

Return Address:

Northwest FCS – Salem Agribusiness
P.O. Box 13309
Salem, OR 97309-9831



200706280097
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Document 1 Title: Mortgage

Grantors:

Ring Family Limited Partnership

Grantees:

Northwest Farm Credit Services, PCA

Legal description (abbreviated form, i.e. lot, block, plat or S, T, R quarter/quarter):

Ptns. Sections 22, 23, 26, 27 and 28, Township 35, Range 7; Ptn. Southwest ¼ of Section 16,
Township 33, Range 5, Skagit County, WA

FIRST AMERICAN TITLE CO.

M9003-2

ACCOMMODATION RECORDING ONLY

Additional legal is on pages 20 & 21

Assessor's Property Tax Parcel/Account Number:

350722-1-002-0010 (P43132); 350726-1-001-0100 (P114691), 350727-1-001-0016 (P43254);
350728-1-002-0014 (P43279); 330516-3-002-0000 (P18090); 330516-3-001-0001 (P18089)

MORTGAGE (Skagit County, WA) - 1

Ring Family Limited Partnership; CIF/Note No. 54410-241

MORTGAGE AND SECURITY AGREEMENT

NOTICE: THIS MORTGAGE IS AN OPEN END MORTGAGE. THE MAXIMUM PRINCIPAL AMOUNT TO BE ADVANCED UNDER THE NOTE (AS DEFINED HEREIN) IS \$15,000,000.00. IN ADDITION, THIS MORTGAGE SECURES ALL OTHER INDEBTEDNESS EVIDENCED BY THE SECURED OBLIGATIONS OR OTHERWISE CREATED IN CONNECTION WITH THIS MORTGAGE, WHICH INDEBTEDNESS IS POTENTIALLY UNLIMITED. THE NOTE PROVIDES FOR A LOAN MATURITY DATE OF JUNE 1, 2017 (EXCLUSIVE OF THE OPTION TO RENEW OR EXTEND).

NOTICE: THE OBLIGATIONS SECURED BY THIS MORTGAGE PROVIDE FOR A VARIABLE INTEREST RATE.

This Mortgage and Security Agreement ("Mortgage"), dated as of June 27, 2007, is executed by **RING FAMILY LIMITED PARTNERSHIP**, a Washington limited partnership ("Mortgagor"), as mortgagor, whose address is 115 2nd Avenue North, Suite 200, Edmonds, WA 98020, in favor of and for the benefit of **NORTHWEST FARM CREDIT SERVICES, PCA**, a corporation organized and existing under the laws of the United States ("Mortgagee"), as Mortgagee, whose address is 1700 South Assembly Street, Spokane, WA 99224-2121, P. O. Box 2515, Spokane, WA 99220-2515. Each capitalized term used and not otherwise defined in this Mortgage shall have the meaning given such term in the Membership Agreement (the "Agreement") executed by Mortgagor (as defined herein) on or around even date herewith, as amended from time to time. "Loan Documents" as used herein means all documents and instruments signed in connection with the Loan (as defined herein) and other Loans made by Mortgagee to Mortgagor or an affiliate of Mortgagor and any extensions, renewals, amendments, substitutions and replacements thereto.

Pursuant to the terms and conditions of the Agreement, Mortgagor has agreed to grant this Mortgage in favor of Mortgagee to provide security for Mortgagor's obligations under the Note described herein, the Agreement and the related Loan Documents and any and all other documents entered into pursuant thereto.



ARTICLE 1 GRANT OF SECURITY

1.1 Grant of Security. Mortgagor, in consideration of the indebtedness secured by this Mortgage, irrevocably bargains, sells, grants, transfers, conveys, assigns and warrants to Mortgagee, for the benefit and security of Mortgagee, all Mortgagor's existing and future rights, titles, interests, estates, powers and privileges in or to the following (collectively the "Property"):

- a. That certain real property located in Skagit County, State of Washington, more particularly described on Exhibit A attached hereto and incorporated herein;
- b. The real property described on Exhibit A is hereinafter described as the "Land";
- c. All timber, also known as "forest tree species", whether standing or down, cut or under contract to be cut, now or hereafter growing or located on the Land, and whether or not said timber is merchantable, all logs, lumber and forest products of any nature, all proceeds and products thereof (the "Timber");
- d. All rights, rights-of-way, easements, licenses, profits, claims, demands, privileges, tenements, hereditaments and appurtenances now owned or hereafter acquired by Mortgagor and used in connection with the Land or as a means of access, including without limitation, all rights over the property of third persons which are related thereto, and all unaccrued trespass and surface damage claims appurtenant thereto, and all written operations plans and all permits and approvals related to the Land;
- e. All of Mortgagor's right, title and interest in and to any land within any right-of-way of any open or proposed street adjoining the Land, and any and all sidewalks, alleys, strips and gores of land adjacent to or used in connection with the Land;
- f. All of Mortgagor's existing and future rights in (including without limitation, royalty and leasehold rights) oil, gas and other mineral rights in or relating to the Land;
- g. All waters, water courses, water rights and riparian rights (including without limitation, shares of stock evidencing the same) in or relating to the Land;
- h. All Mortgagor's other existing or future estates, homestead or other claims or demands, both in law and in equity in the Land, including without limitation, all awards made for the partial or complete taking by eminent domain, or by any proceeding or purchase in lieu of eminent domain, of the Property; and
- i. All cash or non-cash proceeds of the sale, lease, license, exchange or other disposition of the Property, accounts, deposit accounts, (including money on deposit with Mortgagee and securities issued by Mortgagee), chattel paper, documents, instruments, contracts and contract rights, and general intangibles, all products and proceeds thereof including

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insurance and condemnation proceeds, arising therefrom. Proceeds include all subsidy payments, in cash or in kind, which may be made to Mortgagor by any person, entity or governmental agency, including but not limited to, payments and entitlements from state and federal farm programs, as well as any type of Property insurance; and any rights arising out of Property, collections and distributions on Property.

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties. Mortgagor represents and warrants to Mortgagee as follows:

a. Mortgagor hereby authorizes Mortgagee to file, at anytime, one or more financing statements and any amendments and continuations thereof, describing any personal property or fixtures described herein, without further signature of Mortgagor. Mortgagor hereby represents and warrants that Mortgagor's State of formation is the State of Washington; and Mortgagor's exact legal name is as set forth herein.

b. Mortgagor is the sole legal and equitable owner of the Property;

c. Except as otherwise previously disclosed to Mortgagee, Mortgagor has the exclusive right to harvest any Timber, if any, from the Land and has the exclusive right to use the appurtenant rights and the operating permits;

d. Without thereby limiting the generality of the foregoing, and except as otherwise previously disclosed to Mortgagee, Mortgagor has not assigned or granted any harvest or access rights or interests, or sold or leased any part of the Land, if any, to any other person (individual, organization or governmental unit);

e. There are no claims, liens, encumbrances (including judgments, levies and the like), or security interest ("Liens") covering the Property or any part or item thereof except easements and reservations of record which are listed on the title policy delivered by Mortgagor;

f. To the best of Mortgagor's knowledge, and other than have been disclosed to Mortgagee, there are no federal, state or local laws, regulations, rules or standards ("Laws"), or permits, orders, injunctions, citations, notices of civil penalty, restraining orders, judgments or the like issued by any governmental unit ("Orders") which are now in effect and which would restrict any material use of the Property;

g. Mortgagor has taken all actions necessary and has been duly authorized under its governing articles of incorporation and or bylaws to execute, acknowledge and deliver this Mortgage and the Loan Documents and to perform the Secured Obligations;



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h. This Mortgage has been executed, acknowledged and delivered on behalf of Mortgagor by partners, members, representatives or officers, as applicable, of Mortgagor duly authorized to perform such acts;

i. This Mortgage is the legally valid and binding contract of Mortgagor, and is enforceable against Mortgagor in accordance with its terms except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the rights and remedies of creditors generally and by general principals of equity, whether applied by a court of law or equity; and

j. To the best of Mortgagor's knowledge, neither the execution of this Mortgage nor the payment and performance of the Secured Obligations will materially violate any Laws or Orders affecting Mortgagor or its Property or constitute a breach or Event of Default by Mortgagor under any agreement, contract, loan indenture, lease, instrument or like document ("Contract") to which Mortgagor is a party or its Property is bound.

The foregoing representations and warranties will survive and not be merged or otherwise eliminated by any conveyance, voluntarily or through foreclosure, of the Property to Mortgagee or its nominee. Mortgagor hereby agrees to indemnify, defend and hold harmless Mortgagee from and against any and all claims, loss, liability, damages, liens, penalties, costs and expenses of any nature or kind whatsoever arising from or related to any misstatement of any material fact in the foregoing representations and warranties or the omission therein to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading.

ARTICLE 3 SECURED OBLIGATIONS

3.1 Secured Obligations. This Mortgage, and the lien it creates, is made for the purpose of securing the following obligations (collectively the "Secured Obligations"):

a. The full and punctual payment of the indebtedness evidenced by that certain Note in favor of Mortgagee executed by Borrower (referenced as "Loan No. 54410-241 or "Note") dated on or around even date, the final payment of which is due no later than June 1, 2017, made by Ring Family Limited Partnership ("Borrower") to the order of Mortgagee in the principal face amount of Fifteen Million and No/100's Dollars (\$15,000,000.00), with interest thereon at the rates therein provided which interest rate and payment terms may be adjusted as provided in the Note and Loan Documents, together with any and all renewals, modifications, consolidations and extensions of the indebtedness evidenced by the Note;

b. Loan No. 54410-241 is referenced as the "Loan."

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c. Payment and performance of Borrower's and Mortgagor's obligations under the Note and Agreement and under any and all other present and future agreements executed by Mortgagor and relating to the Note;

d. Payment and performance of Borrower's and Mortgagor's obligations under the Environmental Indemnity Agreement executed by Mortgagor with respect to the Property on or about even date herewith;

e. Payment of such additional sums with interest thereon as may be due to Mortgagee under any provisions of this Mortgage;

f. Payment of all indebtedness and performance of all other obligations which the then record owner of the Property may agree to pay and perform for the benefit of Mortgagee (including future advances to Mortgagor), and which are contained in a document which recites that it is secured by this Mortgage;

g. Payment by Mortgagor of all amounts advanced by (or on behalf of) Mortgagee to improve, protect or preserve the Property or the security of this Mortgage, with interest on such amounts as provided in this Mortgage;

h. Payment and performance of all amendments, modifications, extensions, renewals and replacements of any of the foregoing, including without limitation, (i) amendments or modifications of the required principal or interest payment dates accelerating or deferring any such payment dates, or (ii) amendments, modifications, extensions or renewals at a different rate of interest, whether or not evidenced by a new or additional notes or other document; and

i. Payment of charges as allowed by law, when such charges are made for any Mortgagee statement or other statement regarding the Secured Obligations.

3.2 Notice. Notice is hereby given that the interest rate, payment terms or balance due on the Note may be indexed, adjusted, renewed or renegotiated.

3.3 Open End. The continuing validity and priority of this Mortgage for future Note(s) and advances under the Note or prior Notes shall not be impaired by the fact that at certain times no outstanding indebtedness to Mortgagee exists.

ARTICLE 4 COVENANTS

4.1 Payment of Secured Obligations. Mortgagor and Borrower shall pay the Secured Obligations when due.

4.2 Maintenance, Repair, Alterations.

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4.2.1 Maintenance, Repair, and Alterations: Affirmative Covenants. Mortgagor shall:

- a. Keep the Property in good condition and repair;
- b. Complete promptly and in a good and workmanlike manner, any improvement which may be constructed on the Land, and promptly restore in like manner any improvement which may be damaged or destroyed, and pay when due all claims for labor performed and materials furnished for such construction or restoration;
- c. Comply with all statutes, laws, ordinances, regulations, Orders, rulings, rules, consents, permits, licenses, conditions of approval and authorizations of any court or governmental or regulatory body having jurisdiction over Mortgagor, the property or improvements ("Laws and Ordinances");
- d. Comply with any declaration of covenants, conditions and restrictions, reciprocal easement agreements to which the Property is subject ("CC&Rs"), and such exceptions to title acceptable to Mortgagee ("Permitted Exceptions");
- e. Keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good, neat order and repair;
- f. Comply with the provisions of any leases constituting part of the Property;
- g. Obtain and maintain in full force and effect all permits necessary for the use, occupancy and operation of the Property; and
- h. Do any and all other acts, except as otherwise prohibited or restricted by the Loan Documents, which may be reasonably necessary to protect or preserve the value of the Property and the rights of Mortgagee in it.

4.2.2 Maintenance, Repair and Alterations: Negative Covenants. Mortgagor shall not, except upon the prior written consent of Mortgagee:

- a. Remove, demolish or materially alter any of the improvements, other than to make non-structural repairs in the ordinary course of business which preserve or increase the value of the Property;
- b. Commit, suffer or permit any act to be done in, upon or to any part of the Property in violation of any Laws and ordinances, CC&Rs, or Permitted Exceptions now or hereafter affecting the Property;

c. Commit or permit any waste or deterioration of the Property, provided that the foregoing shall not be interpreted to prohibit the harvesting of timber or maintenance of the timberlands;

d. Take (or fail to take) any action, which would increase the risk of fire or other hazard occurring to or affecting the Property or which otherwise would impair the security of Mortgagee in the Property;

e. Abandon all or any part of the Property or leave the Property unprotected, unguarded, vacant or deserted, except to the extent that is common in the forest products industry; or

f. Initiate, join in or consent to any change in any zoning ordinance, general plan, specific plan, private restrictive covenant or other public or private restriction limiting the uses which may be made of the Property by Mortgagor without the prior written consent of Mortgagee.

4.3 Insurance.

4.3.1 Policies Required. Mortgagor shall at all times maintain in full force and effect, at Mortgagor's sole cost and expense, with insurers reasonably satisfactory to Mortgagee, such insurance as is common in the forest products industry.

4.4 Condemnation and Other Awards. Upon learning of the actual or threatened condemnation or other taking for public or quasi-public use of all or any part of the Property, Mortgagor shall immediately notify Mortgagee. Mortgagor shall take all actions reasonably required by Mortgagee in connection with such condemnation or other taking to defend and protect the interests of Mortgagor, Mortgagee in the Property. At Mortgagee's option, Mortgagee may be the named party in such proceeding. Regardless of the adequacy of its security, Mortgagee shall be entitled to participate in, control and be represented by counsel of its choice in such proceeding. All condemnation proceeds shall first be applied to reimburse Mortgagee for all their reasonable costs and expenses, including reasonable attorneys' fees, incurred in connection with the collection of such award or settlement. The balance of such award or settlement shall be applied by Mortgagee against the Secured Obligations in such order as Mortgagee may determine.

4.5 Taxes and Impositions (Impounds). Mortgagor shall pay, prior to delinquency, all of the following (collectively the "Impositions"):

a. All general and special real property taxes and assessments imposed on the Property; and

b. All other taxes and assessments and charges assessed on the Property (or on the owner and or operator of the Property) which create or may create a lien on the Property (or on



any personal property or fixture used in connection with the Property); including, without limitation, non-governmental levies and assessments under applicable CC&Rs; and

c. All business taxes; and

d. All license fees, taxes and assessments imposed on Mortgagee (other than Mortgagee's income or franchise taxes) which are measured by or based upon (in whole or in part) the amount of the Secured Obligations.

If permitted by law, Mortgagor may pay the Imposition in installments (together with any accrued interest). Upon demand by Mortgagee from time to time, Mortgagor shall deliver to Mortgagee, within 30 days following the due date of any Imposition, evidence of payment reasonably satisfactory to Mortgagee. In addition, upon demand by Mortgagee, at Mortgagor's expense, from time to time, Mortgagor shall furnish to Mortgagee a tax reporting service for the Property of a type and duration, and with a company reasonably satisfactory to Mortgagee.

4.5.1 Reserves on Impositions (Impounds). If Mortgagee requires following the occurrence of an Event of Default, Mortgagor, at the time of making each installment payment on the Note, or at such other intervals as Mortgagee reasonably designates, shall deposit with Mortgagee such sum as Mortgagee reasonably estimates to be necessary to pay installments of Impositions and insurance policies next becoming due upon any of the Land. All such sums may be held by Mortgagee and applied in such order as Mortgagee may elect for payment of Impositions or other sums secured by this Mortgage at Mortgagee's election. Such sums shall constitute additional collateral for the Secured Obligations. Except as otherwise provided by law, Mortgagee shall have no obligation regarding such sums other than to account to Mortgagor for their receipt and application. Upon any transfer by Mortgagee of its rights or interests in the Secured Obligations or of this Mortgage, Mortgagee may turn over to the transferee such of those sums as Mortgagee then holds, and Mortgagee's responsibilities with respect to them shall terminate. Upon any transfer by Mortgagor of the Land, Mortgagor's interest in any such sums shall be deemed automatically transferred to such transferee.

4.6 Utilities. Mortgagor shall promptly pay all gas, irrigation, electricity, water, sewer and other utility charges incurred for the benefit of the Property or which may become a lien against the Property; and all other similar public or private assessments and charges relating to the Property, regardless of whether or not any such charge is or may become a lien on the Property.

4.7 Liens: Non-Permitted Exceptions. Mortgagor shall not cause, incur or permit to exist any lien, encumbrance or charge ("Non-Permitted Exceptions") upon all or any part of the Property or any interest in the Property other than Permitted Exceptions. Mortgagor shall pay and promptly discharge, at Mortgagor's sole cost and expense, all such Non-Permitted Exceptions. If Mortgagor fails to do so, the Mortgagee may, but shall not be obligated to, discharge them, without notice to or demand on Mortgagor, and without inquiring into the validity of such Non-Permitted Exceptions or the existence of any defense or offset to them. Mortgagee may discharge Non-Permitted Exceptions either by (a) paying the amount claimed to



be due, or (b) procuring their discharge by depositing in a court a bond or the amount claimed or otherwise giving security for such claim, or (c) in any other manner permitted or required by law. Mortgagor shall, immediately upon demand by Mortgagee, pay Mortgagee's reasonable costs and expenses incurred in connection with such discharge, together with interest on such costs from the date of such expenditure until paid at the default rate of interest described in the Note ("Default Rate").

4.8 Sale or Lease of Property: Due on Sale Clause. Mortgagor shall not sell, lease, sublease or otherwise transfer all or any part of the Property or any interest in it, without the prior written consent of Mortgagee, which consent may be granted or withheld in Mortgagee's sole and absolute discretion, provided that the foregoing shall not be interpreted to prohibit the harvesting of timber or maintenance of the timberlands. All leases of any part of the Property must be submitted to Mortgagee for approval prior to execution, which consent may be granted or withheld in Mortgagee's sole and absolute discretion, provided however, leases that are deemed to be of de minimus value (generally less than \$50,000) are excluded from this prior approval requirement. Transfers requiring Mortgagee's prior written consent shall include, without limitation, the following:

- a. Involuntary transfers and transfers by operation of law;
- b. Liens, encumbrances and assignments as security for obligations, whether voluntary or involuntary; and
- c. The sale, issuance, disposition, encumbering or other transfer of all or any part of (i) any class of the outstanding capital stock in, or (ii) the Mortgagee interest of Mortgagor, whether voluntary or involuntary.

No sale, lease or other transfer shall relieve Mortgagor from primary liability for its obligations under the Note and Loan Documents or relieve any guarantor from any liability under any guaranty. Upon any such transfer to which Mortgagee does not consent, Mortgagee at its option may, without prior notice, declare all Secured Obligations immediately due and payable without presentment, demand, protest or further notice of any kind, and may exercise all rights and remedies provided in this Mortgage.

4.9 Inspections. Mortgagor authorizes Mortgagee and its agents, representatives and employees, upon reasonable notice to Mortgagor, to enter at any time upon any part of the Property for the purpose of performing a Subsequent Valuation, inspecting the Property, taking soil or groundwater samples and conducting tests to investigate for the presence of hazardous materials, provided such entry shall cause as little disruption to the occupants of the Property as possible, and provided Mortgagee restores the Property to its pre-inspection condition if Mortgagee's inspection activities cause damage to the Property. Mortgagor agrees to pay the costs and expenses of Mortgagee incurred in such inspections and examinations, including without limitation, Mortgagee's attorneys' fees, if such inspection was made necessary because of an Event of Default, whether the services are provided by Mortgagee's employees, agents or



independent contractors. Any inspection or review by Mortgagee is solely for Mortgagee's benefit to protect Mortgagee's security and preserve Mortgagee's rights under this Agreement. Mortgagee owes no duty of care to protect Mortgagor or any other party against, or to inform Mortgagor or any other party of, any adverse condition affecting the Property. No inspection by Mortgagee shall constitute a waiver of any Event of Default.

4.10 Defense of Actions. Mortgagor shall notify Mortgagee of any action or proceeding purporting to affect (a) the security of this Mortgage, (b) any of the Loan Documents, (c) all or any part of the Property or any interest in it, (d) any additional or other security for the Secured Obligations, or (e) the interests, rights, powers or duties of Mortgagee under this Mortgage. Mortgagor, at no cost or expense to Mortgagee, shall appear in and defend the same. If Mortgagee elects to become or is made a party to such action or proceeding, Mortgagor shall indemnify, defend and hold Mortgagee harmless from all related liability, damage, cost and expense reasonably incurred by Mortgagee (including, without limitation, reasonable attorneys' fees and expenses consistent with Section 4.13 of this Mortgage), whether or not such action or proceeding is prosecuted to judgment or decision.

4.11 Protection of Security. If Mortgagor fails to make any payment or to do any act required by this Mortgage or any of the other Loan Documents, Mortgagee may do so. Mortgagee may decide to do so, each in its own discretion, without obligation to do so, without further notice or demand, and without releasing Mortgagor in such manner and to such extent as either may reasonably deem necessary to protect the security of this Mortgage. In connection with such actions, Mortgagee has the right, without limitation, but not the obligation: (a) to enter upon and take possession of the Property; (b) to make additions, alterations, repairs and improvements to the Property which in the judgment of either may be necessary or proper to keep the Property in good condition and repair; (c) to appear and participate in any action or proceeding affecting or which may affect the security of this Mortgage or the rights or powers of Mortgagee; (d) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt (excepting Permitted Encumbrances) which in the judgment of either may affect the security of this Mortgage or appear to be prior or superior to this Mortgage; and (e) in exercising such powers, to pay all necessary or appropriate costs and expenses and employ necessary or desirable consultants.

4.12 Mortgagee's Powers. If Mortgagor fails to pay any sum, other than principal and interest on the Secured Obligations, or to perform or comply with any other obligation required by any Loan Document, Mortgagee at its election may pay such sum or comply with such obligation. Without affecting the liability of Mortgagor or any other person liable for the payment of any Secured Obligation, and without affecting the lien or charge of this Mortgage, Mortgagee may, from time to time, do any of the following: (a) release any person so liable, (b) extend the maturity or alter any of the terms of any such obligation (provided, however, that the consent of Mortgagor shall be required for extension or alteration of any unpaid obligation of Mortgagor to Mortgagee), (c) waive any provision of this Mortgage or grant other indulgences, (d) release or reconvey, or cause to be released or reconveyed, at any time at Mortgagee's option, all or any part of the Property, (e) take or release any other or additional security for any Secured

Obligation, or (f) make arrangements with debtors in relation to the Secured Obligations. Waiver by Mortgagee of any right or remedy as to any transaction or occurrence shall not be deemed to be a waiver of any future transaction or occurrence. By accepting full or partial payment or performance of any Secured Obligation after due or after the filing of a notice of default and election to sell, Mortgagee shall not have thereby waived its right to (i) require prompt payment and performance in full, when due, of all other Secured Obligations, (ii) declare a default for failure to so pay or perform, or (iii) proceed with the sale under any notice of default and election to sell previously given by Mortgagee, or as to any unpaid balance of the indebtedness secured by this Mortgage.

4.13 Reimbursement of Costs, Fees and Expenses: Secured by Mortgage. Mortgagor shall pay, on demand, to the maximum allowable under applicable law, all reasonable costs, fees, expenses, advances, charges, losses and liabilities paid or incurred by Mortgagee in administering this Mortgage, the collection of the Secured Obligations, and Mortgagee's exercise of any right, power, privilege or remedy under this Mortgage. Such amounts include, without limitation (a) foreclosure fees and expenses, receiver's fees and expenses, (b) costs and fees paid or incurred by Mortgagee and or any receiver appointed under this Mortgage in connection with the custody, operation, use, maintenance, management, protection, preservation, collection, appraisal, sale or other liquidation of the Property, (c) advances made by Mortgagee to complete or partially construct all or part of any improvements which may have been commenced on the Land, or otherwise to protect the security of this Mortgage, (d) costs of evidence of title, costs of surveys and costs of appraisals, and costs resulting from Mortgagor's failure to perform any of the provisions of this Mortgage. Fees, costs and expenses of attorneys shall include the reasonable fees and disbursements of Mortgagee's outside and staff counsel and of any experts and agents (including fees of law clerks, paralegals, investigators and others not admitted to the bar but performing services under the supervision of an attorney), and including such fees incurred in the exercise of any remedy (with or without litigation), in any proceeding for the collection of the Secured Obligations, in any foreclosure on any of the Property, in protecting the lien or priority of the security, or in any litigation or controversy connected with the Secured Obligations, including any bankruptcy, receivership, injunction or other proceeding, or any appeal from or petition for review of any such proceeding. Reasonable counsel fees shall include fees incurred not only in enforcing the Secured Obligations in any bankruptcy or receivership proceeding, but also any fees incurred in participating in the bankruptcy or receivership proceedings generally. Such sums shall be secured by this Mortgage and shall bear interest from the date of expenditure until paid at the Default Rate.

ARTICLE 5 REMEDIES UPON DEFAULT

5.1 Events of Default. The occurrence of any of the following events or conditions shall constitute an event of default ("Event of Default") under this Mortgage:

5.1.1 Mortgagor fails to pay any amount owing under this Mortgage when due; or



5.1.2 Mortgagor fails to pay any taxes, insurance premiums, assessments or rents required under this Mortgage; or

5.1.3 Mortgagor fails to observe or perform any other obligation contained in this Mortgage; or

5.1.4 The occurrence of an Event of Default under the Note, Agreement or any other Loan Documents; or

5.1.5 All or any portion of the improvements are destroyed by fire or other casualty and Mortgagor fails to satisfy all of the restoration conditions within the time periods specified in Section 4.3 of this Mortgage; or

5.1.6 All or any material part of the Property is condemned, taken in eminent domain, seized or appropriated by any governmental or quasi-governmental agency or entity; or

5.1.7 A default under the Environmental Indemnity Agreement executed by Mortgagor and or any other party, in connection with the Note evidenced by the Agreement.

5.2 Acceleration Upon Default: Additional Remedies. Upon the occurrence of an Event of Default, Mortgagee may, at its option, exercise all of the applicable rights and remedies set forth in the Note(s) and Agreement and, in addition, declare all Secured Obligations to be immediately due and payable without any presentment, demand, protest or further notice of any kind; and whether or not Mortgagee exercises any said right or remedy, Mortgagee may:

5.2.1 Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security;

a. Enter upon and take possession of all or part of the Property, in its own name;

b. Conduct environmental assessments and surveys and do any other acts which it deems necessary or desirable to preserve the value, marketability or rentability of all or part of the Property or interest in the Property or increase the Property's income, or protect the security of this Mortgage;

The entering and taking possession of the Property, shall not cure or waive any Event of Default or notice of default or invalidate any act done in response to them. Regardless of whether possession of the property is by Mortgagee or a receiver, the Mortgagee shall be entitled to exercise every right provided for in the Loan Documents or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

5.2.2 Commence an action to foreclose this Mortgage, appoint a receiver, or specifically enforce any of the covenants contained in this Mortgage;

5.2.3 Exercise all of the rights and remedies available to a secured party under the applicable Uniform Commercial Code in such order and in such manner as Mortgagee, in its sole discretion, may determine (including without limitation, requiring Mortgagor to assemble the Collateral and make the Collateral available to Mortgagee at a reasonably convenient location), it being understood and acknowledged that this Mortgage is intended to be a security agreement pursuant to the applicable Uniform Commercial Code for any and all items of personal property specified above as part of the Property which, under applicable law, may be subject to a security interest pursuant to the applicable Commercial Code and which are not herein effectively made part of the real property. The expenses of retaking, holding, preparing for sale or the like shall include reasonable attorneys' fees and other expenses of Mortgagee and shall be additionally secured by this Mortgage; and

5.2.4 Exercise all other rights and remedies provided in this Mortgage, in any Loan Document or other document or agreement now or hereafter securing all or any portion of the Secured Obligations, or provided by law or in equity.

5.3 **Appointment of Receiver.** Upon the occurrence of an Event of Default under this Mortgage, Mortgagee, without notice to Mortgagor or anyone claiming under Mortgagor, and without regard to the then value of the Property or the interest of Mortgagor in it, shall have the right to enter the Property in person or to apply to any court having jurisdiction to appoint a receiver or receivers of the Property. Mortgagor irrevocably consents to such appointment and waives notice of any such application. The actions that Mortgagee or such receiver may take in connection with such entry may include, but are not limited to entering into, modifying or terminating any contractual arrangements, subject to Mortgagee's right at any time to discontinue any of the same without liability. Mortgagee is further authorized by this provision to request the court to appoint a general receiver and to empower the receiver to (i) sell or lease all or any portion of the Property, (ii) collect and apply to the outstanding balances of the Note all sales or lease proceeds, or hold the proceeds pending a court order approving the receiver's final report and account, and (iii) hold the collections as cash collateral pending such court order or foreclosure sale. Any such receiver(s) shall also have all the usual powers and duties of receivers in similar cases and all the powers and duties of Mortgagee in case of entry as provided in this Mortgage, and shall continue to exercise all such powers until the date of confirmation of sale of the Property, unless such receivership is sooner terminated. If Mortgagee elects to enter or take possession of the Property, it will not assume any liability to Mortgagor or any other person for operation or maintenance of the Property, and Mortgagor expressly waives any such Mortgagee liability.

5.4 **Application of Funds After Default.** Except as otherwise provided in this Mortgage, upon the occurrence of an Event of Default, Mortgagee may at any time, with notice to Mortgagor if providing such notice will not adversely delay the exercise of Mortgagee's rights or remedies, apply to any Secured Obligation, in such manner and order as Mortgagee may elect, even if such Secured Obligation may not yet be due, any amounts received and held by Mortgagee to pay insurance premium or impositions or as rents, or as insurance or condemnation



proceeds, and all other amounts received by Mortgagee from or on account of Mortgagor or the Property, or otherwise. The receipt, use or application of any such amounts shall not affect the maturity of any indebtedness secured by this Mortgage, any of the rights or powers of Mortgagee under the terms of any Loan Document, or any of the obligations of Mortgagor or any guarantor under the Agreement or any other Loan document; or cure or waive any Event of Default or notice of default under the Note(s) and Agreement or any other Loan Document; or invalidate any act of Mortgagee.

5.5 Remedies Not Exclusive. Mortgagee shall each be entitled to enforce payment and performance of any Secured Obligation and to exercise all rights and powers under this Mortgage or any other Loan Document or other agreement or any law, even if some or all of the Secured Obligations may be otherwise secured, whether by guaranty, mortgage, Mortgage, pledge, lien, assignment or otherwise. Neither the acceptance nor enforcement (whether by court action or pursuant to the power of sale or other powers herein contained) of this Mortgage shall impair Mortgagee's right to realize upon or enforce any other security held by Mortgagee. Mortgagee shall each be entitled to enforce this Mortgage and any other security for the Secured Obligations held by Mortgagee in such order and manner as they may in their absolute discretion determine. No remedy conferred upon or reserved to Mortgagee is intended to be exclusive of any other remedy in this Mortgage, and other agreement, or at law, but each shall be cumulative and in addition to every other remedy available to Mortgagee. Every power or remedy given by any of the Loan Documents to the Mortgagee or to which it may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Mortgagee, and it may pursue inconsistent remedies. Mortgagor may be joined in any action brought by Mortgagee to foreclose under or otherwise enforce this Mortgage.

5.6 Request for Notice. Mortgagor requests that a copy of any notice of default and that a copy of any notice of sale under this Mortgage be mailed to it at the address set forth in the first paragraph of this Mortgage.

ARTICLE 6 MISCELLANEOUS

6.1 Amendments. This instrument cannot be waived, modified, discharged or terminated except in writing signed by the party against whom enforcement of such changes is sought.

6.2 Waivers. Mortgagor waives, to the extent permitted by law, (a) the benefit of all laws (whenever enacted) providing for any appraisal before sale of any portion of the Property, (b) all rights of valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of the Secured Obligations and marshaling in the event of foreclosure of this Mortgage, and (c) all rights and remedies which Mortgagor may have under the laws of the State of Washington regarding the rights and remedies of sureties.

6.3 Statements By Mortgagor. Mortgagor shall, within 10 days after notice from Mortgagee, deliver to Mortgagee a written statement setting forth the amounts then unpaid and



secured by this Mortgage and stating whether Mortgagor has any knowledge that any offset or defense exists against such amounts.

6.4 Statements By Mortgagee. For any statement or accounting requested by Mortgagor or any other entitled person pursuant to applicable law, or for any other document or instrument furnished to Mortgagor by Mortgagee, Mortgagee may charge: (a) the maximum amount permitted by law at the time of the request, (b) if no such maximum, then the greater of Mortgagee's customary charges or the actual cost to Mortgagee.

6.5 Notices. All notices, demands, approvals and other communications provided for in this Mortgage shall be in writing and shall be personally delivered or mailed by United States first class mail, certified or registered, return receipt requested, postage prepaid, to the appropriate party at the address set forth in the first paragraph of this Mortgage. Addresses for notice may be changed from time to time by written notice to all other parties. All communications shall be deemed given (a) on the date of mailing if deposited in the United States Mail in the city where the address of the addressee is situated, or otherwise (b) on the second Business Day after mailed. "Business Day" means any day other than a Saturday, Sunday, or a day on which Mortgagee is closed for business. Nonreceipt of any communication as the result of a change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication.

6.6 Headings. Article and section headings are included in this Mortgage for convenience of reference only and shall not be used in construing this Mortgage.

6.7 Severability. Every provision of this Mortgage is intended to be severable. The illegality, invalidity or unenforceability of any provision of this Mortgage shall not in any way affect or impair the remaining provisions of this Mortgage, which provisions shall remain binding and enforceable.

6.8 Subrogation. To the extent that proceeds of the Note are used, either directly or indirectly, to pay any outstanding lien, charge or prior encumbrance against the Property, Mortgagee shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, regardless of whether such liens, charges or encumbrances are released.

6.9 No Merger of Lease. Foreclosure of the lien created by this Mortgage on the Property shall not destroy or terminate any lease or sublease then existing and affecting all or any portion of the Property, unless the Mortgagee or any purchaser at such foreclosure sale shall so elect. No act by or on behalf of Mortgagee or any such purchaser shall terminate any lease or sublease unless a Mortgagee or such purchaser shall give written notice of termination to such tenant or subtenant. If both the lessor's and lessee's estate under any lease which constitutes a part of the Property shall become vested in one owner, this Mortgage and its lien shall not be destroyed or terminated by application of the doctrine of merger unless Mortgagee so elects, as evidenced by recording a written declaration so stating. Until Mortgagee so elects, Mortgagee shall continue



to have and enjoy all of the rights, powers and privileges of Mortgagee under this Mortgage as to the separate estates.

6.10 Governing Law. This Mortgage shall be governed by, and construed in accordance with, the laws of the State of Washington.

6.11 Statute of Limitations. Mortgagor hereby waives, to the fullest extent permitted by law, the right to plead, use or assert any statute of limitations as a plea, defense or bar to any Secured Obligation, or to any complaint or other pleading or proceeding filed, instituted or maintained for the purpose of enforcing this Mortgage or any rights under it.

6.12 Interpretation. In this Mortgage the singular shall include the plural and the masculine shall include the feminine and the neuter and vice versa, if the context so requires; and the word "person" shall include corporation, partnership or other form of association. Any reference in this Mortgage to any document, instrument or agreement creating or evidencing an obligation secured hereby shall include such document, instrument or agreement both as originally executed and as it may from time to time be modified.

6.13 Further Assurances. Mortgagor agrees to do or cause to be done such further acts and things and to execute and deliver or to cause to be executed and delivered such additional assignments, agreements, powers and instruments as Mortgagee may reasonably require to: (a) correct any defect, error or omission in this Mortgage or the execution or acknowledgment of this Mortgage, (b) subject to the lien of this Mortgage any of Mortgagor's properties covered or intended to be covered by this Mortgage, (c) perfect, maintain and keep valid and effective such lien, (d) carry into effect the purposes of this Mortgage, or (e) better assure and confirm to Mortgagee their respective rights, powers and remedies under this Mortgage.

6.14 Successors and Assigns. Subject to Section 4.8 above, this Mortgage applies to, inures to the benefit of and binds all parties to this Mortgage, their heirs, legatees, devisees, administrators, executors, successors and assigns.

6.15 Appraisal and Property Valuation Costs. Mortgagor acknowledges that Mortgagee has a legitimate business need to remain apprised of the current value of the Property, and Mortgagee from time to time after recordation of this Mortgage may order a valuation ("Subsequent Valuation") of the Property. Mortgagor shall cooperate in allowing Mortgagee or its agents reasonable access to the Property for the purpose of performing any such Subsequent Valuation, whether it is in the form of an appraisal or any other method of valuing the Property. Mortgagor shall pay promptly to Mortgagee, on demand, the costs of any such Subsequent Valuation, whether performed by employees, agents, or independent contractors of Mortgagee.

6.16 Waiver of Marshalling Rights. Mortgagor for itself and for all parties claiming through or under Mortgagor, and for all parties who may acquire a lien on or interest in the Property, hereby waives all rights to have the Property and or any other property which is now or later may be security for any Secured Obligation ("Other Property") marshaled upon any foreclosure of



this Mortgage or on a foreclosure of any other security for any of the Secured Obligations. Mortgagee shall have the right to sell, and any court in which foreclosure proceedings may be brought shall have the right to order a sale of the Property and any or all of the Other Property, as a whole or in separate parcels, in any order Mortgagee may designate.

6.17 WAIVER OF JURY TRIAL. MORTGAGOR HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS LOAN DOCUMENT OR ANY OTHER LOAN DOCUMENTS AND ANY FUTURE MODIFICATIONS, AMENDMENTS, EXTENSIONS, RESTATEMENTS AND SERVICING ACTIONS RELATING TO THIS LOAN DOCUMENT AND ANY OTHER LOAN DOCUMENTS. THE PARTIES INTEND THAT THIS JURY WAIVER WILL BE ENFORCED TO THE MAXIMUM EXTENT ALLOWED BY LAW.

IN WITNESS WHEREOF, Mortgagor has duly executed this Mortgage as of the date first above written.

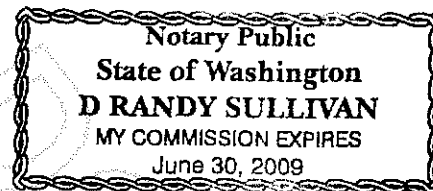
MORTGAGOR:

RING FAMILY LIMITED PARTNERSHIP

By: Garrett & Ring Management LLC, its general partner

By: Richard E. Stroble
Richard E. Stroble, President

STATE OF WASHINGTON)
County of SNOHOMISH)ss.



On this 27 day of JUNE, 2007, before me personally appeared Richard E. Stroble, known to me to be the President of Garrett & Ring Management LLC, the general partner of the limited partnership that executed the within instrument, and acknowledged to me that such limited partnership executed the same as its free act and deed; and on oath stated that he was authorized to execute said instrument.

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

JUN 28 2007

Amount Paid \$0
Skagit Co. Treasurer
By man Deputy

D. Randy Sullivan
Notary Public for the State of Washington
Residing at CHEHALIS WA
My commission expires 6/30/2009
Printed Name D. RANDY SULLIVAN

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Skagit County Auditor

Mortgagee acknowledges that this Mortgage is subject to a security interest in favor of the CoBank, ACB ("Bank") and by its acceptance hereto and pursuant to and in confirmation of certain agreements and assignments by and between Mortgagee and Bank, does assign, transfer, and set over the same unto Bank, its successors and assigns, to secure all obligations of Mortgagee to Bank, provided that pursuant to such agreements and assignments, Mortgagee has authority to perform all loan servicing and collection actions and activities hereunder, including without limitation thereto, releasing in whole or in part and foreclosing judicially or otherwise this Mortgage until the Bank, by instrument recorded in the office in which this Mortgage is recorded, revokes such authority.

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**EXHIBIT A
PROPERTY DESCRIPTION**

The land referred to herein is situated in the State of Washington, County of Skagit, and is described as follows:

PARCEL "1":

Government Lot 6, LESS public roads; that portion of Government Lot 7, and SE 1/4 NE 1/4 lying West of the certain creek commonly called Mill or Minkler Creek, said creek being the East boundary line of said lands hereby conveyed.

TOGETHER WITH the SE 1/4 and the E 1/2 SW 1/4 EXCEPT a strip of land 100 feet in width, being 50 feet on either side of the centerline of the abandoned Puget Sound & Cascade Railway Co. railroad grade crossing said Lot 7;

AND ALSO EXCEPT that certain tract conveyed to J.E. Peacock and Mildred Peacock, husband and wife, by instrument dated June 28, 1939, and recorded January 29, 1940, under Auditor's File No. 321372, described as follows:

Approximately two acres of land lying North of and along the Puget Sound and Cascade Railway Company's right-of-way, extending a distance of 400 feet West from the Southwest corner of M.V. Wells property; thence North to the Skagit River in Section 22, Township 35 North, Range 7 East, W.M..

AND ALSO EXCEPT that certain tract conveyed to Georgetta A. Savage by instrument dated January 28, 1893, and recorded March 21, 1893, described as follows:

Beginning at a place which is near the Northeast corner of Lot 7, Section 22, Township 35 North, Range 7 East, W.M., the initial point is a fir stake 2 x 3 inches in diameter marked = on the left bank of Minkler or Mill Creek from which the East corner of the Penstock bears magnetic South 60 degrees West, 75 links distant, and an alder tree 5 inches in diameter marked "XXX" bears North 60 degrees East, 6 links distant, and an alder tree 20 inches in diameter marked = bears South 52 degrees 30' East, 107 links distant; thence North 67 degrees 30' East, 138 links to center of Mill Creek; thence South 48 degrees East up center of Mill Creek, 400 links; thence South 42 degrees West, 197 links to fir stake 4 inches in diameter from which a cedar tree 28 inches in diameter bears South 2 degrees West, 14 links distant and a fir stump 60 inches in diameter bears North 88 degrees 45' West, 85 links distant; thence North 88 degrees 45' West, 552 links to a hemlock tree 24 inches in diameter on line, 818 links, a fir stake 2 x 4 inches on left bank of Skagit River from which a cedar stump 48 inches in diameter bears South 88 degrees East, 114 links distant, and an alder tree 6 inches in diameter bears North 28 degrees West, 5 links distant; thence following the meander line as per Government Survey up the left bank of the Skagit River in a Northeasterly direction to the place of beginning.

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(ALSO DESCRIBED OF RECORD AS Government Lot 6, LESS public roads; that portion of Government Lot 7, and SE 1/4 NE 1/4, lying West of that certain creek commonly called Mill or Minkler Creek, said creek being the East boundary line of said lands hereby conveyed, EXCEPTING from said Lot 7, 2 1/2 acres of land and a strip of land 100 feet in width, being 50 feet on either side of the centerline of the abandoned Puget Sound and Cascade Railway Co., railroad grade crossing said Lot 7; SE 1/4, E 1/2 SW 1/4)

All in Section 22, Township 35 North, Range 7 East, W.M.

PARCEL "2"

That portion of the S 1/2 S 1/2 and the NE 1/4 SE 1/4, Section 23, Township 35 North, Range 7 East, W.M., all lying Southerly and Westerly of Mill Creek.

PARCEL "3":

Government Lots 1, 2 and 3, S 1/2 NE 1/4, E 1/2 SE 1/4, W 1/2 SW 1/4; Government Lot 4, SW 1/4 NW 1/4, E 1/2 SW 1/4, W 1/2 SE 1/4;

EXCEPT any portion lying East of Mill Creek.

Section 26, Township 35 North, Range 7 East, W.M.

PARCEL "4":

N 1/2 and SE 1/4, Section 27, Township 35 North, Range 7 East, W.M.

PARCEL "5":

E 1/2 NE 1/4, Section 28, Township 35 North, Range 7 East, W.M.

PARCEL "6":

NW 1/4 SW 1/4, Section 16, Township 33 North, Range 5 East, W.M., EXCEPT road right-of-way known as the Lake Cavanaugh Road.

PARCEL "7":

The SE 1/4 and the NE 1/4 of the SW 1/4, Section 16, Township 33 North, Range 5 East, W.M.

Tax Account Nos.: 350722-1-002-0010 (P43132); 350726-1-001-0100 (P114691), 350727-1-001-0016 (P43254); 350728-1-002-0014 (P43279); 330516-3-002-0000 (P18090); 330516-3-001-0001 (P18089)

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