

AFTER RECORDING MAIL TO:

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Skagit County Auditor
7/29/2016 Page

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CHICAGO TITLE
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**MORTGAGE, ASSIGNMENT OF RENTS,
AND FIXTURE/PERSONAL PROPERTY FILING**

Reference numbers of related documents:

Mortgagor: THE RUIZ FARM, LLC

Mortgagee: SAMISH RIVER FARMS, LLC

Abbreviated Legal Description: PTN NW ¼ NW ¼ and SW ¼ of NW ¼ SEC 15 T35N R3E
W.M., ETC., SKAGIT COUNTY, WASHINGTON

Additional legal description is on Exhibit "A"

Assessor's Tax Parcel ID Numbers: 350315-2-003-0002 and 350315-2-005-0000

THIS MORTGAGE, ASSIGNMENT OF RENTS, SECURITY AGREEMENT, (INCLUDING TIMBER AND FIXTURES), AND FINANCING STATEMENT, ("MORTGAGE"), is made effective as of the 29 day July, 2016, by and between THE RUIZ FARM, LLC, a Washington Limited Liability Company ("Mortgagor"), and SAMISH RIVER FARMS, LLC, a Washington Limited Liability Company, whose address is 1240 Arnold Road, Oak Harbor, WA 98277-7602 ("Mortgagee").

FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited, the receipt of which is hereby acknowledged, Mortgagor hereby irrevocably grants, transfers, mortgages, conveys and assigns to Mortgagee, under and subject to the terms and conditions hereinafter set forth, all of the Mortgagor's current and future interest and estate in the real property, located in the County of Skagit, State of Washington, described in Exhibit "A" attached hereto and by this reference incorporates herein.

TOGETHER WITH, all rents, issues, profits, royalties, income and other benefits derived from the Property (collectively the "Rents"), subject to the right, power, and authority of

Mortgagor to collect and apply such Rents for so long as no event of default occurs as herein provided;

TOGETHER WITH, all present and future right, title, and interest of Mortgagor in and to the same and all: (a) appurtenant easements, licenses, and rights-of-way and agreements therefore; (b) buildings and improvements now and hereafter located thereon; (c) adjacent lands within enclosures or occupied by building now or hereafter partly located thereon; (d) riparian, appropriative and other water and water rights and water wells and shares of stock pertaining to water and water rights therefor; (e) oil, gas, steam, gravel, minerals and other natural or cultivated products thereof; and (g) all other fixtures, improvements and appurtenances thereto and whether now or hereafter existing and howsoever affixed or attached thereto;

TOGETHER WITH, all interests, estate or other claims, both in law and in equity, which Mortgagor now has or may hereafter acquire in the Property;

TOGETHER WITH, all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, and all tenements, hereditaments and appurtenances thereof and thereto, and all water, water rights, minerals, mineral rights and patents, licenses and permits evidencing the same;

TOGETHER WITH, all right, title, and interest of Mortgagor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining or upon the Property, and any and all strips and gores of land adjacent to or used in connection with the Property;

TOGETHER WITH, any and all buildings and improvements now or hereafter erected thereon, including, but not limited to, the fixtures, attachments, appliances, equipment, machinery and other articles attached to said buildings and improvements which are or will become fixtures (the "Improvements"); and

TOGETHER WITH, all the estate, interest, right, title, other claim or demand, including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Mortgagor now has or may hereafter acquire in the Property, and any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Mortgaged Estate, including without limitation any awards resulting from a change of grade of streets and awards for severance damages.

AND IN ADDITION, Mortgagor grants unto Mortgagee a security interest in all timber upon the above-described real property, together with all proceeds, both cash and non-cash, thereof. Mortgagor agrees that all proceeds from the sale or other disposition of timber cut from the above-described real property shall be payable to Mortgagee so long as no default occurs as herein provided.

The entire Estate, property and interest hereby conveyed to Mortgagee may hereafter be referred to as the "Mortgaged Estate."

FOR THE PURPOSE OF SECURING:

a. Payment of indebtedness evidenced by that certain Promissory Note ("Note") dated of even date and executed by Mortgagor in the principal amount of Three Hundred Ninety Nine Thousand Dollars (\$399,000.00).

b. Payment of all sums which may become due from Mortgagor or advances by Mortgagee or its successor, with interest thereon at the Note rate, which include but are not limited to, fire and other hazard insurance and taxes upon the real property herein described, according to the terms of this Mortgage; payment by the Mortgagor of all attorneys' fees and costs incurred by the Mortgagee in foreclosing this Mortgage or realizing upon any of the collateral for the obligations which this Mortgage secures; payment by Mortgagor of all attorneys' fees and costs incurred by Mortgagee in defending the priority or validity of this Mortgage or the title to the Property; payment by Mortgagor of all sums advanced by Mortgagee to or on behalf of Mortgagor for the purpose of clearing encumbrances or defects from the title to the Property described in this Mortgage where Mortgagee, in good faith, believes such encumbrances to be superior to the lien of the Mortgage, including, without limitation, payment of ad valorem taxes and mechanics' or materialmen's liens which may have gained priority over the lien of costs incurred by Mortgagee in any bankruptcy proceedings or any reorganization or arrangement proceeding under the Bankruptcy Act affecting Mortgagor, this Mortgage, or the covenant of Mortgagor herein contained or incorporated herein by reference and payment of all other sums advanced by Mortgagee to protect the Mortgaged Estate, with interest thereon at the Note rate.

c. Payment of all other sums, with interest thereon, which may hereafter be loaned to Mortgagor, its successors, or assigns, by Mortgagee, when evidenced by a promissory note or notes reciting that they are secured by this Mortgage.

This Mortgage, the Note, and any other instrument given to evidence or further secure the payment and performance of any obligation secured hereby may hereafter be referred to as the "Loan Instruments."

TO PROTECT THE SECURITY OF THIS MORTGAGE, MORTGAGOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

ARTICLE I

COVENANTS AND AGREEMENTS OF MORTGAGOR

1.01 Payment of Secured Obligations. To pay or cause to be paid when due, the principal of and the interest on, the indebtedness evidenced by the Loan Instruments, and all charges, fees and all other sums as provided in the Loan Instruments.

1.02 Maintenance, Repair, Alterations. To keep the Mortgaged Estate in good condition and repair, not to remove, demolish or substantially alter (except such alterations as are in the ordinary course of business or may be required by laws, ordinances or regulations) any of

the buildings, structures and improvements comprising a part thereof; to complete promptly and in good and workmanlike manner any building, structure or other improvement which may be constructed on the Property and promptly restore in a like manner any of the buildings, structures and improvements thereon which may be damaged or destroyed thereon, and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws, ordinances, regulations, covenants, conditions, and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements; not to commit or permit any waste or deterioration of the Property; to keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; not to commit, suffer or permit any act to be done in or upon the Property in violation of any law, ordinance or regulation, to perform all covenants and agreements contained in any lease, insofar as necessary to avoid any loss of such leasehold interest, and to pay all sums required to keep such leasehold interest in full force and effect prior to such time as such leasehold interest could be terminated for nonpayment of such sums, and to furnish to Mortgagee not less than ten (10) days prior to the date after which nonpayment of such payments could result in a loss of such leasehold interest by Mortgagee, receipts or other evidence satisfactory to Mortgagee evidencing the payment thereof.

1.03 Required Insurance At all times to provide, maintain, and keep in force, or cause to be provided, maintained, and kept in force, the following policies of insurance:

a. Insurance against loss or damage to the Improvements by fire and any of the risks covered by insurance of the type now known as "fire and extended coverage," in an amount not less than the original amount of the Note or one hundred percent (100%) of the full replacement cost of the Improvements (exclusive of the cost of excavations, foundations, and footings below the lowest basement floor), whichever is greater. The policies of insurance carried in accordance with this subparagraph (a) shall contain the "Replacement Cost Endorsement";

b. Insurance against loss or damage to the Personal Property by fire and other risks covered by insurance of the type now known as "fire and extended coverage";

c. Such other insurance and in such amounts as may, from time to time, be required by Mortgagee against the same or other hazards; and

d. All policies of insurance required by the terms of this Mortgage shall contain an endorsement or agreement by the insurer that any loss shall be payable in accordance with the terms of such policy notwithstanding any act or negligence of Mortgagor which might otherwise result in forfeiture of said insurance and the further agreement of the insurer waiving all rights of set-off, counterclaim, or deductions against Mortgagor.

1.04 Delivery of Policies; Payment of Premiums. That all policies of insurance shall be issued by companies and in amounts in each company satisfactory to Mortgagee. All policies of insurance shall have attached thereto a lender's loss payable endorsement for the benefit of Mortgagee in form satisfactory to Mortgagee. Mortgagor shall furnish Mortgagee with an original policy of all policies of required insurance. If Mortgagee consents to Mortgagor providing any of the required insurance through blanket policies carried by Mortgagor and covering more than one (1) location, then Mortgagor shall furnish Mortgagee with a certificate of insurance for each such policy setting forth the coverage, the limits of liability, the name of the carrier, the policy number, and the expiration date. At least thirty (30) days prior to the expiration of each such policy, Mortgagor shall furnish Mortgagee with evidence satisfactory to Mortgagee of the payment of premium and the re-issuance of a policy continuing insurance in force as required by this Mortgage. All such policies shall contain a provision that such policies will not be canceled or materially amended, which term shall include any reduction in the scope or limits of coverage without at least thirty (30) days' prior written notice to Mortgagee. In the event Mortgagor fails to provide, maintain, keep in force, or deliver and furnish to Mortgagee the policies of insurance required by this section, Mortgagee may procure such insurance or single-interest insurance for such risks covering Mortgagee's interest, and Mortgagor will pay all premiums thereon promptly upon demand by Mortgagee and, until such payment is made by Mortgagor, the amount of all such premiums, together with interest thereon at the Note rate, shall be secured by this Mortgage. At the request of the Mortgagee, Mortgagee may require Mortgagor to deposit with Mortgagee in monthly installments, an amount equal to one-twelfth (1/12) of the estimated aggregate annual insurance premiums on all policies of insurance required by this Mortgage. In such event, Mortgagor further agrees, upon Mortgagee's request, to cause all bills, statements, or other documents relating to the foregoing insurance premiums to be sent or mailed directly to Mortgagee. Upon receipt of such bills, statements, or other documents and providing Mortgagor has deposited sufficient funds with Mortgagee pursuant to this Section 1.04, Mortgagee shall pay such amounts as may be due thereunder out of the funds so deposited with Mortgagee. If at any time and for any reason the funds deposited with such Mortgagee are or will be insufficient to pay such amounts as may then or subsequently be due, Mortgagee shall notify Mortgagor and Mortgagor shall immediately deposit an amount equal to such deficiency with Mortgagee. Notwithstanding the foregoing, nothing contained herein shall cause Mortgagee to be deemed a trustee of said funds or to be obligated to pay any amounts in excess of the amount of funds deposited with Mortgagee pursuant to this Section 1.04. Mortgagee may commingle said reserve with its own funds and Mortgagor shall be entitled to no interest thereon.

1.05 Assignment of Policies Upon Foreclosure. In the event of foreclosure of this Mortgage or other transfer of title or assignment of the Mortgaged Estate in extinguishment, in whole or in part, of the debt secured hereby, all right, title, and interest of Mortgagor in and to all policies of insurance required by Section 1.03 shall inure to the benefit of and pass to the successor in interest to Mortgagor or the purchaser or grantee of the Mortgaged Estate.

1.06 Indemnification; Subrogation; Waiver of Offset.

- a. If Mortgagee is made a party defendant to any litigation concerning this Mortgage or the Mortgaged Estate or any part thereof or interest therein, or the

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occupancy thereof by Mortgagor, then Mortgagor shall indemnify, defend, and hold Mortgagee harmless from all liability by reason of said litigation, including reasonable attorneys' fees and expenses incurred by Mortgagee in any such litigation, whether or not any such litigation is prosecuted to judgment. If Mortgagee commences an action against Mortgagor to enforce any of the terms hereof or because of the breach by Mortgagor of any of the terms hereof or for the recovery of any sum secured hereby, Mortgagor shall pay to Mortgagee reasonable attorneys' fees and expenses, and such fees and expenses shall be deemed to have accrued on the commencement of such action, and shall be enforceable whether or not such action is prosecuted to judgment. If Mortgagor breaches any term of this Mortgage, Mortgagee may employ an attorney or attorneys to protect its rights hereunder and in the event of such employment following any breach by Mortgagor, Mortgagor shall pay Mortgagee reasonable attorneys' fees and expenses incurred by Mortgagee, whether or not an action is actually commenced against Mortgagor by reason of such breach.

b. Mortgagor waives any and all rights to claim or recover against Mortgagee, its officers, employees, agents, and representatives, for loss of or damage to Mortgagor, the Mortgaged Estate, Mortgagor's property, or the property of others under Mortgagor's control from any cause insured against or required to be insured against by the provisions of this Mortgage.

c. All sums payable by Mortgagor hereunder shall be paid without notice, demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution, or reduction; and the obligations and liabilities of Mortgagor hereunder shall in no way be released, discharged, or otherwise affected (except as expressly provided herein) by reason of (i) any damage to or destruction of or any condemnation or similar taking of the Mortgaged Estate or any part thereof; (ii) any restriction or prevention of or interference with any use of the Mortgaged Estate or any part hereof; (iii) any title defect or encumbrance or any eviction from the Property or the Improvements or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, or other like proceeding relating to Mortgagee, or any action taken with respect to this Mortgage by any trustee or receiver of Mortgagee, or by any court, in any such proceeding; (v) any claim which Mortgagor has or might have against Mortgagee; (vi) any default or failure on the part of Mortgagee to perform or comply with any of the terms hereof or of any other agreement with Mortgagor; or (vii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing and whether or not Mortgagor shall have notice or knowledge of any of the foregoing. Except as expressly provided herein, Mortgagor waives all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution, or reduction of any sum secured hereby and payable by Mortgagor.

1.07 Insurance Proceeds. That after the happening of any casualty of the Mortgaged Estate or any part thereof, Mortgagor shall give prompt written notice thereof to Mortgagee.

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a. In the event of any damage or destruction of the Improvements, Mortgagee shall have the option in its sole discretion of applying all or part of the insurance proceeds (i) to any indebtedness secured hereby and in such order as Mortgagee may determine; (ii) to the restoration of the Improvements; or (iii) to Mortgagor.

b. In the event of such loss or damage, all proceeds of insurance shall be payable to Mortgagee, and Mortgagor hereby authorizes and directs any affected insurance company to make payment of such proceeds directly to Mortgagee. Mortgagee is hereby authorized and empowered by Mortgagor to settle, adjust or compromise any claims for loss, damage or destruction under any policy or policies of insurance.

c. Except to the extent that insurance proceeds are received by Mortgagee and applied to the indebtedness secured hereby, nothing herein contained shall be deemed to excuse Mortgagor from repairing or maintaining the Mortgaged Estate as provided in Section 1.02 hereof or restoring all damage or destruction to the Mortgaged Estate, regardless of whether or not there are insurance proceeds available or whether any such proceeds are sufficient in amount, and the application or release by Mortgagee of any insurance proceeds shall not cure or waive any default or notice of default under this Mortgage or invalidate any act done pursuant to such notice.

1.08 Eminent Domain. In the event that any portion of the Mortgaged Estate is taken or damaged by act of Eminent Domain or purchase in lieu thereof, Mortgagee shall have the option, in its sole and absolute discretion, to apply all such proceeds, after deducting therefrom all costs and expenses (regardless of the particular nature thereof and whether incurred with or without suit), including attorney fees, incurred by it in connection with such proceeds, upon any indebtedness secured hereby, or to apply such proceeds, after such deductions, to the restoration of the Mortgaged Estate. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. Notwithstanding the foregoing, in the event of condemnation at any time Mortgagor is not in default under any of the terms of the Loan Instruments, Mortgagor may take and apply all such portions of the proceeds specifically allocated for or in payment of restoration of the improvements to such restoration.

1.09 Taxes and Impositions.

a. To pay prior to delinquency all license fees, registration fees, taxes and assessments, including without limitation real property taxes and assessments, general and special, and all other charges, including without limitation nongovernmental levies or assessments, which may be levied upon or assessed against security interests, liens or other encumbrances on the ownership, operation, possession, maintenance or use of any portion of the Mortgaged Estate, or which create, may create or appear to create a lien upon the Mortgaged Estate, or any part thereof, provided, however, that Mortgagor shall not be required to comply with any such law, rule or regulation, or to

pay any such tax or assessment or other charges the validity of which is being contested by Mortgagor in good faith by appropriate proceedings commenced and prosecuted with due diligence, so long as neither the value nor the title of any part of the Mortgaged Estate, nor the security interest of Mortgagee created hereby will be impaired by the failure of Mortgagor either to comply with any such law, rule or regulation, or to pay any such tax assessment or other charge, during the period of such contest; and provided further, that subject to the foregoing if, by law, any such tax, assessment or other charge is payable, or may at the option of Mortgagor be paid in installments, Mortgagor may pay the same, together with any accrued interest on the unpaid balance of such tax, assessment or other charge, in installments as the same become due and before any fine, penalty, additional interest or cost may be added thereto for the nonpayment of any such installment and interest.

b. Not to suffer, permit or initiate the joint assessment of the real property which is a portion of the Mortgaged Estate and any personal property used on or in connection with the real property, or any other procedures whereby the lien of the real property taxes and the lien of the personal property taxes shall be assessed, levied or charged to the real property as a single lien.

1.10 Additional Security. That in the event Mortgagee holds additional security for any of the obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before or concurrently herewith or after a sale is made hereunder.

1.11 Hazardous Waste

(a) Mortgagor represents and warrants to Mortgagee that to the best of Mortgagor's knowledge after due and diligent inquiry, no hazardous or toxic waste or substances are being stored on the Property or any adjacent property nor have any such waste or substances been stored or used on the Property or any adjacent property prior to Mortgagor's ownership, possession or control of the Property. Mortgagor agrees to provide written notice to Mortgagee immediately upon Mortgagor becoming aware that the Property or any adjacent property is being or has been contaminated with hazardous or toxic waste or substances. Mortgagor will not cause nor permit any activities on the Property which directly or indirectly could result in the Property or any other property becoming contaminated with hazardous or toxic waste or substances. For purposes of this Mortgage, the term "hazardous or toxic waste or substances" means any substance or material defined or designated as hazardous or toxic wastes, hazardous or toxic material, a hazardous, toxic or radioactive substance or other similar term by any applicable federal, state or local statute, regulation or ordinance now or hereafter in effect.

(b) Mortgagor will indemnify and hold Mortgagee harmless from and against any and all claims, demands, damages, costs, expenses, losses, liens, liabilities, penalties, fines and lawsuits and other proceeds, (including attorneys' fees), arising directly or indirectly from or out of, or in any way connected with (i) the inaccuracy of the certifications contained herein or in any other document executed by Mortgagor in connection with the loan evidenced by the Note, (ii) any activities on the Property during Mortgagor's ownership, possession or control of the

Property which directly or indirectly result in the Property or any other property becoming contaminated with hazardous or toxic waste or substances, (iii) the discovery of hazardous or toxic waste or substances on the Property or other property, or (iv) the clean-up of hazardous or toxic waste or substances from the Property or any other property. Mortgagor acknowledges that it will be solely responsible for all costs and expenses relating to the clean-up of hazardous or toxic waste or substances from the Property or from any other property which become contaminated with hazardous or toxic waste or substances as a result of the contamination of or activities on the Property.

1.12 Successors or Assigns. That this Mortgage applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns.

1.13 Additional Agreements and Warranties of Mortgagor. Mortgagor represents and warrants that it is the owner of the real property described herein and has the right to mortgage the same and that Mortgagor shall warrant and defend the title to the real property against all claims and demands.

1.14 Sale or Contract for Sale. If all or any part of the real property interests owned by Mortgagor and identified herein, or any interest therein is sold or transferred or contracted to be sold or transferred, without Mortgagor's prior written consent and contrary to the terms of the Loan Agreement, Mortgagee may, at its option, require immediate payment of all sums secured hereby.

1.15 Security Agreement and Financing Statement. This Mortgage creates a security interest in all timber to be cut or removed from the above-described real property, and to the extent that such timber is not real property, this Mortgage constitutes a security agreement from the Mortgagor to the Mortgagee under the Uniform Commercial Code. The Mortgagor hereby agrees to execute and deliver on demand such financing statements or other instruments as the Mortgagee may request or require in order to perfect the security interest granted hereby or to continue the effectiveness of the same. This Mortgage shall further act as a Financing Statement itself, and shall be filed for record in the real estate records in the county in which the real property is located.

1.16 Protection of Mortgagee's Rights. If Mortgagor fails to perform the covenants and agreements contained in this Mortgage, or there is a legal proceeding that may significantly affect Mortgagee's rights in the property (such as a proceeding in bankruptcy, probate, for condemnation, or to enforce laws or regulations) Mortgagee may do and pay for whatever is necessary to protect the value of the property and Mortgagee's rights in the property. Mortgagee's actions may include paying any sums necessary for water assessments and fees, property taxes, severance taxes, or any other sums which may become a lien upon the subject property, and that Mortgagee may make repairs necessary to the property all for the protection of Mortgagee's interest in the Property. Although Mortgagee may take action under this paragraph, Mortgagee is not obligated to do so. Any amounts expended by Mortgagee under this paragraph shall become an additional debt of Mortgagor secured by this Mortgage. Unless Mortgagor and Mortgagee agree to other terms of payment, these amounts shall bear interest from the date of

disbursement at the note rate and shall be payable, with interest, upon demand from Mortgagee to Mortgagor.

1.17 Inspections. That Mortgagee, or its agents, representatives or workmen, are authorized to enter at any reasonable time upon or in any part of the Mortgaged Estate for the purpose of inspecting the same and for the purpose of performing any of the acts it is authorized to perform under the terms of any of the Loan Instruments.

1.18 Farming Practices. Mortgagor shall operate the Mortgaged Estate as a farming operation consistent with reasonable and prudent farming, husbandry and agricultural standards then prevailing in the market place.

1.19 Financial Reports and Related Information. Mortgagor shall promptly furnish to Mortgagee such information with respect to Mortgagor's business as Mortgagee may from time-to-time reasonably request, and shall promptly notify Mortgagee of any material occurrence affecting Mortgagor's business or its assets. Without limiting the generality of the foregoing, Mortgagor shall provide financial statements to Mortgagee on an annual basis and within 30 days of the end of each fiscal year.

ARTICLE II

ASSIGNMENT OF RENTS, ISSUES AND PROFITS

2.01 Assignment of Rents. Mortgagor hereby assigns and transfers to Mortgagee all the rents, issues and profits of the Mortgaged Estate, and hereby gives to and confers upon Mortgagee the right, power and authority to collect such rents, issues and profits. Mortgagor irrevocably appoints Mortgagee its true and lawful attorney-in-fact, at the option of Mortgagee at any time and from time to time, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, in the name of Mortgagor or Mortgagee, for all such rents, issues and profits and apply the same to the indebtedness secured hereby; provided, however, that Mortgagor shall have the right to collect such rents, issues and profits (but not more than thirty (30) days in advance) prior to or at any time there is not an event of default under any of the Loan Instruments. The assignment of the rents, issues and profits of the Mortgaged Estate in this Article II is intended to be an absolute assignment from Mortgagor to Mortgagee and not merely the passing of a security interest. The rents, issues and profits are hereby assigned absolutely by Mortgagor to Mortgagee contingent only upon the occurrence of an event of default under any of the Loan Instruments.

2.02 Collection Upon Default. Upon any event of default under any of the Loan Instruments, Mortgagee may, at any time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of the Mortgaged Estate, or any part thereof, and in its own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any indebtedness secured hereby, and in such

order as Mortgagee may determine. The collection of such rents, issues and profits, or the entering upon and taking possession of the Mortgaged Estate, or the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default.

ARTICLE III

REMEDIES UPON DEFAULT

3.01 Events of Default. Any of the following events shall be deemed an event of default hereunder:

a. Default shall be made in the payment of any installment of principal or interest on the Note or any other sum secured hereby when due; or

b. Mortgagor shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors; or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Mortgagor or of all or any part of the Mortgaged Estate, or of any or all of the royalties, revenues, rents, issues or profits thereof, or shall make any general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; or

c. A court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against Mortgagor seeking any reorganization, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, and such order, judgment or decree shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive) from the first date of entry thereof; or any trustee, receiver or liquidator of Mortgagor or of all or any part of the Mortgaged Estate, or of any or all of the royalties, revenues, rents, issues or profits thereof, shall be appointed without the consent or acquiescence of Mortgagor and such appointment shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive); or

d. A writ of execution or attachment or any similar process shall be issued or levied against all or any part of or interest in the Mortgaged Estate, or any judgment involving monetary damages shall be entered against Mortgagor which shall become a lien on the Mortgaged Estate or any portion thereof or interest therein and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within sixty (60) days after its entry or levy; or

e. There has occurred a breach of or default under any term, covenant, agreement, condition, provision, representation or warranty contained in any of the Loan Instruments or any part thereof, not referred to in this Section 3.01.

3.02 Acceleration Upon Default, Additional Remedies. In the event of any event of default, Mortgagee may declare all indebtedness secured hereby to be due and payable and the same shall thereupon become due and payable without any presentment, demand, protest or notice of any kind. Thereafter, Mortgagee may;

a. 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, enter upon and take possession of the Mortgaged Estate, or any part thereof, in its own name and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Mortgaged Estate, or part thereof or interest therein, increase the income therefrom or protect the security hereof and, with or without taking possession of the Mortgaged Estate sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any indebtedness secured hereby, all in such order as Mortgagee may determine. The entering upon and taking possession of the Mortgaged Estate, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession of the Mortgaged Estate of the collection, receipt and application of rents, issues or profits, Mortgagee shall be entitled to exercise every right provided for in any of the Loan Instruments or by law upon occurrence of any event of default;

b. Commence an action to foreclose this Mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

c. Exercise any or all of the remedies available to a secured party under the Uniform Commercial Code, including, but not limited to:

(1) Either personally or by means of a court appointed receiver, take possession of all or any of the Personal Property and exclude therefrom Mortgagor and all others claiming under Mortgagor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of Mortgagor in respect to the Personal Property or any part thereof. In the event Mortgagee demands or attempts to take possession of the Personal Property in the exercise of any rights under any of the Loan Instruments, Mortgagor promises and agrees to promptly turn over and deliver complete possession thereof to Mortgagee;

(2) Without notice to or demand upon Mortgagor, make such payments and do such acts as Mortgagee may deem necessary to protect its security interest in the Personal Property, including without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority to pay all expenses incurred in connection therewith;

(3) Require Mortgagor to assemble the Personal Property or any portion thereof, at a place designated by Mortgagee and reasonably convenient to both parties, and promptly to deliver such Personal Property to Mortgagee, or an agent or representative designated by it. Mortgagee, and its agents and representatives shall have the right to enter upon any or all of Mortgagor's premises and property to exercise Mortgagee's rights hereunder;

(4) Sell, lease or otherwise dispose of the Personal Property at public sale, with or without having the Personal Property at the place of sale, and upon such terms and in such manner as Mortgagee may determine. Mortgagee may be a purchaser at any such sale;

(5) Unless the Personal Property is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Mortgagee shall give Mortgagor at least ten (10) days' prior written notice of the time and place of any public sale of the Personal Property or other intended disposition thereof. Such notice may be mailed to Mortgagor at the address set forth at the beginning of this Mortgage.

3.03 Appointment of Receiver. If any event of default described in Section 3.01 of this Mortgage shall have occurred to be continuing, Mortgagee, as a matter of right and without notice to Mortgagor or anyone claiming under Mortgagor, and without regard to the then value of the Mortgaged Estate or the interest of Mortgagor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Mortgaged Estate, and Mortgagor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Mortgagee in case of entry as provided in Section 3.02a and shall continue as such and exercise all such powers until the date of confirmation of sale of the Mortgaged Estate unless such receivership is sooner terminated.

3.04 Mortgagee in Possession. Upon acceleration pursuant to this article, or abandonment of the property, Mortgagee, in person, by agent, or by judicially appointed receiver, shall be entitled to enter upon, take possession of and manage the property and to collect all rents, issues, profits, royalties, income, and other benefits derived from the property. All sums collected by Mortgagee or the receiver shall be applied first to payment of the costs of management of the property and collection of sums, including but not limited to, receiver's fees,

premiums on bonds and reasonable attorney's fees, and then to the sums secured by this Mortgage.

3.05 Remedies Not Exclusive. Mortgagee shall be entitled to enforce payment and performance of any indebtedness or obligations secured hereby and to exercise all rights and powers under this Mortgage or under any Loan Instrument or other agreement or any laws now or hereafter in force, notwithstanding some or all of the said indebtedness and obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Mortgage nor its enforcement whether by court action or other powers herein contained, shall prejudice or in any manner affect Mortgagee's right to realize upon or enforce any other security now or hereafter held by Mortgagee, it being agreed that Mortgagee shall be entitled to enforce this Mortgage and any other security now or hereafter held by Mortgagee in such order and manner as they or either of them may in their absolute discretion determine. No remedy herein conferred upon or reserved to Mortgagee is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Loan Instruments to Mortgagee or to which either of them may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Mortgagee and either of them may pursue inconsistent remedies.

ARTICLE IV

MISCELLANEOUS

4.01 Governing Law. The remedies provided by this Mortgage shall be exercised in accordance with and governed by the laws of the state in which the real property is located. In the event that any provision or clause of this Mortgage conflicts with applicable law, such conflicts shall not affect other provisions of this Mortgage are declared to be severable. This instrument 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, charge, discharge or termination is sought.

4.02 Statements by Mortgagee. Upon payment of a sum not in excess of the maximum amount permitted by law. Mortgagee, within thirty (30) days after being given notice by mail, will furnish to Mortgagor a written statement stating the unpaid principal of and stating whether to the knowledge of Mortgagee any offset or defense exists against such principal and interest.

4.03 Reconveyance by Mortgagee. Upon payment of all sums secured hereby, and upon cancellation of the Note, Mortgagee shall discharge and release this Mortgage.

4.04 Notices. Whenever Mortgagor or Mortgagee shall desire to give or serve any notice, demand, request or other communication with respect to this Mortgage, each such notice, demand, request or other communication shall be in writing and shall be effective only if the

same is delivered by personal service or mailed by registered mail, postage prepaid, return receipt requested, addressed to the address set forth in the beginning of this Mortgage. Any party may at any time change its address for such notices by delivering or mailing to the other parties hereto, as aforesaid, a notice of such change.

4.05 Captions. The captions or headings at the beginning of each section hereof are for the convenience of the parties and are not a part of this Mortgage.

4.06 Invalidity of Certain Provisions. If the lien of this Mortgage is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Mortgaged Estate, the unsecured or partially secured portion of the debt shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid in and applied to the full payment of that portion of the debt which is not secured or fully secured by the lien of this Mortgage.

4.07 No Merger. If both the Lessor and Lessee's estates under any lease, or any portion thereof, which constitutes a part of the Mortgaged Estate shall at any time become vested in one owner, this Mortgage and the lien created by this Mortgage on the Mortgaged Estate pursuant to the provisions hereof, any leases or subleases then existing and created by Mortgagor shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless Mortgagee or any purchaser at any such foreclosure sale shall so elect. No act by or on behalf of Mortgagee or any such purchaser shall constitute a termination of any lease or sublease unless Mortgagee or such purchaser shall give written notice thereof to such tenant or subtenant.

4.08 Attorney's Fees. Mortgagor agrees to pay to Mortgagee all expenses incurred by Mortgagee in pursuing the remedies provided in this Mortgage, and expenses incurred in enforcing this Mortgage or collecting upon the promissory note, including a reasonable attorney's fee, whether litigation be commenced or not.

IN WITNESS WHEREOF, the Mortgagor has executed this Mortgage as of the day and year first above written.

MORTGAGOR:

THE RUIZ FARM, LLC
A Washington Limited Liability Company

By: Norma Ruiz, member
NORMA RUIZ, Member

STATE OF WASHINGTON)

COUNTY OF SKAGIT)

§

On this 26 day of July, 2016, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared **NORMA RUIZ**, to me known to be a Member of **THE RUIZ FARM, LLC**, the limited liability company that executed the foregoing document and acknowledged the same to be the free and voluntary act of said limited liability company for the uses and purposes therein mentioned, and on oath stated that she is authorized to execute said document on behalf of said limited liability company.

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

Jan Willis

NOTARY PUBLIC in and for the State of
Washington, residing at

1701111 VERNON CVA

My Commission Expires: 10-01-18

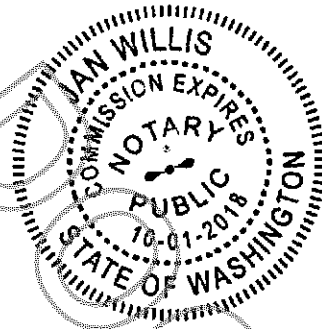


EXHIBIT "A"
Legal Description

That portion of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ and of the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 15, Township 35 North, Range 3 East, W.M., lying North of the Samish River.

EXCEPT for County roads

ALSO EXCEPT for the following described tracts:

(1) That portion of the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ lying South of a line 2,340 feet South of and parallel with the North line of said subdivision.

(2) The North 228.28 feet of the East 209.00 feet of the West 620.00 feet of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 15, Township 35 North, Range 3 East, W.M.

Situate in the County of Skagit, State of Washington.