

Mortgage and Fixture Filing
9307020123
(Closed End)

LAND TITLE COMPANY OF SKAGIT COUNTY
T-71228

On July 1, 1993, Hughes Farms, Inc., a Washington corporation; James L. Hughes and Donna M. Hughes, same person as Donna Hughes, husband and wife; David L. Hughes and Juli G. Hughes, husband and wife; Thomas C. Hughes, same person as Tom Hughes and Amy C. Hughes, husband and wife; Jeff J. Hughes, same person as Jeff Hughes and Janis M. Hughes, husband and wife; Robert A. Hughes, same person as Bob Hughes and Robert Hughes and Michelle L. Hughes, husband and wife; hereinafter called Mortgagors, whose address is 1517 Fir Island Road, Mount 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 TAF-C5, Spokane, Washington 99220-4005, a mortgage and security interest in property in Skagit County(ies), 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(s), Membership Agreement, security documents and any other documents or instruments signed in connection with the note(s) and security documents and any amendments thereto are collectively called the "Loan Documents." This conveyance is intended to secure performance of the covenants and agreements contained herein, and in any of the Loan Documents, and payment of indebtedness under the terms of the note(s) made by Mortgagors to the order of Mortgagee, with interest and advances as provided therein and in the Loan Documents, and any extensions, modifications or renewals thereof:

DATE OF NOTE	PRINCIPAL AMOUNT	FINAL INSTALLMENT DATE
July 1, 1993	\$1,100,000.00	October 1, 2008

The terms of the note(s) and Loan Documents described above provide that the interest rate, payment terms or amounts due may be indexed, adjusted, renewed or renegotiated.

THIS MORTGAGE IS ALSO INTENDED TO BE A FIXTURE FILING.

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. 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.
5. 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.
6. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the

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; 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.

7. 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(s) and Loan Documents, foreclosure of this mortgage, acceptance of a deed in lieu of foreclosure or any transfer or abandonment of the Property.
8. 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); not to apply 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; 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.
9. That the term "Grazing Rights," as hereinafter used refers to that portion of the Property, if any, consisting of grazing leases, permits, licenses, privileges, and preferences, or any of them, which have or will be assigned, mortgaged or waived to Mortgagee, together with any additions, renewals, replacements or substitutions thereof; if any portion of the Grazing Rights is a leasehold interest in state lands, such leasehold shall be considered to be real property; such leasehold and all other real property portions of the Property constitute a single operating unit; and in the event of foreclosure, Mortgagee shall have the right to have such leasehold and the other real property sold as a unit and not in parcels; any statements and representations in any applications for Grazing Rights are true and correct; Mortgagors have received no notice that the Grazing Rights have or are to be terminated, cancelled or modified; and any termination or cancellation of any of the Grazing Rights shall constitute an event of default under this mortgage.
10. To execute any instrument deemed necessary by the Mortgagee to assign, mortgage or waive such Grazing Rights to the Mortgagee; to pay all fees and charges, and to perform all acts and things necessary to preserve and keep in good standing the Grazing Rights; to take no action which would adversely affect the Grazing Rights; to procure renewals of the Grazing Rights upon or prior to their expiration date; to operate the lands covered by the Grazing Rights in conjunction with the other real estate portion of the Property and not to convey or attempt to convey either separately; to forward to Mortgagee copies of any notices received by Mortgagors regarding the Grazing Rights; and in the event of foreclosure of this mortgage, to waive all claims for preference in the Grazing Rights upon demand from the purchaser of the Property at foreclosure sale, or from any successor to such purchaser.
11. That if the Property is within an irrigation block and/or subject to water service contract(s) governed by the provisions of "Federal reclamation law," and the regulations issued thereunder, Mortgagors shall comply with the terms and provisions of said laws, regulations and contracts; Mortgagors, and each of them, for themselves, their heirs, successors and assigns, hereby appoint Mortgagee their attorney-in-fact to select and designate the portion of the Property to be subject to a recordable contract, in the event Mortgagors become subject to the excess land limitation; if Mortgagors fail to comply with the terms of said law, regulations or contracts, or if the delivery of water for the irrigation of the Property is discontinued in whole or in part, Mortgagors shall be in default; in the event the Bureau of Reclamation determines that continued drainage maintenance on the Property is no longer feasible, and Mortgagors purchase other lands offered as a preference purchase right (as an adjustment for wetlands), Mortgagors shall execute a supplemental mortgage on such lands in favor of the Mortgagee; and failure to execute such mortgage on demand, shall constitute an event of default.
12. 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.
13. 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

... 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.

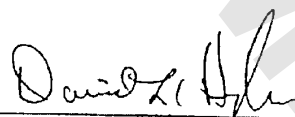
14. If the indebtedness is subject to a guarantee from Farmers Home Administration, that Mortgagors shall be in default under this mortgage, the above note(s) and Loan Documents should any loan proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 CFR Part 1940, Subpart G, Exhibit M; prior to loss of the exemption from the highly erodible land conservation restrictions found in 7 CFR Part 12, Mortgagors must demonstrate that Mortgagors are actively applying an approved conservation plan on that land which has been determined to be highly erodible prior to 1990 or two years after the Soil Conservation Service has completed a soil survey for that land, whichever is later; and Mortgagors must demonstrate prior to January 1, 1995, that any production after that date of an agricultural commodity on highly erodible land will be done in compliance with an approved Soil Conservation Service conservation system.
15. 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.
16. 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.
17. If this mortgage is a residential real estate mortgage, subject to Truth in Lending Disclosures, that during the existence of the indebtedness hereby secured, Mortgagee, at its option, may collect additional amounts and pay real property taxes and special assessments levied against the Property; Mortgagee may elect at any time to pay or not to pay taxes and assessments; notice to any person liable for or making the payments upon the indebtedness hereby secured, or actual payment of any taxes or assessments by Mortgagee shall constitute an election by Mortgagee to pay taxes and assessments; Mortgagee may elect to pay such taxes and assessments either prior to or after collecting additional amounts necessary to make each payment; if Mortgagee elects to pay such taxes and assessments prior to collecting such additional amounts, Mortgagee may add the amounts expended by it for taxes and assessments to the note(s) balance at the time the payment is made and such amounts shall bear interest as provided in the note(s) and shall be secured by the Loan Documents; after any payment of taxes or assessments by Mortgagee, or after notice of Mortgagee's election to pay taxes and assessments, if given in advance of paying the taxes and assessments, Mortgagors shall pay to Mortgagee on the first day of each month, commencing with the next installment, in addition to the scheduled installments of principal and interest due under the note(s), an amount equal to 1/12 of the annual real property taxes and special assessments as estimated by Mortgagee; such additional payments shall continue until any subsequent election by Mortgagee not to pay taxes and assessments.
18. 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.
19. That the following parties join in this instrument to perfect the lien offered as security for the loan, but assume no liability for payment of the indebtedness described in the Loan Documents except for that arising under paragraph 6 above: **None.**
20. This mortgage secures an obligation incurred in whole or in part for construction of an improvement on the Property.

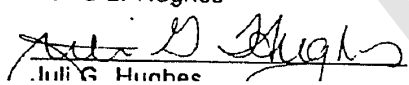
HUGHES FARMS, INC.

BY: 

James L. Hughes, President

ATTEST: 


David L. Hughes


Julie G. Hughes

James L. Hughes
James L. Hughes

Thomas C. Hughes
Thomas C. Hughes

Jeff J. Hughes
Jeff J. Hughes

Robert A. Hughes
Robert A. Hughes

Donna M. Hughes
Donna M. Hughes

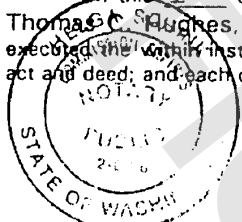
Amy C. Hughes
Amy C. Hughes

Janis M. Hughes
Janis M. Hughes

Michelle L. Hughes
Michelle L. Hughes

STATE OF Washington)
County of Stuart)
) ss.

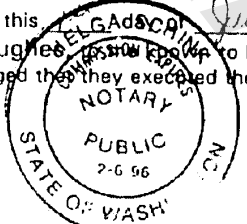
On this 2nd day of July, 1993, before me personally appeared James L. Hughes and Thomas C. Hughes, known to me to be the President and Secretary, respectively, of the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same as its free act and deed; and each on oath stated that he was authorized to execute said instrument.



Helga Schenk
Notary Public for the State of
Residing at Washington - Mount Vernon
My commission expires 2-6-96

STATE OF WA)
County of Stuart)
) ss.

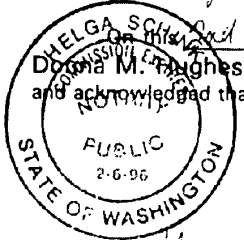
On this 2nd day of July, 1993, before me personally appeared David L. Hughes and Juli G. Hughes, known to me to be the person(s) described in and who executed the within instrument, and acknowledged that they executed the same as their free act and deed.



Helga Schenk
Notary Public for the State of
Residing at Mount Vernon, WA
My commission expires 2-6-96

STATE OF Washington)
County of Stuart)
) ss.

On this 2nd day of July, 1993, before me personally appeared James L. Hughes and Donna M. Hughes, to me known to be the person(s) described in and who executed the within instrument, and acknowledged that they executed the same as their free act and deed.



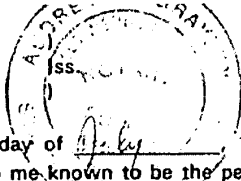
Helga Schenk
Notary Public for the State of
Residing at Mount Vernon, WA
My commission expires 2-6-96

STATE OF WA)
County of Stuart)
) ss.

On this 1st day of July, 1993, before me personally appeared Thomas C. Hughes and Amy C. Hughes, to me known to be the person(s) described in and who executed the within instrument, and acknowledged that they executed the same as their free act and deed.

Helga Schenk
Notary Public for the State of
Residing at Mount Vernon
My commission expires 2-6-96

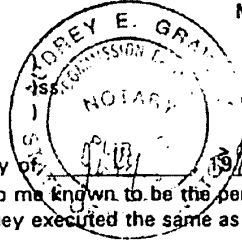
STATE OF WA
County of Skagit



On this 15 day of July, 1993, before me personally appeared Jeff J. Hughes and Janis M. Hughes, to me known to be the person(s) described in and who executed the within instrument, and acknowledged that they executed the same as their free act and deed.

Audrey E. Grant
Notary Public for the State of WA
Residing at DeLayton
My commission expires 12/12/92

STATE OF WA
County of Skagit



On this 15 day of July, 1993, before me personally appeared Robert A. Hughes and Michelle L. Hughes, to me known to be the person(s) described in and who executed the within instrument, and acknowledged that they executed the same as their free act and deed.

Audrey E. Grant
Notary Public for the State of WA
Residing at DeLayton
My commission expires 12/12/92

Mortgagee acknowledges that this mortgage is subject to a security interest in favor of the Farm Credit Bank of Spokane (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.

PARCEL "A":

That portion of the West $\frac{1}{2}$ of the Southeast $\frac{1}{4}$ of Section 16, Township 33 North, Range 3 East, W.M., which lies Southerly of the slough commonly known as Hall's Slough; EXCEPT ditch and dike rights of ways; EXCEPT the South 16.5 feet thereof conveyed to Skagit County for road purposes by Deed recorded November 7, 1924 under Auditor's File No. 178525, in Volume 124 of Deeds, page 120, records of Skagit County; EXCEPT that portion of the South 285 feet of the East 339 feet that lies North of the Maupin County Road running along the South line of the said Section, and also EXCEPT mineral rights as reserved in deed dated January 14, 1944 and recorded April 25, 1944 under Auditor's File No. 370945.

Situate in the County of Skagit, State of Washington.

PARCEL "B":

That portion of the following described tract of land lying Westerly of Primary State Highway No. 1, as conveyed to the State of Washington, by deed dated June 28, 1956 and recorded under Auditor's File No. 539334, and Easterly of the Easterly line of State Highway 1-E:

Beginning 1995 feet North of the Southeast corner of Section 19, Township 33 North, Range 4 East, W.M.;
 thence West parallel with the South line of said Section 19 to the East bank of the Skagit River;
 thence Northerly along said river to a point 3006 feet North of the South line of said Section 19;
 thence East parallel with the South lines of Sections 19 and 20 to the North and South center line of the West $\frac{1}{2}$ of Section 20, Township 33 North, Range 4 East, W.M.,
 thence South along said center line to a point 1995 feet North of the South line of said Section 20;
 thence West to the point of beginning, EXCEPT State Highway right of way, railroad, county road and dike and ditch rights of way and ALSO EXCEPT the North 38 acres of that portion of said premises lying Westerly of Primary State Highway No. 1, as conveyed to Alex Boling by Deed recorded October 23, 1957, under Auditor's File No. 557620.

That portion of the following described tract of land lying Westerly of Primary State Highway No. 1 as conveyed to the State of Washington by deed dated May 26, 1956 and recorded under Auditor's File No. 539339 and Easterly of the Easterly line of State Highway 1-E:

Beginning 1995 feet North of the Southeast corner of Section 19, Township 33 North, Range 4 East, W.M.;
 thence West to the dike;
 thence South along said dike 482.0 feet to a point that is 1511.5 feet North of the South line of Section 19, Township 33 North, Range 4 East, W.M.;
 thence East through said Sections 19 and 20 to the North and South center line of the West $\frac{1}{2}$ of said Section 20;
 thence North 482.0 feet;
 thence West to the point of beginning, EXCEPT State Highway right of way, railroad, county road and dike and ditch rights of way and EXCEPT the North 250 feet of the West 145 feet thereof.

Situate in the County of Skagit, State of Washington.

INITIALS: DBL, TH, TCH, ACH, QBL, CH, RAH, MLH, DA, JLA

PARCEL "C":

The West $\frac{1}{2}$ of the Southeast $\frac{1}{4}$ of Section 10, Township 33 North, Range 3 East, W.M., EXCEPT that portion thereof lying North of a line drawn parallel with and 2328 feet North of the South line of said West $\frac{1}{2}$ of the Southeast $\frac{1}{4}$.

ALSO, that portion of the East 20 feet of the Northwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Section 10, Township 33 North, Range 3 East, W.M., lying North of a line drawn parallel with and 2328 feet North of the South line of the West $\frac{1}{2}$ of the Southeast $\frac{1}{4}$ of said Section 10, EXCEPT that portion, if any, lying within the County road right of way.

Situate in the County of Skagit, State of Washington.

PARCEL "D":

The West $\frac{1}{2}$ of the East $\frac{1}{2}$ of the Southwest $\frac{1}{4}$ of Section 13, Township 33 North, Range 3 East, W.M.

EXCEPT County road right of way AND EXCEPT ditch rights-of-way, if any, AND EXCEPT the East 16.5 feet thereof.

The East $\frac{1}{2}$ of the West $\frac{1}{2}$ of the Southwest $\frac{1}{4}$ of Section 13, Township 33 North, Range 3, Skagit County, Washington, EXCEPT ditch rights-of-way, if any, EXCEPT that portion thereof conveyed to Skagit County by deed recorded as Auditor's File No. 520496.

ALSO EXCEPT that portion thereof conveyed to James L. Hughes and Donna M. Hughes, Husband and Wife, by deed recorded as Auditor's File No. 745977.

Situate in the County of Skagit, State of Washington.

PARCEL "E":

A portion of Section 14, Township 33 North, Range 3 East, W.M., described as follows:

Beginning at a point on the North line of the Southwest $\frac{1}{4}$ of said Section 14 at a point 73 rods East from the Northwest corner of said Southwest $\frac{1}{4}$;
thence East along the quarter section line to Dry Slough or Deer Slough;
thence in a Southwesterly direction along said slough to the South line of said Section 14;
thence West along the South line of said Section 14 to a point 73 rods East from the Southwest corner of said Section 14;
thence North to the place of beginning. EXCEPT that portion thereof described in Quit Claim Deed to Donald R. Semrau and Mary Margaret Semrau, Husband and Wife, dated November 19, 1970, and recorded November 20, 1970, as Auditor's File No. 745976, ALSO EXCEPT county road right of way along the South line thereof.

Situate in the County of Skagit, State of Washington.

Tax Account Nos.: 330316-4-009-0003; 330316-4-007-0005; 330419-0-054-0001;
330419-0-016-0008; 330419-0-054-0100; 330310-4-008-0000;
330310-4-009-0009; 330310-4-010-0006; 330313-3-002-0005;
330313-3-004-0003; 330314-3-002-0004; 330314-3-003-0003;
330314-3-005-0001; 330314-3-007-0009 and 330314-4-003-0001.

All equipment, machinery, appliances and tools which are a part of the potato facility, together with all property and goods similar to those described herein which at any time may be acquired by debtor(s), including but not limited to, all additions, replacements, substitutions and accessions thereof, which are used as part of the facility, including but not limited to, the following: