch, President

BY: \_\_\_\_\_  
Alison Poetsch, Secretary

BY: \_\_\_\_\_  
John Patrick May, Managing Member

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

BY: \_\_\_\_\_  
Jeffrey Poetsch, President

BY: \_\_\_\_\_  
Alison Poetsch, Secretary



201412090084

STATE OF California  
COUNTY OF San Mateo

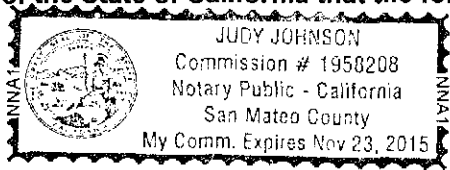
On 12/02/2014 before me, Judy Johnson  
a Notary Public, personally appeared Jeffrey Poetsch and Alison Poetsch

who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Witness my hand and official seal.

Judy Johnson  
SIGNATURE OF NOTARY



STATE OF California  
COUNTY OF San Mateo

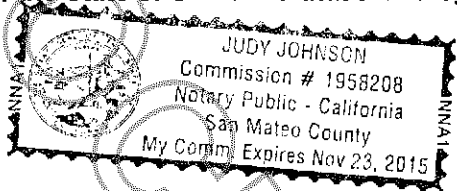
On 12/05/2014 before me, Judy Johnson  
a Notary Public, personally appeared Jeffrey Poetsch and Alison Poetsch

who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Witness my hand and official seal.

Judy Johnson  
SIGNATURE OF NOTARY

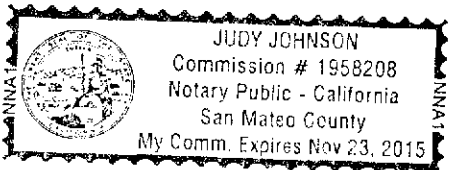


STATE OF California  
COUNTY OF San Mateo

I certify that I know or have satisfactory evidence that Jeffrey Poetsch is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the Jeffrey Poetsch of Jeffrey Poetsch, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 12/05/2014

Judy Johnson  
Notary Public for California  
My commission expires Nov 23, 2015



STATE OF California  
COUNTY OF Sonoma

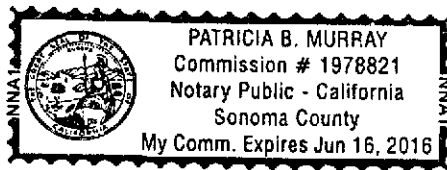
On November 26, 2014, before me, Patricia B. Murray  
a Notary Public, personally appeared John Patrick May

who 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.

**I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.**

Witness my hand and official seal.

Patricia B. Murray  
SIGNATURE OF NOTARY



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

On \_\_\_\_\_, before me, \_\_\_\_\_

a Notary Public, personally appeared \_\_\_\_\_

who 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.

**I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.**

Witness my hand and official seal.

\_\_\_\_\_  
SIGNATURE OF NOTARY

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

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

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of \_\_\_\_\_, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_

Notary Public for \_\_\_\_\_  
My commission expires \_\_\_\_\_



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EXHIBIT "A"

**Legal Description**

The land referred to in this report/policy is situated in the State of Washington, County of Skagit, and is described as follows:

**Tract "A":**

That portion of Sections 10, 11, 14 and 15 Township 34 North, Range 4 East, WM, described as follows:

Commencing 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 the TRUE POINT OF BEGINNING, said true point of beginning is the same true point of beginning as described in that certain document recorded under Auditors File No. 200710110106, records of Skagit County Washington titled parcel "B" after adjustment; Thence the following courses along said Parcel "B" boundary, 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; 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 leaving said boundary of Parcel "B" Northerly along the West margin of Babcock Road, North 3° 26' 55" East 4.07 feet; Thence continuing along said West margin the following courses, North 11° 45' 40" East 40.64 feet; Thence North 27° 27' 02" East 32.32 feet; Thence North 32° 48' 39" East 35.96 feet, more or less to the East line of the Southwest Quarter of the Northwest Quarter of said Section 11; Thence North 1° 36' 43" East, along said East line, 139.16 feet to the Southerly margin of Swan Road; Thence the following courses along said Southerly margin, Northwesterly along a non-tangent curve concave to the Southwest whose radius point bears South 10° 04' 23" West a distance of 2834.79 feet through a central angle of 6° 32' 59" an arc distance of 324.06 feet; Thence North 86° 28' 36" West 1027.43 feet, more or less to the West line of said Section 11; Thence North 1° 29' 48" East, along said West line, 15.22 feet; Thence continuing along said right of way North 86° 40' 21" West 59.18 feet; Thence North 86° 44' 13" West 105.52 feet; Thence North 85° 17' 44" West 96.36 feet; Thence North 82° 50' 22" West 76.89 feet; Thence North 81° 18' 27" West 146.29 feet to the centerline of Nookachamps creek; Thence the following meandered courses along the centerline of said Nookachamps creek, South 14° 59' 44" West 44.48 feet; Thence South 1° 39' 17" East 70.61 feet; Thence South 28° 20' 12" East 86.67 feet; Thence South 63° 39' 24" East 100.51 feet;

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Thence South 75° 45' 56" East 110.95 feet; Thence South 66° 37' 29" East 133.10 feet; Thence South 50° 39' 38" East 53.86 feet; Thence South 36° 57' 59" East 46.09 feet; Thence South 31° 38' 29" East 105.02 feet; Thence South 19° 37' 45" East 78.67 feet; Thence South 6° 28' 20" East 36.00 feet; Thence South 1° 15' 55" East 48.25 feet; Thence South 21° 57' 10" West 65.40 feet; Thence South 52° 42' 41" West 71.75 feet; Thence South 87° 55' 04" West 50.91 feet; Thence South 70° 43' 30" West 73.77 feet; Thence North 83° 33' 13" West 37.27 feet; Thence North 67° 12' 20" West 51.36 feet; Thence North 46° 14' 06" West 152.66 feet; Thence North 55° 38' 38" West 50.63 feet; Thence North 41° 51' 17" West 255.39 feet; Thence North 62° 11' 43" West 53.08 feet; Thence North 79° 35' 00" West 58.48 feet; Thence South 82° 24' 56" West 86.84 feet; Thence South 54° 57' 47" West 88.04 feet; Thence South 36° 22' 07" West 58.88 feet; Thence South 33° 34' 34" West 198.18 feet; Thence South 55° 01' 33" West 58.93 feet; Thence North 89° 28' 26" West 79.74 feet; Thence North 80° 41' 38" West 63.98 feet; Thence North 65° 20' 23" West 91.10 feet; Thence North 56° 36' 34" West 115.20 feet; Thence North 70° 29' 45" West 114.29 feet; Thence South 89° 35' 10" West 129.32 feet; Thence South 64° 49' 30" West 116.57 feet; Thence South 42° 00' 02" West 51.82 feet; Thence South 31° 47' 58" West 50.90 feet; Thence South 36° 03' 58" West 97.32 feet; Thence South 40° 28' 29" West 111.76 feet; Thence South 27° 08' 00" West 48.46 feet; Thence South 13° 48' 27" West 146.66 feet; Thence South 20° 24' 58" West 163.42 feet; Thence South 50° 47' 36" West 107.26 feet; Thence South 57° 39' 24" West 85.66 feet, more or less to the North line of the Northwest Quarter of the Southeast Quarter of said Section 10; Thence leaving said creek centerline North 88° 44' 43" West, along said North line, 196.82 feet; Thence leaving said North line South 31° 56' 05" West 31.48 feet; Thence South 22° 29' 52" West 15.99 feet; Thence South 34° 40' 55" West 51.25 feet; Thence South 5° 54' 54" East 100.00 feet; Thence South 7° 21' 13" West 80.73 feet; Thence South 49° 27' 34" East 158.12 feet; Thence South 33° 46' 25" East 6.19 feet; Thence South 23° 32' 55" East 28.75 feet; Thence South 14° 56' 18" East 62.19 feet; Thence South 31° 17' 40" East 62.18 feet; Thence South 21° 43' 52" East 44.19 feet; Thence South 26° 20' 27" East 50.67 feet; Thence South 21° 18' 30" East 50.11 feet; Thence South 26° 08' 06" East 87.41 feet; Thence South 49° 19' 42" East 101.36 feet; Thence South 74° 28' 53" East 68.57 feet; Thence South 61° 47' 09" East 24.61 feet; Thence South 60° 00' 49" East 21.17 feet; Thence South 35° 59' 34" West 60.63 feet; Thence South 16° 40' 14" West 121.02 feet; Thence South 19° 08' 12" East 132.43 feet; Thence South 12° 29' 58" East 52.68 feet; Thence South 46° 52' 30" East 48.87 feet; Thence South 60° 03' 05" East 103.02 feet; Thence South 69° 30' 09" East 48.21 feet; Thence South 85° 54' 15" East 100.84 feet; Thence South 13° 32' 45" West 57.27 feet; Thence South 2° 03' 06" East 172.92 feet; Thence South 2° 06' 02" West 912.30 feet; Thence South 27° 26' 09" West 80.39 feet; Thence South 25° 10' 53" East 33.79 feet; Thence South 22° 11' 09" East 134.93 feet; Thence South 22° 14' 46" East 135.27 feet; Thence South 19° 27' 00" East 152.21 feet; Thence South 19° 27' 02" East 154.76 feet; Thence South 30° 22' 07" East 160.09 feet; Thence South 31° 44' 17" East 165.70 feet; Thence South 8° 25' 19" East 88.89 feet; Thence South 9° 23' 50" East 153.52 feet; Thence South 13° 53' 40" East 127.17 feet; Thence South 5° 13' 09" West 703.31 feet; Thence South 16° 31' 19" West 90.60 feet; Thence South 13° 16' 59" East 93.08 feet; Thence South 15° 26' 09" East 27.73 feet; Thence South 26° 42' 33" East 216.31 feet; Thence South 53° 03' 24" East 45.81 feet; Thence South 21° 00' 54" West 115.42 feet; Thence South 7° 01' 24" West 143.10 feet; Thence South 29° 48' 00" East 59.82 feet; Thence South 1° 34' 02" East 49.36 feet; Thence South 13° 38' 32" East 64.62 feet; Thence South 23° 58' 35" East 65.67 feet; Thence South 40° 38' 15" East 90.57 feet; Thence South 50° 23' 19" East 102.63 feet; Thence South 79° 51' 55" East 166.09 feet; Thence North 70° 45' 13" East 43.22 feet; Thence South 79° 25' 18" East 20.49 feet; Thence South 81° 40' 02" East 29.44 feet;

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Thence South 11° 49' 18" West 92.65 feet; Thence South 12° 29' 54" East 123.98 feet;  
 Thence South 28° 39' 56" West 29.14 feet; Thence South 14° 37' 34" West 75.63 feet;  
 Thence South 0° 20' 45" East 111.73 feet; Thence South 48° 25' 28" East 11.36 feet;  
 Thence South 5° 04' 40" East 65.41 feet; Thence South 19° 53' 20" East 63.44 feet;  
 Thence South 28° 19' 19" East 94.72 feet; Thence South 70° 31' 51" East 89.84 feet;  
 Thence South 43° 33' 29" East 155.07 feet; Thence North 70° 24' 51" East 83.00 feet;  
 Thence South 54° 50' 52" East 21.37 feet; Thence North 79° 28' 23" East 71.92 feet;  
 Thence South 62° 24' 17" East 18.77 feet; Thence South 72° 29' 08" East 30.68 feet;  
 Thence North 78° 29' 56" East 189.47 feet; Thence North 76° 52' 30" East 48.87 feet;  
 Thence North 60° 00' 00" East 39.16 feet; Thence North 45° 00' 00" East 39.16 feet;  
 Thence North 30° 00' 00" East 39.16 feet; Thence North 15° 00' 00" East 39.16 feet;  
 Thence North 2° 40' 41" East 25.22 feet; Thence North 2° 26' 49" West 123.92 feet;  
 Thence North 11° 11' 06" West 151.99 feet; Thence North 4° 52' 22" East 217.56 feet;  
 Thence North 3° 26' 51" East 166.51 feet; Thence North 3° 54' 05" West 38.37 feet;  
 Thence North 16° 28' 47" West 55.73 feet; Thence North 2° 38' 24" East 488.36 feet;  
 Thence North 33° 46' 25" East 91.41 feet; Thence North 15° 15' 23" East 159.46 feet;  
 Thence North 23° 57' 12" East 230.05 feet; Thence North 42° 19' 28" East 83.47 feet;  
 Thence North 76° 34' 08" East 85.59 feet; Thence North 81° 15' 14" East 140.92 feet;  
 Thence North 89° 24' 51" East 314.01 feet; Thence North 79° 23' 17" East 227.38 feet;  
 Thence North 70° 05' 05" East 99.42 feet; Thence North 79° 18' 54" East 95.41 feet;  
 Thence North 73° 24' 27" East 30.88 feet; Thence North 62° 30' 16" East 39.83 feet;  
 Thence North 39° 52' 39" East 258.14 feet more or less to the Southwesterly line of that certain parcel  
 described as Parcel "A" after BLA, recorded under Auditors File No. 200708090007, records of Skagit  
 County Washington; Thence North 60° 07' 16" West along said Southwesterly line of said Parcel "A" a  
 distance of 218.28 feet; Thence North 29° 52' 18" East 422.07 feet to a point on the Northeasterly line of  
 said Parcel "A"; Thence the following courses along the boundary of said Parcel "A" South 56° 41' 17"  
 East 148.65 feet; Thence North 46° 15' 53" East 126.54 feet; Thence South 53° 55' 39" East 185.22 feet  
 to the Northeasterly corner of said Parcel "A", being on the centerline 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 Deeds, page 651, records of Skagit County  
 Washington;  
 Thence along the centerline of said right of way, North 36° 04' 21" East 104.06 feet; Thence along a  
 curve to the right having a radius of 5613.62 feet through a central angle of 4° 10' 36" and arc distance of  
 409.21 feet; Thence North 40° 14' 58" East 804.87 feet to a point on the East line of the Southwest  
 Quarter of Section 11; Thence North 1° 43' 48" East along said line, 140.29 feet to the Northeast corner  
 of that certain parcel described as Parcel "D" described in that certain document recorded under Auditors  
 File No. 200805080061, records of Skagit County Washington; Thence North 45° 00' 00" West along the  
 Easterly line of said Parcel "D" a distance of 58.96 feet to the Southerly bank of the East Fork of  
 Nookachamps Creek; Thence along the Southerly bank of the East Fork of Nookachamps Creek the  
 following courses South 33° 37' 57" West 6.52 feet; Thence South 51° 31' 50" West 116.03 feet; Thence  
 South 85° 47' 33" West 62.12 feet; Thence North 64° 43' 28" West 53.38 feet; Thence North 71° 22' 26"  
 West 66.45 feet; Thence South 77° 07' 20" West 47.84 feet; Thence South 60° 57' 09" West 28.25 feet;  
 Thence South 47° 36' 06" West 26.30 feet; Thence South 37° 13' 16" West 30.25 feet; Thence South 50°  
 03' 57" West 29.00 feet; Thence South 71° 14' 40" West 40.28 feet; Thence North 83° 04' 06" West  
 51.29 feet;

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Thence North 69° 25' 17" West 94.54 feet; Thence North 58° 31' 50" West 104.07 feet; Thence North 50° 26' 04" West 48.54 feet; Thence North 59° 32' 38" West 24.74 feet; Thence South 89° 03' 02" West 213.66 feet; Thence North 74° 35' 08" West 54.54 feet; Thence North 68° 35' 12" West 132.92 feet; Thence South 37° 17' 52" West 92.81 feet; Thence South 52° 15' 52" West 29.33 feet; Thence South 72° 35' 27" West 56.67 feet; Thence North 85° 25' 43" West 33.79 feet to the East line of the Southwest Quarter of the Southwest Quarter of said Section 11; Thence North 1° 06' 44" East along the East line thereof, 614.85 feet more or less to a point which lies South 65° 38' 15" East from the true point of beginning; Thence North 65° 38' 15" West 163.26 feet to the TRUE POINT OF BEGINNING.

TOGETHER WITH those two portions of the Southwest ¼ of the Northwest ¼ of Section 11, Township 34 North, Range 4 East W.M., delineated as "Detail I" and "Detail II" on Page 2 of Boundary Line Adjustment Survey approved May 28, 2014 and recorded June 9, 2014, as Skagit County Auditor's File No. 201406090095; and

ALSO TOGETHER WITH that portion of the Southwest ¼ of the Southwest ¼ in Section 11, Township 34 North, Range 4 East W.M., delineated as "ADJUSTED AREA CONTAINS 2.25 ACRES" on Page 2 of Boundary Line Adjustment Survey approved May 28, 2014, and recorded June 9, 2014 as Skagit County Auditor's File No. 201406090095; EXCEPT that portion of said "ADJUSTED AREA CONTAINS 2.25 ACRES" already included in the main body of Tract "A" described above.

EXCEPT the fee ownership underlying those Easement rights AND EXCEPT those Easement rights reserved by Clear Valley Environmental Farm, LLC, a Washington limited liability company, et al, on that certain Statutory Warranty Deed recorded November 20, 2007 as Auditor's File No. 200711200139; being a portion of the North ½ of the Northwest ¼ of Section 14, Township 34 North, Range 4 East, W.M..

**Tract "B":**

Those Easement rights reserved by Clear Valley Environmental Farm, LLC, a Washington limited liability company, et al, on that certain Statutory Warranty Deed recorded November 20, 2007 as Auditor's File No. 200711200139; being a portion of the North ½ of the Northwest ¼ of Section 14, Township 34 North, Range 4 East, W.M., EXCEPT the following described property:

That portion of the below described Parcel "A" being a portion of the Northwest ¼ of Section 14, Township 34 North, Range 4 East, WM described as follows, being a portion of Parcel "A", after Boundary Line Adjustment, as recorded under Auditors File No. 200708090007:  
Beginning at the most Southerly corner of the below described Parcel "A": Thence North 60° 07' 16" West along the Southwesterly line thereof, 30.00 feet; Thence North 29° 52' 44" East 423.87 feet to a point on the Northeasterly line of the below Parcel A"; Thence South 56° 41' 17" East along said line, 30.00 feet; Thence South 29° 52' 18" West 422.07 feet to the point of beginning.

**Tract "C":**

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. Lindvall, et ux, by Deed recorded September 3, 1982, as Auditor's File No. 8209030067.

**Parcel "A":**

Commencing at the North Quarter 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, 1086.24 feet to a point hereinafter referred to as Point "A"; thence continue Southwesterly along said right of way, 408.00 feet; thence North 60° 07' 16" West in a straight line, 1691.33 feet, more or less, to a point 396.00 feet South of the Northwest corner of said Section 14 and on



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the West line of said Section 14 to the TRUE POINT OF BEGINNING; thence North, along the West line thereof a distance of 396.00 feet; thence East, along the North line of said Section 14, a distance of 329.30 feet; thence South 56° 41' 17" East, along a line that would connect to the aforementioned Point "A", a distance of 1363.83 feet; thence South 29° 52' 18" West 422.07 feet, to a point which lies South 60° 07' 16" East from the true point of beginning; thence North 60° 07' 16" West 1460.34 feet to the TRUE POINT OF BEGINNING.



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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 Realty Mortgage, Inc., a Maryland corporation ("Lender") with establishing a legal instrument to provide an "assignment of credits" for purposes of its loan to Clear Valley Environmental Farm, LLC, a Washington limited liability company and Clear Valley Environmental Farm II, Inc., a Washington corporation (hereinafter together the "Borrower").

The Borrower will restore about 375 acres of land within the 380 acre 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 403 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 unreasonably 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 properly.
- Upon the commencement of construction work which may be necessary to create or enhance the hydrology for fire wetlands.
- Upon the submission of "as built drawings" indicating fire 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.



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 MBRI 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 and/or pledge of all of the mitigation credits.

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.

