

After Recording Return to:
Farm Credit Services - Burlington
265 East George Hopper Road
PO Box 966
Burlington, WA 98233.



201008090069
Skagit County Auditor

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ACCOMMODATION RECORDING

LAND TITLE OF SKAGIT COUNTY

m-18847
Please print neatly or type information

Document 1 Title: Line of Credit Mortgage

Reference #s: _____

Additional Reference #s on page _____

Grantors:

DeVries Dairy Limited Partnership

Grantees:

Northwest Farm Credit Services, PCA

Additional grantors on page _____

Additional grantees on page _____

Document 2 Title:

Reference #s: _____

Additional Reference #s on page _____

Grantors:**Grantees:**

Additional grantors on page _____

Additional grantees on page _____

Legal description (abbreviated form: i.e. lot, blk, plat or S,T,R quarter/quarter):

Government Lot 6, and a portion of Government Lot 5 in Sec 4, Twp 34N, Rge 4 EWM; Lot 3 of SP 91-014 in Sec. 2 & 3, Twp 34N, Rge. 4EWM; Ptn E/s, Sec. 2, T34N, R4E W.M. and Ptn. W/2, Sec. 1, T34N, R4E W.M., in Skagit Co., WA

Additional legal is on pages 2

Assessor's Property Tax Parcel/Account Numbers:

340404-0-011-0009/P23493, 340404-0-008-0004/P23489, 340404-0-028-0000/P23512, 340402-3-002-0204/P99048, 340403-4-001-0004/P23472, 340403-4-003-0002/P23474, 340402-1-002-0000/P23430, 340401-3-009-0100/P109409

Line of Credit Mortgage

(Open End)

On August 6, 2010, DeVries Dairy Limited Partnership, a Limited Partnership, hereinafter called Mortgagors, whose address is

12797 Thillberg Road
Mount Vernon, WA 98273

grant, convey, warrant, transfer and assign to Northwest Farm Credit Services, PCA, a corporation organized under the Farm Credit Act of 1971, as amended, hereinafter called Mortgagee, whose address is 1700 South Assembly Street, P.O. Box 2515, Spokane, Washington 99220-2515, a mortgage and security interest in property in Clark County(ies), State of Washington, more particularly described as follows:

Government Lot 6 and that portion of Government Lot 5 lying Easterly of the present course of the Skagit River in Section 4, Township 34 North, Range 4 East, W.M., EXCEPT County Road, dikes and drainage ditch right of way and EXCEPT the following described tract:

Beginning at a point on the North and South center line of Section 4, Township 34 North, Range 4 East, W.M., 1149.9 feet North of the center of Section 4;
thence South 85 degrees, 57' West 884.2 feet;
thence North 47 degrees 35' East 176.9 feet;
thence North 72 degrees 43' East 179.9 feet;
thence North 84 degrees 0' East 583.3 feet to the North and South line of Section 4;
thence South along said center line, 170.9 feet to the point of beginning.

ALSO, shore lands of the second class as conveyed by the State of Washington in front of, adjacent to or abutting upon the South 1050 feet of Lot 6, and that portion of the South 1050 feet of Lot 5 lying Easterly of the Skagit River as it existed in January, 1948.

Situate in the County of Skagit, State of Washington.

The Northwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 2, Township 34 North, Range 4 East, W.M.,

EXCEPT the North 20 feet thereof as conveyed to Skagit County for road purposes by Deed recorded August 7, 1916, under Auditor's File No. 114598, in Volume 104 of Deeds, page 426, records of Skagit County, Washington.

ALSO, the Northeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Section 3, Township 34 North, Range 4 East, W.M.,

EXCEPT the North 20 feet of the East 714.1 feet thereof as conveyed to Skagit County for road purposes by Deed recorded August 7, 1916, under Auditor's File No. 114598, in Volume 104 of Deeds, page 426, records of Skagit County, Washington.

ALSO, that portion of the Southwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Section 3, Township 34 North, Range 4 East, W.M., lying Northerly of Nookachamps Creek.

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EXCEPT from all of the above, Lots 1 and 2, Short Plat No. 91-014 recorded April 8, 1991, in Volume 9 of Short Plats, pages 339 and 340, under Auditor's File No. 9104080082, records of Skagit County, Washington.

SUBJECT TO: That certain Conservation Easement recorded under Skagit County Auditor's File No. 200501250145; and those Notes contained on SP 91-014 (AF# 9104080082).

Situate in the County of Skagit, State of Washington.

(Also known as Lot 3 of Short Plat No. 91-014 referred to above.)

PARCEL A;

The Southwest Quarter of the Northeast Quarter and the West Half of the Southeast Quarter of the Northeast Quarter, all in Section 2, Township 34 North, Range 4 East of the Willamette Meridian;

EXCEPT county road rights-of-way;

TOGETHER WITH that portion of the North Half of the Southeast Quarter of Section 2, Township 34 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at a point 13.96 chains West of the Northeast corner of said Southeast Quarter;
Thence South 1°42' West, 15.77 chains to the North line of the County Road;
Thence Southerly and Westerly along the North line of County Road to its intersection with the South line of the Northwest Quarter of the Southeast Quarter of said Section 2;
Thence West along the South line of said Northwest Quarter of the Southeast Quarter to the West line of said Subdivision;
Thence North along the West line of said subdivision to the Northwest corner thereof;
Thence East along the North line of the North Half of the Southeast Quarter of said Section 2, to the point of beginning;

EXCEPT that portion thereof, if any, lying East of a line running South from a point on the North line of said Southeast Quarter which is 924 feet West of the Northeast corner of said Southeast Quarter;

ALSO EXCEPT that portion thereof conveyed to Skagit County by deed recorded under Auditor's File No. 719061, records of Skagit County, Washington;

TOGETHER WITH all that portion of the Southwest Quarter of the Southeast Quarter of Section 2, Township 34 North, Range 4 East of the Willamette Meridian, lying Northerly of Noah Stevens County Road.

Situated in Skagit County, Washington.

PARCEL B:

The East Half of the Southeast Quarter of the Northeast Quarter of Section 2, Township 34 North, Range 4 East of the Willamette Meridian;

EXCEPT the as built and existing county road commonly known as Francis Road running along the North line thereof.

Situated in Skagit County, Washington.

PARCEL C:

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That portion of the Northeast Quarter of the Southeast Quarter of Section 2, Township 34 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at the Northeast corner of said subdivision;
Thence West 924 feet;
Thence South 947 feet, more or less, to the Stevens County Road;
Thence Southeasterly along said road 948 feet, more or less, to the section line;
Thence North along said section line to the point of beginning;

EXCEPT that portion described as follows:

Beginning at the East Quarter corner of said Section 2;
Thence South 00°35'48" West a distance of 292.62 feet to the true point of beginning;
Thence South 89°45'09" West, a distance of 186.18 feet;
Thence South 22°48'56" West, a distance of 111.31 feet;
Thence South 10°21'47" East, a distance of 357.08 feet;
Thence South 75°13'18" West, a distance of 114.69 feet;
Thence South 51°30'01" West, a distance of 89.22 feet;
Thence South 84°24'31" West, a distance of 211.35 feet;
Thence North 77°49'36" West, a distance of 76.76 feet;
Thence North 44°25'37" West, a distance of 196.75 feet;
Thence South 85°48'26" West, a distance of 159.95 feet to the West line of the East 924 feet of said Northeast Quarter of the Southeast Quarter of said Section 2;
Thence South 00°35'48" West, a distance of 333.99 feet along the West line of the East 924 feet of said subdivision to the North right-of-way line of Mud Lake Road;
Thence along the North right-of-way line of Mud Lake Road for the following courses:
North 58°31'24" East, a distance of 73.18 feet;
Thence North 64°18'43" East, a distance of 78.93 feet;
Thence North 79°16'04" East, a distance of 85.97 feet;
Thence South 82°04'00" East, a distance of 106.63 feet;
Thence South 74°09'08" East, a distance of 143.63 feet;
Thence South 74°40'32" East, a distance of 85.60 feet;
Thence South 75°53'37" East, a distance of 95.86 feet;
Thence South 78°30'41" East, a distance of 91.31 feet;
Thence South 80°34'53" East, a distance of 73.86 feet;
Thence South 81°06'41" East, a distance of 125.36 feet;
Thence North 00°35'48" East, a distance of 810.21 feet along the East line of said Section 2 to the true point of beginning.

Situated in Skagit County, Washington.

PARCEL D:

That portion of the West Half of the Southwest Quarter of the Northwest Quarter and that portion of the North Half of the Northwest Quarter of the Southwest Quarter of Section 1, Township 34 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at the Northeast corner of the West Half of the Southwest Quarter of the Northwest Quarter of Section 1;
Thence South 89°59'13" West, along the North line of said subdivision, a distance of 377.35 feet;
Thence South 00°14'47" West, a distance of 3.42 feet to the South right-of-way of Francis Road;
Thence South 01°31'22" West, a distance of 564.85 feet;
Thence South 08°06'10" East, a distance of 168.56 feet;
Thence South 00°02'24" West, a distance of 215.57 feet;

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Thence North 71°28'13" West, a distance of 347.21 feet, more or less, to the West line of said Section 1 and the true point of beginning;
Thence South 18°36'08" East, a distance of 836.60 feet;
Thence South 89°45'09" West, a distance of 275.14 feet to the West line of said Section 1;
Thence Northerly along the West line of said Section 1 to the true point of beginning.

Situated in Skagit County, Washington.

Tax Account Nos.: 340404-0-011-0009/P23493, 340404-0-008-0004/P23489, 340404-0-028-0000/P23512, 340402-3-002-0204/P99048, 340403-4-001-0004/P23472, 340403-4-003-0002/P23474, 340402-1-002-0000/P23430, 340401-3-009-0100/P109409;

and 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 the "Property."

The following described Note(s), Membership Agreements, 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." "Advances" shall include any amounts provided to Mortgagor under the terms of the Loan Documents and any amounts expended by Mortgagee to protect the Property or enforce its rights under the Loan Documents. This conveyance is intended to secure performance of the covenants and agreements contained herein, and in any Loan Documents, and payment of the indebtedness under the terms of the Note(s) made by Mortgagors to the order of Mortgagee, with interest and charges as provided therein and in the Loan Documents, and any extensions, modifications or renewals thereof:

DATE OF NOTE	PRINCIPAL AMOUNT	FINAL INSTALLMENT DATE
August 6, 2010	\$750,000.00	September 1, 2017

In addition, this mortgage is intended to secure any other loans and advances made within five years from the date of this mortgage by Mortgagee to Mortgagors or any of them, no matter how evidenced; provided however, the aggregate sum of all unpaid principal balances of all such loans and advances secured hereby shall not, at any one time, exceed \$3,700,000.00, exclusive of interest and amounts advanced to protect Mortgagee's interests hereunder and under the Loan Documents. The continuing validity and priority of this mortgage for future loans and advances shall not be impaired by the fact that at certain times no outstanding indebtedness to Mortgagee nor commitment from Mortgagee to make future loans exist. 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.

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.

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

1. That they have title to the Property free from encumbrances, except as described above, 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. Mortgagor authorizes Mortgagee to file a financing statement and any continuations thereof, describing any personal property or fixtures described herein, without further signature by Mortgagor.

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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 or other risks; to maintain liability insurance; to obtain flood insurance at any time it is determined that any building or improvement is located in whole or in part within a special flood hazard area; to pay all premiums and charges on all such insurance when due; and to provide Mortgagee satisfactory evidence of such insurance upon request. All such insurance shall be in such form(s), with such company(ies) and in such amount(s) as shall be satisfactory to Mortgagee.
4. Not to apply or enter into any federal, state, or local program which limits or restricts the use of the Property, in any way, without prior written consent of Mortgagee.
5. To pay all debts and money, secured hereby, when due; to pay, when due, all taxes, assessments, rents and other charges upon the Property and to suffer no other encumbrance, charge or lien on the Property, which would be superior to this mortgage, except as stated above.
6. To specifically assign and deliver to Mortgagee all rents, royalties, damages and payments of every kind, including without limitation insurance reimbursements and condemnation awards, at any time accruing, for any transfer, loss or seizure of the Property, any portion thereof or any rights therein; and Mortgagee may, at its option, apply such amounts in any proportion to any of the indebtedness hereby secured; and Mortgagee shall have the right to enter upon the Property to make full inspection of the Property.
7. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Property and its use, including without limitation all environmental laws; not to use or permit the use of the Property for any unlawful or objectionable purpose or for any purpose that poses an unreasonable risk of harm, or that impairs or may impair the value of the Property, or any part thereof; not to apply residue from waste water treatment facilities to the Property without prior written notice to Mortgagee; to remedy any environmental contamination or violation of environmental laws that may occur or be discovered in the future; to allow Mortgagee access to the Property to inspect its condition and to test and monitor for compliance with applicable laws (any inspections or tests made by Mortgagee shall be for Mortgagee's purposes only and shall not be construed to create any responsibility or liability on the part of Mortgagee to Mortgagors or to any other person), to forward copies of any notices received from any environmental agencies to Mortgagee; to provide Mortgagee copies of any independent test or inspection reports on the environmental status of the Property; and to indemnify and hold Mortgagee, its directors, employees, agents and its successors and assigns, harmless from and against any environmental claims of any kind, and all costs and expenses incurred in connection therewith, including, without limitation, attorney's fees.
8. That neither Mortgagors nor, to the best of the Mortgagor's 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 Mortgagor's 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.
9. To perform all terms and conditions of each water or other contract, described above, 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

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contract(s); to perform all acts necessary to perfect and maintain any water permit, certificate, license or other water interest, however designated, described in or used in conjunction with the real property described above; any assignment of any such interest during the term of this mortgage, naming Mortgagee as an assignee shall be for security purposes and shall not alter Mortgagors' obligations hereunder; and any failure of Mortgagors to perform any such obligation shall constitute an event of default.

10. That 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.
11. 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.
12. 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.
13. 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.
14. That the indebtedness and obligations secured by this mortgage are personal to the Mortgagors and are not assignable by Mortgagors; Mortgagee relied upon the credit of Mortgagors, the interest of Mortgagors in the Property and the financial market conditions then existing when making this loan; if Mortgagors sell, transfer or convey or contract to sell, transfer or convey the Property, or any portion thereof, or if the ownership of any corporation or partnership, owning all or any portion of the Property shall be changed either by voluntary or involuntary sale or transfer or by operation of law, without prior written consent of Mortgagee, or if Mortgagors default in the payment of the indebtedness, or with respect to any warranty, covenant or agreement in the Loan Documents or if a receiver or trustee for any part of the Property is appointed, or if any proceedings under the bankruptcy or insolvency laws is commenced by or against Mortgagors, or if Mortgagors become insolvent, or

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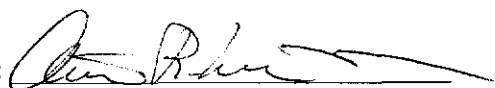
if any action is commenced to foreclose or enforce a lien on any portion of the Property, then, Mortgagors shall be in default hereunder.

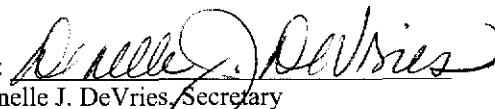
15. That time is of the essence and in the event of default, at Mortgagee's option, the entire indebtedness secured hereby shall forthwith become due and payable and bear interest at the rate set forth in the Loan Documents for delinquent payments; Mortgagee shall have the right to foreclose the lien 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. 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.
18. That Mortgagor warrants that Mortgagors' state of formation is the State of Washington and Mortgagors' exact legal name is as set forth herein.

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.

DeVries Dairy Limited Partnership, a Limited Partnership

By: DV Management Corporation, a General Partner

By: 
Alice R. DeVries, President

By: 
Denelle J. DeVries, Secretary

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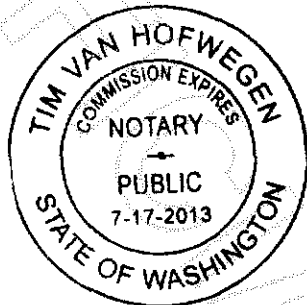
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STATE OF WA

County of Skagit)ss.

On this 6th day of August, 2010, before me personally appeared Alice R. DeVries and Denelle J. DeVries, known to me to be the President and Secretary, respectively, of DV Management Corporation, the corporation that executed the within instrument as a partner in DeVries Dairy Limited Partnership, the partnership that executed the within instrument, and acknowledged that such corporation executed the same as such partner and in the partnership name freely and voluntarily, and each on oath stated that they were authorized to execute said instrument.



Printed Name Tim Van Hofwegen
Notary Public for the State of WA
Residing at Mt Vernon
My commission expires 2-17-2013

Mortgagee acknowledges that this mortgage is subject to a security interest in favor of CoBank, ACB (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.



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