

AFTER RECORDING, RETURN TO:

William H. Holmes
Stoel Rives LLP
900 SW Fifth Avenue, Suite 2300
Portland, OR 97204

MTC38822KR

MEMORANDUM OF FARM LEASE

EFFECTIVE
DATE:

July 19, 1996

BETWEEN:

THE NATURE CONSERVANCY, a District of Columbia nonprofit corporation

AND:

PACIFICORP, an Oregon corporation

AND:

THE NEW EARTH COMPANY, an Oregon corporation

The property in Klamath County, Oregon described on attached Exhibit A, commonly known as Agricultural Property component of Tulana Farms, is subject to a Farm Lease dated effective July 19, 1996 between the parties, which also affects the Tulana Farms property described on attached Exhibit B. The terms and conditions of the Farm Lease are incorporated into this Memorandum by this reference.

IN WITNESS WHEREOF, the parties have caused this memorandum to be executed effective as of the day and year first above written.

THE NATURE CONSERVANCY

By: [Signature]Printed Name: Russell HOBKITCHTitle: V.P. & REGIONAL DIRECTORDate: 7/19/96

PACIFICORP

By: [Signature]Printed Name: S. A. de SousaTitle: Director, Hydro ResourcesDate: 7-19-96

THE NEW EARTH COMPANY

By: [Signature]Printed Name: Robert S. LongoTitle: CFODate: 7/19/96

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STATE OF Oregon)
 County of Klamath) ss.

The foregoing instrument is acknowledged before me this 19th day of July, 1996, by RUSSELL HOEFELICH as V. Pres. & Oregon Director of THE NATURE CONSERVANCY, a District of Columbia nonprofit corporation, on its behalf.



Kristi L. Redd
 Notary Public for Oregon
 My commission expires: 11/16/99

STATE OF Oregon)
 County of Klamath) ss.

The foregoing instrument is acknowledged before me this 19th day of July, 1996, by S.A. de Souza as Director, Hydro Resources of PACIFICORP, an Oregon corporation, on its behalf.



Kristi L. Redd
 Notary Public for Oregon
 My commission expires: 11/16/99

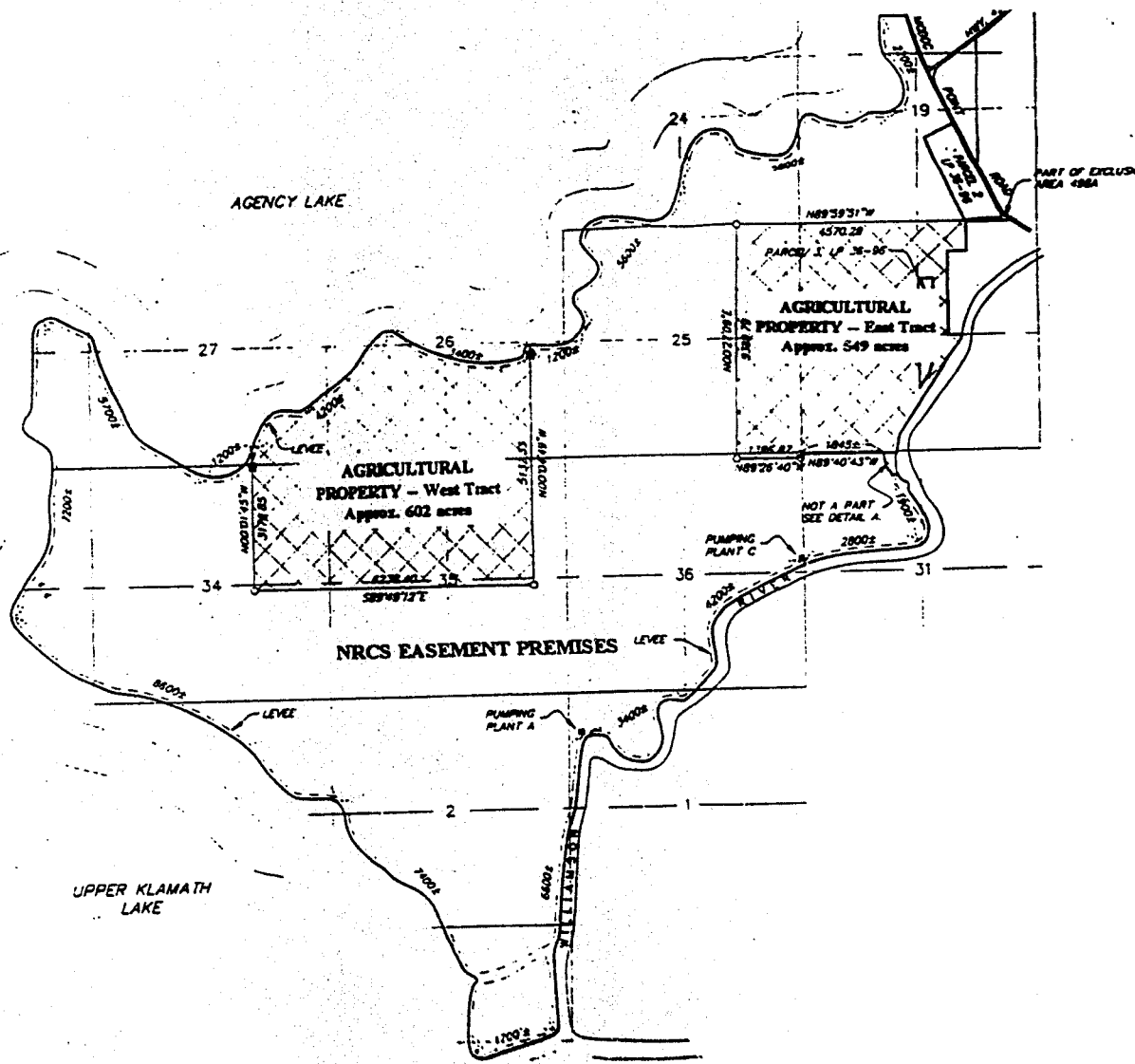
STATE OF Oregon)
 County of Klamath) ss.

The foregoing instrument is acknowledged before me this 19th day of July, 1996, by Robert P. Longo as Chief Financial Officer of THE NEW EARTH COMPANY, an Oregon corporation, on its behalf.



Kristi L. Redd
 Notary Public for Oregon
 My commission expires: 11/16/99

EXHIBIT A
(Exhibit A-2 of UCC-1)
AGRICULTURAL PROPERTY
 Page 1 of 5



The "Agricultural Property" and the "NRCS Easement Premises" are located within:
 Sections 19, 30, 31 of T35S, R7E, W.M.;
 Sections 24, 25, 26, 27, 28, 33, 34, 35 and 36 of T35S, R71/2E, W.M.; and,
 Sections 1, 2, 3, 4, 11 and 12 of T36S, R71/2E, W.M.

EXHIBIT A
(Exhibit A-2 of UCC-1)
AGRICULTURAL PROPERTY
Page 2 of 5

EXHIBIT E
DESCRIPTION FOR EXCLUSION PARCEL 696A

A parcel of land situated in Sections 26, 27, 34 and 35, Township 35 South, Range 07 1/2 East of the Willamette Meridian, County of Klamath, State of Oregon, being more particularly described as follows:

Beginning at a point on the mean high waterline of Agency Lake, from which the Northeast corner of Section 19 Township 35 South, Range 07 East of the Willamette Meridian bears North 54° 24' 22" East 13892.67 feet; thence from said point of beginning South 00° 04' 49" East 138.68 feet to a 5/8" pin; thence South 00° 04' 49" East 5132.33 feet to a 5/8" pin; thence North 89° 49' 12" West 6236.40 feet to a 5/8" pin; thence North 00° 01' 45" West 2730.27 feet to a 5/8" pin; thence continuing North 00° 01' 45" West 415.17 feet to the mean high waterline of Agency Lake; thence along the mean high waterline of said Agency Lake Northeasterly 6600 feet more or less to the point of beginning.

Containing 602 acres, more or less.

EXHIBIT A
(Exhibit A-2 of UCC-1)
AGRICULTURAL PROPERTY
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EXHIBIT F
DESCRIPTION FOR EXCLUSION PARCEL 498A

A parcel of land situated in Sections 19, 30 and 31, Township 35 South, Range 07 East, and Sections 24, 25 and 36, Township 35 South, Range 07 1/2 East of the Willamette Meridian, County of Klamath, State of Oregon, being more particularly described as follows:

Beginning at a point on the South line of said Section 30 and the mean high waterline on the West bank of the Williamson River, from which the Northeast corner of said Section 19 bears North 16° 21' 49" East 11074.65 feet more or less; thence from said point of beginning along the South line of said Section 30 and the North line of M92, page 27987, North 89° 53' 45" West 697.10 feet, more or less, to the Northwest corner of said M92, page 27987, thence North 89° 37' 01" West 1437.39 feet, more or less, to a 5/8" pin; thence South 00° 06' 41" West 94.15 feet to a 5/8" pin; thence North 89° 26' 40" West 1396.87 feet to a 5/8" pin; thence North 00° 27' 09" East 5389.79 feet to a 5/8" pin; thence South 89° 59' 51" East 4570.29 feet to a 5/8" pin; thence North 89° 16' 46" East 490.97 feet; thence North 24° 56' 14" West 4.96 feet to a 5/8" pin; thence North 85° 34' 54" East 334.54 feet to a 5/8" pin; thence South 89° 56' 30" East 477.35 feet, to a 5/8" pin; thence North 02° 27' 07" West 107.15 feet to a 5/8" pin and the Westerly right-of-way of Modoc Point Road; thence along the Westerly right-of-way of said Modoc Point Road, along the arc of a 602.96 feet radius curve to the left, chord bears South 48° 53' 47" East 168.75 feet, 169.31 feet to a 5/8" pin; thence South 56° 56' 26" East 103.95 feet more or less to the North line of Section 30 and the North line of Government Lot 2; thence along the North line of said Government Lot 2 North 89° 56' 39" West 747.90 feet more or less to the Northwest corner of said Government Lot 2; thence along the North line of Government Lot 3 North 89° 56' 39" West 250.00 feet; thence Southerly 250.00 feet from and parallel to the East line of said Lot 3, 660.00 feet more or less to the North line of Government Lot 8; thence along the North line of said Government Lot 8 Westerly 410.00 feet more or less to the Northeast corner of the West 660.00 feet of said Government Lot 8; thence along the East line of the West 660.00 feet of Government Lots 8, 13 and 18 Southerly 1980.00 feet more or less to the South line of said Government Lot 18; thence along the South line of said Government Lot 18 Easterly 283.8 feet more or less to the mean high waterline on the West bank of the Williamson River; thence along the said mean high waterline Southwesterly 3000 feet more or less to the point of beginning.

EXCEPTING THEREFROM that Parcel described in Exhibit H and that Parcel described in Exhibit C.

Containing 549 acres, more or less.

EXHIBIT A
(Exhibit A-2 of UCC-1)
AGRICULTURAL PROPERTY
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EXHIBIT C
DESCRIPTION FOR 15.57 ACRE PARCEL

A parcel of land situated in Section 30, Township 35 South, Range 7 East of the Willamette Meridian, County of Klamath, State of Oregon, being more particularly described as follows:

Beginning at a 5/8" pin from which the section corner common to Sections 17, 18, 19 and 20, Township 35 South, Range 7 East of the Willamette Meridian bears North 19° 19' 25" East 6975.91 feet; thence South 89° 46' 55" West 318.72 feet to a 5/8" pin; thence South 00° 05' 55" West 2558.77 feet to a 5/8" pin; thence North 31° 37' 33" East 339.86 feet to a 5/8" pin; thence 339.14 feet along the arc of a 644.02 foot radius curve to the left, the long chord of which bears North 16° 32' 23" East 335.23 feet to a 5/8" pin; thence North 1° 27' 14" East 1949.85 feet to the point of beginning.

TOGETHER WITH those easements described in Exhibits G and H.

Containing 15.57 acres, more or less.

EXHIBIT A
(Exhibit A-2 of UCC-1)
AGRICULTURAL PROPERTY
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EXHIBIT H
DESCRIPTION FOR EASEMENT
FOR 15.57 ACRE PARCEL

An easement for ingress and egress and public utilities being more particularly described as follows:

Commencing at a 5/8" iron pin on the West right-of-way line of State Highway 427 from which the section corner common to Sections 17, 18, 19 and 20 bears North 8° 53' 01" East 5207.80 feet; thence South 2° 27' 07" East 107.15 feet to an iron pin; thence North 89° 56' 30" West 477.35 feet to an iron pin; thence South 85° 34' 54" West 334.55 feet to an iron pin; thence South 24° 56' 14" East 4.96 feet to the true point of beginning for this description; thence South 89° 16' 46" West 490.97 feet; thence 200.50 feet along the arc of a 130.00 foot radius curve to the left, the long chord of which bears South 45° 06' 06" West 181.21 feet; thence South 00° 54' 49" West 1166.58 feet; thence South 89° 46' 55" West 62.03 feet to an iron pin; thence South 1° 27' 14" West 1949.85 feet to an iron pin; thence 339.14 feet along the arc of a 644.02 foot radius curve to the right, the long chord of which bears South 16° 32' 23" West 335.23 feet, to an iron pin; thence South 31° 37' 33" West 339.86 feet to an iron pin; thence South 0° 05' 55" West 233.31 feet; thence North 31° 37' 35" East 538.64 feet; thence 403.39 feet along the arc of a 766.02 foot radius curve to the left, the long chord of which bears North 16° 32' 23" East 398.74 feet, thence North 01° 27' 11" East 1952.67 feet; thence North 00° 54' 49" East 1166.13 feet; thence 107.96 feet along the arc of a 70.00 foot radius curve to the right, the long chord of which bears North 45° 06' 06" East 97.57 feet; thence North 89° 17' 22" East 510.82 feet; thence North 30 feet, more or less, to a point on the North line of Government Lot 3 of Section 30, Township 35 South, Range 7 East of the Willamette Meridian; thence North 34° 37' 48" West 36.26 feet to the point of beginning.

TOGETHER WITH that easement described in Exhibit G.

EXHIBIT A
of Participation Agreement

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EXHIBIT B
of Farm Lease
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1816-01

DESCRIPTION FOR WILLIAMSON RIVER RANCH

All that certain real property situate, lying and being in the County of Klamath, State of Oregon, more particularly described as follows:

In Section 19, Township 35 South, Range 7 East of the Willamette Meridian: Government Lots 2, 3, 4, 5, 8, 9, 10, 11, 12, 15, 16, 17, 18, 19, 20, 25, 26, 27, 28, 29, 30 and the following described tract:

Starting at a point 518.1 feet West from the section corner common to Section 19, 20, 29 and 30, said Township and Range; thence West 801.9 feet; thence North 1320 feet to the centerline of State Highway 427; thence South 25° East following said centerline 1122 feet; thence Southeasterly following said centerline 479.8 feet, more or less, to the starting point, being a portion of Government Lots 24 and 31 of said Section 19;

EXCEPTING from Government Lot 3 the following described parcel:

Beginning at the intersection of the North line of Section 19, said Township and Range and the West right-of-way line of State Highway 427; thence South 13° 10' 28" East along said West right-of-way line 415.69 feet; thence North 89° 36' 24" West parallel to the North section line of Section 19 577.28 feet to Agency Lake; thence North 3° 50' 07" West along the shore line of Agency Lake 405.20 feet to the North line of Section 19; thence South 89° 36' 24" East along said section line 509.63 feet to the point of beginning.

ALSO EXCEPTING all that portion of Government Lots 2, 3, 4, 5, and 8 of Section 19, Township 35 South, Range 7 East of the Willamette Meridian lying Northerly of State Highway 422 and Easterly of State Highway 427.

In Section 30, Township 35 South, Range 7 East of the Willamette Meridian: Government Lots 3, 4, 5, 6, 7, 14, 15, 16, 17, 23, 24, 25, 26, 27, 28, 33, 34, 35, 36, 37, and the West 660 feet of Government Lots 8, 13 and 18;

EXCEPTING THEREFROM a substation site 40 feet square in said Section 30, described as follows:

Beginning at a point on the Westerly bank of the Williamson River and on the Easterly boundary of Lot 37 of said Township and Range, said point being situated South 89° 09' West 2.7 feet and West 3114 feet, more or less from the Southeast corner of said Section 30; thence West 110.0 feet; thence North 88° 22' West 249.4 feet; thence West 1750.0 feet; thence North 70° 00' West 7.0 feet to a point on the East boundary fence line of that certain structure known and referred to as "Indian Lands Substation" and from which the Southeast corner of said substation bears South 12.5 feet, being the true point of beginning; thence South 12.5 feet to the Southeast corner; thence West 40 feet; thence North 40 feet; thence East 40 feet; thence South 27.5 feet to the true point of beginning.

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EXHIBIT A
of Participation Agreement

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EXHIBIT B
of Farm Lease
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ALSO EXCEPTING THEREFROM the East 250 feet of Government Lot 3 of Section 30, said Township and Range.

In Section 31, Township 35 South, Range 7 East of the Willamette Meridian: Government Lot 4, excepting therefrom the following described parcel:

Beginning at a point on the North line of said Government Lot 4 which bears North 89° 39' 50" East 498.3 feet from the Northwest corner of said Government Lot 4; thence South 7° 13' 10" East 336.7 feet; thence South 51° 05' 40" East 165.5 feet to a point; thence South 6° 30' 30" East 50.5 feet to a point; thence North 80° 02' 40" East 135 feet, more or less, to a point on the Westerly bank of the Williamson River; thence Northerly along said Westerly bank to the Northeast corner of said Government Lot 4; thence south 89° 39' 0" West along the North line of said Government Lot 4 to the point of beginning.

Government Lots 5, 6, 7, 12, 13, 14, 15, 16, 17, 18, 19, excepting therefrom the portion of Government Lots 12, 16, 18 and 19 lying Southerly and Easterly of the center thread of the Williamson River;

In Township 35 South, Range 7 1/2 East of the Willamette Meridian: All of fractional Sections 25, 26, 27, 33, 34, 35 and a portion of Section 36 lying Westerly of the center thread of the Williamson River, all of fractional Section 24 except Government Lot 5; all of fractional Section 28 lying East of the straits which connect Upper Klamath Lake and Agency Lake;

In Township 36 South, Range 7 1/2 East of the Willamette Meridian: All of Section 1; all of fraction Sections 2, 3, 4, 11 and 12 lying Northeasterly of the shore line of Upper Klamath Lake and Westerly of the center thread of the Williamson River.

Containing 4883 acres, more or less.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of AmeriTitle the 19th day
of July A.D., 19 96 at 3:53 o'clock PM., and duly recorded in Vol. M96,
of Deeds on Page 21776.

Bernetha G Letsch, County Clerk

By [Signature]

FEE \$70.00