

Filed for Record at Request of and
Copy Returned to:
Celeste Maki
Financial Specialist
Northwest Farm Credit Services
1515 S. Technology Blvd., Suite B
Spokane, WA 99224
509-340-5612



201211260082
Skagit County Auditor

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Grantor: SAMISH RIVER FARMS, LLC
Grantee: NORTHWEST FARM CREDIT SERVICES, PCA
Related Docs: N/A
Abbrev. Legal: PTN. W ½ OF NW ¼, 15-35-3 E.W.M., SKAGIT COUNTY,
WASHINGTON
Tax Parcel No: 350315-2-003-0002 and 350315-2-005-0000

MORTGAGE AND FIXTURE FILING (Closed End)

On November 15, 2012, SAMISH RIVER FARMS, LLC, a Washington limited liability company, hereinafter called Mortgagor, whose address is 1020 North Center Parkway, Suite B, Kennewick, WA 99336, grants, conveys, warrants, transfers and assigns 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, WA 99220-2515, a mortgage and security interest in property in Skagit County, 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."

Pursuant to a Loan Restructure Agreement entered into between Circle R Farms, LLC, Horizon Farms, LLC, Island Potato, LLC, Wendi K. Hilborn, Stefan A. Hilborn, and Eric R. Rogers, as Borrowers, and Northwest Farm Credit Services, PCA, as Lender, on

November __, 2012 ("Loan Restructure Agreement"), Borrowers agreed to pledge to Mortgagee the Property as additional real estate collateral under Loan No. 200503-141, Loan No. 200503-241, Loan No. 200503-243, and Loan No. 69883-241, as set forth below, which is owned in fee simple by Mortgagor, a company of Eric R. Rogers and Stefan A. Hilborn.

Mortgagor made, executed, and delivered to Mortgagee a Guaranty Agreement dated November __, 2012, guaranteeing and promising to pay up to \$700,000.00 of indebtedness of Borrowers to Mortgagee, ("Guaranty"), under Loan No. 200503-141, Loan No. 200503-241, Loan No. 200503-243, and Loan No. 69883-241, as set forth below. This mortgage is given to secure up to \$700,000.00 owed by Mortgagor to Mortgagee.

The following described Notes, Loan Restructure Agreement, Guaranty, Membership Agreement, security documents and any other documents or instruments signed in connection with the following described Notes 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 up to \$700,000.00, with interest and advances as provided therein and in the Loan Documents, and any extensions, modifications or renewals thereof:

Loan No. 200503-141. Note and Loan Agreement (Operating) dated March 31, 2011;

Loan No. 200503-241. Note and Loan Agreement (Intermediate Term) dated May 5, 2010;

Loan No. 200503-243. Note and Loan Agreement (Intermediate Term) dated March 31, 2011; and

Loan No. 69883-241. Note and Loan Agreement (Intermediate Term) dated July 12, 2010,

(Collectively, the "Notes").

The terms of the Notes and Loan Documents 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.



Mortgagor REPRESENTS, WARRANTS, COVENANTS and AGREES:

1. That it has title to the Property free from encumbrances, except as otherwise previously disclosed; it has good right and lawful authority to convey and encumber the same; it will warrant and defend the same forever against the lawful claims and demands of all persons whomsoever; and it agrees 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.
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 workmanlike 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 Property and its use, including without limitation all environmental laws; not to use or permit the use of the Property for any unlawful or objectionable purpose or for any purpose that poses an unreasonable risk of harm, or that impairs or may impair the value of the Property, or any part thereof; not to apply residue from wastewater treatment facilities to the Property without prior written notice to Mortgagee; to remedy any environmental contamination or violation of environmental laws that may occur or be discovered in the future; to allow Mortgagee access to the Property to inspect its condition and to test and monitor for compliance with applicable laws (any inspections or tests made by Mortgagee shall be for Mortgagee's purposes only and shall not be construed to create any responsibility or liability on the part of Mortgagee to Mortgagor 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.
7. That neither Mortgagor nor, to the best of 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 Notes 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 as may be described herein, 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 Property; 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 Mortgagor's obligations hereunder; and any failure of Mortgagor 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; Mortgagor has 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 Mortgagor 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, Mortgagor shall comply with the terms and provisions of said laws, regulations and contracts; Mortgagor, for itself, its heirs, successors and assigns, hereby appoints Mortgagee its attorney-in-fact to select and designate the portion of the Property to be subject to a recordable contract, in the event Mortgagor becomes subject to the excess land limitation; if Mortgagor fails 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, Mortgagor shall be in default; in the event the Bureau of Reclamation determines that continued drainage maintenance on the Property is no longer feasible, and Mortgagor purchases other lands offered as a preference purchase right (as an adjustment for wetlands), Mortgagor 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 Mortgagor and are not assignable by Mortgagor; Mortgagee relied upon the credit of Mortgagor, the interest of Mortgagor in the Property and the financial market conditions then existing when making this loan; if Mortgagor sells, transfers or conveys or contracts 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 Mortgagor defaults 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 Mortgagor, or if Mortgagor becomes insolvent, or if any action is commenced to foreclose or enforce a lien on any portion of the Property, then, Mortgagor shall be in default hereunder.

14. If the indebtedness is subject to a guarantee from Farm Service Agency, that Mortgagor shall be in default under this mortgage, the Notes 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 or to make possible the production of an agricultural commodity, as further explained in 7 CFR Part 1940, Subpart G, Exhibit M.
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 Notes balance at the time the payment is made and such amounts shall bear interest as provided in the Notes 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, Mortgagor 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 Notes, 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 Mortgagor joins in this instrument for the purpose of subjecting its 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 Mortgagor's principal place of business is located in the State of Washington; Mortgagor's state of formation is the State of Washington; and Mortgagor's exact legal name is as set forth in the first paragraph of this Mortgage.



DATED this 15 day of November, 2012.

SAMISH RIVER FARMS, LLC, a
Washington limited liability company

By: [Signature]
ERIC R. ROGERS, Member

By: See attached
STEFAN A. HILBORN, Member

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.



DATED this 15 day of November, 2012.

SAMISH RIVER FARMS, LLC, a
Washington limited liability company

By: _____
ERIC R. ROGERS, Member

By: Shaffer
STEFAN A. HILBORN, Member

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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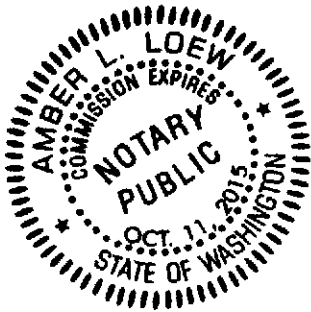
STATE OF WASHINGTON)

: ss

County of Franklin)

On this 15 day of November, 2012, before me personally appeared ERIC R. ROGERS, to me known to be a Member of SAMISH RIVER FARMS, LLC, the company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act of said company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument on behalf of said company.

GIVEN UNDER MY HAND AND OFFICIAL SEAL the day and year in this certificate first above written.



(Seal or Stamp)

Amber L. Loew
Notary Public (Signature)

Amber L. Loew
(Print Name)

My commission expires: October 11, 2015

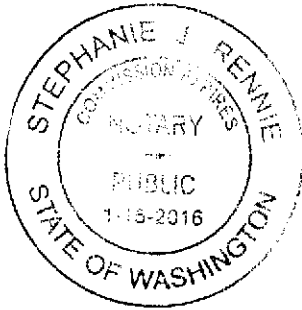
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STATE OF WASHINGTON)
)
County of Skagit)
 : ss

On this 15 day of November, 2012, before me personally appeared STEFAN A. HILBORN, to me known to be a Member of SAMISH RIVER FARMS, LLC, the company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act of said company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument on behalf of said company.

GIVEN UNDER MY HAND AND OFFICIAL SEAL the day and year in this certificate first above written.



Stephanie Rennie
Notary Public (Signature)

Stephanie Rennie
(Print Name)

My commission expires: 1-15-2016

(Seal or Stamp)

11-12



EXHIBIT "A"
LEGAL DESCRIPTION

That portion of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ and of the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 15, Township 35 North, Range 3 East, W.M., lying North of the Samish River,

EXCEPT for County roads,

ALSO EXCEPT the following described tracts:

(1) That portion of the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ lying South of a line 2,340 feet South of and parallel with the North line of said subdivision.

(2) The North 228.28 feet of the East 209.00 feet of the West 620.00 feet of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 15, Township 35 North, Range 3, East W.M.

All equipment, machinery, appliances, and tools which are related to or a part of the dairy facility, including but not limited to all property described herein, all similar goods which may be acquired at any time, any additions, replacements, substitutions and accessions;

All silos, and any replacements thereof, including but not limited to all motors, augers, and electrical panels and appurtenances thereto.

Situate in the County of Skagit, State of Washington.

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