

WHEN RECORDED RETURN TO:

Ronald D. Allen
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Two Union Square
601 Union Street, Suite 4950
Seattle, WA 98101.3951



Skagit County Auditor
12/22/2014 Page

1 of 12 3:20PM
\$83.00

Document Title: Mortgage

Grantor: ARTH LLC, a Washington limited liability company

Grantee: J4 Ranch, LLC, a Washington limited liability company

Legal Description:

Abbreviated Legal Description:

Parcel A: ptn Tr. C, Rev. SP 46-81; ptn W 1/2 of NE 1/4, 26-34-3 E W.M.

Parcel B: ptn NW 1/4 of SE 1/4, 26-34-3 E W.M.

Full Legal Description: See Exhibit A attached hereto and incorporated by reference

Assessor's Tax Parcel Nos.: 340326-1-004-0200 / P109057; 340326-4-006-0003 / P22816

LAND TITLE OF SKAGIT COUNTY

150736

MORTGAGE

THIS MORTGAGE is made this 22nd day of December, 2014 between **ARTH LLC**, a Washington limited liability company ("**Mortgagor**"), whose address is 16406 SE Brant Ct., Damascus, OR 97089; and **J4 Ranch, LLC**, a Washington limited liability company ("**Mortgagee**"), whose address is 9000 Inverness Dr. NE, Seattle, WA 98115.

WITNESSETH: Mortgagor hereby mortgages to Mortgagee certain real property in Skagit County, Washington which is described in Exhibit A hereto (the "**Property**"), together

with all of the tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any wise appertaining, and the rents, issues, and profits thereof.

This mortgage is for the purpose of securing performance of each agreement of Mortgagor herein contained, and payment of the sum of Seven Hundred Thousand Dollars (\$700,000.00) with interest, in accordance with the terms of a promissory note of even date herewith (the "Note"), payable to Mortgagee or order, and made by Mortgagor, and all renewals, modifications, and extensions thereof, and also such further sums as may be advanced or loaned by Mortgagee to Mortgagor, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

To protect the security of this Mortgage, Mortgagor covenants and agrees:

1. To comply with all laws, ordinances, regulations and requirements of any governmental body, and all other covenants, conditions and restrictions, applicable to the Property, and pay all fees and charges in connection therewith. Unless required by applicable law or unless Mortgagee has otherwise agreed in writing, Mortgagor will not allow changes in the use for which all or any part of the Property was intended at the time this Mortgage was executed. Without limiting the generality of the foregoing, Mortgagor shall not materially change the crops or method of farming utilized on the Property immediately prior to the date of this Mortgage without Mortgagee's prior written consent. Mortgagor will not initiate or acquiesce in a change in the zoning classification of the Property without Mortgagee's prior written consent.

2. To pay before delinquent all lawful taxes and assessments upon the Property; to pay for all utilities provided to the Property; and to keep the Property free and clear of all other charges, liens, or encumbrances impairing the priority or security of this Mortgage. Upon request, Mortgagor shall promptly furnish to Mortgagee all notices of amounts due under this subparagraph and all receipts evidencing payments.

3. To keep the Property and all improvements thereon fully and continuously insured against loss by fire, windstorm, vandalism, malicious mischief and such other hazards as may now or hereafter be embraced by the standard "all risk" or "special form" policy of insurance and against any such other insurable hazards as Mortgagee may require, in their full replacement cost. Each property insurance policy shall include a Form 438BFU or equivalent mortgagee endorsement in favor of and in form acceptable to Mortgagee, which endorsement shall name Mortgagee as a first mortgagee and loss payee and provide that the policy to which it relates will survive foreclosure of this Mortgage. Mortgagor shall further carry flood risk insurance in the maximum amount of insurance coverage available or the full replacement cost of the buildings on the Property, whichever is less, if the Property is now or hereafter designated as being located within a special flood hazard area under the Flood Disaster Protection Act of 1973 and if flood insurance is available. Mortgagor shall also continuously maintain in effect a policy of commercial general liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Property, with the coverage being in an amount of not less than Two Million and 00/100 Dollars (\$2,000,000.00)



combined single-limit liability coverage per occurrence or in such greater amount(s) as Mortgagee may reasonably require. Such policy shall name Mortgagee as an additional insured.

In the event of any casualty loss or any potential claim under any of the foregoing insurance, Mortgagor will give prompt written notice thereof to the insurance carrier and to Mortgagee. Mortgagor hereby grants Mortgagee a power of attorney, which power of attorney is coupled with an interest and is irrevocable, to make proof of loss, to adjust and compromise any claim, and to commence, appear in and prosecute, in Mortgagee's or Mortgagor's name, any action relating to any claim, and to collect and receive insurance proceeds; provided, however, that Mortgagee shall have no obligation to do so. Except as may otherwise be required by applicable law, Mortgagee shall apply any insurance proceeds received hereunder first to the payment of the costs and expenses incurred in the collection of the proceeds and shall then apply the balance (the "Net Proceeds"), in its absolute discretion and without regard to the adequacy of its security, to:

- (a) The payment of indebtedness secured hereby, whether then due and payable or not. Any such application of proceeds to principal on the Note shall be without the imposition of any prepayment fee otherwise payable under the Note, but shall not extend or postpone the due dates of the installment payments under the Note, or change the amounts thereof; or
- (b) The reimbursement of Mortgagor, under Mortgagee's reasonable disbursement control procedures, for the cost of restoration or repair of the Property. Mortgagee may, at its option, condition the reimbursement on Mortgagee's approval of the plans and specifications for the reconstruction, contractor's cost estimates, construction budget and schedule, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen, and such other evidence of costs, percentage completion of construction, application of payments and satisfaction of liens as Mortgagee may reasonably require.

4. To pay all costs, fees, and expenses incurred by Mortgagee in connection with this Mortgage, including the expenses of the Mortgagee incurred in enforcing the obligations secured hereby and Mortgagee's and attorney's fees actually incurred, including in the event of foreclosure of this Mortgage. All amounts disbursed by Mortgagee and all amounts for which Mortgagor is or becomes responsible hereunder, with interest thereon, shall be additional indebtedness of Mortgagor secured by this Mortgage. All such amounts shall be immediately due and payable and shall bear interest from the date of disbursement at the interest rate in effect on the Note from time to time. Should Mortgagor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances, or other charges against the Property, Mortgagee may pay the same, and the amount so paid, with interest at the rate set forth in the Note, shall be added to and become a part of the debt secured in this Mortgage.

5. Not to further encumber the Property in any manner, including by any mortgage, deed of trust, or other consensual or non-consensual lien.



6. Not to (i) commit or suffer any waste or permit any impairment or deterioration of the Property, (ii) abandon the Property, (iii) fail to restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its original condition, or such other condition as Mortgagee may approve in writing, in the event of any damage, injury or loss thereto, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (iv) fail to keep the Property, including improvements, fixtures, equipment, machinery and appliances thereon, in good condition and repair or fail to replace fixtures, equipment, machinery and appliances of the Property when necessary to keep such items in good condition and repair, or (v) fail to generally operate and maintain the Property in a commercially reasonable manner.

7. Not to cause or permit the Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process any hazardous, toxic, or dangerous substance, waste, or material which is or becomes regulated under any federal, state, or local statute, rule, regulation or ordinance now or hereafter in effect pertaining to environmental protection, contamination or cleanup (herein, "**Hazardous Substances**"), except in compliance with all applicable federal, state and local statutes, ordinances, rules, regulations and other laws, nor shall Mortgagor cause or permit, as a result of any intentional or unintentional act or omission on the part of Mortgagor or any tenant, subtenant or other user or occupier of the Property, a release, spill, leak, or other emission, escape or dumping of any Hazardous Substance onto the Property or any other property or into any waters, except in compliance with all such laws. Mortgagor will immediately notify Mortgagee if Mortgagor becomes aware of (i) any Hazardous Substance problem or liability with respect to the Property, (ii) any actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, or (iii) any lien or action with respect to any of the foregoing. Mortgagor will, at its sole expense, take all actions as may be required by applicable law or ordered by any government agency of competent jurisdiction for the clean-up of Hazardous Substances on or with respect to the Property, including without limitation all removal, containment and remedial actions in accordance with all applicable laws, and shall further pay or cause to be paid all clean-up, administrative and enforcement costs of governmental agencies with respect to Hazardous Substances on or with respect to the Property. Mortgagor shall not cause or permit the installation, operation or presence on the Property of any underground storage tank or system used or to be used for the storage, handling or dispensing of petroleum or any other substance regulated under the Resource Conservation and Recovery Act (42 U.S.C. § 690) et seq.), as now or hereafter amended, or any state or local statute, ordinance, rule, regulation or other law now or hereafter in effect regulating underground storage tanks or systems.

8. To give notice to Mortgagee of and, at its expense, to appear in and defend any action or proceeding that might affect the Property or title thereto or the interests of Mortgagee therein or the rights or remedies of Mortgagee. If any such action or proceeding is commenced or if Mortgagee is made a party to any such action or proceeding by reason of this Mortgage, or if Mortgagor fails to perform any obligation on its part to be performed hereunder, then Mortgagee in its own discretion may (but shall not be obligated to) make any



appearances, disburse any sums, make any entries upon the Property and take any actions as may be necessary or desirable to protect or enforce the security of this Mortgage, to remedy Mortgagor's failure to perform its obligations (without, however, waiving any default by Mortgagor) or otherwise to protect Mortgagee's interests. Mortgagor will pay all losses, damages, fees, costs and expenses, including reasonable attorneys' fees, of Mortgagee thus incurred.

9. Not to Transfer the Property or any interest therein. A "Transfer" is: Any sale (by contract or otherwise), encumbrance, conveyance or other transfer of the Property or any part thereof or interest therein; or Mortgagor's abandonment of the Property; or any change in the ownership of any beneficial interest in any Mortgagor that is not a natural person. In the event of a Transfer without Mortgagee's prior written consent, Mortgagee may, at its sole option, declare the Transfer to constitute an event of default under this Mortgage and the Note, and invoke any remedy or remedies provided for herein or under applicable law, or may, at its sole option, consent to such Transfer. Mortgagee may condition its consent to a Transfer upon the payment of a fee to Mortgagee, or an increase in the rate of interest due under the Note, or any combination of the foregoing. Mortgagee's consent to a Transfer or its waiver of an event of default by reason of a Transfer shall not constitute a consent or waiver of any right, remedy or power accruing to Mortgagee by reason of any subsequent Transfer.

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the Property is taken or damaged in a condemnation or eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Mortgagee to be applied to said obligation.

2. By accepting payment of any sum secured hereby after its due date, Mortgagee does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to pay.

3. Mortgagee is hereby authorized to enter the Property, including the interior of any structures, at reasonable times and after reasonable notice, for the purpose of inspecting the Property and for the purpose of performing any of the acts it is authorized to perform hereunder.

4. Upon default by Mortgagor under the Note or in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, Mortgagee may, at its option and without further notice to or demand upon Mortgagor (except for any notice required under applicable law), take any one or more of the following actions:

(a) Declare any or all indebtedness secured by this Mortgage (including all amounts due under the Note) to be due and payable immediately.



- UNRECORDED INSTRUMENT
- (b) Bring a court action to enforce the provisions of this Mortgage or any of the indebtedness or obligations secured by this Mortgage.
 - (c) Bring a court action to foreclose this Mortgage.
 - (d) Cause any or all of the Property to be sold under the power of sale granted by this Mortgage in any manner permitted by applicable law.
 - (e) Exercise any or all of the rights and remedies provided for under this Mortgage and the Note.
 - (f) Exercise any other right or remedy available under law or in equity, all of which shall be cumulative and none of which is waived or relinquished hereby.

5. Any forbearance by Mortgagee in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy, and no waiver by Mortgagee of any particular default shall constitute a waiver of any other default or of any similar default in the future. Without limiting the generality of the foregoing, the acceptance by Mortgagee of payment of any sum secured by this Mortgage after the due date thereof shall not be a waiver of Mortgagee's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Mortgagee shall not be a waiver of Mortgagee's right to accelerate the maturity of the indebtedness secured by this Mortgage, nor shall Mortgagee's receipt of any awards, proceeds or damages hereunder operate to cure or waive Mortgagor's default in payment of sums secured by this Mortgage except to the extent such amounts actually satisfy the payment obligations.

6. This Mortgage cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

7. This Mortgage applies to, inures to the benefit of, and is binding not only on the parties hereto, but on their respective heirs, devisees, legatees, administrators, executors, and assigns. The term "Mortgagee" shall mean the holder and owner of the indebtedness secured hereby, whether or not named as Mortgagee herein.

[SIGNATURES ON FOLLOWING PAGE]

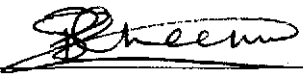


Mortgagor:

ARTH LLC, a Washington limited liability company

By Joginder P. Sangha, member

By Raj Kanwal Sangha, member



By Paramveer Cheema, member



By Ravinder Cheema, member



Mortgagor:

ARTH LLC, a Washington limited liability company

Joginder P. Sangha

By Joginder P. Sangha, member

Raj Kanwal Sangha

By Raj Kanwal Sangha, member

By Paramveer Cheema, member

By Ravinder Cheema, member



201412220117

Oregon
STATE OF WASHINGTON)
) ss.
COUNTY OF Clackamas

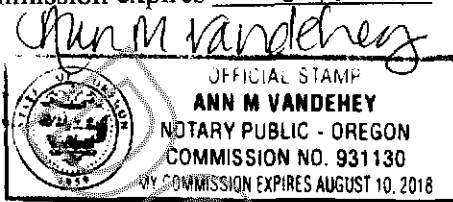
On this 20th day of December, 2014, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared JOGINDER P. SANGHA, to me known to be a member of ARTH LLC, the limited liability that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of such company, for the purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.

Joginder P. Sangha
Signature
JOGINDER P. SANGHA
Print Name

Oregon
NOTARY PUBLIC in and for the State of
Washington, residing at US Bank
My commission expires 8-10-18

Oregon
STATE OF WASHINGTON)
) ss.
COUNTY OF Clackamas

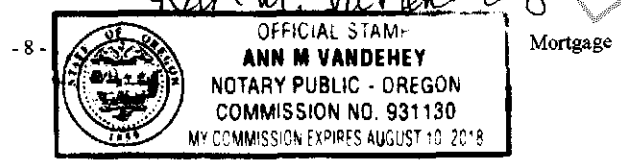


On this 20th day of December, 2014, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared RAJ KANWAL SANGHA, to me known to be a member of ARTH LLC, the limited liability that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of such company, for the purposes therein mentioned, and on oath stated that she was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.

Raj Kanwal Sangha
Signature
RAJ KANWAL SANGHA
Print Name

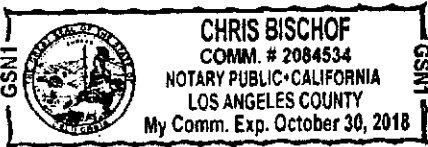
Oregon
NOTARY PUBLIC in and for the State of
Washington, residing at US Bank
My commission expires 8-10-18



California
STATE OF WASHINGTON)
) ss.
COUNTY OF Los Angeles)

On this 20th day of December, 2014, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared PARAMVEER CHEEMA, to me known to be a member of ARTH LLC, the limited liability that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of such company, for the purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.



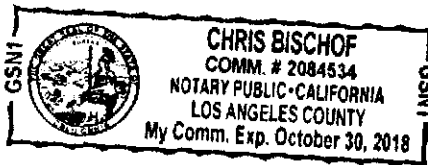
Chris Bischof
Signature
Chris Bischof
Print Name

NOTARY PUBLIC in and for the State of Washington, residing at _____
My commission expires _____

California
STATE OF WASHINGTON)
) ss.
COUNTY OF Los Angeles)

On this 20th day of December, 2014, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared RAVINDER CHEEMA, to me known to be a member of ARTH LLC, the limited liability that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of such company, for the purposes therein mentioned, and on oath stated that she was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.



Chris Bischof
Signature
Chris Bischof
Print Name

NOTARY PUBLIC in and for the State of Washington, residing at _____
My commission expires _____



Schedule "A-1"

150736-OE

DESCRIPTION:

PARCEL "A":

That portion of Tract C of Revised Short Plat No. 46-81, approved August 18, 1981 and recorded August 25, 1981 in Book 5 of Short Plats, at page 119 under Auditor's File No. 8108250001, records of Skagit County, Washington, being a portion of Section 26, Township 34 North, Range 3 East, W.M., being more particularly described as follows:

Beginning at the Northeast corner of Tract B of said Short Plat 46-81;
thence North 0°25'41" East, a distance of 1,970.75 feet to the North line of said Tract C;
thence South 89°48'10" East, along the North line of said Tract C, a distance of 1,320.63 feet to the Northeast corner of said Tract C;
thence South 0°41'31" West along the East line of said Tract C, a distance of 1,086.68 feet;
thence North 89°37'43" West, a distance of 243.16 feet to the Northwest corner of Tract A of said Short Plat;
thence South 0°41'31" West, 232.56 feet to the Southwest corner of said Tract A;
thence South 89°37'43" East, along the South line of said Tract A, a distance of 93.16 feet;
thence South 0°41'31" West, a distance of 125.00 feet;
thence South 89°37'43" East, a distance of 150.00 feet;
thence South 0°41'31" West, a distance of 1,174.24 feet to the Southeast corner of said Tract C;
thence North 89°27'09" West along the South line of said Tract C, a distance of 933.56 feet;
thence North 0°25'41" East, a distance of 580.80 feet;
thence North 89°27'09" West, a distance of 375.00 feet to the East line of said Tract B;
thence North 0°25'41" East along the East line of said Tract B, a distance of 58.85 feet to the Point of Beginning;

EXCEPT Jungquist and Kamb Roads along the South and East lines thereof;

ALSO EXCEPTING that portion described as follows:

Beginning at the intersection of the center lines of Kamb Road and Jungquist Road;
thence North, along the center line of Kamb Road, a distance of 620 feet;
thence West, parallel to the center line of Jungquist Road, a distance of 325 feet;
thence South, parallel to the center line of Kamb Road, a distance of 390 feet;
thence West, parallel to the center line of Jungquist Road, a distance of 135 feet;
thence South, parallel to the center line of Kamb Road, a distance of 230 feet, more or less, to the center line of Jungquist Road;
thence East, along said center line, a distance of 460 feet, more or less, to the point of beginning.

EXCEPT the East 20 feet for Kamb Road and the South 20 feet for Jungquist Road.

TOGETHER WITH a non-exclusive easement to construct, re-construct, place and replace, repair and maintain a water line over, under, across and through the West 10 feet of the East 265 feet of the above described excepted property.

ALSO, TOGETHER WITH an easement for existing water line as reserved in Deed recorded October 17, 2003, as Auditor's File No. 200310170024, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.



201412220117

Schedule "A-1"

150736-OE

DESCRIPTION CONTINUED:

PARCEL "B"

The Northwest ¼ of the Southeast ¼ of Section 26, Township 34 North, Range 3 East, W.M.,

EXCEPT County road, dike and drainage ditch rights-of-way,

AND EXCEPT the East 330 feet of that portion of said Northwest ¼ of the Southeast ¼, lying West of the County Road running North and South along the East line of said subdivision.

TOGETHER WITH that portion of Tract C of Revised Short Plat No. 46-81, approved August 18, 1981 and recorded August 25, 1981 in Book 5 of Short Plats, page 119, under Auditor's File No. 8108250001, records of Skagit County, Washington, being a portion of Section 26, Township 34 North, Range 3 East, W.M., more particularly described as follows:

Beginning at the intersection of the centerlines of Kamb Road and Jungquist Road;
thence North along the centerline of Kamb Road, a distance of 620 feet;
thence West parallel to the centerline of Jungquist Road, a distance of 325 feet;
thence South parallel to the centerline of Kamb Road, a distance of 390 feet;
thence West parallel to the centerline of Jungquist Road, a distance of 135 feet;
thence South parallel to the centerline of Kamb Road, a distance of 230 feet, more or less, to the centerline of Jungquist Road;
thence East along said centerline, a distance of 460 feet, more or less, to the point of beginning,

EXCEPT the East 20 feet for Kamb Road and the South 20 feet for Jungquist Road.

Situate in the County of Skagit, State of Washington.

