

After Recording Return To:

FCS - Salem
475 Cottage Street, N.E., Suite 250
P. O. Box 1009
Salem, OR 97308

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KATHY HILL
SKAGIT COUNTY AUDITOR

'97 JUN 13 18:45

RECORDED S FILED _____
REGULATORY _____

9706130008

S-81619

LAND TITLE COMPANY OF SKAGIT COUNTY

LINE OF CREDIT MORTGAGE (OPEN END)

Reference numbers of related documents: None

Grantors: Draper Valley Farms, Inc., a Washington corporation
Art's Fryer Farms, Inc., a Washington corporation

Grantee: Northwest Farm Credit Services, ACA

Legal Description:

1. A portion of the NE1/4SW1/4 of Section 1, Township 34 North, Range 3 East, W.M., Skagit County.
2. A portion of Lot 6 in Section 12, Township 34 North, Range 3 East, W.M., Skagit County. pg 7

Assessor's Property Tax Parcel Account Number(s):

340301-3-001-0108
340312-0-024-0005

LINE OF CREDIT MORTGAGE (Open End) - 1
CIF/NOTE NO. 39386-541 .

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Customer/Note No. 39386-541
Draper Valley Farms, Inc.

Line of Credit Mortgage

(Open End)

THIS MORTGAGE IS ALSO INTENDED TO BE A FIXTURE FILING.

On June 12, 1997, Draper Valley Farms, Inc., a Washington corporation, and Art's Fryer Farms, Inc., a Washington corporation, hereinafter called Mortgagors, whose address is 1000 Jason Lane, Mt. Vernon, WA 98273, grant, convey, warrant, transfer and assign to Northwest Farm Credit Services, ACA, a corporation organized under the Farm Credit Act of 1971, as amended, hereinafter called Mortgagee, whose address is West 601 First Avenue, P.O. Box 2515, Spokane, Washington 99220-2515, a mortgage and security interest in property in Skagit, Snohomish and Whatcom Counties, State of Washington, more particularly described in Exhibit "A" attached hereto and incorporated herein, including all rents, issues, profits, buildings and improvements thereon and in all tenements, hereditaments, rights, privileges, easements, rights of way and appurtenances, (including, without limitation, private roads, grazing privileges, water rights, ditches and conduits and rights of way therefor, all plumbing, lighting, heating, cooling, ventilating, elevating, and irrigating apparatus and other equipment and fixtures, now or hereafter belonging to or used in connection therewith), all of which is hereinafter called "Property."

The following described Note, Membership Agreement, security documents and any other documents or instruments signed in connection with the Note and security documents and any amendments thereto are collectively called the "Loan Documents." "Advances" shall include any amounts provided to Mortgagor under the terms of the Loan Documents and any amounts expended by Mortgagee to protect the Property or enforce its rights under the Loan Documents. This conveyance is intended to secure performance of the covenants and agreements contained herein, and in any Loan Documents, and payment of the indebtedness under the terms of the Note made by Mortgagors to the order of Mortgagee, with interest and charges as provided therein and in the Loan Documents, and any extensions, modifications or renewals thereof:

DATE OF NOTE	PRINCIPAL AMOUNT	FINAL INSTALLMENT DATE
June 12, 1997	\$2,000,000.00	July 1, 2010

The terms of the Note and Loan Documents, described above, provide that the interest rate, payment terms or amounts due may be indexed, adjusted, renewed or renegotiated. In addition, this mortgage is intended to secure any other loans and advances made within five years from the date of this mortgage by Mortgagee to Mortgagors or any of them, no matter how evidenced; provided however, the aggregate sum of all unpaid principal balances of all such loans and advances secured hereby shall not, at any one time, exceed \$2,000,000.00, exclusive of interest and amounts advanced to protect Mortgagee's interests hereunder and under the Loan Documents. The continuing validity and priority of this mortgage for future loans and advances shall not be impaired by the fact that at certain times no outstanding indebtedness to Mortgagee nor commitment from Mortgagee to make future loans exist.

LINE OF CREDIT MORTGAGE (Open End) - 2
CIF/Note No. 39386-541

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Mortgagors and each of them REPRESENT, WARRANT, COVENANT and AGREE:

1. That they have title to the Property free from encumbrances, except as described in Exhibit "A"; they have good right and lawful authority to convey and encumber the same; they will warrant and defend the same forever against the lawful claims and demands of all persons whomsoever; and they agree this covenant shall not be extinguished by foreclosure or other transfers.
2. To keep all buildings and other improvements, now or hereafter existing, in good repair; not to remove or demolish or permit the removal or demolition of any building or other improvement; to restore promptly in a good and workmanlike manner, any building or improvement, which may be damaged or destroyed; to maintain and cultivate the Property in a good and husbandlike manner, using approved methods for preserving the fertility and productivity thereof; not to change or permit change in the use of the Property; and not to do anything which would reduce the value of the Property.
3. To maintain casualty insurance, naming Mortgagee as loss payee, on all buildings and improvements, against loss or damage by fire and other risks; to maintain liability insurance; to pay all premiums and charges on all such insurance when due; and to provide Mortgagee satisfactory evidence of such insurance upon request. All such insurance shall be in such form(s), with such company(ies) and in such amount(s) as shall be satisfactory to Mortgagee.
4. Not to apply for or enter into any federal, state, or local program, which limits or restricts the use of the Property, in any way, without prior written consent of Mortgagee.
5. To pay all debts and money, secured hereby, when due; to pay, when due, all taxes, assessments, rents and other charges upon the Property and to suffer no other encumbrance, charge or lien on the Property, which would be superior to this mortgage, except as stated above.
6. To specifically assign and deliver to Mortgagee all rents, royalties, damages and payments of every kind, including without limitation insurance reimbursements and condemnation awards, at any time accruing, for any transfer, loss or seizure of the Property, any portion thereof or any rights therein; Mortgagee may, at its option, apply such amounts in any proportion to any of the indebtedness hereby secured; and Mortgagee shall have the right to enter upon the Property to make full inspection of the Property.
7. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Property and its use, including without limitation all environmental laws; not to use or permit the use of the Property for any unlawful, or objectionable purpose or for any purpose that poses an unreasonable risk of harm, or that impairs or may impair the value of the Property, or any part thereof, not to apply residue from wastewater treatment facilities to the Property without prior written notice to Mortgagee; to remedy any environmental contamination or violation of environmental laws that may occur or be discovered in the future; to allow Mortgagee access to the Property to inspect its condition and to test and monitor for compliance with applicable laws (any inspections or tests made by Mortgagee shall be for Mortgagee's purposes only and shall not be construed to create any responsibility or liability on the part of Mortgagee to Mortgagors or to any other person); to forward copies of any notices received from any environmental agencies to Mortgagee; to provide Mortgagee copies of any independent test or inspection reports on environmental

LINE OF CREDIT MORTGAGE (Open End) - 3
CIF/Note No. 39386-541

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status of the Property; and to indemnify and hold Mortgagee, its directors, employees, agents and its successors and assigns, harmless from and against any environmental claims of any kind, and all costs and expenses incurred in connection therewith, including, without limitation, attorney's fees.

8. That neither Mortgagors nor, to the best of Mortgagors' knowledge, any prior owner has created or permitted conditions on the Property, which may give rise to environmental liability; no enforcement actions are pending or threatened; no underground tanks are located on the Property except as already disclosed; any such underground tanks currently or previously located on the Property do not now and never have leaked and no contaminated soil is located on the Property; and Mortgagors' representations, warranties, covenants and indemnities herein and in the Loan Documents shall survive satisfaction of the Note and Loan Documents, foreclosure of this mortgage, acceptance of a deed in lieu of foreclosure or any transfer or abandonment of the Property.
9. To perform all terms and conditions of each water or other contract, described in Exhibit "A", if any, and to promptly pay all sums due or to become due under each contract so that no delinquency or default will occur under such contract(s); to perform all acts necessary to perfect and maintain any water permit, certificate, license or other water interest, however designated, described in or used in conjunction with the real Property described in Exhibit "A"; any assignment of any such interest, during the term of this mortgage, naming Mortgagee as an assignee shall be for security purposes and shall not alter Mortgagors' obligations hereunder; and any failure of Mortgagors to perform any such obligation shall constitute an event of default.
10. That in the event of default in any of the covenants or agreements herein, or in any of the Loan Documents, Mortgagee may, at its option perform the same, in whole or in part; any advances, including, without limitation, attorney fees or costs, paid or incurred by Mortgagee to protect or enforce its rights under the Loan Documents, in bankruptcy, appellate proceedings or otherwise, shall be payable on demand and shall become a part of the indebtedness secured by this mortgage.
11. That the indebtedness and obligations secured by this mortgage are personal to the Mortgagors and are not assignable by Mortgagors; Mortgagee relied upon the credit of Mortgagors, the interest of Mortgagors in the Property and the financial market conditions then existing when making this loan; if Mortgagors sell, transfer or convey or contract to sell, transfer or convey the Property, or any portion thereof, or if the ownership of any corporation or partnership, owning all or any portion of the Property shall be changed either by voluntary or involuntary sale or transfer or by operation of law, without prior written consent of Mortgagee, or if Mortgagors default in the payment of the indebtedness, or with respect to any warranty, covenant or agreement in the Loan Documents or if a receiver or trustee for any part of the Property is appointed, or if any proceeding under the bankruptcy or insolvency laws is commenced by or against Mortgagors, or if Mortgagors become insolvent, or if any action is commenced to foreclose or enforce a lien on any portion of the Property, then, Mortgagors shall be in default hereunder.
12. That time is of the essence and in the event of default, at Mortgagee's option, the entire indebtedness secured hereby shall forthwith become due and payable and bear interest at the rate set forth in the Loan Documents for delinquent payments; Mortgagee shall have the right to foreclose the lien of this mortgage, to have a receiver appointed in any court proceeding, to collect any rents, issues and profits from the Property and apply them

against the indebtedness hereby secured and to exercise any rights and remedies available under the Uniform Commercial Code for the state in which the Property is located; and reasonable notice, if required by such Code, shall be five (5) days.

13. That the failure of Mortgagee to exercise any right or option provided herein, at any time shall not preclude Mortgagee from exercising any of such rights at any other time; the covenants and agreements contained herein shall be binding on and inure to the benefit of the parties and their respective heirs, successors and assigns; all rights conferred on Mortgagee are cumulative and additional to any rights conferred by law; and if any provision is found to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof and the mortgage shall be construed as though such provision had been omitted.
14. That Mortgagors and each of them join in this instrument for the purpose of subjecting each of their right, title and interest, if any, in the Property, whether of record or otherwise and including any right to possession, to the lien of this mortgage.

CERTIFICATE OF VERIFICATION: The undersigned Mortgagors state that they have had an opportunity to review Exhibit A hereto consisting of two pages and confirms that said Exhibit is a true and accurate description of the real and personal property to secure this loan from Northwest Farm Credit Services, ACA under Loan No. 39386-541.

Draper Valley Farms, Inc., a
Washington Corporation

BY: James H. Koplowitz
James H. Koplowitz, President

ATTESTS: Richard M. Koplowitz
Richard M. Koplowitz, Secretary

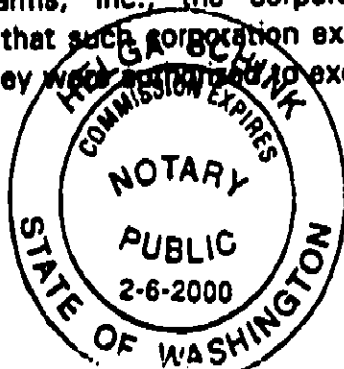
Art's Fryer Farms, Inc., a Washington
Corporation

James H. Koplowitz
James H. Koplowitz, President

Richard M. Koplowitz
Richard M. Koplowitz, Secretary

STATE OF Washington) ss.
County of Skagit)

On this 12th day of June, 1997, before me personally appeared James H. Koplowitz and Richard M. Koplowitz, known to me to be the President and Secretary, respectively, of Draper Valley Farms, Inc., the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same as its free act and deed; and each on oath stated that they were authorized to execute said instrument.



Helga Schink
Notary Public for the State of WA
Residing at Mount Vernon
My commission expires 2/6/2000

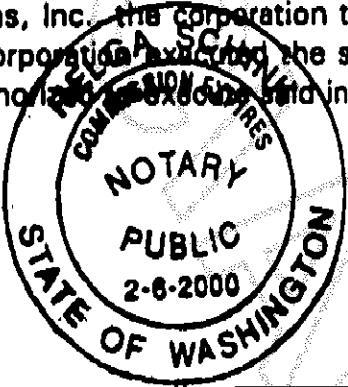
LINE OF CREDIT MORTGAGE (Open End) - 5
CIF/Note No. 39386-541

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STATE OF WA)
) ss.
County of Skagit)

On this 12th day of June, 1997, before me personally appeared James H. Koplowitz and Richard M. Koplowitz, known to me to be the President and Secretary, respectively, of Art's Fryer Farms, Inc. the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same as its free act and deed; and each on oath stated that they were authorized to execute said instrument.



Helga Schenk
Notary Public for the State of WA
Residing at Mount Vernon
My commission expires 2/6/2000

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

LINE OF CREDIT MORTGAGE (Open End) - 6
CIF/Note No. 39386-541

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Whatcom County Land:

The east half of the southeast quarter of the northwest quarter of section 16, Township 39 North, Range 3 East of W.M., Except right of way for Ten Mile Road lying along the southerly line thereof.

Snohomish County Land:

Lot 2 of Short Plat recorded under Recording Number 7807140292, being a portion of the northeast quarter of Section 6, Township 32 North, Range 4 East, W.M. in Snohomish County, Washington.

Skagit County Land:

Parcel "A":

Tract 2 of Skagit County Short Plat No. 6-82, approved April 27, 1982 and recorded April 30, 1982, under Auditor's File No. 820430001 in Book 5 of Short Plats, page 185, records of Skagit County, Washington; being a portion of the Northeast 1/4 of the Southwest 1/4 of Section 1, Township 34 North, Range 3 East, W.M.

Situate in the County of Skagit, State of Washington.

Parcel "B":

That portion of Government Lot 6 in Section 12, Township 34 North, Range 3 East, W.M., described as follows:

Beginning at a point on the East line of said Government Lot 6, which is 5.52 chains North of the Southeast corner of said Government Lot 6; thence Westerly parallel with the Southerly line of said Government Lot 6, a distance of 688 feet; thence Northerly along the Easterly line projected Southerly and along said Easterly line of these premises conveyed by Arthur H. Von Seggern to Ivan M. Fisher by Deed dated April 3, 1947 and filed April 3, 1947, under Auditor's File No. 402803, and recorded in Volume 217 of Deeds, page 135, to the Southerly bank of the Skagit River; thence Easterly along said Southerly bank to the East line of said Government Lot 6; thence South along said East line to the point of beginning, EXCEPT roads and dike right of way, AND EXCEPT the West 35 feet as conveyed to Neil Hamburg et ux, by deed recorded October 2, 1978, under Auditor's File No. 888573, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.

Parcel "C":

That portion of the following described tract lying Easterly of the Southerly extension of the East line of that certain tract conveyed to Neil Hamburg and Darlene Hamburg, his wife, by deed recorded under Auditor's File No. 888573:

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That portion of Government Lot 6, Section 12, Township 34 North, Range 3 East, W.M., described as follows:

Beginning at the Southwest corner of said Lot; thence North 83°40'02" East 1,239.46 feet along the South line of said section to the Southeast corner of said Lot 6; thence North 0°33'18" East 364.32 feet (5.52 chains) along the East line of said Lot 6 to the true point of beginning; thence South 83°40'02" West 1,243.17 feet parallel with said South line to the West line thereof; thence South 88°38'19" East 1,234.32 feet to said East line; thence North 0°33'18" East 166.46 feet along said East line to the true point of beginning.

Being a portion of Lot 2, Short Plat No. 79-80, recorded in Book 5 of Short Plats, page 125, under Skagit County Auditor's File No. 8109110008.

Situate in the County of Skagit, State of Washington.

Together with all now owned or hereafter acquired fixtures, equipment, machinery, appliances, tools and parts which are a part of or associated with the fryer growing facilities located on the above described property, including without limitation, all watering systems, all pan feeders, all fans, all brooders, all grain tanks, all alarm and paging computer systems, all heating, ventilation and circulation systems and all pumps. Also together with all property and goods similar to those described herein which at any time may be acquired by Mortgagors, including but not limited to all additions, replacements, substitutions and accessions thereof, and all accounts, general intangibles and proceeds arising therefrom.

Also together with a 1978 Hillcrest mobile home and 1980 double wide, 24' x 60' Oakbrook by Liberty mobile home or any replacements thereof, including but not limited to all parts, accessories and accessions thereto at any time made or acquired, and all proceeds, accounts and general intangibles arising from such property and goods.

Also together with all now owned or hereafter acquired fixtures, equipment, machinery, appliances, tools and parts which are a part of or associated with the feed mill facility located on the above described property, including without limitation, all feed tanks, chutes, augers, feedstuff transfer systems, elevators, pellet mills, hammer mills, feed mills, feed grinders, mixing and processing systems, fat application systems, power supplies, cooling systems, air hoists, boiler systems, pumps, motors, catwalks, computer monitoring systems, truck scales and water systems. Also together with all property and goods similar to those described herein which at any time may be acquired by Mortgagors, including but not limited to all additions, replacements, substitutions and accessions thereof, and all accounts, general intangibles and proceeds arising therefrom.

Also, together with all right, title and interest of Mortgagors in and to the following described lease, together with all rights of use, water and access represented thereby, and any extension, renewals, subsequent leases issued in lieu thereof and in addition thereto, which interests, as between the parties to this instrument, their heirs, successors and assigns, are declared to be appurtenant to the real property above-described:

Page 3 of 3

Exhibit A to
Line of Credit Mortgage (Open End)

CIF/Note No. 39386-541

Indefinite Term Lease dated September 16, 1982, as amended, between Burlington Northern Railroad Company, a Delaware corporation, Lessor, and Draper Valley Farms, Inc., a Washington corporation, Lessee, providing the right to use a railroad spur, in the City of Burlington, County of Skagit, State of Washington, included in the aforementioned Skagit County Lands, Parcel "A".

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