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Skagit County Auditor

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Dale K. Roundy
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**PURCHASE MONEY MORTGAGE,
ASSIGNMENT OF RENTS AND LEASES,
SECURITY AGREEMENT AND FIXTURE FILING**

by and from

PERDUE FOODS LLC, "Mortgagor"
(formerly known as Perdue Farms LLC, successor
by merger to Perdue Farms Incorporated)

to

DVF MANAGEMENT CORPORATION, "Mortgagee"

Dated as of December 21, 2012

Legal Description (abbr.): PTN SE NW, 20-35-05; Tract 2 SKAGIT COUNTY SURVEY
AF 8308290022; PTN NE NE, 21-35-04; PTN SW SE, 16-35-05; PTN. SW, Sec. 17, T34N,
R4EWM

**FOR THE FULL LEGAL DESCRIPTION: SEE EXHIBITS "A-1" THROUGH "A-5" TO
THIS DOCUMENT**

Assessor's Tax Parcel ID No.: P40033 / 350520-2-008-0016 and P40009 / 350520-2-002-
0100; P40175 / 350525-1-001-0200 and P40155 / 350524-0-015-0009; P36992 / 350421-1-001-
0007; P39239 / 350516-4-003-0005; P25989 / 340417-3-007-0004.

To Be Recorded in Skagit County, Washington

**PURCHASE MONEY MORTGAGE,
ASSIGNMENT OF RENTS AND LEASES,
SECURITY AGREEMENT AND FIXTURE FILING**

THIS PURCHASE MONEY MORTGAGE, ASSIGNMENT OF RENTS AND LEASES, SECURITY AGREEMENT AND FIXTURE FILING (this "**Mortgage**"), is dated as of this 21st day of December, 2012, by and from PERDUE FOODS LLC, a Maryland limited liability company (formerly known as Perdue Farms LLC, successor by merger to Perdue Farms Incorporated), having an address of P.O. Box 1537, Salisbury, Maryland 21802, Attn: Mark Garth, SVP, Finance and Treasurer ("**Mortgagor**"), to DVF MANAGEMENT CORPORATION, a Washington corporation, having an address of c/o Richard Koplowitz and James Koplowitz, 1210 Dale Lane, P.O. Box 1265, Mount Vernon, Washington 98273 (together with its successors and assigns, "**Mortgagee**").

RECITALS:

WHEREAS, Mortgagor is the owner of the real property described in Exhibits "A-1" through "A-5" attached hereto.

WHEREAS, Mortgagor and Mortgagee entered into that certain Purchase and Sale Agreement dated as of November 29, 2012 (as amended, the "**Agreement**") in connection with the purchase of the Properties (as defined in the Agreement) owned by Mortgagee.

WHEREAS, pursuant to the Agreement, Mortgagor executed and delivered to Mortgagee that certain Promissory Note dated of even date herewith, made by Mortgagor in favor of Mortgagee, in the original aggregate principal amount of \$1,250,000.00 (including all amendments, modifications, supplements and renewals thereof, the "**Note**"), evidencing Mortgagor's obligations to pay to Mortgagee the outstanding amounts owed to Mortgagee in connection with Mortgagor's purchase of the Properties owned by Mortgagee.

ARTICLE 1
DEFINITIONS

Section 1.1 Definitions. All capitalized terms used herein without definition shall have the respective meanings ascribed to them in the Note. As used herein, the following terms shall have the following meanings:

(a) "**Event of Default**": shall have the meaning ascribed to such term in Article 4 hereof.



(b) **"Insolvency Proceeding"**: shall mean any judicial case or proceeding commenced by or against Mortgagor under the Bankruptcy Code or otherwise relating to receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment or composition.

(c) **"Loan Documents"**: shall mean, collectively, the Note and this Mortgage, and all extensions, amendments, modifications and supplements thereof.

(d) **"Maturity Date"**: has the meaning ascribed to such term in the Note, or such earlier date on which the Obligations shall be due and payable in full, whether by acceleration, termination of the Note or otherwise.

(e) **"Obligations"**: shall mean all obligations and liabilities of the Mortgagor owing to the Mortgagee under the Note and this Mortgage, including, without limitation, (1) the repayment of all amounts outstanding from time to time under the Note and this Mortgage, with such indebtedness maturing on the Maturity Date, including principal, interest (including all interest that, but for the provisions of the Bankruptcy Code, would have accrued), and other amounts which may now or hereafter be advanced under this Mortgage, (2) fees, costs and expenses accrued, incurred or arising in connection with any Loan Document, and (3) any and all future advances made pursuant to the terms of this Mortgage, including, in the case of each of clauses (1) through (3), reasonable attorneys fees and expenses and any interest, fees or expenses that accrue after the filing of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any Insolvency Proceeding.

(f) **"Property"**: shall mean, collectively, all of Mortgagor's interest in (1) the tracts and parcels of land described on Exhibits "A-1" through "A-5" attached hereto and incorporated herein by this reference (collectively, the **"Land"**), (2) all improvements now owned or hereafter acquired by Mortgagor and situated, placed or constructed upon the Land (the **"Improvements"**); the Land and Improvements are collectively referred to herein as the **"Premises"**), (3) all materials, supplies, equipment, apparatus and other items of personal property now owned or hereafter acquired by Mortgagor and attached to or installed in any of the Improvements or the Land, fixtures and goods that are or are to become fixtures, and water, gas, electrical, telephone, storm and sanitary sewer facilities and all other utilities whether or not situated in easements (the **"Fixtures"**), (4) all existing and future leases, subleases, licenses, concessions, occupancy agreements or other agreements (written or oral, now or at any time in effect) which grant to any person a possessory interest in, or the right to use or occupy, all or any part of the Property, together with any extension, renewal or replacement of the same and together with all related security and other deposits (the **"Leases"**), (5) all



of the rents, additional rents, revenues, royalties, income, proceeds, profits, early termination fees or payments, security and other types of deposits, and other benefits paid or payable by parties to the Leases for using, leasing, licensing, possessing, operating from, residing in, selling or otherwise enjoying the Property or any part thereof (the "**Rents**"), (6) all other agreements, such as utility contracts, maintenance agreements, management agreements, service contracts, listing agreements, guaranties, warranties, permits, licenses, certificates and entitlements in any way relating to the use, occupancy, operation, maintenance, enjoyment or ownership of the Property (the "**Property Agreements**"), (7) all general intangibles, minerals and oil, gas, and other hydrocarbon substances, royalties, water, water rights, rights, privileges, tenements, hereditaments, rights-of-way, alleys, streets, easements, appendages and appurtenances appertaining to the foregoing, (8) all accessions, replacements and substitutions for any of the foregoing and all proceeds thereof (the "**Proceeds**"), (9) all insurance policies, unearned premiums therefor and proceeds from such policies to the extent covering any of the above property (the "**Insurance**"), (10) all of Mortgagor's right, title and interest in and to any awards, damages, remunerations, reimbursements, settlements or compensation heretofore made or hereafter to be made by any governmental authority to the extent pertaining to the Land, Improvements or Fixtures (the "**Condemnation Awards**"), and (11) all of Mortgagor's rights to appear and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of Mortgagor in the Property.

(g) "**UCC**": shall mean the Uniform Commercial Code of the state in which the Land is located or, if the creation, perfection and enforcement of any security interest herein granted is governed by the laws of a state other than the state in which the Land is located, then, as to the matter in question, the Uniform Commercial Code in effect in that state.

ARTICLE 2

GRANT

Section 2.1 Grant. For and in consideration of good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, and in order to secure the full and timely payment and performance of the Obligations, Mortgagor has executed this Mortgage (together with the assignment of rents and leases, security agreement, and fixture filing contained herein), and Mortgagor hereby irrevocably GRANTS, BARGAINS, ASSIGNS, SELLS, CONVEYS, WARRANTS AND HYPOTHECATES, to Mortgagee, the Property, subject, however, to liens and encumbrances of record, TO HAVE AND TO HOLD the Property, together with all and singular the parts, rights, privileges, hereditaments, and appurtenances thereto in any ways belonging or appertaining, to the use, benefit, and behoof of Mortgagee, and Mortgagor does hereby bind itself, its successors and assigns to WARRANT AND



FOREVER DEFEND the title to the Property unto Mortgagee, its successors and assigns.

ARTICLE 3
WARRANTIES, REPRESENTATIONS AND COVENANTS

Mortgagor warrants, represents and covenants to Mortgagee as follows:

Section 3.1 Title to Property and Lien of this Instrument.

Mortgagor (i) has good and indefeasible fee simple title to the Premises, free and clear of any liens, claims or interests, except liens and encumbrances of record and (ii) has full power and lawful authority to encumber the Property in the manner and form set forth in this Mortgage. This Mortgage creates valid, enforceable first priority liens and security interests against the Property.

Section 3.2 Payment and Performance. Mortgagor shall pay the Obligations when due under the Loan Documents and shall perform the Obligations in full when they are required to be performed.

Section 3.3 Replacement of Fixtures. Mortgagor shall not, without the prior written consent of Mortgagee, permit any of the Fixtures to be removed at any time from the Land or Improvements, unless the removed item is removed temporarily for maintenance and repair or, if removed permanently, is replaced by an article of equal or better suitability and value, owned by Mortgagor.

Section 3.4 Inspection. Mortgagor shall permit Mortgagee and its agents, representatives and employees to inspect the Property at reasonable times upon no less than forty-eight (48) hours' prior notice to Mortgagor and provided that such inspections do not materially interfere with Mortgagor's business.

Section 3.5 Taxes and Utilities. Mortgagor will pay all taxes, levies, assessments, utility charges and other fees and charges imposed upon or which may become a lien upon the Premises under any law or ordinance before they become delinquent. Mortgagor shall deliver to Mortgagee, on demand, photocopies evidencing payment of all taxes, assessments and public charges payable by Mortgagor.

Section 3.6 Insurance. Mortgagor shall maintain with respect to the Premises: (i) at all times, insurance against loss or damage by fire and other casualties and hazards by insurance written on an "all risks" basis, including vandalism and malicious mischief, and flood insurance if any material portion of the Improvements are located in a designated "special flood hazard area", in an amount not less than the replacement cost thereof, excluding the cost of excavation and of foundation below the



level of the lowest basement floor, or if there is no basement, below the level of the ground; (ii) as applicable, insurance which complies with the workers' compensation and employers' liability laws of all states in which Mortgagor shall be required to maintain such insurance; and (iii) public liability insurance, including products and completed operations insurance, with a combined single limit of not less than \$2,000,000.00 for injury or death to any person or damage to or for any claims, demands, or causes of action of any person arising out of accidents occurring on the Land or arising out of Mortgagor's use of the Land, naming Grantee as an additional insured. Each policy of insurance shall name Mortgagee as an additional insured. All required policies shall provide for at least thirty (30) days' written notice to Mortgagee of cancellation and of any material modification of coverage. Mortgagor shall deliver to Mortgagee a certificate for each insurance policy with all relevant endorsements.

Section 3.7 Condemnation Awards and Insurance Proceeds.

(a) Condemnation Awards. Mortgagor, immediately upon obtaining knowledge of the institution of any proceedings for the condemnation of the Premises or any portion thereof, will notify Mortgagee of the pendency of such proceedings. Mortgagee may participate in any such proceedings and Mortgagor from time to time will deliver to Mortgagee all instruments requested by it to permit such participation. Mortgagor collaterally assigns all awards and compensation to which it is entitled for any condemnation or other taking, or any purchase in lieu thereof, to Mortgagee and, if an Event of Default exists authorizes Mortgagee to collect and receive such awards and compensation and to give proper receipts and a quittances therefor. Mortgagor, upon request by Mortgagee, shall make, execute and deliver any and all instruments requested for the purpose of confirming the assignment of the aforesaid awards and compensation to Mortgagee. Notwithstanding the foregoing, provided no Event of Default then exists, Mortgagor may receive all condemnation proceeds.

(b) Insurance Proceeds. Mortgagor collaterally assigns to Mortgagee all proceeds of any insurance policies insuring against loss or damage to the Premises. Mortgagor authorizes Mortgagee, after the occurrence and during the continuance of an Event of Default, to collect and receive such proceeds and authorizes and directs the issuer of each of such insurance policies to make payment for all such losses directly to Mortgagee, instead of to Mortgagor and Mortgagee jointly. In the event that the issuer of such insurance policy fails to disburse directly or solely to the Mortgagee but disburses instead either solely to Mortgagor or to Mortgagor and Mortgagee, jointly, then, if an Event of Default exists and is continuing, Mortgagor shall immediately endorse and transfer such proceeds to Mortgagee. Notwithstanding the foregoing, provided no Event of Default then exists, Mortgagor may receive and, in Mortgagor's sole discretion, may apply any insurance proceeds to either the repair or



restoration of the Premises or to the reduction of the outstanding principal balance of the Note.

Section 3.8 Mechanic's Liens; Costs of Defending and Upholding the Lien. Mortgagor shall pay when due mechanic's lien, materialmen's liens or the claims of all persons supplying labor or materials to or in connection with the Premises. Mortgagor shall not be deemed to be in default under this Section 3.8 if and so long as (i) Mortgagor contests any such mechanic's liens, materialmen's liens or other claims for supplying labor or materials, (ii) nonpayment of such lien or charge does not result in the loss or forfeiture of the Premises or any interest therein, (iii) Mortgagor has deposited funds with Mortgagee for the express purpose of paying such liens or charges, or (iv) Mortgagor furnishes a surety bond, or other security for any payment which may ultimately be required to discharge the mechanic's lien, materialmen's lien or other claims for supplying labor or materials. If any action or proceeding is commenced to which action or proceeding Mortgagee is made a party or in which it becomes necessary for Mortgagee to defend or uphold the lien of this Mortgage, including any extensions, renewals, amendments or modifications thereof, Mortgagor shall, within thirty (30) days after written demand therefore, reimburse Mortgagee for all expenses (including, without limitation, reasonable attorneys' fees) incurred by Mortgagee in any such action or proceeding and all such expenses shall be secured by this Mortgage. In any action or proceeding to foreclose this Mortgage or to recover or collect the Obligations, the provisions of law relating to the recovering of costs, disbursements and allowances shall prevail unaffected by this covenant.

Section 3.9 TRANSFER OF THE PROPERTY. EXCEPT TO AN AFFILIATE (HEREINAFTER DEFINED) OR SUBSIDIARY OF MORTGAGOR, MORTGAGOR SHALL NOT SELL, TRANSFER, PLEDGE, ENCUMBER, CREATE A SECURITY INTEREST IN, LEASE, OR OTHERWISE HYPOTHECATE, ALL OR ANY PORTION OF THE PROPERTY WITHOUT THE PRIOR WRITTEN CONSENT OF MORTGAGEE, WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD, CONDITIONED OR DELAYED. FOR PURPOSES OF THIS MORTGAGE, "AFFILIATE" SHALL MEAN AS TO ANY PERSON OR ENTITY, ANY OTHER PERSON OR ENTITY THAT, DIRECTLY OR INDIRECTLY, IS IN CONTROL OF, IS CONTROLLED BY OR IS UNDER COMMON CONTROL WITH SUCH PERSON OR ENTITY.

Section 3.10 PRESERVATION, MAINTENANCE, AND USE OF PROPERTY.

(a) **Preservation and Maintenance.** Mortgagor shall not (i) permit or suffer any physical waste of the Premises, or (ii) abandon the Premises.



(b) Alterations. Mortgagor shall make no material structural changes, alterations or additions to the Premises without Mortgagee's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, no such consent shall be required for material structural changes, alterations or additions which are cosmetic in nature, do not exceed One Million and No/100 Dollars (\$1,000,000.00) individually for any Premises, or are required by applicable law or other legal requirement.

(c) Use. Mortgagor shall comply with all laws, rules, and orders of all federal, state and municipal governments or agencies that are applicable to the use of the Premises.

ARTICLE 4 **DEFAULT**

Section 4.1 Events of Default. The occurrence of any of the following events shall constitute an event of default under this Mortgage (each an "Event of Default"):

(a) Mortgagor's failure to timely pay the Obligations and such failure continues for five (5) days after the date due;

(b) Mortgagor's breach of any term, covenant, provision, condition or obligation arising under this Mortgage (other than as provided in (a) above), which breach or failure to comply continues for thirty (30) days after knowledge thereof by the Mortgagor, provided, that with written notice from the Mortgagor to the Mortgagee such thirty (30) day grace period shall be extended by up to an additional ninety (90) days as shall be necessary for the Mortgagor to diligently cure such failure so long as Mortgagor is at all times thereafter diligently and continuously proceeding to cure such failure;

(c) if any representation or warranty set forth in Article 3 hereof shall now or hereafter prove to be false or misleading in any material respect; provided that no Event of Default shall occur pursuant to this clause (c) if within thirty (30) days of the date on which the Mortgagor receives notice or becomes aware (in each case, from any source) that such representation or warranty was false or misleading, the Mortgagor shall eliminate or otherwise cure to the reasonable satisfaction of the Mortgagee any such material and adverse effects relating to such false or misleading representation or warranty; or

(d) an "Event of Default" occurs under the Note.



ARTICLE 5
REMEDIES AND FORECLOSURE

Section 5.1 Remedies. If an Event of Default exists, Mortgagee may, at its election, exercise any or all of the following rights, remedies and recourses:

(a) Declare the Obligations to be immediately due and payable, without further notice, presentment, protest, notice of intent to accelerate, notice of acceleration, demand or action of any nature whatsoever (each of which hereby is expressly waived by Mortgagor), whereupon the same shall become immediately due and payable.

(b) Notify all tenants of the Premises and all others obligated on Leases of any part of the Premises that all rents and other sums owing on Leases have been assigned to Mortgagee and are to be paid directly to Mortgagee, and to enforce payment of all obligations owing on Leases, by suit, ejectment, cancellation, releasing, reletting or otherwise, whether or not Mortgagee has taken possession of the Premises, and to exercise whatever rights and remedies Mortgagee may have under any assignment of rents and leases.

(c) As and to the extent permitted by law, enter the Property, either personally or by its agents, nominees or attorneys, and take exclusive possession thereof and thereupon, Mortgagee may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Premises and conduct business thereat; (ii) exercise all rights and power of Mortgagor with respect to the Premises, whether in the name of Mortgagor, or otherwise, including, without limitation, the right to make, cancel, enforce or modify leases, obtain and evict tenants, and demand, sue for, collect and receive all earnings, revenues, rents, issues, profits and other income of the Premises and every part thereof, which rights shall not be in limitation of Mortgagee's rights under any assignment of rents and leases securing the Obligations; and (iii) apply the receipts from the Premises to the payment of the Obligations, after deducting therefrom all expenses (including reasonable attorneys' fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the taxes, assessments, insurance and other charges in connection with the Property, as well as just and reasonable compensation for the services of Mortgagee, its counsel, agents and employees.

(d) Hold, lease, develop, manage, operate or otherwise use the Property upon such terms and conditions as Mortgagee may deem reasonable under the circumstances (making such repairs, alterations, additions and improvements and taking other actions, from time to time, as Mortgagee deems necessary or desirable), and apply all Rents and other amounts collected by Mortgagee in connection therewith in accordance with the provisions of Section 5.7 hereof.



(e) Require Mortgagor to assemble any collateral under the UCC and make it available to Mortgagee, at Mortgagor's sole risk and expense, at a place or places to be designated by Mortgagee, in its sole discretion.

(f) To the fullest extent permitted by applicable law, institute proceedings for the complete foreclosure of this Mortgage by judicial action. By virtue of any judicial proceedings, or any other legal right, remedy or recourse, the title to and right of possession of any such property shall pass to the purchaser thereof, and to the fullest extent permitted by law, Mortgagor shall be completely and irrevocably divested of all of its right, title, interest, claim, equity, equity of redemption, and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against Mortgagor, and against all other persons claiming or to claim the property sold or any part thereof, by, through or under Mortgagor. Mortgagee may be a purchaser at such sale. If Mortgagee is the highest bidder, Mortgagee may credit the portion of the purchase price that would be distributed to Mortgagee against the Obligations in lieu of paying cash. In the event this Mortgage is foreclosed by judicial action, appraisal and valuation of the Property is waived. In the event of any sale made under or by virtue of this Article 5 by virtue of judicial proceedings, all of the Obligations, if not previously due and payable, immediately thereupon shall become due and payable. The failure to make any such tenants of the Premises party to any such foreclosure proceedings and to foreclose their rights will not be, nor be asserted to be by Mortgagor, a defense to any proceedings instituted by Mortgagee to collect the sums secured hereby.

(g) With or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Mortgage for the portion of the Obligations then due and payable (if Mortgagee shall have elected not to declare the entire Obligations to be immediately due and owing), subject to the continuing lien of this Mortgage for the balance of the Obligations not then due; or (1) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement; or (2) to the extent permitted by applicable law, recover judgment on the Note either before, during or after any proceedings for the enforcement of this Mortgage.

(h) Make application to a court of competent jurisdiction for, and obtain from such court as a matter of strict right and without notice to Mortgagor or regard to the adequacy of the Property for the repayment of the Obligations, the appointment of a receiver of the Property, and Mortgagor irrevocably consents to such appointment. Any such receiver shall have all the usual powers and duties of receivers in similar cases, including the full power to rent, maintain and otherwise operate the Property upon such terms as may be approved by the court, and shall apply such Rents in accordance with the provisions of Section 5.7 hereof.



(i) Exercise all other rights, remedies and recourses otherwise available at law or in equity.

Section 5.2 Intentionally Omitted.

Section 5.3 **Remedies Cumulative, Concurrent and Nonexclusive.**

Mortgagee shall have all rights, remedies and recourses available at law or equity (including the UCC), which rights (a) shall be cumulated and concurrent, (b) to the extent permitted by applicable law, may be pursued separately, successively or concurrently against Mortgagor or against the Property, at the sole discretion of Mortgagee, (c) may be exercised as often as occasion therefor shall arise, and the exercise or failure to exercise any of them shall not be construed as a waiver or release thereof or of any other right, remedy or recourse, and (d) are intended to be, and shall be, nonexclusive. No action by Mortgagee in the enforcement of any rights, remedies or recourses otherwise available at law or equity shall be deemed to cure any Event of Default.

Section 5.4 **Release of and Resort to Collateral.** Mortgagee may release, regardless of consideration and without the necessity for any notice to or consent by the holder of any subordinate lien on the Property, any part of the Property without, as to the remainder, in any way impairing, affecting, subordinating or releasing the lien or security interest created in or evidenced by this Mortgage or its status as a first and prior lien and security interest in and to the Property. For payment of the Obligations, Mortgagee may resort to any other security in such order and manner as Mortgagee may elect.

Section 5.5 Intentionally Omitted.

Section 5.6 **Discontinuance of Proceedings.** If Mortgagee shall have proceeded to invoke any right, remedy or recourse permitted under this Mortgage and shall thereafter elect to discontinue or abandon it for any reason, Mortgagee shall have the unqualified right to do so and, in such an event, Mortgagor and Mortgagee shall be restored to their former positions with respect to the Obligations, the Loan Documents, the Property and otherwise, and the rights, remedies, recourses and powers of Mortgagee, shall continue as if the right, remedy or recourse had never been invoked, but no such discontinuance or abandonment shall waive any Event of Default which may then exist or the right of Mortgagee, thereafter to exercise any right, remedy or recourse for such Event of Default.

Section 5.7 **Application of Proceeds.** The proceeds of any sale made under or by virtue of this Article 5, together with any Rents and other amounts generated by the holding, leasing, management, operation or other use of the Property,



shall be applied by Mortgagee (or the receiver, if one is appointed) in the following order unless otherwise required by applicable law:

(a) to the payment of the costs and expenses of taking possession of the Property and of holding, using, leasing, repairing, improving and selling the same, including, without limitation (1) receiver's reasonable fees and expenses, including the repayment of the amounts evidenced by any receiver's certificates, (2) court costs, (3) reasonable attorneys' and accountants' fees and expenses, (4) costs of advertisement, (5) all costs and expenses incurred by Mortgagee to cure defaults of Mortgagor under this Mortgage, and (6) all costs and expenses incurred by Mortgagee to protect or preserve the Property;

(b) to the payment of the Obligations in such manner and order of preference as Mortgagee may determine; and

(c) the balance, if any, to the payment to the Mortgagor.

Section 5.8 Occupancy After Foreclosure. Except as otherwise required by applicable law, any sale of the Property or any part thereof in accordance with Section 5.1(f) or Section 5.1(g) hereof will divest all right, title and interest of Mortgagor in and to the property sold. Subject to applicable law, any purchaser at a foreclosure sale will receive immediate possession of the property purchased. If Mortgagor retains possession of such property or any part thereof subsequent to such sale, Mortgagor will be considered a tenant at sufferance of the purchaser, and will, if Mortgagor remains in possession after demand to remove, be subject to eviction and removal, forcible or otherwise, with or without process of law.

Section 5.9 Additional Advances and Disbursements; Costs of Enforcement.

(a) If any Event of Default exists, Mortgagee shall have the right, but not the obligation, to cure such Event of Default in the name and on behalf of Mortgagor. All sums advanced and expenses incurred at any time by Mortgagee under this Section 5.9, or otherwise under this Mortgage or applicable law, shall bear interest from the date that such sum is advanced or expense incurred, to and including the date of reimbursement, computed at the rate or rates at which interest is then computed on the Obligations, and all such sums, together with interest thereon, shall be secured by this Mortgage.

(b) Mortgagor shall pay all expenses (including reasonable attorneys' fees and expenses) of or incidental to the perfection and enforcement of this Mortgage, or the enforcement, compromise or settlement of the Obligations or any



claim under this Mortgage, and for the curing thereof, or for defending or asserting the rights and claims of Mortgagee in respect thereof, by litigation or otherwise.

Section 5.10 No Mortgagee in Possession. Neither the enforcement of any of the remedies under this Article 5, the assignment of the Rents and Leases under Article 6, the security interests under Article 7, nor any other remedies afforded to Mortgagee under this Mortgage, at law or in equity shall cause Mortgagee to be deemed or construed to be a mortgagee in possession of the Property, to obligate Mortgagee to lease the Property or attempt to do so, or to take any action, incur any expense, or perform or discharge any obligation, duty or liability whatsoever under any of the Leases or otherwise.

Section 5.11 WAIVER OF MORTGAGOR'S RIGHTS. BY EXECUTION OF THIS MORTGAGE, MORTGAGOR EXPRESSLY: (A) ACKNOWLEDGES THE RIGHT OF MORTGAGEE TO ACCELERATE THE INDEBTEDNESS EVIDENCED BY THE NOTE UPON THE OCCURRENCE OF AN EVENT OF DEFAULT; (B) TO THE EXTENT ALLOWED BY APPLICABLE LAW, AND EXCEPT AS EXPRESSLY SET FORTH IN SECTION 4.1 HEREOF OR ELSEWHERE IN THIS MORTGAGE, WAIVES ANY AND ALL RIGHTS WHICH MORTGAGOR MAY HAVE UNDER THE CONSTITUTION OF THE UNITED STATES, THE VARIOUS PROVISIONS OF THE CONSTITUTIONS FOR THE SEVERAL STATES, OR BY REASON OF ANY OTHER APPLICABLE LAW, TO NOTICE AND TO JUDICIAL HEARING PRIOR TO THE EXERCISE BY MORTGAGEE OF ANY RIGHT OR REMEDY HEREIN PROVIDED TO MORTGAGEE; (C) ACKNOWLEDGES THAT MORTGAGOR HAS READ THIS MORTGAGE AND ITS PROVISIONS HAVE BEEN EXPLAINED FULLY TO MORTGAGOR AND MORTGAGOR HAS CONSULTED WITH LEGAL COUNSEL OF MORTGAGOR'S CHOICE PRIOR TO EXECUTING THIS MORTGAGE; AND (D) ACKNOWLEDGES THAT ALL WAIVERS OF THE AFORESAID RIGHTS OF MORTGAGOR HAVE BEEN MADE KNOWINGLY, INTENTIONALLY AND WILLINGLY BY MORTGAGOR AS PART OF A BARGAINED FOR LOAN TRANSACTION.

ARTICLE 6

ASSIGNMENT OF RENTS AND LEASES

Section 6.1 Assignment. In furtherance of and in addition to the assignment made by Mortgagor in Section 2.1 of this Mortgage, Mortgagor hereby absolutely and unconditionally assigns, sells, transfers and conveys to Mortgagee all of its right, title and interest in and to all Leases, whether now existing or hereafter entered into, and all of its right, title and interest in and to all Rents. This assignment is an absolute assignment and not an assignment for additional security only. So long as no Event of Default shall have occurred and be continuing, Mortgagor shall have a



revocable license from Mortgagee to exercise all rights extended to the landlord under the Leases, including the right to receive and collect all Rents and to hold the Rents in trust for use in the payment and performance of the Obligations and to otherwise use the same. The foregoing license is granted subject to the conditional limitation that no Event of Default shall have occurred and be continuing. Upon the occurrence and during the continuance of an Event of Default, whether or not legal proceedings have commenced, and without regard to waste, adequacy of security for the Obligations or solvency of Mortgagor, the license herein granted shall automatically expire and terminate, without notice by Mortgagee (any such notice being hereby expressly waived by Mortgagor).

Section 6.2 Perfection Upon Recordation. Mortgagor acknowledges that Mortgagee has taken all actions necessary to obtain, and that upon recordation of this Mortgage, Mortgagee shall have, to the extent permitted under applicable law, a valid and fully perfected, first priority, present assignment of the Rents arising out of the Leases and all security for such Leases. Mortgagor acknowledges and agrees that upon recordation of this Mortgage, Mortgagee's interest in the Rents shall be deemed to be fully perfected, "choate" and enforced as to Mortgagor and all third parties, including, without limitation, any subsequently appointed trustee in any case under Title 11 of the United States Code (the "**Bankruptcy Code**"), without the necessity of commencing a foreclosure action with respect to this Mortgage, making formal demand for the Rents, obtaining the appointment of a receiver or taking any other affirmative action.

Section 6.3 Bankruptcy Provisions. Without limitation of the absolute nature of the assignment of the Rents hereunder, Mortgagor and Mortgagee agree that (a) this Mortgage shall constitute a "security agreement" for purposes of Section 552(b) of the Bankruptcy Code, (b) the security interest created by this Mortgage extends to property of Mortgagor acquired before the commencement of a case in bankruptcy and to all amounts paid as Rents and (c) such security interest shall extend to all Rents acquired by the estate after the commencement of any case in bankruptcy.

ARTICLE 7

SECURITY AGREEMENT

Section 7.1 Security Interest. This Mortgage constitutes a "security agreement" on personal property within the meaning of the UCC and other applicable law and with respect to the Fixtures, Leases, Rents, Property Agreements, Proceeds, Insurance and Condemnation Awards. To this end, Mortgagor grants to Mortgagee a first and prior security interest in the Fixtures, Leases, Rents, Property Agreements, Proceeds, Insurance and Condemnation Awards and all other Property which is personal property to secure the payment and performance of the Obligations, and agrees that



Mortgagee shall have all the rights and remedies of a secured party under the UCC with respect to such property. Any notice of sale, disposition or other intended action by Mortgagee with respect to the Fixtures, Leases, Rents, Property Agreements, Proceeds, Insurance and Condemnation Awards sent to Mortgagor at least ten (10) days prior to any action under the UCC shall constitute reasonable notice to Mortgagor.

Section 7.2 Financing Statements. Mortgagor shall deliver to Mortgagee, in form and substance satisfactory to Mortgagee, such financing statements and such further assurances as Mortgagee may, from time to time, reasonably consider necessary to create, perfect and preserve Mortgagee's security interest hereunder and Mortgagee may cause such statements and assurances to be recorded and filed, at such times and places as may be required or permitted by law to so create, perfect and preserve such security interest. Mortgagor's state of organization is the State of Maryland.

Section 7.3 Fixture Filing. Mortgagor and Mortgagee agree, to the extent permitted by law, that: (i) all of the goods subject to the foregoing grant of security interest, or are to become, fixtures on the land described in Exhibit A; (ii) to the extent permitted under the UCC of the state in which the Land is located, this Mortgage shall, upon recording in the real estate records of the proper office, constitute a "fixture filing" for the purposes of the UCC against all of the Property which is or is to become fixtures; (iii) Mortgagor is a record owner of the Premises; (iv) the addresses of Mortgagor (Debtor) and Mortgagee (Secured Party) are as set forth in the first paragraph of this Mortgage; and (v) a carbon, photographic, or other reproduction of this instrument, or of any financing statement relating hereto, shall be sufficient for filing purposes.

ARTICLE 8

INTENTIONALLY OMITTED

ARTICLE 9 MISCELLANEOUS

Section 9.1 Notices. Any notice required or permitted to be given under this Mortgage shall be given in accordance with the notice provision contained in the Note.

Section 9.2 Covenants Running with the Land. All Obligations contained in this Mortgage are intended by Mortgagor and Mortgagee to be, and shall be construed as, covenants running with the Property. As used herein, "Mortgagor" shall refer to the party named in the first paragraph of this Mortgage and to any subsequent owner of all or any portion of the Property. All Persons who may have or



acquire an interest in the Property shall be deemed to have notice of, and be bound by, the terms of the Loan Documents; however, no such party shall be entitled to any rights thereunder without the prior written consent of Mortgagee.

Section 9.3 Attorney-in-Fact. Mortgagor hereby irrevocably appoints Mortgagee and its successors and assigns, as its attorney-in-fact, which agency is coupled with an interest and with full power of substitution, (a) to execute and/or record any notices of completion, cessation of labor or any other notices that Mortgagee deems appropriate to protect Mortgagee's interest, if Mortgagor shall fail to do so within ten (10) days after written request by Mortgagee, (b) upon the issuance of a deed pursuant to the foreclosure of this Mortgage or the delivery of a deed in lieu of foreclosure, to execute all instruments of assignment, conveyance or further assurance with respect to the Leases, Rents, Property Agreements, Proceeds, Insurance and Condemnation Awards in favor of the grantee of any such deed and as may be necessary or desirable for such purpose, (c) to prepare, execute and file or record financing statements, continuation statements, applications for registration and like papers necessary to create, perfect or preserve Mortgagee's security interests and rights in or to any of the Property, and (d) while any Event of Default exists, to perform any obligation of Mortgagor hereunder, however: (1) Mortgagee shall not under any circumstances be obligated to perform any obligation of Mortgagor; (2) any sums advanced by Mortgagee in such performance shall be added to and included in the Obligations and shall bear interest at the rate or rates at which interest is then computed on the Obligations; (3) Mortgagee as such attorney-in-fact shall only be accountable for such funds as are actually received by Mortgagee; and (4) Mortgagee shall not be liable to Mortgagor or any other person or entity for any failure to take any action which it is empowered to take under this Section 8.3. Notwithstanding the foregoing, Mortgagee shall be liable for its gross negligence, willful misconduct, and bad faith in connection with exercising its rights hereunder to the extent determined by a court of competent jurisdiction in a final, non-appealable judgment.

Section 9.4 Successors and Assigns. This Mortgage shall be binding upon and inure to the benefit of Mortgagee and Mortgagor and their respective successors and assigns. Mortgagor shall not, without the prior written consent of Mortgagee, assign any rights, duties or obligations hereunder.

Section 9.5 No Waiver. Any failure by Mortgagee to insist upon strict performance of any of the terms, provisions or conditions of this Mortgage shall not be deemed to be a waiver of same, and Mortgagee shall have the right at any time to insist upon strict performance of all such terms, provisions and conditions.

Section 9.6 Intentionally Omitted.



Section 9.7 Release or Reconveyance. Upon payment and performance in full of the Obligations, Mortgagee, at Mortgagor's request and expense, shall release the liens and security interests created by this Mortgage or reconvey the Property to Mortgagor.

Section 9.8 Waiver of Stay, Moratorium and Similar Rights. Mortgagor agrees, to the full extent that it may lawfully do so, that it will not at any time insist upon or plead or in any way take advantage of any stay, marshalling of assets, extension, redemption or moratorium law now or hereafter in force and effect so as to prevent or hinder the enforcement of the provisions of this Mortgage or the Obligations secured hereby, or any agreement between Mortgagor and Mortgagee or any rights or remedies of Mortgagee.

Section 9.9 Applicable Law. The provisions of this Mortgage regarding the creation, perfection and enforcement of the liens and security interests herein granted shall be governed by and construed under the laws of the state in which the Property is located. All other provisions of this Mortgage shall be governed by the laws of the State of Washington.

Section 9.10 Headings. The Article, Section and Subsection titles hereof are inserted for convenience of reference only and shall in no way alter, modify or define, or be used in construing, the text of such Articles, Sections or Subsections.

Section 9.11 Entire Agreement. This Mortgage embody the entire agreement and understanding between Mortgagor and Mortgagee and supersede all prior agreements and understandings between such parties relating to the subject matter hereof and thereof. Accordingly, the Loan Documents may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

Section 9.12 Exculpation. The liability of Mortgagor under this Mortgage shall be limited pursuant to the provisions of Sections 23 and 24 of the Note, the terms of which are incorporated herein by reference.

ARTICLE 10

LOCAL LAW PROVISIONS

Section 10.1 Inconsistencies. In the event of any inconsistencies between the terms and conditions of this Article 10 and the other provisions of this Mortgage, the terms and conditions of this Article 10 shall control and be binding.

Section 10.2 Fixture Filing. The information in the subsections below this paragraph is provided in connection with the filing of this Mortgage as a financing



statement as referred to above, and the Mortgagor hereby represents and warrants such information to be true and complete as of the date of this Mortgage.

(a) Mortgagor is the fee simple owner of the Property, which includes the Land and the Improvements as these terms are defined herein. The Mortgagor's exact legal name is that indicated in the preamble to this Mortgage and on the signature page hereof.

(b) Mortgagor is a limited liability company and validly formed and existing under the laws of the State of Maryland.

(c) Mortgagor's Maryland organizational identification number is W14880488.

(d) For purposes of the Uniform Commercial Code, Mortgagor is the debtor. The name, mailing address, type of organization and state of formation of the debtor (Mortgagor) is set forth below:

Perdue Foods LLC, a Maryland limited liability company
31149 Old Ocean City Road
Salisbury, Maryland 21804

(e) For purposes of the Uniform Commercial Code, the Mortgagee is the secured party. The name and mailing address of the secured party (Mortgagee) is:

DVF Management Corporation,
a Washington corporation
c/o Richard Koplowitz and James Koplowitz
1210 Dale Lane
P.O. Box 1265
Mount Vernon, Washington 98273

(f) This document covers goods which are or are to become fixtures.

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

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IN WITNESS WHEREOF, Mortgagor has on the date set forth in the acknowledgement hereto, effective as of the date first above written, caused this instrument to be duly EXECUTED AND DELIVERED by authority duly given.

MORTGAGOR:

PERDUE FOODS LLC,
a Maryland limited liability company
(formerly known as Perdue Farms LLC,
successor by merger to Perdue Farms
Incorporated)

By: Mark A. Garth
Name: Mark A. Garth
Its: Treasurer

Acknowledgment

STATE OF MARYLAND)

ss.

COUNTY OF Wicomico

On this 11th day of December, 2012 personally appeared before me MARK A. GARTH known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as TREASURER of PERDUE FOODS LLC, a Maryland limited liability company (formerly known as Perdue Farms LLC, successor by merger to Perdue Farms Incorporated), free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 11th day of December 2012.

Ellen Dale Whitehead, Notary Public in and for the
State of MARYLAND, residing at
Salisbury MD.

Witness my hand and seal Ellen Dale Whitehead.

My appointment expires June 19, 2015.

[Signature Page to Purchase Money Mortgage –
DVF Management Corp. – Skagit County]



201212210123
Skagit County Auditor

EXHIBIT "A-1"

Legal Description for DVF 227

For APN/Parcel ID(s): P40033 / 350520-2-008-0016 and P40009 / 350520-2-002-0100

The Southeast Quarter of the Northwest Quarter of Section 20, Township 35 North,
Range 5 East of the
Willamette Meridian:

EXCEPT the four following described portions thereof;

1. The West 30 feet of the North Half thereof;
2. The West 16.5 feet of the North Half of the South Half of said subdivision;
3. The County Road right of way commonly known as the Minkler Road;
4. That portion of said subdivision lying Northerly of the Minkler Road.

Situated in Skagit County, Washington



EXHIBIT "A-2"

Legal Description for DVF 228

For APN/Parcel ID(s): P40175 / 350525-1-001-0200 and P40155 / 350524-0-015-0009

Tract 2 of SKAGIT COUNTY SURVEY, recorded August 29, 1983, in Volume 5 of Surveys, Pages 42 and 43, under Auditor's File No. 8308290022, records of Skagit County, Washington; being a portion of Government Lot 12 in Section 24 and that portion of the Northeast Quarter of the Northeast Quarter in Section 25, both in Township 35 North, Range 5 East of the Willamette Meridian.

Situated in Skagit County, Washington.



EXHIBIT "A-3"

Legal Description for DVF 229

For APN/Parcel ID(s): P36992 / 350421-1-001-0007

The Northeast Quarter of the Northeast Quarter of Section 21, Township 35 North,
Range 4 East of the Willamette Meridian;

EXCEPT County Road right of way commonly known as the Dahlstedt Road along the North
line thereof;

AND EXCEPT the County Road right of way commonly known as the District Line
Road along the East line thereof.

Situated in Skagit County, Washington



EXHIBIT "A-4"

Legal Description for DVF 230

For APN/Parcel ID(s): P39239 / 350516-4-003-0005

The South $\frac{3}{4}$ of the Southwest Quarter of the Southeast Quarter of Section 16, Township 35 North, Range 5 East of the Willamette Meridian;

EXCEPT the West 20 feet and the South 20 feet thereof for county road rights of ways and as conveyed by documents recorded under Auditor's File Nos. 84197 and 99638, records of Skagit County, Washington.

Situated in Skagit County, Washington.



EXHIBIT "A-5"

Legal Description for Mount Vernon South

For APN/Parcel ID(s): P25989 / 340417-3-007-0004

That portion of the South Half of the Northwest Quarter of the Southwest Quarter, lying East of the Great Northern Railway Company's right of way, in Section 17, Township 34 North, Range 4 East, W.M.,

EXCEPT from the above described premises all roads and rights of way therefor,

AND EXCEPT the right of way acquired by the Puget Sound & Cascade Railway Company over and across the South Half of the North Half of the Southwest Quarter of said Section,

AND EXCEPT the following described tract:

The Northerly 417 feet of that portion of the South Half of the Northwest Quarter of the Southwest Quarter, lying Easterly of the Great Northern Railway Company's right of way, in Section 17, Township 34 North, Range 4 East, W.M., EXCEPT the North 30 feet thereof as conveyed to the City of Mount Vernon for street purposes, by deed recorded June 25, 1958 under Auditor's File No. 567041 records of Skagit County, Washington.

AND EXCEPT that portion conveyed to the City of Mount Vernon by Quit Claim Deed recorded June 15, 1995 under Auditor's File No. 9506150068, records of Skagit County, Washington.

Situated in Skagit County, Washington.

