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After Recording, Return to:

For Recorder's Use Only:

K-51773

**METROPOLITAN LIFE
AGRICULTURAL INVESTMENTS
WESTERN REGIONAL OFFICE
7100 N. FINANCIAL DR., STE 105
FRESNO, CA 93720-2900**

MAXIMUM PRINCIPAL AMOUNT TO BE ADVANCED: \$20,000,000

MATURITY DATE: JUNE 1, 2013

LINE OF CREDIT MORTGAGE

Line of Credit Mortgage, Security Agreement, Assignment of Leases and Fixture Filing

This Mortgage made this 12th day of May 1998 by and between M & B Cattle Company, a California general partnership whose address is PO Box 97, San Ramon, CA 94583, hereinafter called the "Mortgagor"; and Metropolitan Life Insurance Company, a corporation, organized and existing under the laws of the State of New York, whose address is One Madison Avenue, New York City, State of New York, 10010, hereinafter called the "Lender".

Witnesseth:**A. Grant of Mortgage Interests:**

That Mortgagor, in consideration of One Dollar and other valuable consideration hereinafter mentioned, the receipt whereof is hereby acknowledged, does hereby mortgage, grant, bargain, sell, convey, transfer, pledge, hypothecate and confirm unto Lender, all of the following-described property, whether now owned or hereafter acquired including without limitation, additional or increased undivided ownership interests acquired by Mortgagor by whatever means:

1. Land. That certain real property located in the County of Klamath, State of Oregon, described as follows, to-wit: As described on **Exhibit A** attached hereto and made a part hereof, together with all estates, rights, title, interest and estate of Mortgagor in and to said real property, including all oil, gas and mineral rights with respect to said real property

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and any after-acquired title or reversion in any public rights-of-way adjoining said real property (the property, estates, rights and interests described in this paragraph will be referred to as the "Land");

2. Improvements. All improvements and fixtures now or hereafter located on the Land, including: (a) all trees, vines, and other plantings; (b) all buildings, bins, silos, water towers, windmills, wind-machines, fences, gates, utility lines and equipment; (c) all pumps, pumping stations, motors, engines, machinery, reservoirs, pipes, ditches, channels, tunnels, flumes, valves, and other equipment or improvements now or hereafter annexed (whether actually or constructively) to the Land or used for the production of water thereon or for the irrigation or drainage thereof; and (d) all additions and annexations thereto and all replacements and substitutions thereof (the property described in this paragraph will be referred to as the "Improvements");

3. Appurtenant Rights. All estates, tenements, hereditaments, privileges, easements, franchises, licenses, permits and other rights appurtenant to the Land, including: (a) all rights, permits, licenses, and other entitlements authorizing Mortgagor to use the Secured Property as it presently is being used or as Mortgagor intends to use it, or both, (b) all rights of way used in connection therewith or as a means of access thereto, (c) the U.S. Department of Agriculture, Farm Services Agency ("FSA") crop base and any similar governmental entitlements from time to time allocated to the Land, (d) all rights to drain the Land and to dispose of irrigation water from the Land, together with all drainage easements and rights in drainage districts, (e) all rights in cooperative associations for milling, ginning, grinding, storage, and marketing of crops and produce from the Land (the rights and interests described in this paragraph will be referred to as the "Appurtenant Rights");

4. Water Rights. All rights to the use and enjoyment of water, whether surface or subsurface, whether riparian, appropriative, prescriptive or otherwise, and whether or not appurtenant, now or hereafter relating or available to the Land or used in connection with the Land, including: (a) all water allocations, distribution rights, delivery rights, and other water-related rights or entitlements, whether available through any public or private irrigation projects, companies, districts, agencies or otherwise, together with all shares of stock evidencing any such rights or entitlements, and all voting rights and other rights and privileges that now or hereafter may exist with respect to such stock or with respect to participation, membership, or other involvement in any such projects, companies, districts, or agencies, and (b) all easements, permits, licenses, contracts, grants, reservations and any other rights and entitlements, however created, to drill, install and maintain wells, pumps and pipeline systems, or to use, appropriate, divert, apply, pump, extract, receive, transport, store or transfer water (the rights and interests described in this paragraph will be referred to as the "Water Rights");

5. Condemnation Awards. All judgments, awards, settlements, and other compensation received or receivable with respect to any proceedings or threatened proceedings for condemnation or taking any of the above-described properties, estates, rights,

or interests under the power of eminent domain (the sums referred to in this paragraph will be referred to as the "Condemnation Awards");

6. Rents, Issues and Profits. All of the income, revenues, interest, dividends, distributions, proceeds, benefits, rents, issues and profits of: (a) the Land and the crops raised thereon, including crop insurance proceeds and all payments, proceeds and benefits of any government programs available in connection with the Land or the crops growing or grown thereon or the abstention from growing crops thereon, including set-aside programs, payment in kind programs, and agricultural loan programs, and payments under any Leases of the Land, (b) the Improvements, (c) the Appurtenant Rights, (d) the Water Rights, and (e) the Condemnation Awards (the sums described in this paragraph will be referred to collectively as the "Rents, Issues and Profits"); **this is an absolute, present assignment of the rents, issues and profits, which is subject to the rights, power and authority given to and conferred upon Lender and reserved by Mortgagor, respectively, to collect and apply such Rents, Issues and Profits, on the terms and conditions set forth in Section C.2 below; and**

All of the above-described Land, Improvements, Appurtenant Rights, Water Rights, Condemnation Awards, and Rents, Issues and Profits will be referred to collectively as the "Secured Property";

B. For the purpose of securing:

ONE: Payment of the indebtedness evidenced by a promissory note (and any renewals or extensions or modifications thereof) of even date herewith executed by HERBERT B. ELWORTHY and JEAN R. ELWORTHY, husband and wife, HENRY M. BETTENCOURT, a married man, M & B CATTLE COMPANY, a California general partnership, ELWORTHY & SON, a California general partnership, ROBERT B. ELWORTHY, a married man, BERT R. ELWORTHY and SHEILA R. ELWORTHY, husband and wife, MARK R. ELWORTHY and DEBORAH ELWORTHY, husband and wife, ROJO & AZUL RANCHO, INC., a California corporation, H & L CATTLE COMPANY, a California general partnership (collectively, the "Borrower") payable to the order of Lender in the principal sum of **Twenty Million and No/100 Dollars (\$20,000,000.00)**, with interest as provided therein, payable in installments, with an extraordinary principal payment due on January 1, 2002 and the final installment due on July 1, 2013 (the "Note"). The Note provides that the interest rate and payment terms may be adjusted.

TWO: Payment of such additional sums, with interest thereon, as may hereafter be loaned by Lender to Borrower under the above-referenced promissory note or when evidenced by an additional promissory note or notes of Borrower, such additional note or notes to be identified by recital that it or they are secured by this Mortgage, and such note or notes shall be included in the word "Note" wherever it appears in this Mortgage.

THREE: Payment of all other moneys herein agreed or provided to be paid by Borrower, including sums advanced or expended by Lender and interest thereon, pursuant to the provisions hereof.

FOUR: Performance and discharge of each and every obligation, promise and agreement of Mortgagor herein contained.

FIVE: Performance and discharge of each and every obligation, promise and agreement of Borrower pursuant to any other written agreement that may be entered into by Borrower, which written agreement recites that it is secured by this Mortgage. A default under any other document or instrument secured by this Mortgage shall, at the election of Lender, be a default under this Mortgage.

SIX: Performance and discharge of each and every obligation, promise and agreement of Mortgagor pursuant to that certain written Loan Agreement of even date herewith between Mortgagor and Lender. The Loan Agreement provides, among other things, that, except as authorized therein, Mortgagor shall not cause or suffer to be placed upon the property described herein any liens or other encumbrances without the prior written consent of Lender.

All of the above-described indebtednesses, agreements, covenants, and obligations will be referred to collectively as the "Secured Obligations".

C. Covenants: to have and to hold the same unto Lender, its successors and assigns, upon the following covenants, provisions and agreements, which covenants, provisions and agreements are irrevocable by Mortgagor:

1. Payment of Charges, Taxes, and Assessments. Mortgagor agrees to pay before they become delinquent any and all charges or encumbrances which now are or shall hereafter be or appear to be, a lien upon said premises, and also all taxes, assessments and imposts now subsisting or which may hereafter subsist or be imposed by the United States of America, or any agency or department thereof, the State of Oregon, or any agency or department thereof, the aforesaid County, or any City, District or other municipal or other authority, or which may appear prima facie to subsist or be imposed upon said premises, including taxes, assessments and imposts levied, assessed or imposed upon this Mortgage, the money or Note secured hereby, or the interest in the aforesaid property represented hereby, or otherwise, water assessments, and assessments upon appurtenant water and/or other utility stock, liens and assessment for any and all public improvements, and to deliver to Lender receipts and releases therefor. In the event of the default of the foregoing undertaking or the adoption of any law/rule or regulation and/or decision of court which shall require the payment by Lender and/or holder of any of the Note secured hereby, of any portion of said charges, encumbrances, taxes or assessments of any kind, then in any such event the debt secured hereby, without any deduction, shall at the option of the holder

thereof become immediately due and payable, notwithstanding anything contained in any such Note or this Mortgage, or any law, rule, regulation or decision to the contrary.

2. Collection and Use of Rents, Issues and Profits. As additional security, Mortgagor hereby grants to and confers upon Lender the right, power and authority to collect the Rents, Issues and Profits, reserving unto Mortgagor the right, prior to any default by Borrower or Mortgagor in payment or in performance of any of the Secured Obligations, as and when each such payment or performance becomes due, to collect and retain such Rents, Issues and Profits as they become due and payable. In case default be made in payment or in performance of any of the Secured Obligations, then Lender shall be entitled at any time during the continuance of any such default and without notice, in its sole discretion, either by its agents, attorneys, employees, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, to enter upon and take possession of the Secured Property and every part thereof, exclude Mortgagor therefrom, to do and perform any acts of repair that Lender may deem necessary or proper to conserve the value thereof, to use, operate, manage and control said property and rent or lease the same or any part thereof for such rental and upon such terms and conditions as its judgment may dictate, and in its own name to sue for or otherwise collect and receive all Rents, Issues and Profits thereof including those past due and unpaid as well as those accruing thereafter. In order that the powers in this paragraph contained may be given full force and effect, Mortgagor further agrees that Lender may also take possession of, and for these purposes use, any and all personal property contained in said premises and used by Mortgagor in the rental or leasing of said premises or any part thereof. Lender may apply all such Rents, Issues and Profits collected or received by it (less costs and expenses incurred in taking possession, of operation and collection, including reasonable attorney's fees, reasonable compensation paid to any agent appointed by Lender and any receiver's fees) upon any portion of the indebtedness secured hereby, and in such order as Lender may determine.

Neither the entering upon and taking possession of said property, nor the collection of such Rents Issues and Profits and the application thereof as aforesaid, shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice; nor shall the exercise of this right and power by Lender be construed to be an affirmation by it of any tenancy, lease or option theretofore existing, or a subordination of the lien of this Mortgage thereto, or an assumption by Lender of Mortgagor's obligations under any agreements with third persons. The right to take such possession and collect such Rents, Issues and Profits shall be cumulative to the right and remedy to declare a default and to cause notice of default to be recorded, and cumulative to any other right or remedy provided herein or at law or in equity, and may be exercised concurrently or independently.

3. Forest Classification. Mortgagor agrees to maintain the farm use classification of the Land on the tax rolls, and not to allow any act or omission which would disqualify the Land for assessment as farm land.

4. Insurance. Mortgagor shall insure and keep insured the Secured Property against loss or damage by fire and other hazards covered by "Extended Coverage" policies, in such amounts and with such companies as are satisfactory to Lender, with policies of insurance payable to Lender or its assigns, and shall pay the premium or premiums therefor when due, and said policies shall be delivered to and kept by Lender; and Lender is authorized and empowered, at its option, to adjust or compromise any loss upon any insurance policies on the Secured Property, to collect the proceeds from any such policy or policies and, after deducting from said insurance proceeds any expenses incurred by it in the collection or handling of said fund, to apply the net proceeds, at its election, either toward restoring the improvements or as a credit on any portion of the indebtedness selected by it, whether then matured or to mature in the future. Lender shall not be held responsible for any failure to collect any insurance proceeds due under the terms of any policy, regardless of the cause of such failure, and nothing in this Section shall in any way affect the liability of Mortgagor for payment of the entire balance of the debt secured hereby, and the application of such funds or proceeds shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. All such insurance policies and the proceeds thereof are assigned as additional security for the Secured Obligations and, in the event of foreclosure hereof, any and all policies of insurance then in effect and unearned premiums thereon shall inure to the benefit of and pass to the purchaser(s) of the Land at such foreclosure sale.

5. Maintenance, Repair, and Cultural Care of Secured Property. Mortgagor shall not remove or destroy or suffer the removal or destruction of, and shall repair and keep repaired, all buildings and structures now or hereafter erected on the Land, and shall keep in good repair, each building, fence, canal, well, and other improvement or fixture now or hereafter situated thereon; and Mortgagor shall not commit or permit any waste, and Mortgagor shall not remove or permit to be removed any merchantable timber, oil, gas, minerals, stone, rock, clay, fertilizer, gravel, or top soil, nor shall Mortgagor remove, replace, graft, bud or otherwise alter more than 1% of the total acreage of horticultural or viticultural trees, vines, or shrubs planted upon the premises for a commercial purpose without the written consent of Lender. Mortgagor shall at all times properly cultivate, irrigate and fertilize the Land, and fumigate, prune, sulphur and spray all trees and vines, and otherwise care for and cultivate all trees, vines and other crops thereon in a good and husbandlike manner in accordance with the methods pursued by successful farmers and agriculturists in the neighborhood and in the event of the failure or default of Mortgagor to do so, Lender, its successors, agent, and/or representatives are hereby authorized to enter upon the Land and to properly cultivate, irrigate and fertilize the Land and fumigate, prune, sulphur, spray and care for and preserve said timber, trees, vines and other crops thereon and to, in that connection, do anything they or either of them may deem necessary, proper or expedient. Mortgagor shall maintain and apply to beneficial use the Water Rights so as to maintain the validity and priority of such rights.

6. Performance of Mortgagor's Obligations. In the event that Mortgagor shall fail to make any payment or do any act as herein provided, then Lender (but without

obligation so to do, and without releasing Mortgagor from any obligation hereunder) may make or do the same, and may pay, purchase, contest, or compromise any encumbrance, charge or lien, which in the judgment of either appears to affect said property; and in exercising such powers, incur any liability and expend whatever amounts in its absolute discretion it may deem necessary therefor. All sums so incurred or expended by Lender or Trustee shall be without demand immediately due and payable by Mortgagor and shall bear interest from the date of expenditure at the Default Rate as defined in the Note and if not so repaid by Mortgagor, all sums incurred or expended by Lender pursuant to the provisions hereof, together with said interest, shall be added to the Secured Obligations and secured hereby.

7. Defense of Actions. If any action or proceeding be commenced by any person other than Lender, to which action or proceeding Lender is made a party, or in which it becomes necessary to defend or uphold the lien of this Mortgage, whether in law or in equity, and including condemnation and bankruptcy proceedings, all sums paid by Lender for the expense of any such litigation to prosecute or defend the rights and lien created by this Mortgage, including reasonable counsel fees, shall be paid by Mortgagor, together with interest thereon at the Default Rate as defined in the Note and any such sums and interest shall be a lien on the Secured Property prior to any right, title or interest in or claim upon the premises attaching or accruing subsequent to the lien of this Mortgage, and shall be added to the principal amount intended to be secured by this Mortgage and the Note executed of even date.

8. Condemnation and Injury Awards. All judgments, awards of damages in settlements hereafter made as a result of or in lieu of any condemnation or other proceedings for public use or for any damage to said premises or the improvements thereon or any part thereof are hereby assigned as additional security and shall be paid to Lender. Mortgagor agrees to execute such further assignments of any such award, judgment or settlement as Lender may require and to deliver to Lender all such proceeds of any such award, judgment or settlement which may be received by Mortgagor. Lender may apply any and all such sums on any portion of the indebtedness selected by it, whether then matured or subsequently to mature; or, at its option, the entire amount so received by it or any part thereof may be released. Neither the application nor the release of any such sums shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice; nor shall Lender be held responsible for any failure to collect any award; nor shall anything in this Section affect the liability of Mortgagor for payment of the entire balance of the debt secured hereby. Any sums applied on any portion of the indebtedness pursuant to the terms of this section shall, as between Mortgagor and Lender, be deemed as having been voluntarily paid by Mortgagor and any provisions governing the privilege of prepaying said indebtedness shall be applicable thereto.

9. FSA Crop Base. Mortgagor grants to Lender and its agents and employees, and Lender's successors-in-interest, the right to inspect and obtain copies of all records

(including applications, reports, and correspondence) in the offices of the FSA that relate to Mortgagor or the Land.

10. Release. Lender may release to Mortgagor all or any portion of the property conveyed hereby, without affecting the personal liability of any person for the payment of any indebtedness mentioned in or secured hereby, and without affecting the lien of this Mortgage in or to the remainder of the property and without regard to any junior lienholder. If, upon maturity, Mortgagor shall well and truly pay or cause to be paid the aforesaid debt, together with all other sums which may become due or payable by virtue hereof, together with interest thereon, and shall have well and truly performed all the covenants and conditions herein, then at the written request and at the cost of Mortgagor, Mortgagor shall be entitled to receive from Lender a suitable satisfaction of this Mortgage.

11. Acceleration of Obligations and Foreclosure Under Power of Sale. But if default be made in the payment of the said Note or any instalment of interest and principal or interest or principal when due according to the terms thereof or of any agreement extending or modifying said Note, or in the payment of any of the other moneys herein agreed to be paid or of any interest thereon, or in the performance of any of Mortgagor's obligations, promises or agreements hereunder, or if the trustors under that certain Deed of Trust of even date hereof granted by Herbert B. Elworthy and Jean R. Elworthy, husband and wife; Henry M. Bettencourt, a married man, as his sole and separate property; Elworthy & Son, a California general partnership, Robert B. Elworthy, a married man as his sole and separate property; Bert R. Elworthy and Sheila R. Elworthy, husband and wife; Rojo & Azul Rancho, Inc., a California corporation, to Jerry D. Michel as trustee for the benefit of Lender and recorded in Glenn, Alameda, Contra Costa and San Joaquin Counties, California shall default or fail to perform under the terms thereof, or in the event that proceedings be instituted by or against the then owner of said property under any bankruptcy or insolvency law, or in the event foreclosure of any junior lien shall be commenced, all of which shall constitute a breach of agreement and an event of default hereunder, then, at its option, Lender may exercise any one or more of the following rights and remedies:

(a) Lender may declare the entire Secured Obligations immediately due and payable.

(b) Lender may obtain a decree foreclosing Mortgagor's interest in all or any part of the Secured Property. If permitted by applicable law, Lender may foreclose Mortgagor's interest in all or any part of the Secured Property by nonjudicial sale.

(c) If permitted by applicable law, Lender may obtain a judgment for any deficiency remaining in the Secured Obligations due to Lender after application of all amounts received from the exercise of the rights provided in this section.

(d) With respect to all or any part of the Secured Property that constitutes personality, may exercise the rights and remedies of a secured party under the Uniform Commercial Code.

(e) Lender shall have the right, without notice to Mortgagor to take possession of the Secured Property, to collect the Rents, Issues and Profits, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Secured Obligations. In furtherance of this right, Lender may require any tenant or other user to make payments of rent or use fees directly to Lender. If the Rents, Issues and Profits are collected by Lender, then Mortgagor irrevocably designates Lender as Mortgagor's attorney in fact to endorse instruments received in payment thereof in the name of Mortgagor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this paragraph either in person, by agent or through a receiver.

(f) Lender shall have the right to have a receiver appointed to take possession of any or all of the Secured Property, with the power to protect and preserve the Secured Property, to operate the Secured Property preceding foreclosure or sale, to collect the Rents, Issues and Profits from the Secured Property and to apply the proceeds, over and above cost of the receivership, against the Secured Obligations. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not apparent value of the Secured Property exceeds the Secured Obligations by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

(g) In the event Mortgagor remains in possession of the Secured Property after the Secured Property is sold as provided above or Lender otherwise becomes entitled to possession of the Secured Property upon default of Mortgagor, Mortgagor shall become a tenant at will of Lender or the purchaser of the Secured Property and shall pay a reasonable rental for use of the Secured Property while in Mortgagor's possession.

(h) Lender shall have any other right or remedy provided in this Mortgage, the Note or any other instrument delivered by Mortgagor or Borrower in connection therewith, or available at law, in equity or otherwise.

12. Rights of Receiver or Lender-in-Possession. Upon taking possession of all or any part of the Secured Property, the receiver or Lender may:

(a) Use, operate, manage, control and conduct business on the Secured Property and make expenditures for all maintenance and improvements as in its judgment are proper;

(b) Collect the Rents, Issues and Profits from the Secured Property and apply such sums to the expenses of use, operation and management;

(c) At Lender's option, complete any construction in progress on the Secured Property, and in that connection pay bills, borrow funds, employ contractors and make any changes in plans or specifications as Lender deems appropriate.

If the revenues produced by the Secured Property are insufficient to pay expenses, the receiver may borrow, from Lender (if Lender, in its sole discretion, agrees to lend) or otherwise, or Lender may borrow or advance, such sums as the receiver or Lender may deem necessary for the purposes stated in this paragraph. The amounts borrowed or advanced shall bear interest from the date of expenditure until repaid at the Default Rate. Such sums shall become a part of the Secured Obligations secured by this Mortgage and shall be payable by Borrower on demand.

13. Sale of the Property. In exercising its rights and remedies, Lender may cause all or any part of the Secured Property to be sold as a whole or in parcels, and certain portions of the Secured Property may be sold without selling other portions. Lender may bid at any public sale on all or any portion of the Secured Property. Lender shall give Mortgagor reasonable notice of the time and place of any public sale of any personal property or of the time after which any private sale or other disposition of the personal property is to be made. Reasonable notice shall mean notice given at least 10 days prior to the time of the sale or disposition.

14. Security Agreement; Security Interest.

(a) Security Agreement. This instrument shall constitute a security agreement with respect to the Rents, Issues and Profits and the personal property included in the description of the Secured Property.

(b) Security Interest. Upon request by Lender, Mortgagor shall execute financing statements and take whatever other action is requested by Lender to perfect and continue Lender's security interest in the Rents, Issues and Profits and personal property. Mortgagor hereby appoints Lender as Mortgagor's attorney in fact for the purpose of executing any documents necessary to perfect or continue the security interest granted therein. Lender may file copies or reproductions of this Mortgage as a financing statement at any time and without further authorization from Mortgagor. Mortgagor will reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Mortgagor shall assemble the personal property and make it available to Lender within three days after receipt of written demand from Lender.

(c) Fixture Filing. This instrument constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder of the county in which the Land is located with respect to any and all fixtures included within the term Secured Property as used herein and with respect to any goods or other personal property that may now be or hereafter become fixtures.

15. Restrictions on Transfer of Secured Property. In the event that, prior to the time the Secured Obligations have been paid and performed in full, the Secured Property or any portion thereof or any interest therein is: (1) sold, conveyed, alienated, exchanged, gifted, assigned or otherwise transferred, whether directly or indirectly and whether voluntarily or involuntarily, (2) pledged, hypothecated, or encumbered (except as otherwise expressly permitted under the Loan Agreement) or (3) becomes subject to any grant of option or other agreement to do any of the foregoing (any such event or agreement to do any such act will be referred to as a "Transfer"), including any Water Transfer, as defined below, then in any and all such events the entire Secured Obligations shall, at the option of Lender, become immediately due and payable. The restrictions on transfer of the Secured Property set forth in the preceding sentence shall not apply to the Rents, Issues and Profits already produced at the time of the transfer or agreement to transfer, if at such time no event has occurred which would give Lender the right to begin collecting Rents, Issues and Profits hereunder, but said restrictions shall apply to any transfer or agreement to transfer future Rents, Issues and Profits.

As used herein a "Water Transfer" shall include any of the events described above as constituting a Transfer, as applied to any Water Rights, and shall include violation of any of the following covenants, which shall burden and run with the Land during the existence of this Mortgage: (a) Mortgagor shall not vote in favor of, consent to, or otherwise approve any proposal by which a water district, company, agency or other supplier of water to the Land may transfer to any other property or person, water that otherwise could be available to the Land; (b) Mortgagor shall timely pay all charges, assessments, and fees of any water district, company, agency or other supplier of water that may be charged or assessed with respect to the Land, including amounts charged without regard to whether any water was supplied during the billing period; and (c) Mortgagor shall not cause or permit any of the Land that is currently receiving, or is eligible to receive, water from sources subject to the Reclamation Projects Authorization and Adjustment Act of 1992, the Reclamation Reform Act of 1982, the Omnibus Adjustment Act of 1926, the Reclamation Act of 1902 (82 Stat. 388), any laws amending or supplementing any of such Acts, or any regulations promulgated under such laws and Acts (collectively, "Reclamation Laws") to be characterized as "excess land" or otherwise ineligible to receive irrigation water from any such source or cause or permit any of the Land that currently receives "non-full cost rate" irrigation water (within the meaning of 42 C.F.R. Section 426.4(v), or any successor law or regulation) to lose its eligibility for such special rate.

A sale, assignment or transfer in any manner whatsoever of 10 percent or more of the partnership interests of the Mortgagor shall be equivalent to a sale or conveyance of the

security or an interest therein, and in that event Lender shall have the option to accelerate the debt, declare the entire loan balance due, and enforce collection of same, including foreclosure of this Mortgage.

16. Unsecured Obligations. Notwithstanding anything herein contained to the contrary, this Mortgage does not secure and the Secured Obligations do not include any of the following-described covenants or obligations (the "Unsecured Obligations"): (1) any obligations under that Unsecured Indemnity Agreement of even date herewith, by which Mortgagor and/or Borrower covenant to indemnify Lender with respect to certain matters described therein, including the presence on the Secured Property of hazardous materials; and (2) any obligations under this Mortgage or any other document secured hereby, which obligations relate to the presence of hazardous materials on the Secured Property and are of the same effect as the obligations under the Unsecured Indemnity Agreement. Any default with respect to the Unsecured Obligations shall constitute an event of default under this Mortgage and the Note, despite the fact that such obligations are not secured by this Mortgage. Nothing in this section shall be construed to limit Lender's right to obtain a deficiency judgment, in accordance with applicable law, for the full amount of any deficiency remaining after a foreclosure of the Secured Property.

17. Possession of Property. So long as there shall be no default in the performance of any of the terms, conditions or covenants herein, or in the payment of any money secured hereby, Mortgagor shall be entitled to the possession and control of the property conveyed hereby, but upon such default, Lender may enter upon and take possession of any of the property conveyed hereby, or may apply to any court of competent jurisdiction for a receiver to take, hold and administer any of the property secured hereby.

18. Successors. All the terms, covenants and conditions hereof shall bind and inure to the benefit of the heirs, successors and assigns of Mortgagor and Lender respectively.

19. Interpretation. The plural shall include the singular and the feminine the masculine, and vice versa. The headings of Sections and Subsections are for the convenience of the reader only and shall not be used to construe the meaning of any provision of this Agreement. Except as the context otherwise requires, the term "including" (and all variations of that word) will be construed as though immediately following by the words "without limitation."

20. Applicable Law. The law of the State of Oregon, including applicable federal law, shall be applicable for the purpose of construing and determining the validity of this Mortgage and, to the fullest extent permitted by the law of any state in which any of the Property is located, determining the rights and remedies of Lender on default.

21. Jurisdiction. In the event of a lawsuit relating to, or to enforce, this Mortgage, Mortgagor agrees, upon Lender's request, to submit to the jurisdiction of the courts of state or federal courts located in the State of California.

22. Loan Purpose. The Mortgagor acknowledges that the proceeds of the Note are primarily for agricultural, commercial, investment or business purposes, and are not for a consumer transaction (which is defined as a transaction primarily for personal, family or household purposes).

WARNING: UNLESS YOU (MORTGAGOR) PROVIDE US (LENDER) WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY OUR CONTRACT OR LOAN AGREEMENT, WE MAY PURCHASE INSURANCE AT YOUR EXPENSE TO PROTECT OUR INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT YOUR INTEREST. IF THE COLLATERAL BECOMES DAMAGED, THE COVERAGE WE PURCHASE MAY NOT PAY ANY CLAIM YOU MAKE OR ANY CLAIM MADE AGAINST YOU. YOU MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT YOU HAVE OBTAINED PROPERTY COVERAGE ELSEWHERE. YOU ARE RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY US. THE COST OF THIS INSURANCE MAY BE ADDED TO YOUR CONTRACT OR LOAN BALANCE. IF THE COST IS ADDED TO YOUR CONTRACT OR LOAN BALANCE, THE INTEREST RATE ON THE UNDERLYING CONTRACT OR LOAN WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE YOUR PRIOR COVERAGE LAPSED OR THE DATE YOU FAILED TO PROVIDE PROOF OF COVERAGE.

NOTICE TO BORROWER

DO NOT SIGN THIS LOAN AGREEMENT BEFORE YOU READ IT. THIS LOAN AGREEMENT PROVIDES FOR THE PAYMENT OF A PENALTY IF YOU WANT TO REPAY THE LOAN PRIOR TO THE DATE PROVIDED FOR REPAYMENT IN THE LOAN AGREEMENT.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY LENDER AFTER OCTOBER 3, 1989, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL

FAMILY OR HOUSEHOLD PURPOSES OR SECURED
SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN
WRITING, EXPRESS CONSIDERATION AND BE SIGNED
BY LENDER TO BE ENFORCEABLE.

In Witness Whereof Mortgagor has hereunto set his hand and seal the day and year
first above written.

M & B Cattle Company, a California general
partnership

✓ By Mark Elworthy
Mark Elworthy, general partner

✓ By Bert R. Elworthy
Bert Elworthy, general partner

STATE OF CALIFORNIA

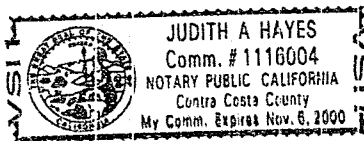
SS.

County of Contra Costa

On this 14th day of May, 1998, before me, a Notary Public of said
state, personally appeared Mark Elworthy, a general partner of M & B Cattle Company,
personally known to me (or proved to me on the basis of satisfactory evidence) to be the
person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that
he/she executed the same in his/her authorized capacity(ies) and that by his/her signature(s)
on the instrument the person(s), or the entity upon behalf of which the person(s) acted,
executed the instrument.

WITNESS my hand and official seal.

[SEAL]



Judith A. Hayes
Notary Public for California
My commission expires: 11/6/00

STATE OF CALIFORNIA

SS.

County of

Contra Costa

On this 14th day of May, 1998, before me, a Notary Public of said state, personally appeared Bert Elworthy, a general partner of M & B Cattle Company, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity(ies) and that by his/her signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

[SEAL]

Judith A. Hayes
Notary Public for California
My commission expires: 11/6/00



EXHIBIT A**PARCEL 1:**

In Township 40 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon:

Section 19 : That portion of the W $\frac{1}{2}$ lying Southerly and Westerly of the Klamath Straits as presently located and constructed.

ALSO EXCEPTING any portion lying within the Klamath Straits Drain Enlargement Unit No. K-5 as described in Book M76, page 4636, Deed records, dated December 2, 1975, recorded April 2, 1976, more particularly described as follows: A strip or parcel of land in said Section 19, Township 40 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon. Said parcel having a uniform width of 50.0 feet, where measurable at right angles, and lying Northeasterly of, adjacent to, and parallel with the arc of a curve as said arc is described in Parcel 1 of Book M76, page 4636, Deed records.

Section 30 : W $\frac{1}{2}$

Section 31 : W $\frac{1}{2}$

SAVING AND EXCEPTING that portion lying in Township Road

PARCEL 2:

That portion of the SW $\frac{1}{4}$ of Section 33, Township 40 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, included within the land described in Deed dated August 31, 1908 from H. F. Chapman, et al, to California Northeastern Railway Company, recorded January 11, 1909 in Deed Book 25, page 398, as conveyed to Tulana Farms in Deed Volume M66 at page 5794, all deed records of Klamath County, Oregon.

AND

That portion of the N $\frac{1}{2}$ of Section 4, Township 41 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, included within the land described in deed dated May 10, 1907, from F. H. Downing et al., to California Northeastern Railway Company, recorded June 7, 1907 in Deed Book 22, page 549 and in Deed dated December 19, 1907 from D. E. Gordon et ux., to California Northeastern Railway Company, recorded January 30, 1908 in Deed Book 23 page 497, as conveyed to Tulana Farms by Deed Volume M66 at page 5794, all records of Klamath County, Oregon.

PARCEL 3:

In Township 41 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon:

Section 1 : The W $\frac{1}{2}$

Section 2 : All

Section 3 : All that portion of Government Lots 8 and 9, the S $\frac{1}{2}$ NE $\frac{1}{4}$ and the SE $\frac{1}{4}$ lying East of the centerline of the West Canal

Section 10 : The NE $\frac{1}{4}$ NE $\frac{1}{4}$

Section 11 : All, EXCEPT the SW $\frac{1}{4}$ SW $\frac{1}{4}$ ALSO EXCEPTING THEREFROM a tract of land situated in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ and in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 11, Township 41 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, and being more particularly described as follows:

Beginning at the Northwest corner of said SW $\frac{1}{4}$ NW $\frac{1}{4}$; thence North $89^{\circ}45'04''$ East on the North line of said SW $\frac{1}{4}$ NW $\frac{1}{4}$, 299.60 feet to the Centerline of the West Canal; thence Southerly on said Centerline the following courses and distances: South $33^{\circ}21'28''$ East, 234.94 feet; South $27^{\circ}13'17''$ East, 1192.99 feet; South $07^{\circ}47'40''$ East, 1391.51 feet to a point on the South Line of said NW $\frac{1}{4}$ SW $\frac{1}{4}$; thence South $89^{\circ}43'36''$ West on said south line, 1163.23 feet to the Southwest Corner of said NW $\frac{1}{4}$ SW $\frac{1}{4}$; thence North on the West Line of said NW $\frac{1}{4}$ SW $\frac{1}{4}$, 1320.00 feet to the Northwest Corner of said NW $\frac{1}{4}$ SW $\frac{1}{4}$; thence North on the West Line of said SW $\frac{1}{4}$ W $\frac{1}{4}$, 1320.00 feet to the point of beginning.

Section 12 : The W $\frac{1}{2}$

Section 13 : The N $\frac{1}{2}$ NW $\frac{1}{4}$ and Lots 3 and 4

Section 14 : The N $\frac{1}{2}$ NE $\frac{1}{4}$, the NE $\frac{1}{4}$ NW $\frac{1}{4}$ and Lots 1, 2, 3 and 4

PARCEL 4:

In Township 40 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon:

Sections 23 and 24: All those portions of Section 23 and 24 lying Easterly of Highway No. 97 and Southerly of the centerline of Klamath Straits as presently located and constructed.

SAVING AND EXCEPTING THE FOLLOWING: The following property conveyed to United States of America in Volume M76 at page 4718, Deed records of Klamath County, Oregon. A strip or parcel of land in said Section 23, Township 40 South, Range 8 East of the Willamette Meridian, said County and State, and described as follows: Beginning at said Point "D", said point being the most Westerly point of the hereinabove described Parcel 1: thence from said point of beginning North $89^{\circ}02'$ West 142.2 feet; thence North $71^{\circ}43'$ West 1226.7 feet to a point in the Easterly right of way boundary of the U.S. Highway No. 97, said point being South $69^{\circ}53'$ East 2942.6 feet from the Northwest corner of Section 23; thence along said right of way boundary North $18^{\circ}17'$ East 10.0 feet; thence leaving said boundary South $72^{\circ}06'$ East 900.1 feet; thence South $36^{\circ}56'$ East 162.1 feet; thence South $68^{\circ}03'$ East 330.0 feet to the point of beginning.

Section 25 : All, EXCEPT the SE $\frac{1}{4}$ NW $\frac{1}{4}$

Section 26 : All East of the Railroad, EXCEPTING THEREFROM a piece or parcel of land lying in a strip 100.0 feet in width immediately adjacent on the Southeasterly side of the original canal right of way of the Klamath Drainage District over and across the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 23, and the NE $\frac{1}{4}$ NW $\frac{1}{4}$ and the Fractional NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 26, Township 40 South, Range 8 East of the Willamette Meridian, more or less, and more particularly described as follows: Beginning at the point in the line marking the Northerly boundary of the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 23, Township 40 South, Range 8 East of the Willamette Meridian, where a line parallel with and 310.0 feet distant at right angles Southeasterly from the centerline of the Southern Pacific Railroad as the same is now located and constructed intersect the same and from which point the Section corner common to Sections 22, 23, 26 and 27, Township 40 South, Range 8 East of the Willamette Meridian, bears South $54^{\circ}37'$ West, 2308.1 feet distant and running thence South $16^{\circ}57' \frac{1}{2}''$ West along a line parallel with and 310.0 feet distant at right angles Southeasterly from said center line of the Southern Pacific Railroad and which said parallel line is the Southeasterly boundary of the right of way of the Klamath Drainage District's South Canal, 2593.5 feet, more or less, to a point in the Northerly boundary of the right of way of the said South Canal of the Klamath Drainage District, which is a line parallel with and 100.0 feet distant at right angles Northeasterly from the centerline of the said canal as the same is now located and running thence South $75^{\circ}34' \frac{1}{2}''$ East along last mentioned boundary line 100.1 feet, more or less, to its intersection with a line which is parallel with and 410.0 feet distant at right angles Southeasterly from the said centerline of the Southern Pacific Railroad, and running thence North $16^{\circ}57' \frac{1}{2}''$ East, along said last mentioned parallel line, 2620.0

feet, more or less, to its intersection with the Northerly boundary of the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 23, Township 40 South, Range 8 East of the Willamette Meridian; thence South $89^{\circ}48' \frac{1}{2}"$ West, along last mentioned boundary line, 104.7 feet, more or less, to the said point of beginning.

Section 27 : That part of the SE $\frac{1}{4}$ SE $\frac{1}{4}$ lying East of the Easterly right of way line of the Klamath Falls-Dorris State Highway, U.S. Highway 97

EXCEPTING THEREFROM that tract of land conveyed to Klamath County, Oregon by Deed Volume 174, page 121, Deed records of Klamath County, Oregon, as follows:

A piece or parcel of land situated in the NW $\frac{1}{4}$ NW $\frac{1}{4}$; the S $\frac{1}{2}$ NW $\frac{1}{4}$; and the N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 26; and the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27, all in Township 40 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, and more particularly described as follows:

Beginning at the point of intersection of the Easterly boundary of the right of way of the Dalles-California Highway, as same is now located and constructed, with the Southerly boundary of the right of way of the Ady Canal of the Klamath Drainage District as now located and constructed, from which the Section corner common to Sections 22, 23, 26 and 27 of the above Township and Range bears North $36^{\circ}30' \frac{1}{2}"$ West 1630.7 feet distant and running thence South $75^{\circ}34' \frac{1}{2}"$ East along the said Southerly boundary of the right of way of the Ady Canal 652.3 feet; thence South $0^{\circ}07'$ West 2479.2 feet, more or less, to a point in the Southerly boundary of the N $\frac{1}{2}$ SW $\frac{1}{4}$ of the said Section 26; thence leaving the boundary of the right of way of the said Ady Canal, South $89^{\circ}50'$ West along the said Southerly boundaries of the N $\frac{1}{2}$ SW $\frac{1}{4}$ of the said Section 26, and the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of the said Section 27, 2147.0 feet, more or less, to an intersection with the said Easterly boundary of the right of way of the Dalles-California Highway; thence North $32^{\circ}21' \frac{1}{2}"$ East, following said right of way line, 2097.0 feet; thence following a $1^{\circ}38' \frac{1}{2}"$ circular curve to the left, 937.8 feet; thence North $16^{\circ}57' \frac{1}{2}"$ East 23.5 feet, more or less, to the said point of beginning.

Section 33 : The W $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 34 : Lot 5, LESS the West 400 feet thereof. ALSO Lots 6, 7, 8, 9, 10, 11, 12, 13 and 14

Section 35 : All

Section 36 : All

In Township 41 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon:

Section 3 : All, EXCEPTING FROM Lot 1 that portion lying West of the Central Pacific Railroad right of way and ALSO EXCEPTING THEREFROM that portion lying Easterly of the centerline of the West Canal.

Section 4 : The N $\frac{1}{2}$ NE $\frac{1}{4}$; the SE $\frac{1}{4}$ NE $\frac{1}{4}$ and Lot 1,

AND EXCEPTING: a piece or parcel of land situate in Government Lot 1 of Section 3, in Government Lot 1 and the E $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 4, all in Township 41 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, and described as follows:

That portion of said Lot 1 of Section 3 and said Lot 1 and said E $\frac{1}{2}$ NE $\frac{1}{4}$ Section 4 bounded Easterly by the Westerly line of Oregon State Highway U.S. 97, bounded Southerly by the Easterly prolongation of the southerly line of the 0.701 acre parcel of land described as Parcel 2 in Deed dated December 26, 1963 from Winston H. Patterson, et ux., to Southern Pacific Company recorded December 27, 1963 in Volume 350 of Deeds, page 146, records of said County (said prolongation being the Southerly line of Lot 1 of said Section 4 and bearing South $80^{\circ}00'$ East), bounded Northerly by the Southwesterly line of the County Road leading from said Oregon State Highway U.S. 97 to Keno, Oregon, and bounded Westerly by the following described line: Beginning at the point of intersection of the East line of the W $\frac{1}{2}$ SE $\frac{1}{4}$ of said Section 4 with the southerly line of Lot 2 of said Section 4, said point being the Southeasterly corner of said 0.701 acre parcel of land described as Parcel 2 in said deed and is distant South $17^{\circ}55'06"$ West 4267.65 feet from the Northeast corner of said Section 4; thence North along said East line, being also the West line of said Lot 1 of Section 4, a distance of 320.83 feet to a point; thence Northeasterly along a curve to the left having a

radius of 5679.60 feet and central angle of 10°50'35" (tangent to said curve at last mentioned point bears North 31°47'35" East) an arc distance of 1074.85 feet; thence North 20°37' East 99.56 feet; thence North 20°27' East 2359.20 feet; thence North 22°08'15" East 75.75 feet to a point; thence Northeasterly along a curve to the right having a radius of 3869.75 feet and central angle of 8°40'19" (tangent to said curve at last mentioned point is last described course) an arc distance of 450.62 feet to a point in the North line of said Section 3, distant thereon North 89°29'30" East 245.33 feet from the Northwest corner of said Section 3; thence continuing Northeasterly along the continuation of said curve to the right having a radius of 3869.75 feet, an arc distance of 111.65 feet to the Northerly terminus of the line being herein described.

AND EXCEPTING that portion of Government Lot 1 of Section 3, Township 41 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, included within a strip of land 100.0 feet in width, lying contiguous to and easterly of the line particularly described in the above described Parcel 1.

AND EXCEPTING THEREFROM that portion thereof lying Southerly of the Northerly line of County Road leading from Oregon State Highway U.S. 97 to Keno, Oregon.

AND ALSO EXCEPTING THEREFROM that portion of the above described 100.00 foot wide strip of land lying Northwesterly of the Southeasterly line of land of the Southern Pacific Company.

AND ALSO EXCEPT that portion conveyed to Klamath County, by Deed recorded October 23, 1933 in Volume 101, page 553, Deed records of Klamath County, Oregon.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of First American Title the 15th day
of May A.D., 19 98 at 1:25 o'clock P. M., and duly recorded in Vol. M98,
of Mortgages on Page 16644.

FEE \$100.00

By Bernetha G. Letsch, County Clerk
Kathleen Rosa