

Please Return to:

Farm Credit Services  
2120 Freeway Drive  
P. O. Box 307  
Mount Vernon, WA 98273

FCB 697A (Rev. 7-88)

LAND TITLE COMPANY OF SKAGIT COUNTY

T-62184

8003190043

FCB Loan No.

F-221245-7

026271 341 01

## FARM CREDIT BANK MORTGAGE

KNOW ALL MEN BY THESE PRESENTS, That on March 07, 1990

Tewalt, Inc., a corporation; Kathryn M. Tewalt, unmarried; Fred C. Tewalt  
and Joli A. Tewalt, husband and wife; Charles M. Tewalt and Denice M. Tewalt,  
husband and wife;  
whose mailing address is: 1330 Austin Road, Mount Vernon, WA 98273;

hereinafter called the Mortgagors, hereby grant, bargain, sell, convey and mortgage to FARM CREDIT BANK OF SPOKANE, a corporation,  
whose address is West 601 First Avenue, TAF-C5, Spokane, Washington 99220-4005, hereinafter called the Mortgagee, the following described  
real estate in the County(ies) of Skagit  
State of Washington

The description of real property covered by this mortgage consists of 2 page(s)  
marked Exhibit "A", which is attached hereto and is by reference made a part hereof.

RECORDED  
REQUEST OF

90 MAR 19 P1:49

JERRY MCINTURE  
SKAGIT COUNTY AUDITOR

LTC

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including all leases, permits, licenses or privileges, written or otherwise, appurtenant or nonappurtenant to said mortgaged premises, now held by Mortgagors or hereafter issued, extended or renewed to them by the United States or the State or any department, bureau, or agency thereof, which have been or will be assigned or waived to Mortgagee.

Together with the tenements, hereditaments, rights, privileges and appurtenances, including private roads, now or hereafter belonging to or used in connection with the above described premises; and all plumbing, lighting, heating, cooling, ventilating, elevating, watering and irrigating apparatus and other fixtures, now or hereafter belonging to or used in connection with the above described premises, all of which are hereby declared to be appurtenant to said land; and together with all waters and water rights of every kind and description and however evidenced, and all ditches or other conduits, rights therein and rights of way therefor, which now are or hereafter may be appurtenant to said premises or any part thereof, or used in connection therewith.

This conveyance is intended as a mortgage securing the performance of the covenants and agreements hereinafter contained, and the payment of the debt represented by one promissory note made by the Mortgagors to the order of the Mortgagee, of even date herewith, for the principal sum of \$357,000.00, with interest as provided for in said note, being payable in installments, the last of which being due and payable on the first day of March, 2015.

#### MORTGAGORS COVENANT AND AGREE:

That they are lawfully seized of said premises in fee simple, have good right and lawful authority to convey and mortgage the same, and that said premises are free from encumbrance; and each of the Mortgagors will warrant and defend the same forever against the lawful claims and demands of all persons whomsoever, and this covenant shall not be extinguished by any foreclosure hereof, but shall run with the land.

To pay all debts and money secured hereby when due.

To keep the buildings and other improvements now or hereafter existing on said premises in good repair; to complete without delay the construction on said premises of any building, structure or improvement in progress, any improvements to existing structures in progress, and any improvements or remodeling for which the loan hereby secured was granted in whole or in part; not to remove or demolish or permit the removal or demolition of any building thereon; to restore promptly in a good and workmanlike manner any building, structure or improvement thereon which may be damaged or destroyed; to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property and its use; not to use or permit the use of said premises for any unlawful or objectionable purpose; not to cut or permit the cutting of timber from said premises except for domestic use; to maintain and cultivate the premises in good and husbandlike manner, using approved methods of preserving the fertility thereof; to keep the orchards on said lands properly irrigated, cultivated, sprayed, pruned and cared for; not to commit or suffer waste of any kind upon said premises; and to do all acts or things necessary to preserve all water rights now or hereafter appurtenant to or used in connection with said premises.

To pay before delinquency all taxes, assessments and other charges upon said premises, all assessments upon water company stock, and all rents, assessments and charges for water appurtenant to or used in connection with said property; and to suffer no other encumbrance, charge or lien against said premises which is superior to this mortgage.

To keep all buildings now existing or hereafter erected continuously insured against loss or damage by fire and such other risks in manner and form and in such company or companies and in such amounts as shall be satisfactory to the Mortgagee; to pay all premiums and charges on all such insurance when due; to deposit with the Mortgagee upon request all insurance policies affecting the premises, with receipts showing payment of all premiums and charges affecting said policies; and that all insurance whatsoever affecting the premises shall be made payable, in case of loss, to the Mortgagee, with a loss payable clause in favor of and satisfactory to the Mortgagee. The Mortgagee shall be entitled to receive the proceeds of any loss under any such policy which may be applied by the Mortgagee upon the indebtedness hereby secured in such manner as it may elect.

If any of the mortgaged property shall be taken under right of eminent domain, the Mortgagee shall be entitled at its option to receive all compensation for the portion taken and damages to the remaining portion, to be applied by the Mortgagee upon the indebtedness hereby secured in such manner as it shall elect.

Should the Mortgagors be or become in default in any of the covenants or agreements herein contained, then the Mortgagee (whether electing to declare the whole indebtedness hereby secured due and payable or not) may, at its option, perform the same in whole or in part and all expenditures made by the Mortgagee in so doing, together with interest and costs, shall be immediately repayable by the Mortgagors without demand, shall be secured by this mortgage, and shall draw interest until paid at the default rates provided for in the note hereby secured.

Time is material and of the essence hereof; and in case of breach of any of the covenants or agreements hereof, or if default be made in the payment of any of the sums hereby secured, or if the whole or any portion of said loan shall be expended for purposes other than those specified in the original application therefor except, by the written permission of said Mortgagee, or if said land or any portion thereof shall be hereafter included in any special assessment district, then, in any such case, all indebtedness hereby secured, shall, at the election of the Mortgagee, become immediately due without notice, and this Mortgage may be foreclosed; but the failure of the Mortgagee to exercise such option in any one or more instances shall not be considered as a waiver or relinquishment of the right to exercise such option upon or during the continuance of the same or any other default.

In case of any suit to foreclose this mortgage or to collect any charge growing out of the debt hereby secured, or any suit or bankruptcy proceeding which the Mortgagee may deem it necessary to prosecute or defend to effect or protect the lien hereof, the Mortgagors agree to pay a reasonable sum as attorney's fees and all costs and legal expenses in connection with said suit or proceeding, and further agree to pay the reasonable costs of searching records and abstracting or insuring the title, and such sums shall be secured hereby and included in the decree of foreclosure.

Upon or during the continuance of any default hereunder, the Mortgagee shall have the right forthwith to enter into and upon the mortgaged premises and take possession thereof, and collect the rents, issues and profits thereof, and apply the same, less reasonable costs of collection, upon the indebtedness hereby secured, and the Mortgagee shall have the right to the appointment of a receiver to collect the rents, issues and profits of the mortgaged premises. The rents, issues and profits of said premises after default are hereby assigned and mortgaged to the Mortgagee as additional security for the indebtedness herein described.

This mortgage and the note secured hereby are executed and delivered under and in accordance with the Farm Credit Act of 1971 and any acts amendatory or supplementary thereto and the regulations of the Farm Credit Administration, and are subject to the terms, conditions and provisions thereof applicable to Farm Credit Bank loans.

The covenants and agreements herein contained shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto.

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The mortgagors appearing on the first page hereof as Kathryn M. Tewalt, Fred C. Tewalt, Joli A. Tewalt, Charles M. Tewalt and Denise M. Tewalt are the same persons as Kathryn Tewalt, Fred Tewalt, Joli Tewalt, Charles Tewalt and Denise Tewalt, respectively.

The promissory note described above, which is secured by this Mortgage, provides for indexing and adjustment of the interest rate, payment terms and balance due on the obligation. A Rider summarizing the terms and provisions of said Note is attached hereto as Exhibit "1" and by reference at this place incorporates the terms thereof.

Each Mortgagor agrees to provide to the Mortgagee annually, within 90 days of the end of each Mortgagor's fiscal year, in a form prescribed by or acceptable to the Mortgagee, a current balance sheet and a current income and expense statement certified by Mortgagor to be complete and accurate.

The obligations secured by this Mortgage are personal to the Mortgagor(s) and are not assignable by the Mortgagor(s). When making the loan secured by this Mortgage, the Mortgagee relied upon the credit of the Mortgagor(s), the interest of the Mortgagor(s) in the premises, and the financial market conditions then existing. In the event of any transfer, sale or conveyance, or contract to transfer, sell or convey the title to all or any part of the premises, or of all or any part of the stock or ownership interest in any corporation, partnership, or other entity owning all or any part of the premises, whether voluntary, involuntary or by operation of law, without Mortgagee's prior written consent, Mortgagee may declare the entire balance then remaining unpaid on all the obligations secured by this Mortgage immediately due and payable.

It is agreed that this Mortgage, without affecting its validity as a real estate Mortgage, is also executed and shall be construed as a Security Agreement and Financing Statement under the Washington Uniform Commercial Code, granting to Mortgagee a security interest in personal property collateral described herein, including but not limited to equipment, fixtures or goods which are or are to become fixtures, timber, and consumer goods. In addition to the rights and remedies provided herein, Mortgagee shall have all the rights and remedies granted by such Code; and reasonable notice, when notice is requested, shall be five (5) days.

For the purpose of a Financing Statement covering personal property collateral described herein, the debtor(s) are the Mortgagor(s), the secured party is the Mortgagee, the address of the secured party from which information concerning the security interest may be obtained is 2120 Freeway Drive, P.O. Box 307, Mount Vernon, WA 98273 and the mailing address of the debtor(s) is 1330 Austin Road, Mount Vernon, WA 98273, .

This Mortgage secures an obligation incurred in whole or in part for the construction of an improvement on said land.

It is agreed that should Mortgagor(s) apply for or be accepted into any federal, state or local program, including without limitation the Whole Herd or Dairy Buyout Programs, which might restrict the use of the Mortgaged premises in any way, or otherwise take any action which might restrict the use of these premises, without the written consent of Mortgagee, then this loan shall be declared in default and the Mortgagee shall be entitled to accelerate and declare the entire balance then remaining unpaid on all obligations secured hereby, immediately due and payable in full.

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IN WITNESS WHEREOF, The mortgagors have hereunto set their hands the day and year first above written.

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TEWALT, INC.

BY:

Charles M. Tewalt, President

Kathryn M. Tewalt

ATTEST:

Fred C. Tewalt, Secretary

Fred C. Tewalt

Joli A. Tewalt

Charles M. Tewalt

Denice M. Tewalt

STATE OF Washington )  
County of Sagit ) ss.

On this 16 day of March, 1990, before me personally appeared Charles M. Tewalt and Fred C. Tewalt to me known to be the President and Secretary respectively, of 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 he was authorized to execute said instrument.

Helga Schink  
Notary Public for the State of Wa  
Residing at Mount Vernon  
My commission expires 2-6-92

STATE OF Washington )  
County of Sagit ) ss.

On this 14 day of March, 1990, before me personally appeared Kathryn M. Tewalt to me known to be the person(s) described in and who executed the within instrument, and acknowledged that ~~he~~/she/they executed the same as ~~his~~/her/their free act and deed.

Helga Schink  
Notary Public for the State of Wa  
Residing at Mount Vernon  
My commission expires 2-6-92

STATE OF Washington )  
County of Sagit ) ss.

On this 14 day of March, 1990, before me personally appeared Fred C. Tewalt and Joli A. Tewalt to me known to be the person(s) described in and who executed the within instrument, and acknowledged that ~~he~~/she/they executed the same as ~~his~~/her/their free act and deed.

Helga Schink  
Notary Public for the State of Wa  
Residing at Mount Vernon  
My commission expires 2-6-92

STATE OF Washington )  
County of Sagit ) ss.

On this 16 day of March, 1990, before me personally appeared Charles M. Tewalt and Denice M. Tewalt to me known to be the person(s) described in and who executed the within instrument, and acknowledged that ~~he~~/she/they executed the same as ~~his~~/her/their free act and deed.

Helga Schink  
Notary Public for the State of Wa  
Residing at Mount Vernon  
My commission expires 2-6-92

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FCB No. F-221245-7  
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## EXHIBIT I

### ADJUSTABLE RATE RIDER (5 Year Treasury Index)

THIS ADJUSTABLE RATE RIDER ("Rider") is made this 7th day of March, 1990, and is incorporated into and amends and supplements that certain Mortgage dated March 7, 1990 for the purpose of providing notice of the terms and provisions of the obligations evidenced by that certain Note (the "Note") given by the Borrower to Farm Credit Bank of Spokane ("Bank") or Bank's predecessor in merger, The Federal Land Bank of Spokane, dated March 7, 1990 for the principal sum of Three Hundred Fifty-seven Thousand and no cents--- Dollars (\$ 357,000.00). The terms of the Note provide that the interest rate, payment terms or amounts due under the Note may be indexed, adjusted, renewed or renegotiated upon subsequent written agreement of the parties.

#### 1. INTEREST RATE AND MONTHLY PAYMENT CHANGES

The Note provides for an initial interest rate and changes in the interest rate and payments which are summarized below.

#### 2. INTEREST RATE AND PAYMENT CHANGES

(a) **Interest Change Dates:** The initial interest rate shall change on the first day of April, 1995, and the first day of April every 5 year(s) thereafter. Each date on which the interest rate could change is called an "Interest Change Date." The interest rate in effect under the Note on any date, including interest at the default interest rate, if applicable, is the Current Interest Rate.

(b) **The Index:** The interest rate is based on an index. The "Index" in effect on any Interest Change Date is the per annum rate of interest equal to the weekly average yield on United States Treasury securities adjusted to a constant maturity of 5 year(s), as made available by the Federal Reserve Board in the latest Federal Reserve Statistical Release H.15(519) ("Index Source") published on or before the 45th day prior to such Interest Change Date. If the Index or Index Source is no longer available, the Bank will choose a new index which it determines in its sole discretion is comparable.

(c) **Calculation of Adjustable Rate Changes:** Borrower shall pay interest on the Adjusted Principal Balance on and after each Interest Change Date at the per annum interest rate equal to the sum of the Index in effect on such Interest Change Date, rounded to the nearest one-twentieth of one percent (.05%) per annum, plus a margin as described in the Note (the "New Interest Rate"), until the next Interest Change Date.

(d) **Interest Rate Limits:** The Note provides for limits on the interest rate.

(e) **Effective Date of Changes:** The New Interest Rate will become effective on each Interest Change Date. Borrower will pay the amount of the new payment beginning on the next payment date after the Interest Change Date until the amount of any payment changes again.

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PARCEL "A":

Tract B, Short Plat No. 46-84, approved January 3, 1985 in Book 6 of Short Plats, page 198, under Auditor's File No. 8501070029 and being a portion of Government Lots 1 and 2, in Section 18, Township 34 North, Range 5 East, W.M.

Situate in the County of Skagit, State of Washington.

PARCEL "B":

The North  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  and the Southeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of Section 13, Township 34 North, Range 4 East, W.M.,

EXCEPT Drainage Ditch right-of-way as condemned in Skagit County Superior Court No. 10528.

Situate in the County of Skagit, State of Washington.

PARCEL "C":

That portion of Government Lot 2 and the Southwest  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of Section 12, Township 34 North, Range 4 East W.M., described as follows:

Beginning at the Southeast corner of said Government Lot 2, Section 12, Township 34 North, Range 4 East W.M.; thence West to a point on the South line of the Southwest  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of said Section, which is 511 feet West of the West line of said Government Lot 2; thence North parallel with the West line of said Government Lot 2 to a point 31 rods (511.5 feet) North of the South line of said Southwest  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ; thence East parallel with the South line of said Southwest  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  and the South line of said Government Lot 2 to the East line of said Government Lot 2; thence South 31 rods (511.5 feet) to the point of beginning; EXCEPT that portion, if any, lying within the County road commonly known as the Austin Road, formerly known as the Babcock Road, as the same was conveyed to Skagit County by Deed recorded April 10, 1911 under Auditor's File No. 84312, in Volume 85 of Deeds, page 236, records of Skagit County, Washington; AND EXCEPT that portion, if any, lying within the boundaries of the as built and existing County road commonly known as Beaver Lake Road running along the East line thereof.

PARCEL "D":

That portion of the Southwest  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  and of the Southeast  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  of Section 12, Township 34 North, Range 4 East W.M., described as follows:

Beginning at a point 544 feet West of the Southeast corner of the Southwest  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ; running thence North along the West line of an existing road, now commonly known as Austin Road and formerly called the Babcock Road, as conveyed to Skagit County by Deed recorded April 10, 1911 under Auditor's File No. 84312, in Volume 85 of Deeds, page 236, records of Skagit County, Washington, a distance of 1304 feet; thence West 697 feet, more or less, to the Easterly right of way line of the Seattle & International Railway Company (now Burlington-Northern), as said right of way was conveyed to Deed dated June 23, 1890 and recorded July 11, 1890, in Volume 10 of Deeds, page 647, records of Skagit County, Washington; thence Southwesterly along said right of way line to its intersection with the South line of said Southeast  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$ ; thence East along the East and West centerline of Section 12, 1260 feet, more or less, to the point of beginning; EXCEPT the following described tract:

INITIALS

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Fe 7, K.M.T., JAT, C.M., D.M.T.

Beginning at a point 544 feet West of the Southeast corner of the Southwest  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ; thence North along an existing road, 1204 feet to the true point of beginning; thence West at right angles 120 feet; thence North 100 feet; thence East 120 feet; thence South 100 feet to the true point of beginning.

ALSO EXCEPT that portion of the above described main tract of land, if any, lying within the boundaries of that certain tract of land conveyed to C. J. Reed, by instrument dated June 18, 1908 and recorded June 24, 1908 under Auditor's File No. 68170, in Volume 73 of Deeds, page 472, records of Skagit County, Washington.

Tax Account Nos: 123404-1-003-0007; 123404-2-005-0003;  
123404-1-002-0008; 123404-0-009-0003; 183405-0-001-0004;  
133404-1-001-0107; 133404-1-002-0106; 133404-1-004-0005;  
133404-1-001-0107; 133404-1-002-0106.

Together with all equipment, machinery, appliances, and tools which are a part of the dairy facility located on the real property described above, including but not limited to milking system with auto-takeoffs, milking stanchions, grain tank with feeding system, bulk tank, crowd gate, water heaters, vacuum pumps, compressors, refrigeration equipment, waste separator, electric motors, portable generator with diesel motor, centrifugal and turbine pumps, and all lockup corral stanchions. Also, together with all property and goods similar to those described herein which at any time may be acquired by Mortgagor(s), including but not limited to all additions, replacements and substitutions thereof. The following is a list of equipment, machinery, appliances and tools used as part of the dairy facility, but said list is not intended to limit the extent of mortgagee's rights herein mortgaged:

- 1 Milk tank - 2,500 gallon - Mueller with auto wash system
- 2 7.5 HP vacuum pumps & tanks
- 16 Pulsators, claws, receiver group, etc. Pipeline filters, pipelines, gauges, control panel, balance tanks, etc.
- 16 Universal parallel stalls. ✓

INITIALS

Te7, Rm.T. JAT, CMX, DMT.