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Skagit County Auditor

\$86.00

4/26/2017 Page

1 of

14 3:08PM

Land Title

RETURN ADDRESS:

Mark Knutzen Farms, Inc.
14332 Road Runner Lane
Burlington WA 98233

MORTGAGE

GRANTOR: STERLING HILL, L.L.C., a Washington limited liability company

GRANTEE: MARK KNUTZEN FARMS, INC., a Washington corporation

ABBR. LEGAL DESC.: E1/2 W1/2 NE1/4 S25 T35N R3E
(full legal on page 13)

TAX PARCEL NO(S): 350325-1-004-0001, P34800

THIS MORTGAGE ("Mortgage") is made as of the 26th day of April, 2017, by Sterling Hill, L.L.C., a Washington limited liability company ("Grantor"), whose address is P.O. Box 870, Burlington, Washington 98233, and Mark Knutzen Farms, Inc., a Washington corporation, whose address is 14332 Roadrunner Lane, Burlington, Washington 98233 ("Grantee").

WITNESSETH:**GRANTOR HEREBY IRREVOCABLY MORTGAGES, CONVEYS AND ASSIGNS:**

A. To Grantee all of its present and future estate, right, title and interest in and to that certain real property located in the County of Skagit, State of Washington, as more particularly described in Exhibit A attached hereto and made a part hereof, including all hereditaments, appurtenances, easements and rights thereto or used in connection therewith or as a means of access thereto, together with all right, title and interest that Grantor now has or may hereafter acquire in the following and any proceeds thereof:

1. All income, rents, royalties, revenues, issues, profits and proceeds from any and all of such real property, subject, however, to the right, power and authority hereinafter conferred upon Grantee or reserved to Grantor to collect and apply such income, rents, royalties, revenues, issues, profits and proceeds.

2. All fixtures now or hereafter affixed to such real property, including all buildings, structures and improvements of every kind and description now or hereafter erected or placed thereon and all replacements, repairs, additions, accessions or substitutions or proceeds thereto or therefor; but excluding the movable trade fixtures owned by Grantor; all of such fixtures whether now or hereafter placed thereon, being hereby declared to be real property and referred to hereinafter as the "Improvements."

All of the property mortgaged or conveyed or intended to be mortgaged or conveyed in Paragraph A above is hereinafter referred to as the "Real Property."

B. To Grantee, as secured party, a security interest in any portion of the Real Property owned by Grantor which may be construed to be personal property, now or at any time hereafter attached to, erected upon, situated in or upon, forming a part of, appurtenant to, or arising from the use or enjoyment of all or any portion of, or from any lease or agreement pertaining to, the Real Property, including:

1. All fixtures, and any replacements thereof or additions thereto now or at any time appurtenant to or located upon the Real Property.

2. All income, rents, royalties, revenues, issues, profits and proceeds from any and all of the Real Property.

3. All water stock relating to the Real Property or other evidence of ownership of any part of the Real Property that is owned by Grantor in common with others.

4. All water rights, including but not limited to, surface water, ground water, ditch water and well water and all appurtenances thereto, on the Real Property.

5. All substitutions, accessions, additions and replacements to any of the foregoing, and all proceeds of any of the foregoing property.

All of the property assigned or transferred or intended to be assigned or transferred to Grantee in Paragraph B above is hereinafter referred to as the "Personal Property." The Personal Property shall not include any crops or equipment or other goods stored on the Real Property.

All of the Real Property and the Personal Property is referred to herein collectively as the "Property."

TO HAVE AND TO HOLD THE PROPERTY FOR THE PURPOSE OF SECURING:

1. Payment of any and all indebtedness and obligations arising from time to time under that certain Promissory Note payable by Grantor, as maker, to the order of Grantee, executed April 26th 2017, as amended from time to time (the "Note"), evidencing a loan from Grantee to Grantor in the outstanding principal amount of \$990,000.00 (the "Loan"), together with interest thereon and any modifications, extensions or renewals thereof, whether or not such modification, extension or renewal is evidenced by a new or additional promissory note or notes.

2. Payment of all other amounts agreed or provided to be paid by Grantor and such further sums as may be owed by Grantor to Grantee hereunder.

3. Performance of each agreement of Grantor herein contained or contained.

GRANTOR REPRESENTS, WARRANTS, COVENANTS AND AGREES AS FOLLOWS.

ARTICLE 1 COVENANTS

1.1 Performance of Mortgage.

Grantor will perform and comply with each and every term, covenant and condition hereof.

1.2 Taxes, Liens and Other Charges.

Grantor will pay when due:

1.1.1 All taxes, assessments and other governmental or public charges affecting the Property, including any accrued interest, cost or penalty thereon and will submit receipts therefor to Grantee at least ten (10) days before delinquency upon Grantee's request.

1.1.2 All encumbrances (including any debt secured by deeds of trust), ground rents, liens or charges, with interest, on the Property or any part thereof, and all costs and fees related thereto.

1.1.3 All charges for utilities or services.

1.3 Insurance.

Grantor hereby assigns to Grantee all casualty insurance proceeds that it may be entitled to receive relating to the Real Property, and such proceeds shall be delivered to and held by Grantee to be applied as mutually agreed by Grantor and Grantee; either to the reduction of any indebtedness secured hereby, or for Grantor to immediately restore any portion or all of the Improvements to their original condition and, in that event, Grantee shall make the insurance proceeds available to Grantor as restoration progresses. If for any reason Grantor and Grantee cannot agree as to the application of such insurance proceeds, Grantee shall determine such application. The application of insurance proceeds to the reduction of any indebtedness secured hereby shall not serve to cure any existing Event of Default (as hereinafter defined). If the proceeds are sufficient to pay in full the indebtedness and other sums secured hereby, then any excess proceeds shall be paid over to Grantor.

1.4 Condemnation.

If the Property or any part thereof is taken or damaged by reason of any public improvement, condemnation proceeding, or conveyance in lieu thereof, or in any other manner, Grantee shall be entitled to all compensation, awards and other payments or relief therefor, and shall be entitled, at its option, to commence, appear in and prosecute in its own name any action or proceeding, or to make any compromise or settlement in connection with such taking or damage.

1.5 Care of the Property.

Grantor will:

1.5.1 Keep the Property in good condition and repair and not commit or permit any waste or deterioration of the Property or suffer any act or occurrence that would impair the security for the debt secured hereby.

1.5.2 Comply with all laws, ordinances, rules, regulations and orders of governmental authorities now or hereafter affecting the Property or requiring any alterations or improvements to be made thereon, and perform all of its obligations under any covenant, condition, restriction or agreement of record affecting the Property.

1.5.3 Not commit, suffer or permit any act to be done in, upon or to the Property in violation of any law or ordinance or any covenant, condition or restriction affecting the Property.

1.5.4 Perform all of Grantor's obligations or covenants under any encumbrance affecting the Property, including without limitation, leases, declarations, covenants, conditions, restrictions or other agreements relating to or affecting the Property.

1.5.5 Not take or permit to be taken any actions that might invalidate any insurance carried on the Property.

1.6 Leases and Other Agreements Affecting the Property.

Grantor will fully and promptly keep, observe, perform and satisfy each obligation, condition, covenant and restriction affecting the Property or imposed on it under any agreement between Grantor and a third party relating to the Property (including, without limitation, any leases or rental agreements for any portion of the Property) so that there will be no default thereunder and so that the persons obligated thereon shall be and remain at all times obligated to perform thereunder. Grantor will not permit to exist any condition, event or fact which could allow or serve as a basis or justification for any such person to avoid such performance.

1.7 Expenses.

Upon an Event of Default, Grantee shall have the right to employ an attorney in connection with their rights under the Loan documents and Grantor shall pay all attorneys' fees, costs and expenses, including expenses of retaking, holding, preparing for sale or selling in connection with any action or actions that may be brought for the foreclosure of this Mortgage, possession of the Property, the protection of or the defense of the priority of the lien provided for hereby, the appointment of a receiver, or the enforcement of any and all covenants or rights contained in or secured by this Mortgage. Grantor will pay within thirty (30) days of written demand all sums expended or expense incurred by Grantee, including, without limitation, attorneys' fees, under any of the terms of this Mortgage. If such sums are not so paid within thirty (30) days of written notice, such sums shall thereafter bear interest at the Default Rate.

1.8 Inspection of Property.

After notice and accompanied by a representative of Grantor or its property manager, Grantee is authorized, for itself, its agents or employees to enter upon twenty four (24) hours' notice during normal business hours upon any part of the Real Property for the purpose of inspecting the same. Grantor agrees to cooperate with Grantee to facilitate such inspections.

1.9 Property Compliance.

Grantor shall comply fully with environmental, air quality, zoning, flood plain, planning, subdivision, building, health, labor, discrimination, fire, traffic, safety, wetlands, shoreline and other governmental or regulatory rules, laws, ordinances, statutes, codes and requirements applicable to the Property (collectively, the "Building Laws"). Grantor shall cause the Property to be continuously in compliance with all Building Laws (as the same may be amended from time to time).

1.10 Grantee's Right to Cure Certain Defaults.

If Grantor fails to make any payment or to do any act as herein provided, and Grantor fails to cure such default within thirty (30) days of Grantee's delivery of written notice to Grantor then Grantee, but without obligation so to do and without releasing Grantor from any obligation hereof, shall have the right to: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Grantee being authorized to enter upon the Property for such purposes; commence, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Grantee; pay, purchase, contest or compromise any encumbrance, charge or lien that in the judgment of either appears to be prior or superior hereto; and, in exercising any such power, incur any liability, expend whatever amounts in Grantee's absolute discretion it may deem necessary therefor, including cost of evidence of title and attorneys' fees.

Grantor hereby agrees to pay, within ten (10) days of written demand, all of Grantee's costs, charges, expenses and amounts referred to above in this Section 1.10, including the cost of evidence of title and attorneys' fees incurred in such action or proceeding in which Grantee may appear. All costs, charges and expenses so incurred, together with interest thereon as aforesaid, shall be secured by the lien of this Mortgage.

1.11 Hazardous Materials.

1.11.1 The term "Environmental Liability" shall mean any claim, demand, obligation, cause of action, accusation, allegation, order, violation, damage (including foreseeable consequential damage), injury, judgment, penalty or fine, cost of enforcement or cost of remedial action, or any other cost or expense whatsoever, including attorneys' fees and disbursements, resulting from the violation or alleged violation of any Environmental Law. The term "Environmental Law" means and includes, without limitation, any federal, state or local law, statute, regulation or ordinance pertaining to health, industrial hygiene or the environmental or ecological conditions on, under or about the Property. The term "Hazardous Material" means and includes, without limitation, those substances included now or in the future within the definitions of "hazardous substances," "hazardous materials," "toxic substances," "pollutants," "hazardous wastes," or "solid waste" in any Environmental Laws.

1.11.2 Grantor hereby represents and warrants that, except as disclosed in writing to Grantee, Grantor, has not caused or permitted any Hazardous Material to be placed, held, located or disposed of, on, under or at the Property.

1.11.3 Grantor shall keep and maintain the Property in compliance with and shall not cause or permit the Property to be in violation of any Environmental Law. If Hazardous Materials are disposed of on the Property, which under any Environmental Law require any special handling, collection, storage, treatment or disposal, Grantor shall commence with diligence, within thirty (30) days of notice thereof, to take all actions at its sole expense necessary to comply with any Environmental Laws. Grantor shall not use, generate, manufacture, treat, store, allow to remain or dispose of on, under, or about the Property or transport to or from the Property any Hazardous Materials in any manner or quantity which violates an Environmental Law. Grantor shall immediately advise Grantee in writing of (i) any and all enforcement, cleanup, remedial, removal, or other governmental or regulatory actions instituted, completed, or threatened pursuant to any Environmental Law affecting the Property; (ii) all claims made or threatened by any third party against Grantor or the Property relating to damage, contribution, cost recovery compensation, loss, or injury resulting from any Environmental Liability; and (iii) Grantor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability, or use of the Property under any Environmental Laws.

1.11.4 Grantor shall not be in default of the provisions of this Section 1.11 if Grantor uses, stores or releases substances in the ordinary course of agricultural practices by Grantor made in accordance with established standards.

1.12 Conveyance of Property.

Except as described in Articles 5 and 6, in the event that, without Grantee's prior written consent, (i) all or any part of or any interest in the Property is sold, transferred, conveyed, by way of merger, reorganization, amalgamation, or otherwise further encumbered, or a contract of sale or other conveyance entered into with respect thereto, or (ii) there is a transfer of more than fifty percent (50%) of the beneficial interests in Grantor, then, upon the occurrence of any one or more of the foregoing events, Grantee shall have the right, at its option, to declare all amounts secured hereby immediately due and payable.

ARTICLE 2 ASSIGNMENT OF RENTS

2.1 Assignment of Rents.

Grantor hereby absolutely and unconditionally assigns and transfers to Grantee all the income, rents, royalties, revenue, issues, profits and proceeds (collectively, the "Rents") of the Property, whether now due, past due or to become due, and hereby gives to and confers upon Grantee the right, power and authority to collect the Rents. Grantor irrevocably appoints Grantee its true and lawful attorney at the option of Grantee at any time, either by itself, through an agent or a receiver, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, either in the name of Grantor or in the name of Grantee, for all the Rents. It is agreed that neither the foregoing assignment of Rents to Grantee, nor the exercise by Grantee of any of its rights or remedies under this Section 2.1 or under Section 2.2, nor the appointment of a receiver or possession of the Property by a receiver shall make Grantee a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Property or the use, occupancy or enjoyment or operation of all or any portion thereof, unless and until Grantee in person assumes actual possession thereof. Nothing herein shall require Grantee to have a receiver appointed to collect any Rents, but Grantee shall be entitled to such appointment at its option in accordance with Section 2.2. This assignment of Rents is intended to be specific, perfected and choate upon recording as provided in RCW 7.28.230

2.2 License to Collect.

Notwithstanding anything to the contrary herein, so long as no Event of Default exists, Grantor shall have a license to collect all Rents and to retain, use and enjoy the same. Upon any occurrence of an Event of Default hereunder such license shall be revoked upon notice to Grantor from Grantee and all rights shall revert to Grantee who then shall have the right to exercise all of its rights as absolute owner of the Leases and Rents. Grantor agrees that payments made by tenants or occupants to Grantee shall, as to such tenants, be considered as though made to Grantor and in discharge of tenants' obligations to Grantor to the extent of such payments. Nothing herein contained shall be construed as obliging Grantee to perform any of Grantor's covenants under any lease or rental agreement. Grantor shall execute and deliver to Grantee, upon demand, any further or supplemental assignments deemed desirable by Grantee in order to further carry out and confirm the intentions of this Section 2.2 and upon failure of the Grantor so to comply, Grantee shall have the right to, in addition to any other rights or remedies, at its option, declare all obligations secured by this Mortgage to be immediately due and payable.

ARTICLE 3 SECURITY AGREEMENT AND FIXTURE FILING

3.1 Security Agreement.

This Mortgage creates a lien on the Property, and to the extent the Property is not real property under applicable law, this Mortgage constitutes a security agreement under the Washington Uniform Commercial Code and any other applicable law ("Security Agreement"). If required by Grantee, at any time during the term of this Mortgage, Grantor will execute and deliver to Grantee, in form satisfactory to Grantee, additional security agreements, financing statements or other instruments covering all Personal Property or fixtures of Grantor which may at any time be furnished, placed on, or annexed or made appurtenant to the Real Property or used, useful or held for use in the operation of the Improvements. Grantor further agrees that:

3.1.1 The obligations covered by this Security Agreement include future advances and indebtedness in all forms.

3.1.2 Grantor shall notify Grantee in writing within thirty (30) days of any change in name of Grantor or its corporate structure. Nothing herein shall be construed as a consent by Grantee to a change in corporate structure otherwise prohibited hereby.

Grantor hereby irrevocably constitutes and appoints Grantee the attorney-in-fact of Grantor, to execute, deliver and file with the appropriate filing officer or office such security agreements, financing statements or other instruments as Grantee may request or require in order to impose and perfect the lien and security interest hereof more specifically on the Personal Property or any fixture.

3.2 Fixture Filing.

To the extent that any of the Property constitutes a fixture, this Mortgage shall serve as a fixture filing pursuant to the Washington Uniform Commercial Code.

ARTICLE 4 DEFAULTS AND REMEDIES

4.1 Events of Default.

If any of the following events shall occur ("Events of Default"):

4.1.1 Default in payment when due of any indebtedness owed under the Note or secured hereby or the failure to pay when due any other sums of money required to be paid under the Note, subject to any applicable notice or cure periods provided in the Note.

4.1.2 Failure by Grantor to comply with any of the covenants, terms, conditions, restrictions or agreements contained in this Mortgage.

4.1.3 A default occurs under the Note (after the expiration of any applicable notice or cure periods).

In any such event, Grantee shall be entitled to exercise all rights, and shall have the benefit of all remedies provided by law or set forth in this Mortgage or in the Note, including the right to declare all sums secured hereby immediately due and payable.

Notwithstanding the foregoing, in the case of a default specified in Section 4.1.2 above, if such default is susceptible of cure by Grantor, Grantee shall not exercise any such remedies unless Grantor fails to cure such default within thirty (30) days after written notice thereof from Grantee; provided that, if such default is of such nature that it cannot reasonably be cured within such thirty day period, such thirty day period shall be extended (to a period not exceeding sixty (60) days) if and so long as, in Grantee's sole judgment, Grantor is diligently prosecuting such cure. No waiver by Grantee of any default on the part of Grantor shall be construed as a waiver of any subsequent default hereunder.

4.2 Foreclosure Sale.

If an Event of Default occurs and Grantee so requests, Grantee may obtain a judicial decree foreclosing Grantor's interest in all or any part of the Property. In addition, if permitted by applicable law, Grantee may foreclose Grantor's interest in all or any part of the Property. Grantee may also obtain a judgment for any deficiency remaining in any and all amounts due Grantee under the Note after application of all amounts received from the exercise of the rights provided herein.

Grantee shall have the right to proceed as to the Personal Property in accordance with Grantee's rights and remedies in respect to real property or sell the Personal Property separately and without regard

to the remainder of the Property in accordance with Grantee's rights and remedies provided by the Washington Uniform Commercial Code as well as other rights and remedies available at law or in equity.

4.3 Other Remedies Upon Default.

Upon the occurrence of an Event of Default, Grantee is authorized, either by itself or by its agent to be appointed by it for that purpose or by a receiver appointed by a court of competent jurisdiction, to enter into and upon and take and hold possession of any portion or all of the Property, both real and personal, and exclude Grantor and all other persons therefrom; to operate and manage the Property and rent and lease the same, to perform such reasonable acts of repair or protection as may be reasonably necessary or proper to conserve the value thereof; and collect any Rents for the benefit and protection of Grantee, and from time to time apply or accumulate such Rents in such order and manner as Grantee or such receiver, in its sole discretion, shall consider advisable, to or upon the following: the expenses of receivership, if any; the proper costs of upkeep, maintenance, repair and/or operation of the Property; the repayment of any sums theretofore or thereafter advanced pursuant to the terms of this Mortgage; the interest then due or next to become due upon the indebtedness secured hereby; the costs of appraisal of the Property, and the taxes and assessments upon the Property then due or next to become due, or upon the unpaid principal of such indebtedness. The collection or receipt of Rents by Grantee, its agent or receiver, after notice of default and notice of sale shall not affect or impair such default or notices or any sale proceedings predicated thereon. Any Rents in the possession of Grantee, its agent or receiver, at the time of sale and not theretofore applied as herein provided, shall be applied in the same manner and for the same purposes as the proceeds of the sale.

Grantee shall not be under any obligation to make any of the payments or do any of the acts referred to in this Section 4.3, and any of the actions referred to in this Section 4.3 may be taken by Grantee regardless of whether any notice of default or notice of sale has been given hereunder and without regard to the adequacy of the security for the indebtedness owed under the Loan Documents.

4.4 Effect of Foreclosure on Leases.

Grantee shall have the right, at its option, to foreclose this Mortgage subject to the rights of any tenants of the Property, and the failure to make any tenants a party defendant to any foreclosure proceeding will not be asserted by the Grantor as a defense in any action or suit instituted to collect the indebtedness secured hereby or any deficiency remaining after foreclosure. Any such tenant whom Grantee elects to not make a party or subject to any foreclosure action shall continue in possession of its leasehold for the unexpired term of its lease and shall attorn to Grantee or other purchaser at the sale.

4.5 Sale in Parcels; Marshalling.

The Property, real, personal or mixed, may be sold as an entirety or in parcels, by one sale or by several sales held at one time or at different times, all as Grantee, in its unrestricted discretion, may elect. Grantor, for and on behalf of itself and all persons claiming by, through or under Grantor, waives any and all right to have the Property marshaled upon any foreclosure sale and agrees that, upon foreclosure, the Property may be sold as an entirety and not in parcels.

4.6 Appointment of Receiver.

Upon an Event of Default, Grantee, in a separate action or in any action to foreclose this Mortgage, shall be entitled to the appointment of a receiver of the Rents of the Property who shall have, in addition to all the rights and powers customarily given to and exercised by such receiver, all the rights and powers granted to Grantee by the covenants contained herein. Once appointed, at Grantee's option, such receiver may remain in place until the default is cured.

4.7 Payment of Proceeds.

Whenever this Mortgage requires that amounts payable by a third party be paid directly to Grantee (for example, insurance proceeds and proceeds of claims of loss or damage to the Property), Grantee may enforce such right with a preliminary injunction or temporary restraining order. Grantor agrees that irreparable harm may result if such payments are not made directly to Grantee. Grantor agrees not to oppose a motion for such injunction or restraining order provided that arrangements are made to deposit such sums in a third party depository.

ARTICLE 5 SUBORDINATION

Grantee hereby agrees to subordinate its interest under this Mortgage and any right, title and interest in the Property to the interest of any other lender(s) advancing funds to Grantor, provided that at the time of such subordination the then-current balance of such third party loan(s) plus the then-current balance on the Note do not exceed the value of the Property. For the purpose of this Article 5, the value of the Property shall be (a) \$1,090,000.00 if the Property is not amended under Article 6 below, or (b) the value of the amended Property, as determined by the values assigned in Exhibit B hereto. Grantee agrees to execute such subordination or other agreements as may be necessary to effectuate the purposes of this Article 5.

ARTICLE 6 RELEASE AND AMENDMENT

Grantor may, at Grantor's option, subdivide the Property or record a boundary line adjustment involving the neighboring property owned by Grantor described in Exhibit B. In such cases, upon not less than ten (10) days' prior written notice from Grantor, Grantee shall (a) request a partial release or reconveyance from the lien of this Mortgage to those portions of the Property requested by Grantor and/or (b) accept all or portions of the neighboring property in substitution for those portions of the Property so released or reconveyed, which substitution shall be accomplished by an amendment to the description of the Property attached hereto as Exhibit A. Grantee shall only be required to do the above if the following terms and conditions are met:

- (a) There are no then-existing defaults by Grantor under the Note or this Mortgage.
- (b) The amended Property complies with all zoning laws.
- (c) The amended Property constitutes one or more separate tax parcels and one or more separate legal lots.
- (d) Grantor reimburses all of Grantee's reasonable costs and fees incurred in connection with such partial release or reconveyance and/or amendment.
- (e) Following such subdivision or boundary line adjustment, the legal lot that includes the house and associated barns on the current Property does not exceed five (5) acres.
- (f) The value of the amended Property, as determined by the values assigned on Exhibit B, exceeds the then-current balance on the Note.
- (g) If this Mortgage is or will be subordinate to the interest of any other lender as described in Article 5, the partial release or reconveyance and/or amendment to the Property will comply with the terms of Article 5.

(h) If Grantor completes a subdivision or boundary line adjustment to segregate the mobile home and associated buildings on the neighboring property and wishes to exclude such new mobile home parcel from the amended Property under this Article 6, the legal lot that includes the mobile home and associated buildings does not exceed one (1) acre.

Notwithstanding any prepayment prohibition in the Note, if Grantor creates a legal lot meeting the requirements of (e) above and wishes to sell such house property, Grantee agrees to accept such prepayment on the Note, if any, necessary to allow Grantor to remain in compliance with Articles 5 and 6 of this Mortgage. Grantor and Grantee agree to coordinate and use their reasonable best efforts to minimize any additional income taxes Grantee may incur as a result of such prepayment.

ARTICLE 7 GENERAL COVENANTS

7.1 No Waiver.

Grantor covenants and agrees that the acceptance by Grantee of any sum secured hereby after its due date, or in an amount less than the sum then due, shall not constitute a waiver by Grantee of its rights either to require prompt payment when due of all other sums so secured or to declare a default or exercise such other rights as herein provided for failure so to pay. No failure by Grantee to insist upon strict performance of any term, covenant or condition hereof, nor failure to exercise any right or remedy hereunder, shall constitute a waiver of any such breach of such term, covenant or condition or of the later exercise of such right or remedy. All waivers shall be in writing.

7.2 Remedies Cumulative.

No remedy herein conferred upon or reserved to Grantee 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.

7.3 Notices.

All notices hereunder shall be deemed to have been duly given if mailed by United States registered or certified mail (return receipt requested and postage prepaid), sent by a reputable overnight delivery service, or personally delivered to the parties at the addresses set forth on page one of this Mortgage (or at such other addresses as shall be given in writing by any party to the other), and shall be deemed complete upon any such mailing, sending or delivery.

7.4 Heirs and Assigns; Terminology.

This Mortgage applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Grantor" shall mean both the original Grantor and any subsequent owner or owners of any of the Property. The term "Grantee" shall mean the Grantee, including pledgees, of the Note, whether or not named as Grantee herein. The captions and headings are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope or intent of this Mortgage nor in any way affect this Mortgage.

7.5 Severability.

If any provision hereof should be held unenforceable or void, then such provision shall be deemed separable from the remaining provisions and shall in no way affect the validity of this Mortgage, except that if such provision relates to the payment of any monetary sum then Grantee may, at its option, declare the indebtedness and all other sums secured hereby immediately due and payable, provided that

no prepayment fee shall be payable in the event Grantee elects to exercise the option to accelerate contained in this Section 7.5.

7.6 Time is of the Essence.

Time is of the essence hereof in connection with all obligations of Grantor herein. By accepting payment of any sum secured hereby after its due date, Grantee does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

7.7 Oral Agreements.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, MODIFY LOAN TERMS OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

7.8 No Personal, Family or Household Use.

The indebtedness secured hereby shall not be used for personal, family or household use.

7.9 Governing Law.

This Mortgage is to be governed by and construed in accordance with the laws of the State of Washington.


7.10 Termination.

Grantee shall release and reconvey this Mortgage upon satisfaction in full of all obligations secured pursuant to this Mortgage.

IN WITNESS WHEREOF, Grantor has executed this instrument as of the date first written above.


GRANTOR:

STERLING HILL, L.L.C.,
a Washington limited liability company

By: 
Norman Nelson, its Manager

GRANTEE:

MARK KNUTZEN FARMS, INC.,
a Washington corporation

By: 
MARK KNUTZEN, its PRESIDENT

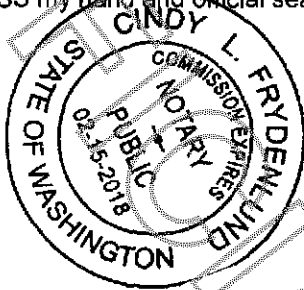
STATE OF WASHINGTON)

) ss.

COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that NORMAN NELSON is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the MANAGER of STERLING HILL, L.L.C., to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned in the instrument.

WITNESS my hand and official seal hereto affixed this 26th day of April, 2017.



Cindy L. Frydenlund
Name: Cindy L. Frydenlund
NOTARY PUBLIC in and for the State of
Washington, residing at MT Vernon
My commission expires: 2-15-18

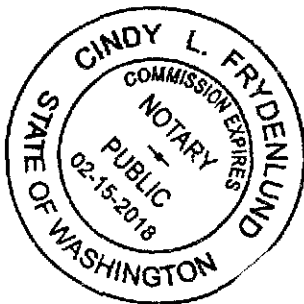
STATE OF WASHINGTON)

) ss.

COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that MARC KNUTZEN is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the PRESIDENT of MARK KNUTZEN FARMS, INC., to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned in the instrument.

WITNESS my hand and official seal hereto affixed this 26th day of April, 2017.



Cindy L. Frydenlund
Name: Cindy L. Frydenlund
NOTARY PUBLIC in and for the State of
Washington, residing at MT Vernon
My commission expires: 2-15-18

EXHIBIT A
Legal Description

The East ½ of the West ½ of the Northeast ¼ of Section 25, Township 35 North, Range 3 East, W.M.,
EXCEPT road and ditch rights of way.

Situate in the County of Skagit, State of Washington.

Tax Parcel Number(s): 350325-1-004-0001, P34800.

EXHIBIT B
Values

Value of Property

\$1,090,000.00

If such parcel is subdivided or boundary line adjusted, the house parcel described in Article 6(e) = \$700,000.00 and the remaining portion = \$390,000.00

Value of Neighboring Property

\$530,000.00

Legal Description of Neighboring Property

P34798, P34799 and P34804:

Parcel A:

The North ½ of the Northeast ¼ of the Northeast ¼, Section 25, Township 35 North, Range 3 East, W.M.,

EXCEPT that portion thereof lying Easterly of the Southerly line of right of way as conveyed to Bellingham Skagit Railway Company, by Deed recorded, September 30, 1911, in Volume 87 of Deeds, page 243, records of said County;

AND EXCEPT County road and ditch rights of way.

Situate in the County of Skagit, State of Washington.

Parcel B:

The South ½ of the Northeast ¼ of the Northeast ¼, Section 25, Township 35 North, Range 3 East, W.M.;

EXCEPT road.

Situate in the County of Skagit, State of Washington.

If such parcel is subdivided or boundary line adjusted, the mobile home parcel described in Article 6(h) = \$180,000 and the remaining portion = \$350,000.

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