

When Recorded Return to:

The Travelers Insurance Company  
One Tower Square – 9PB  
Hartford, CT 06183  
Attn: Lynn Longo

NTC 45770-KR

**MODIFICATION AGREEMENT**

**PARTIES:**

LENDER: The Travelers Insurance Company,  
(HOLDER) a Connecticut corporation

BORROWER: WC Ranch, Inc., Michael B. Wray, John W. Dey and Nancy L.  
Dey, jointly and severally

DATE: June 25, 2001

LOAN NO.: 207017-0

**RECITALS:**

1. Lender made a loan in the amount of \$700,000.00 (the "Loan"), evidenced by a Promissory Note dated January 25, 1999 (the "Note") secured by a Trust Deed, Security Agreement, Assignment of Rents and Fixture Filing dated January 25, 1999, recorded on January 29, 1999 in Klamath County, State of Oregon as Instrument No. 73860 (the "Deed of Trust"). The property securing the Loan and encumbered the Deed of Trust is described on Exhibit A attached hereto and made a part hereof by this reference (the "Property"). M99-3405
2. As used here, the term "Loan Documents" means the Note, the Deed of Trust, and any other documents executed in connection with the Loan, including those which evidence, guaranty, secure or modify the Loan, as any or all of them may have been amended to date.
3. Borrower requested that Lender agree to modify certain terms set forth in the Loan Documents.
4. Lender has agreed to modify the terms of the Loan Documents as described in paragraph 1 below, such modification being expressly conditioned upon the conditions specified in paragraph 6 below.

**AGREEMENT:**

1. Modification of Loan Documents. The terms and conditions of the Note, Deed of Trust, and other Loan Documents are modified as follows:

1. Effective with the June 1, 2001 payment due pursuant to the terms of the Note and each consecutive monthly payment through and including December 1, 2001, Borrower shall make monthly payments of interest only on the outstanding principal balance (adjusted as provided below), calculated in arrears at 5.0% per annum ("Pay Rate"). Interest shall continue to accrue at a per annum rate equal to 7.7% (the "Contract Rate").
  2. The amount equal to the difference between interest on the outstanding balance calculated at the Pay Rate and interest on the outstanding balance calculated at the Contract Rate ("Capitalized Accrued Interest") shall automatically be added to the outstanding principal balance of the indebtedness evidenced by the Note on the first day of each month (commencing June 1, 2001) and shall bear interest at the Contract Rate until paid.
  3. On January 1, 2002 and on the first day of each consecutive month thereafter until February 1, 2009 ("Maturity Date"), Borrower shall make monthly payments of interest and principal in the amount of \$6,570.00. Said payments include interest on the outstanding balance, calculated in arrears at the Contract Rate, and the balance representing principal amortization.
  4. Borrower, as Trustor under the Deed of Trust hereby reaffirms Trustor's covenants and warranties set forth in the Deed of Trust.
2. Reaffirmation of Loan. Borrower reaffirms all of its obligations under the Loan Documents, and Borrower acknowledges that (i) the outstanding principal balance of the indebtedness evidenced by the Note, after adding the Modification Fee as of May 1, 2001 is \$641,443.88; and (ii) none of them have any claims, offsets or defenses with respect to the payment of sums due under the Note or any other Loan Document, all of which are hereby expressly waived and released.
1. Borrower reaffirms all of the terms of the Loan Documents, and hereby grants, conveys, mortgages and warrants to Lender, the lands, premises and properties situated in the County of Klamath, State of Oregon, and as described in the Loan Documents.
  2. Borrower sets over and assigns to Lender the rents, leases, issues and profits in respect to the said described Property under the same terms and conditions as described in the Loan Documents.
3. Loan Current. All past due Loan payments, late charges, delinquent interest, and all taxes past due and currently payable, including interest and penalties, if any, must be brought current.
4. Current Property Taxes. All property taxes, assessments, and similar charges must be paid current.
5. Modification Fee. Lender herewith acknowledges Borrower's election to add a Modification Fee in the amount of \$2,500.00, for payment of Lender's expenses associated with this Loan modification, to the outstanding balance of the indebtedness evidenced by the Note, which amount shall accrue interest at the Contract Rate to the Maturity Date.
6. Conditions Precedent. Before this Agreement becomes effective and any party becomes obligated under it, all of the following conditions must have been satisfied at Borrower's sole cost and expense in a manner acceptable to Lender in the exercise of Lender's sole judgement:

1. Lender shall have received such assurances as Lender require that the validity and priority of the Deed of Trust has not been and will not be impaired by this Agreement or the transactions contemplated by it, including ALTA endorsement No. 110.5 attached to Title Policy No. 38-3017-107-00006769 dated January 29, 1999, issued by TICOR Title Insurance Company.
2. Lender shall have received fully executed and, where appropriate, acknowledged originals of this Agreement, and any other documents which Lender may require or request in accordance with this Agreement or the other Loan Documents.
3. This Agreement shall have been recorded in the Official Records of the County of Klamath, State of Oregon, in addition to all other documents which Lender may require to be recorded
4. Satisfaction of all other conditions and requirements to the modification of the Loan, if any, as may be required by Lender.
7. Borrower's Representations and Warranties. To induce Lender to enter into this Agreement, Borrower represents and warrants to Lender as follows:
  1. All representations and warranties made and given by Borrower in the Loan Documents are true, accurate and correct.
  2. No Event of Default has occurred and no event exists or is continuing which, with notice or the passage of time or both, would be an Event of Default.
  3. Borrower lawfully possesses and holds fee simple title to all of the Property and the Deed of Trust is a first and prior lien on the Property. Borrower owns all of the personal property pledged as additional security for the Loan free and clear of any reservations of title and conditional sales contracts, and also of any security interests other than the Deed of Trust, which is a first and prior lien on the Property. There is no financing statement affecting any Property on file in any public office except for financing statements in favor of Lender.
  4. Borrower represents that it has full legal power and authority to enter into this Agreement, that all necessary consents and approvals for the execution and performance of this Agreement have been obtained, and that when signed and delivered to Lender this Agreement will be the legal binding and enforceable obligation of Borrower.
8. Consent. Borrower acknowledges that it has thoroughly read and reviewed the terms and provisions of this Agreement and is familiar with same, that the terms and provisions contained herein are clearly understood by it and have been fully and unconditionally consented to by it, and that it has had full benefit and advice of legal counsel of its own selection in regard to understanding the terms, meaning and effect of this Agreement, and that Borrower's execution of this Agreement is done freely, voluntarily, with full knowledge, and without duress, and that in executing this Agreement Borrower is not relying on any other representations or warranty either

written or oral, express or implied, made to Borrower by Lender, and that the consideration received by Borrower hereunder has been actual and adequate.

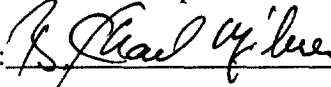
9. Release of Lender. As additional consideration for the modification of the Loan Documents as hereinabove set forth, Borrower does hereby release and forever discharge Lender, its agents, servants, employees, directors, officers, attorneys, branches, affiliates, subsidiaries, successors and assigns and all persons, firms, corporations, and organizations in its behalf of and from all damage, loss, claims, demands, liabilities, obligations, actions and causes of action whatsoever which Borrower may now have or claim to have against Lender as of the recording of this Agreement, and whether presently known or unknown, and of every nature and extent whatsoever on account of or in any way touching, concerning, arising out of or founded upon this Agreement, including but not limited to all such loss or damage of any kind heretofore sustained, or that may arise as a consequence of the dealings between the parties up to and including the recording date of this Agreement. This Agreement and the covenants herein on the part of Borrower are contractual, and not a mere recital, and the parties hereto acknowledge and agree that no liability whatsoever is admitted on the part of any party, except Borrower's indebtedness to Lender under the Loan Documents, as modified hereby, and that all agreements and understandings between Borrower and Lender are expressed and embodied in the Loan Documents, as modified hereby.
10. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which when executed and delivered shall together constitute one and the same instrument.
11. Cross Default. Any default hereunder shall constitute a default under the Loan Documents, and each of them, and any default under any Loan Document shall constitute a default hereunder.
12. Ratification, Full Force and Effect. Borrower agrees that nothing herein contained shall affect the priority of the Deed of Trust over other liens, charges, encumbrances or conveyances. Except as modified herein, the terms, covenants and conditions of the Loan Documents shall remain in full force and effect and are hereby expressly ratified and confirmed. This Agreement is not intended to and shall not be construed to impair the validity, priority or enforceability of the Deed of Trust or the other Loan Documents.
13. No Prejudice; Reservation of Rights. This Agreement shall not prejudice any rights or remedies of Standard under the Loan Documents. Lender reserves, without limitation, all rights which it has against any indemnitor, guarantor, or endorser of the Note.
14. Notices. All correspondence, notices of default, notices of late charges, year-end statements, and any other communications from Lender concerning this Loan shall, until further written notice from Borrower, be sent to Borrower at:
15. Lender Consent. Lender consents to the modification as described herein, but by consenting to this modification, Lender does not consent to any other modification regarding the Loan Documents.
16. Miscellaneous. Any provisions of the Note or other Loan Documents to the contrary notwithstanding, the law of the state in which the Property is located shall govern the validity,

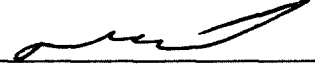
35448

interpretation, construction and performance of the Note, the Deed of Trust and each of the other security instruments securing the Note.

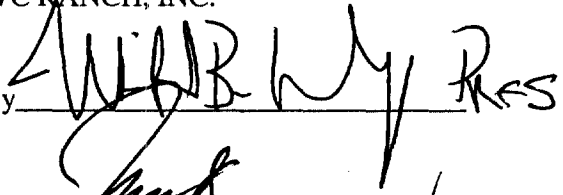
17. Loan Documents In Full Force and Effect. It is specifically understood that all conditions and obligations set forth in said instruments, except to the extent herein modified, shall remain in full force and effect.

THE TRAVELERS INSURANCE COMPANY,  
A Connecticut corporation

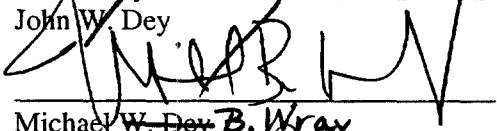
By: 

Attest: 

WC RANCH, INC.

By:  RFS

  
John W. Dey

  
Michael W. Dey ~~B. Wray~~

  
Nancy L. Dey

## DESCRIPTION OF REAL PROPERTY

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The following described property situated in Township 40 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

- Section 16: S1/2 NE1/4, N1/2 SE1/4; N1/2 SE1/4 SE1/4; S1/2 SE1/4 SE1/4; SE1/4 NW1/4; NE1/4 SW1/4 and SW1/4 SE1/4  
Section 21: Government Lot 4  
Section 22: NW1/4 NW1/4; S1/2 NW1/4; NW1/4 SW1/4, EXCEPTING that portion Southerly of Hill Road; E1/2 SW1/4; W1/2 SE1/4; SW1/4 SW1/4  
Section 23: E1/2 W1/2; W1/2 NE1/4 and NW1/4 SE1/4  
Section 26: NE1/4 NW1/4  
Section 27: Government Lots 5, 6, 7, 8 and 9; SE1/4 SE1/4; N1/2 NW1/4; SE1/4 NW1/4; W1/2 NE1/4

LESS the following: Beginning at a 5/8 inch iron pin marking the Northeast corner of the NW1/4 NE1/4 of said Section 27; thence South 00 degrees 33' 36" West, along the East line of said NW1/4 NE1/4 of said Section 27, 1,382.64 feet, more or less, to the Northerly right of way line of Hill Road, a county road; thence Northwesterly along the Northerly right of way line of said Hill Road 1300 feet, more or less, to a one-inch iron pin at the intersection of said right of way line with a fence running Northeast; thence along said fence and the Northeasterly projection thereof North 42 degrees 12' 33" East 542.46 feet to a one-inch iron pin set in the center of a dirt road; thence leaving said fence line North 35 degrees 05' 31" East 392.34 feet to a point on the North line of said Section 27, said point being marked by a one-inch iron pin; thence North 89 degrees 58' 17" East along the said North line of said Section 27, 420.87 feet to the point of beginning.

AND ALSO SAVING AND EXCEPTING THEREFROM a parcel of land situated in the SE1/4 SE1/4, in Lot 5, and in Lot 6 all being in Section 27, Township 40 South, Range 10 East of the Willamette Meridian, and being more particularly described as follows: Beginning at a point where the South line of said Section 27 intersects the Westerly right of way line of the Burlington Northern Railroad, from which the Southeast corner of said Section 27 bears South 89 degrees 38' 24" East, 1097.43 feet; thence North 28 degrees 45' 24" West, along said right of way line, 1029.75 feet; thence South 61 degrees 14' 36" West 50.00 feet; thence North 28 degrees 45' 24" West, 655.60 feet; thence along the arc of a 5629.65 foot radius curve to the left (delta equals 01 degrees 10' 05"), 114.77 feet to the South line of a drainage easement; thence South 57 degrees 42' West along the South line of said drainage easement, 275.64 feet, more or less, to a point on the mean high water line of the left bank of Lost River; thence Southeast along said mean high water line to a point on the South line of said Section 27; thence South 89 degrees 38' 24" East, along said South line 751.73 feet, more or less, to the point of beginning,

Section 28: Government Lot 4

EXCEPTING FROM the above described lands, Right of Way for Great Northern Railroad as set out in Transcript of Decree dated June 6, 1931, recorded November 2, 1931 in Volume 96, Page 246 Deed Records of Klamath County, Oregon.

ALSO EXCEPTING THEREFROM that portion lying within public roads and highways and within the USBR canals and drains.

STATE OF CONNECTICUT )  
 )  
COUNTY OF HARTFORD )

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Before me, a Notary Public in and for said County and State, on this day, personally appeared B. CHARLES MILNER and DAVID COLANGELO to me know to be the identical persons who subscribed the name of THE TRAVELERS INSURANCE COMPANY, a CONNECTICUT corporation to the foregoing instrument as its Vice President and Assistant Secretary who, being by me duly sworn, did state that they are the Vice President and Assistant Secretary of said corporation, that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed by them on behalf of said corporation by authority of its Board of Directors, and said Vice President and Assistant Secretary acknowledged to me that they executed the same for the uses, purposes, and consideration therein set forth and in the capacity therein stated as their free and voluntary act and deed as the free and voluntary act and deed of said corporation.

Given under my hand and seal of office this 27th day of June, 2001.

Penny D. Dean

Notary Public

My Commission Expires:

3/31/04

STATE OF OREGON )  
 )  
COUNTY OF KLAMATH )

July 18, 2001

Appeared before me this 18th day of July, 2001 MICHAEL B. WRAY, as President of W.C. Ranch, Inc., an Oregon corporation and MICHAEL B. WRAY, JOHN W. DEY and NANCY L. DEY individually and acknowledged the foregoing instrument to be her voluntary act and deed.

My Commission Expires: 11/16/2003

Kristil Redd  
NOTARY PUBLIC FOR OREGON



State of Oregon, County of Klamath  
Recorded 07/19/01 at 2:36 p.m.  
In Vol. M01 Page 35444  
Linda Smith,  
County Clerk Fee \$ 5.00

ACKNI/NOTARY/083190