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**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**
Pepple Johnson Cantu & Schmidt, PLLC
1900 Seattle Tower Building
1218 Third Avenue
Seattle, WA 98101

Prudential Loan No. 7-609-389

[SPACE ABOVE THIS LINE FOR RECORDER'S USE]

Tax Account Nos. 3303-00000-03200-000, 3208-00000-03400-000,
3208-00000-03400-000, 3308-00000-00100-000, 3308-00000-00200-000,
3308-00000-00300-000, 3308-00000-00301-000, 3308-00000-00302-000,
3308-00000-00400-000, 3308-00000-00500-000, 3308-00000-00800-000,
3209-00000-00500-000, 3309-00000-00200-000, 3309-00000-00300-000,
and 3309-00000-00400-000

**TRUST DEED, SECURITY AGREEMENT, AND FIXTURE FILING
WITH ASSIGNMENT OF RENTS AND PROCEEDS, LEASES AND
AGREEMENTS**

**THIS DOCUMENT CONSTITUTES A FIXTURE FILING
IN ACCORDANCE WITH ORS §79.0502(3)**

THIS TRUST DEED, SECURITY AGREEMENT, AND FIXTURE FILING WITH ASSIGNMENT OF RENTS AND PROCEEDS, LEASES AND AGREEMENTS (this "*Trust Deed*") is made as of February 17, 2005, by MICHAEL LaGRANDE and KRISTINE LaGRANDE, husband and wife, ("*Borrower*") having a mailing address at P.O. Box 1030, Williams, California 95987, as trustor, to CHICAGO TITLE INSURANCE COMPANY OF OREGON having offices at 300 Klamath Avenue, P.O. Box 5017, Klamath Falls, Oregon 97601, ("*Trustee*") for the benefit of THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey corporation, ("*Lender*") having offices at 2998 Douglas Blvd, Suite 260 Roseville, California 95661, as beneficiary.

WITNESSETH:

Borrower HEREBY IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS TO Trustee, IN TRUST, WITH POWER OF SALE all of Borrower's right, title and interest now owned or hereafter acquired in and to the following property, together with the

1166.0
1150.1

Personalty (as hereinafter defined), all of which is hereinafter collectively defined as the "*Property*";

That certain real property (the "*Land*") located in the County of Klamath, State of Oregon as more particularly described on Exhibit A attached hereto;

All Improvements (as hereinafter defined) and all appurtenances, easements, rights and privileges thereof, including all minerals, oil, gas and other hydrocarbon substances thereon or therein, air rights, water, and Water Rights (whether riparian, appropriative, or pursuant to state or federal entitlements or allotments, or otherwise and whether or not appurtenant) in or hereafter relating to or used in connection with the Land, and development rights, and any land lying in the streets, roads or avenues adjoining the Land or any part thereof;

All Fixtures (as hereinafter defined), whether now or hereafter installed, being hereby declared to be for all purposes of this Trust Deed a part of the Land;

All Easement Agreements (as hereinafter defined) and all other rights of ingress, egress, reciprocal agreements and other appurtenances relating to the Land; and

The Rents and Proceeds (as hereinafter defined), whether by sale or otherwise.

FOR THE PURPOSE OF SECURING, in such order of priority as Lender may determine: (i) payment of the Indebtedness (as hereinafter defined); and (ii) payment (with interest as provided) and performance by Borrower of the Obligations (as hereinafter defined).

ARTICLE I DEFINITIONS

Certain Defined Terms: As used in this Trust Deed the following terms shall have the following meanings:

Collateral: As defined in Section 7.1 hereof.

Costs: As defined in Section 9.20 hereof.

Easement Agreements: Any and all ingress or egress easements or agreements, water agreements, reciprocal easements or operating agreements or other appurtenances, easements or real property rights or interests relating to the Land, whether now owned or hereafter acquired.

Event of Default: As defined in Section 6.1 hereof.

Fixtures: Any and all property affixed to the Land and/or located upon or within the Improvements which are so related to the Land that an interest in such property arises under applicable real estate or real property law, including, without limitation, any Improvements and/or any items set forth in the Inventory which become so related or attached to the Land.

Foreclosure Date: The date the lien of this Trust Deed shall be foreclosed or title to the Property shall be transferred pursuant to a deed-in-lieu thereof.

Hazardous Substances Agreement: The Hazardous Substances Indemnification and Remediation Agreement between Borrower and Lender of even date herewith.

Impositions: All real estate and personal property and other taxes and assessments, and any and all other charges, expenses, water standby charges, water district assessments, payments, claims, mechanics' or material suppliers' liens or assessments of any nature that at any time prior to or after the execution of the Loan Documents may be assessed, levied, imposed, or become a lien upon the Property or the rent or income received therefrom, or any use or occupancy thereof.

Improvements: All (i) building improvements ("Buildings") and fixtures now or hereafter located on the Land, including, without limitation, all buildings, houses, sheds, warehouses, storage facilities and other buildings, (ii) irrigation and drainage equipment located on or used in connection with the Land, including, without limitation, wells, pumps, motors, engines, gearheads, sprinklers, drip irrigation systems, tow lines, hand lines, irrigation pipe, drainage pipe, culverts and well casings, (iii) enclosures of the Land or any part thereof, including, without limitation, fences, gates, shuts, posts, poles, barbed wire and electric wire, and (iv) electric, gas and water lines and equipment located on the Land, including, without limitation, transformers, circuit breakers, switch boxes, fuse and breaker panels, regulators, cut on/off valves, wiring and pipe.

Indebtedness: The indebtedness evidenced by the Note (including, without limitation, any Prepayment Premium due thereunder) and all other amounts due from Borrower to Lender evidenced or secured by the Loan Documents, plus interest on all such amounts as provided in the Loan Documents.

Inventory: The personal property described in Exhibit B attached hereto, if any.

Laws and Restrictions: All laws, regulations, orders, codes, ordinances, rules, statutes and policies, restrictive covenants and other title encumbrances, permits and approvals, leases and other rental agreements, relating to the development, occupancy, ownership, management, use, and/or operation of the Property or otherwise affecting the Property or Borrower.

Leases: Any and all leasehold interests, including subleases and tenancies following attornment, now or hereafter affecting or covering any part of the Property.

Loan: The loan from Lender to Borrower evidenced by the Note.

Loan Documents: The Note, this Trust Deed, the Deed of Trust, Security Agreement, and Fixture Filing with Assignment of Rents and Proceeds, Leases and Agreements dated the same as this Note and executed by Borrower as "Trustor" to the benefit of Prudential as "Beneficiary" and encumbering property located in Colusa County, California, the Hazardous Substances Agreement and all other documents evidencing, securing or relating to the Loan, the payment of the Indebtedness or the performance of the Obligations.

Material Adverse Change: Any material and adverse change in (i) the financial condition of Borrower, or (ii) the condition or operation of the Property.

Note: The Promissory Note of even date herewith executed by Borrower in the original principal amount of ONE MILLION THREE HUNDRED THOUSAND and no/100 DOLLARS (\$1,300,000.00), payable to Lender or its order, and all modifications, renewals or extensions thereof. The Note matures on or before January 1, 2015.

Obligations: Any and all of the covenants, promises and other obligations (including payment of the Indebtedness) made or owing by Borrower to or due to Lender as provided in the Loan Documents. Notwithstanding the foregoing, or any other term contained herein or in the Loan Documents, none of Borrower's obligations under or pursuant to the Hazardous Substances Agreement shall be secured by the lien of this Trust Deed.

Permitted Exceptions: All of those title exceptions set forth in Schedule B, Part I of the title insurance policy issued in favor of Lender that insures the priority of this Trust Deed, together with any Crop Loan permitted hereunder.

Person: Any natural person, corporation, firm, association, government, governmental agency or any other entity, whether acting in an individual, fiduciary or other capacity.

Personality: Borrower's right, title and interest in and to all personal property now or hereafter located in, upon or about or collected or used in connection with the Property, together with all present and future attachments, accessions, replacements, substitutions and additions thereto or therefor, and the cash and non-cash products and proceeds thereof, including, without limitation: all property listed in the Inventory, all equipment, the Easement Agreements, the Agreements, all Leases and contracts related to or pertaining to the Property and any and all guaranties thereof, all causes of action and recoveries now or hereafter existing for any loss or diminution in value of the Property, all other tangible and intangible property and rights relating to the Property or its operation, or to be used in connection with the Property, including, but not limited to all agreements, licenses, governmental authorizations or permits pertaining to the Property or the development, ownership, management or operation thereof, all trademarks, service marks, designs, logos, names or similar identifications pertaining to the Property or under which the Property may be known or operated or which are otherwise owned by Borrower, whether registered or unregistered, and all rights to carry on business under such names, and any related goodwill associated in any way with such names or the Property, and all accounts, contract rights and general intangibles (including any rents, issues, profits, insurance proceeds and condemnation awards or compensation) arising out of or incident to the ownership, development or operation of the Property encumbered hereby and all construction materials and supplies, leasehold interests in personal property, all water stock relating to, and all Water Rights appurtenant to the Property, contractual rights for the use of water, drainage rights, and rights to receive or transport water to, the Property, including, without limitation, any right to receive water or subsidies with respect to the price thereof under any contract with, or program administered by, the State of Oregon Water Resources Commission, and all livestock grazing permits issued in connection with

the Property, including without limitation the United States Department of Agriculture Term Grazing Permit no. 02314 and all renewals and replacements thereof.

Principal Party: Any Borrower, any general partner of a partnership Borrower, any parent company of any corporate Borrower or any such general partner, any Person owning directly or indirectly 50% or more of the outstanding shares of a corporate Borrower or any parent company of such Borrower, any trustee or beneficiary with a direct or indirect beneficial interest of 50% or more in any Borrower or the Property, any owner of the Property, or any guarantor of Borrower's obligations under the Loan Documents.

Property: As defined in the above granting Section of this Trust Deed.

Receiver: Any trustee, receiver, custodian, fiscal agent, liquidator or similar officer.

Rents and Proceeds: All rents, royalties, revenues, issues, profits, proceeds (including, without limitation proceeds from the sale of all or any portion of the Property or interest therein) and other income from the Property.

Secondary Interest Rate: As defined in the Note.

Transfer: The occurrence of (i) any sale, conveyance, assignment, transfer, alienation, mortgage, conveyance of security title, encumbrance or other disposition of the Property, of any kind, or any other transaction the result of which is, directly or indirectly, to divest any Borrower of any portion of its title to the Property, voluntarily or involuntarily, (ii) any merger, consolidation or dissolution involving, or the sale or transfer of all or substantially all of the assets of, a Principal Party, (iii) the transfer (at one time or over any period of time) of ten percent (10%) or more of the shares of, or the beneficial interest in or of, a Principal Party, (iv) the transfer of any general partnership interest in any Borrower or in any partnership which is a direct or indirect general partner of any Borrower, (v) the removal or resignation of the trustee of any Borrower which is a trust, (vi) the conversion of any general partnership interest in any Borrower to a limited partnership interest, or (vii) a Water Transfer.

Water Rights: Borrower's right, title and interest in all water (including any water inventory in storage), water rights and entitlements, other rights to water and other rights to receive water or water rights of every kind or nature, including, without limitation, (i) the groundwater on, under, pumped from or otherwise available to the Property, whether as a result of groundwater rights, contractual rights or otherwise; (ii) the right to remove and extract any such groundwater including any permits, rights or licenses granted by any governmental authority or agency and any rights granted or created by any easement, covenant, agreement or contract with any person or entity; (iii) any rights to which the Property is entitled with respect to surface water, whether such right is appropriative, riparian, prescriptive, contractual or otherwise and whether or not pursuant to permit or other governmental authorization, or the right to store any such water; (iv) any water, water right, water allocation, distribution right, delivery right, water storage right, or other water-related entitlement appurtenant or otherwise applicable to the Property by virtue of the Property's being situated within the boundaries of any district, agency or other

governmental entity or within the boundaries of any private water company, mutual water company or other non-governmental entity; (v) any drainage rights appurtenant or otherwise applicable to the Property; (vi) all rights, including contractual rights, to transport, carry, allocate or otherwise deliver water or any of the foregoing rights from or to the Property by any means, wherever located; (vii) any shares (or any rights under such shares) of any private water company, mutual water company or other non-governmental entity pursuant to which Borrower or the Property may receive any of the rights referred to in subsections (i) through (vi) above; and (viii) Borrower's rights to draw water from the Applegate, Hog and Siemens Creeks under water permit no. 36629.

Water Transfer: Any transfer, assignment, sale, exchange, gift, encumbrance, pledge, hypothecation, alienation, grant of option to purchase, or other disposition of, directly, indirectly or in trust, voluntarily or involuntarily, by operation of law or otherwise, or the entry into a binding agreement to do any of the foregoing with respect to all or any part of, (i) the groundwater on, under, pumped from or otherwise available to the Land, (ii) Borrower's right to remove and extract any such groundwater including any permits, rights or licenses granted by any governmental authority or agency and any rights granted or created by any easement, covenant, agreement or contract with any person or entity, (iii) any rights to which the Land is entitled with respect to surface water, whether such right is appropriative, riparian, prescriptive or otherwise and whether or not pursuant to permit or other governmental authorization, or the right to store any such water, (iv) any water, water right, water allocation, distribution right, delivery right, water storage right, or other water related entitlement appurtenant or otherwise applicable to the Land by virtue of the Land's being situated within the boundaries of any district, agency, or other governmental entity or within the boundaries of any private water company, mutual water company, or other nongovernmental entity, (v) any shares (or rights under such shares) of any private water company, mutual water company, or other non-governmental entity pursuant to which Borrower or the Land may receive any of the rights referred to in subsections (i) through (iv) above, or and (viii) Borrower's rights to draw water from the Applegate, Hog and Siemens Creeks under water permit no. 36629.

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

Borrower hereby represents and warrants to Lender that as of the date of this Trust Deed and as of the date of any subsequent disbursement pursuant to the Loan Documents:

2.1 **Authorization and Validity.** Borrower (i) is qualified to do business in the State of Oregon, (ii) is the lawful owner of the Property and holds good and marketable title to the Property free and clear of all defects, liens, encumbrances, easements, exceptions and assessments, except the Permitted Exceptions, (iii) has the power and authority to grant the Property as provided in and by this Trust Deed, to own and operate the Property, and to execute and deliver, and perform the obligations under, the Loan Documents, (iv) is in compliance with all Laws and Restrictions, and (v) has authorized by all requisite action the execution, delivery and performance by Borrower of the Loan Documents and the borrowings evidenced by the Note and such execution, delivery and performance will not violate any Laws and Restrictions or any agreement or other instrument.

2.2 Statements; Information and Litigation. All financial statements and other information given to Lender with respect to the Property and/or Borrower are true, accurate, complete and correct and except as expressly noted to the contrary therein, have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered thereby. There has been no Material Adverse Change since the date of the most recent financial statement given to Lender. There is not now pending against or affecting Borrower or the Property, nor to the best of Borrower's knowledge is there threatened, any action, suit or proceeding that might result in a Material Adverse Change.

2.3 Additional Representations and Warranties. (i) The Property is used principally or primarily for agricultural purposes. (ii) All costs for labor and materials for the construction of the Improvements have been paid in full. (iii) Borrower is not aware of any assessment for public improvements which is pending and which could become a lien upon the Property. (iv) No event has occurred which with the giving of notice or the passage of time, or both, would constitute an Event of Default under any of the Loan Documents. (v) Borrower is not in default under any material agreement or instrument to which it is a party which default would have a material and adverse effect on the Property or Borrower's ability to timely perform the Obligations. (vi) Neither the Property, nor any part thereof, has sustained, incurred or suffered any material damage or destruction. (vii) Subject to the Permitted Exceptions, the Personality and the Fixtures are owned by Borrower free and clear of any liens, encumbrances, mortgages, security interests, claims and rights of others. (viii) The Property and the current use thereof complies with all Laws and Restrictions. (ix) Borrower has received no notices of violations of any Laws and Restrictions. (x) Borrower has paid for and is the owner of all Fixtures and Personality, free and clear of any security interests or liens other than security interests and/or liens in favor of Lender. (xi) Other than tenants under the Leases which have been disclosed to Lender in writing, if any, there are no occupants or tenants that have or are entitled to possession of the Property or any part thereof. (xii) No petition in bankruptcy, petition or answer seeking assignment for the benefit of creditors or appointment of a Receiver or similar proceeding with respect to any Principal Party has occurred or is contemplated. (xiii) This Trust Deed secures an obligation incurred exclusively for commercial, business or investment purposes and Borrower warrants to Lender that the Loan proceeds shall be used exclusively for commercial, business or investment purposes. (xiv) This Trust Deed is not now and at no time will it be a residential trust deed as defined in ORS §86.705(3).

2.4 FIRPTA Certification. Borrower declares and certifies, under penalty of perjury, that: (i) Borrower's Taxpayer Identification Numbers are 547-62-0416 for Michael LaGrande and 567-60-2384 for Kristine LaGrande; (ii) the business mailing address of Borrower is as set forth on page 1 hereof; (iii) Borrower is not a "foreign person" within the meaning of Sections 1445 and 7701 of the Internal Revenue Code of 1986, as amended (the "Code"); and (iv) Borrower understands that the information and certification contained in this Section 2.4 may be disclosed to the Internal Revenue Service and that any false statement contained herein could be punished by fine, imprisonment or both. Borrower agrees (a) to provide Lender with a new certification containing the provisions of this Section 2.4 immediately upon any change in such information, and (b) upon any Transfer which is permitted by the terms of this Trust Deed, to cause such transferee to

execute and deliver to Lender a certificate concerning the non-foreign status of such transferee substantially in the form of this Section 2.4.

2.5 Water Rights.

The Property has, and will continue to have, the continuing, enforceable right to receive irrigation water from such sources, in such quantities, and at such times and locations as is reasonably satisfactory for the purposes of farming, without interruption and in such quantities, and at such times and locations as has been historically available to the Property. Borrower has filed with the State of Oregon all notices and other documents required under the laws of the State of Oregon in connection with the supply of water to and use of water upon the Property. All water rights certificates and permits for the appropriation and use of surface water and ground water for the Property have been duly issued, are owned solely by Borrower, and are in full force and effect and in good standing.

2.6 Executive Order 13224. Borrower and all persons or entities holding any legal or beneficial interest whatsoever in Borrower are not included in, owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the persons or entities referred to or described in Executive Order 13224 — Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as amended. It shall constitute an Event of Default hereunder if the foregoing representation and warranty shall ever become false.

ARTICLE 3
AFFIRMATIVE COVENANTS

Borrower hereby covenants and agrees as follows:

3.1 Obligations of Borrower. Borrower will timely perform, or cause to be timely performed, all the Obligations.

3.2 Insurance.

A. Borrower, at its sole cost and expense, will keep and maintain for the mutual benefit of Borrower and Lender: (i) with respect to all Buildings, insurance against loss or damage thereto by fire and other risks covered by insurance commonly known as the broad form of extended coverage, in an amount equal to one hundred percent (100%) of the then-current "full replacement cost" of such Buildings and plantings; (ii) Comprehensive General Liability insurance including broad form property damage, contractual liability and personal injury or death coverage; and (iii) such other insurance, and in such amounts, as may from time to time be reasonably required by Lender.

B. All policies of insurance required by this Trust Deed (i) shall be prepaid annually and otherwise satisfactory in form, substance, amount and deductible to Lender and written with companies satisfactory to Lender, (ii) shall name Lender as an additional insured as its interest may appear and contain a Standard Lender's Loss Payable endorsement and

other non-contributory standard mortgagee protection clauses acceptable to Lender, and at Lender's option, a waiver of subrogation rights by the insurer, (iii) shall contain an agreement by the insurer that such policy shall not be amended or canceled without at least thirty (30) days' prior written notice to Lender, and (iv) shall contain such other provisions as Lender deems reasonably necessary or desirable to protect its interests.

C. All of Borrower's right, title and interest in and to all policies of property insurance and any unearned premiums paid thereon are hereby assigned (to the fullest extent assignable) to Lender who shall have the right, but not the obligation, to assign the same to any purchaser of the Property at any foreclosure sale.

3.3 Maintenance, Waste and Repair. At its sole cost and expense, Borrower will (i) preserve, repair, replace and maintain the Property in a good and businesslike or farmer-like manner and condition, (ii) promptly make all necessary structural and non-structural repairs to the Property that are required to avert a material diminution of their value, (iii) not destroy, remove, abandon, or materially diminish or alter the Improvements situated on the Property during the existence of this Trust Deed, ~~except for replacement of dead or diseased vines or trees in the normal course of farming and caring for the Property, nor erect any new buildings, structures or building additions on the Land, in each case without the prior written consent of Lender,~~ (iv) preserve, repair, replace and maintain the Property and all Improvements now or hereafter located thereon and/or affixed thereto, in a good and businesslike or farmer-like manner, (v) during the existence of this Trust Deed, cultivate, produce and harvest Crops on the Property employing the usual and normal standards and practices of husbandry customarily employed to produce similar Crops in the general vicinity, and (vi) not permit any waste of the Property or make any change in the use thereof, nor do or permit to be done thereon anything, that may in any way impair the security of this Trust Deed. Without limiting the foregoing, Borrower shall not (a) permit any portion of the Property to be used as a borrow pit, land fill or dump, (b) request or permit a change in zoning or land use classification from agricultural use, or (c) in any way diminish any of Borrower's Water Rights (whether riparian, appropriative or otherwise and whether or not appurtenant).

3.4 Impositions. Borrower will pay when due all Impositions. Borrower will deliver to Lender, within seven (7) days after demand therefor, receipts showing the payment of any Impositions.

3.5 Compliance with Law. Borrower will promptly and faithfully comply with all present and future Laws and Restrictions.

3.6 Books and Records and Other Information. Borrower, without expense to Lender, will maintain full and complete books of account and records reflecting the results of the operations of the Property, and will furnish or cause to be furnished to Lender the following financial statements and reports: (a) annual income tax returns, complete with all schedules, for each Borrower within ten days of the date such returns are filed with the IRS; (b) annual crop and yield data; (c) annual financial reports containing a balance sheet listing all assets and liabilities of Borrower in form and substance satisfactory to Lender within one hundred and eighty (180) days after each year end; and (d) such other data and

information concerning the condition of Borrower and the Property as Lender shall reasonably request as from time to time.

3.7 Further Assurances/Additional Information. Borrower, at any time upon the reasonable request of Lender, will at Borrower's expense, execute, acknowledge and deliver all such additional papers and instruments (including, without limitation, a declaration of no setoff) and perform all such further acts as may be reasonably necessary to perform the Obligations and, as Lender deems necessary, to preserve the priority of the lien of this Trust Deed and to carry out the purposes of the Loan Documents. In addition, Borrower will furnish to Lender (i) within seven (7) days after written request therefor, any and all information that Lender may reasonably request concerning the Property or the performance by Borrower of the obligations, and (ii) immediately upon receipt, copies of all (a) notices of violation relating to the Property that Borrower receives from any governmental agency or authority, and (b) notices of default that Borrower shall give or receive under any agreement that Borrower covenants to perform hereunder.

3.8 Litigation. Borrower will promptly give notice in writing to Lender of any litigation or other event or occurrence which might result in a Material Adverse Change.

3.9 Inspection of Property. Borrower hereby grants to Lender, its agents, employees, consultants and contractors, the right to enter upon the Property for the purpose of making any and all inspections, reports, tests (including, without limitation, soils borings, ground water testing, inspection of wells, orchards, trees and fields, or soils analysis), inquiries and reviews as Lender (in its sole and absolute discretion) deems necessary to assess the then current condition of the Property, or for the purpose of performing any of the other acts Lender is authorized to perform hereunder or under the Hazardous Substances Agreement. Borrower shall cooperate with Lender to facilitate such entry and the accomplishment of such purposes.

3.10 Contest. Notwithstanding the provisions of Sections 3.4 and 3.5, Borrower may, at its expense, contest the validity or application of any Impositions or Laws and Restrictions by appropriate legal proceedings promptly initiated and diligently conducted in good faith, provided that (i) Lender is reasonably satisfied that the priority of this Trust Deed shall be maintained and neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, or lost as a result of such contest, and (ii) Borrower shall have posted a bond or furnished such other security as may be reasonably required from time to time by Lender.

3.11 Prepayment. Borrower may prepay the Loan only on the terms and conditions set forth in the Note and Borrower shall pay Lender any Prepayment Premium in respect of any such prepayment, whether voluntary or involuntary, as required by and on the terms and conditions set forth in the Note.

3.12 Tax Service Contract. Throughout the term of the Loan, at Borrower's sole expense, Lender shall be furnished tax service contracts issued by a tax reporting agency satisfactory to Lender.

3.13 **Water.** Throughout the term of the Loan, at Borrower's sole expense, Borrower shall ensure that the Property will continue to have the continuing, enforceable right to receive irrigation water from such sources, in such quantities, and at such times and locations as is reasonably satisfactory for the purposes of farming, without substantially increased cost, and in such quantities, and at such times and locations as has been historically available to the Property.

3.14 **Compliance with Anti-Terrorism Regulations.** Neither Borrower nor any persons holding any legal or beneficial interest whatsoever in Borrower shall at any time during the term of the Loan be described in, covered by or specially designated pursuant to or be affiliated with any person described in, covered by or specially designated pursuant to Executive Order 13224, as amended, or any similar list issued by OFAC or any other department or agency of the United States of America. Notwithstanding the foregoing, Borrower hereby confirms that if it becomes aware or receives any notice of any violation of the foregoing covenant and agreement (an "*OFAC Violation*"), Borrower will immediately (i) give notice to Lender of such OFAC Violation, and (ii) comply with all Laws applicable to such OFAC Violation, including, without limitation, Executive Order 13224; the International Emergency Economic Powers Act, 50 U.S.C. Sections 1701-06; the Iraqi Sanctions Act, Pub.L. 101-513, 104 Stat. 2047-55; the United Nations Participation Act, 22 U.S.C. Section 287c; the Antiterrorism and Effective Death Penalty Act, (enacting 8 U.S.C. Section 219, 18 U.S.C. Section 2332d, and 18 U.S.C. Section 2339b); the International Security and Development Cooperation Act, 22 U.S.C. Section 2349 aa-9; the Terrorism Sanctions Regulations, 31 C.F.R. Part 595; the Terrorism List Governments Sanctions Regulations, 31 C.F.R. Part 596; and the Foreign Terrorist Organizations Sanctions Regulations, 31 C.F.R. Part 597 (collectively, the "*Anti-Terrorism Regulations*"), and Borrower hereby authorizes and consents to Lender's taking any and all reasonable steps Lender deems necessary, in its sole discretion, to comply with all Laws applicable to any such OFAC Violation, including the requirements of the Anti-Terrorism Regulations. Notwithstanding anything to the contrary in this Section 3.14, Borrower shall not be deemed to be in violation of the covenants and agreements set forth in the first sentence of this Section 3.14 if Borrower timely complies with all requirements imposed by the foregoing sentence and all requirements of the Anti-Terrorism Regulations and all other applicable Laws relating to such OFAC Violation.

3.15 **Notice Under ORS 746.201. WARNING**

Unless Borrower provides Lender with evidence of insurance coverage as required by this Trust Deed, Lender may purchase insurance at Borrower's expense to protect Lender's interest. If the Property is damaged, the coverage purchased by Lender may not pay any claim made by Borrower or any claim made against Borrower. Borrower may later cancel the coverage obtained by Lender by providing evidence that it has provided the insurance coverage required by this Trust Deed.

Borrower is responsible for the cost of any insurance obtained by Lender. The cost of that insurance may be added to the Obligations secured by this Trust Deed. If the cost is added the Secondary Rate will apply to the added amount. The effective date

of coverage may be the date Borrower's prior coverage lapsed or the date Borrower failed to provide proof of coverage.

The coverage purchased by Lender may be considerably more expensive than insurance Borrower may be able to obtain on its own and may not satisfy the need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

ARTICLE 4 NEGATIVE COVENANTS

Borrower hereby covenants to and agrees as follows:

4.1 Restrictive Uses. Borrower will not initiate, join in, or consent to any change in the current use of the Property or in any zoning ordinance, private restrictive covenant, assessment proceedings or other public or private restriction limiting or restricting the uses that may be made of the Property or any part thereof or in any way change the boundaries of the Property (including without limitation, any agreed boundary line changes or lot line adjustments) without the prior written consent of Lender.

4.2 Prohibited Transfers. Borrower shall not participate in, and shall not cause, allow or otherwise permit, a Transfer without the prior written consent of Lender, which consent may be given or withheld for any reason (or for no reason) or given conditionally, as determined by Lender in its sole and absolute discretion, and any default, failure to observe, or breach of the provisions of this Section 4.2 shall constitute an immediate Event of Default hereunder and, at the option of Lender, Lender may accelerate the Indebtedness whereby the entire Indebtedness (including, without limitation, any Prepayment Premium) shall become immediately due and payable. Any permitted transferee shall, as a condition of the effectiveness of any consent or waiver by Lender hereunder, assume all of Borrower's obligations under the Loan Documents and agree to be bound thereby. Such assumption shall not, however, release Borrower from any liability under the Loan Documents. This provision shall not apply to transfers of title or interest under any will or testament or applicable law of descent. Consent to any such Transfer by Lender shall not be deemed a waiver of Lender's right to require such consent to any further or future Transfers.

4.3 Partnership Agreement. Borrower, if a partnership, will not terminate, alter, modify or amend or permit the termination, alteration, modification or amendment of its Partnership Agreement without Lender's prior written consent.

ARTICLE 5 CASUALTIES AND CONDEMNATION

5.1. Insurance and Condemnation Proceeds.

A. Borrower shall notify Lender in writing immediately upon the occurrence of any loss or damage by fire or other casualty to the Property or upon commencement of any

proceedings for condemnation of any portion of the Property. Lender shall be entitled to (i) participate in any such condemnation proceedings and Borrower from time to time will deliver to Lender all instruments reasonably necessary to permit such participation, and (ii) settle and adjust all insurance claims relative to any such damage or destruction, deducting from any insurance proceeds the amount of all expenses incurred by Lender in connection with any such settlement or adjustment. All proceeds paid to Borrower under any insurance policies relating to the Property shall immediately be delivered to Lender. All condemnation proceeds from the Property are hereby assigned to and shall be paid to Lender.

B. The proceeds of any insurance policy received by Lender shall, at the option of Lender, either be applied to the prepayment of the Indebtedness or satisfaction of any Obligation or be paid over to Borrower for restoration of the Improvements. If Lender elects to make such proceeds available for repair or reconstruction, Lender shall, through a disbursement procedure established by Lender, make available to Borrower the net amount of all insurance proceeds or condemnation awards received by Lender after deduction of Lender's reasonable costs and expenses, if any, in collection of the same (the "**Net Proceeds**"). In the event Lender elects not to make the Net Proceeds available for repair or reconstruction, Lender, at its sole option, may apply the Net Proceeds in payment of the Indebtedness or in satisfaction of any other Obligation in such order as Lender may determine. Notwithstanding the foregoing, Lender shall make the Net Proceeds available to Borrower for repair or reconstruction provided that (i) there shall then be no default under any Loan Document, (ii) Lender shall be satisfied that (a) the Property can and will be restored to the condition of the Property immediately prior to such casualty or condemnation within 18 months of the date of such casualty or condemnation in accordance with plans and specifications approved by Lender, and such completion shall occur at least 24 months prior to the Maturity Date, and (b) no material agreements are terminated or terminable as a result of such casualty or condemnation, (iii) Borrower shall have entered into a general construction contract acceptable in all respects to Lender for completion of the repair or reconstruction, (iv) in Lender's reasonable judgment, the security for the Loan has not been materially impaired as a result of such casualty or condemnation, and (v) prior to any disbursement of Net Proceeds and throughout the restoration period, Lender shall have determined, in its sole and absolute discretion, that such repair or reconstruction can be completed at a cost (which cost shall include all payments coming due under the terms of the Loan) which does not exceed the aggregate of the then remaining Net Proceeds and any funds deposited with Lender by Borrower.

C. The Net Proceeds and any additional funds deposited by Borrower with Lender shall constitute additional security for the Loan. Borrower shall execute, deliver, file and/or record, at its own expense, such documents and instruments as Lender requires to grant to Lender a perfected, first priority security interest in the Net Proceeds and such additional funds.

5.2. Additional Provisions Relating to Condemnation. In any condemnation proceedings, Lender may be represented by counsel selected by Lender. The proceeds of any award or compensation so received by Lender as set forth in Section 5.1.A above shall, at the option of Lender, either be applied to the prepayment of the Indebtedness or

satisfaction of any obligation or be paid over to Borrower for restoration of the Improvements in accordance with the provisions of Section 5.1.

ARTICLE 6

EVENTS OF DEFAULT AND REMEDIES OF MORTGAGEE

6.1 Events of Default.

A. It shall constitute an "*Event of Default*" hereunder if any of the following events shall occur and Lender, by written notice delivered to Borrower, declares an Event of Default: (i) Borrower shall fail to pay within five (5) days of the date when due any part of the Indebtedness; (ii) Borrower shall fail to timely observe, perform or discharge any obligation, other than as described in Sections 6.1.A(i), (iii), (iv), (v), (vi), (vii), (viii), and (ix), and any such failure shall remain unremedied for thirty (30) days or such lesser period as may be otherwise specified in the applicable Loan Document or agreement (the "*Grace Period*") after notice to Borrower of the occurrence of such failure; provided, however, that Lender may extend the Grace Period up to ninety (90) days if (a) Lender determines in good faith that (1) such default cannot be cured within the Grace Period but can be cured within ninety (90) days, (2) no lien or security interest created by the Loan Documents shall be impaired prior to the completion of such cure, and (3) Lender's immediate exercise of any remedies provided hereunder or by law is not necessary for the protection or preservation of the Property or Lender's security interest therein, and (b) Borrower shall immediately commence and diligently pursue the cure of such default; (iii) Borrower, as lessor or sublessor, as the case may be, shall assign all or any part of the Rents and Proceeds or any interest therein without first obtaining the written consent of Lender; (iv) default by Borrower after the expiration of all applicable grace or cure periods under any agreement to which Borrower is a party, other than the Loan Documents, which agreement relates to the borrowing of money by Borrower from any Person, and such default might give rise to a Material Adverse Change or adversely affect the security for the Loan; (v) any representation or warranty made by Borrower in, under or pursuant to the Loan Documents was false or misleading in any material respect as of the date on which such representation or warranty was made or deemed remade; (vi) any of the Loan Documents shall cease to be in full force and effect or be declared null and void, or shall cease to constitute valid and subsisting liens and/or valid and perfected security interests in and to the Property, or Borrower shall contest or deny in writing that it has any further liability or obligation under any of the Loan Documents; (vii) the declaration of an Event of Default hereunder pursuant to Section 6 of the Hazardous Substances Agreement; (viii) Borrower or any successor in interest is estopped or denied from receiving irrigation water for use upon any portion of the Property for any reason, or if existing water permits or certificates or other water rights shall be revoked or suspended, and Lender reasonably determines that such loss of interruption of the right to receive irrigation water, materially and adversely affects the value of the Property and/or the security for the Loan; or (ix) a Material Adverse Change shall have occurred.

B. It shall constitute an Event of Default hereunder without the requirement of any notice if any of the following events shall occur: (i) any Principal Party shall generally not pay its debts as they become due or shall admit in writing its inability to pay its debts, or

shall have made a general assignment for the benefit of creditors; (ii) any Principal Party shall commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking to have an order for relief entered against it as debtor, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property (collectively, a "**Proceeding**"); (iii) any Principal Party shall take any action to authorize any of the actions set forth above in clauses (i) or (ii); (iv) any Proceeding shall be commenced against any Principal Party, and such Proceeding (a) results in the entry of an order for relief against it which is not fully stayed within seven (7) business days after the entry thereof or (b) remains undismissed for a period of forty-five (45) days; or (v) failure to timely observe, perform or discharge any provision of Section 4.2 hereof or the occurrence of a Transfer without Lender's prior written consent.

6.2 Remedies.

A. Upon the occurrence of any Event of Default, Lender may at any time declare all of the Indebtedness (including, without limitation, any Prepayment Premium due under the terms of the Note in connection with such acceleration) to be due and payable and the same shall thereupon become immediately due and payable, together with all payments due in accordance with the terms of the Note, without any further presentment, demand, protest or notice of any kind. Lender may, in its sole discretion, also do any of the following: (i) in person, by agent, or by a Receiver, without regard to the adequacy of security, the solvency of Borrower or the condition of the Property, without obligation so to do and without notice to or demand upon Borrower, enter upon and take possession of the Property, or any part thereof, in its own name or in the name of Trustee, and do any acts which Lender deems necessary to preserve the value or marketability of the Property, sue for or otherwise collect the Rents and Proceeds, and apply the same, less costs and expenses of operation and collection, including reasonable attorney fees, against the obligations, all in such order as Lender may determine; appear in and defend any action or proceeding purporting to affect, in any manner whatsoever, the obligations, the security hereof or the rights or powers of Lender or Trustee; pay, purchase or compromise any encumbrance, charge or lien that in the judgment of Lender or Trustee is prior or superior hereto; and in exercising any such powers, pay necessary expenses, employ counsel and pay reasonable attorney fees; (ii) as a matter of strict right and without notice to Borrower or anyone claiming under Borrower, and without regard to the then value of the Property or the danger of loss, removal, or material injury to the Property, apply *ex parte* to any court having jurisdiction to appoint a Receiver to enter upon and take possession of the Property, and Borrower hereby waives notice of any application therefor, provided a hearing to confirm such appointment with notice to Borrower is set within the time required by law (any such Receiver shall have all the powers and duties of Receivers in like or similar cases and all the powers and duties of Lender in case of entry as provided herein, and shall continue as such and exercise all such powers until the date of confirmation of sale, unless such Receivership is sooner terminated); (iii) commence an action to foreclose this Trust Deed in any manner provided hereunder or by law; (iv) with respect to any Personality, proceed as to both the real and personal property in accordance with Lender's rights and remedies in respect of the Land, or proceed to sell said Personality separately and without

regard to the Land in accordance with Lender's rights and remedies as to personal property; and/or (v) deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause the Property to be sold, which notice Trustee or Lender shall cause to be duly filed for record.

B. If Borrower shall at any time fail to perform or comply with any of the terms, covenants and conditions required on Borrower's part to be performed and complied with under any of the Loan Documents or any other agreement that, under the terms of this Trust Deed, Borrower is required to perform, then Lender may, in its sole discretion: (i) make any payments hereunder or thereunder payable by Borrower and take out, pay for and maintain any of the insurance policies provided for herein or therein; and/or (ii) after the expiration of any applicable grace period and subject to Borrower's rights to contest certain obligations specifically granted hereby, perform any such other acts thereunder on the part of Borrower to be performed and enter upon the Property for such purpose.

C. Should Lender elect to foreclose by exercise of the power of sale herein contained, Lender shall notify Trustee and shall deposit with Trustee this Trust Deed and the Note and such receipts and evidence of expenditures made and secured hereby as Trustee may require. Upon receipt of such notice from Lender, Trustee shall cause to be recorded, published and delivered to Borrower such notice of default and notice of sale as then required by law and by this Trust Deed. Trustee shall, without demand on Borrower, after lapse of such time as may then be required by law and after recordation of such notice of default and after notice of sale having been given as required by law, sell the Property at the time and place of sale fixed by it in said notice of sale, either as a whole, or in separate lots or parcels or items as Lender shall determine, and in such order as Lender may determine, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any Person, including, without limitation, Borrower, Trustee or Lender, may purchase at such sale and Borrower hereby covenants to warrant and defend the title of such purchaser or purchasers. Trustee may postpone the sale of all or any part of the Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement, and without further notice make such sale at the time fixed by the last postponement; or Trustee may, in its discretion, give a new notice of sale. Lender may rescind any such notice of default at any time before Trustee's sale by executing a notice of rescission and recording the same. The recordation of such notice shall constitute a cancellation of any prior declaration of default and demand for sale and of any acceleration of maturity of Indebtedness affected by any prior declaration or notice of default. The exercise by Lender of the right of rescission shall not constitute a waiver of any default then existing or subsequently occurring, or impair the right of Lender to execute other declarations of default and demand for sale, or notices of default and of election to cause the Property to be sold, nor otherwise affect the Note or this Trust Deed, or any of the rights, obligations or remedies of Lender or Trustee hereunder.

D. To the full extent allowed by law, Borrower waives its right, if any, to require that the Property be sold as separate lots, parcels or items, and Lender shall have the right, in its sole and absolute discretion, to cause the Property to be sold either as a whole or in separate lots or parcels or items as Lender shall determine, and in such order as Lender may determine, and if Lender elects more than one sale or other disposition of the Property, Lender at its option may cause the sales to be conducted simultaneously or successively, on the same day or at different days or times and in such order as Lender may deem to be in its best interests, and no such sale shall terminate or otherwise affect the lien of this Trust Deed on any part of the Property not then sold until all the Indebtedness has been paid. If Lender elects to dispose of the Property through more than one sale, Borrower shall pay the costs and expenses of each such sale and proceeding.

E. Except as may otherwise be required by law, the proceeds of sale shall be applied in the following priority: (i) first, all costs, fees and expenses in connection with the sale, including costs of evidence of title and legal fees; (ii) second, all sums expended and due under this Trust Deed, with accrued interest at the Secondary Interest Rate; (iii) third, all other sums then secured hereby; and (iv) the remainder, if any, to the person or persons legally entitled thereto.

F. All remedies of Lender in this Trust Deed are cumulative and in addition to any and all other rights and remedies provided in the other Loan Documents or by law, including any right of offset. The exercise of any right or remedy by Lender shall not cure or waive any Event of Default, or invalidate any act done pursuant to any notice of default, or prejudice Lender in the exercise of any of its rights under the Loan Documents.

G. All sums expended by Lender in the exercise of any right or remedy under this Trust Deed, and all reasonable costs and expenses, including Lender's reasonable attorney fees and legal expenses, so incurred shall: (i) be immediately due and payable on demand; (ii) accrue interest at the Secondary Interest Rate from the date of expenditure by Lender; and (iii) be added to the Indebtedness and secured by the Loan Documents prior to any right, title or interest in or claim upon the Property attaching or accruing subsequent to the lien of this Trust Deed. This Section 6.2.G shall apply whether or not the sum was expended or the cost or expense incurred upon the occurrence of an Event of Default.

H. The purchaser at any foreclosure sale hereunder may, during any redemption period, make such repairs and take such actions on the Property as may be reasonably necessary for the proper operation, care, preservation, protection and insurance of the Property. All sums expended by the purchaser in the exercise of any such right or remedy and all reasonable costs and expenses so incurred, together with interest thereon at the Secondary Interest Rate from the date of expenditure by the purchaser (or the highest lawful rate if that is less) shall be added to and become part of the amount required to be paid for the redemption from such sale.

ARTICLE 7
SECURITY AGREEMENT AND FIXTURE FILING

7.1 **Grant of Security Interest.** Borrower hereby grants to Lender a security interest in and to all Borrower's right, title and interest now owned or hereafter acquired in and to the Improvements, Personality and the Fixtures and all of the products and proceeds thereof (collectively, the "***Collateral***") to secure payment and performance of the Obligations.

7.2 **Remedies.** This Trust Deed constitutes a security agreement with respect to the Collateral in which Lender is hereby granted a security interest. In addition to the rights and remedies provided under this Trust Deed, Lender shall have all of the rights and remedies of a secured party under the Oregon Uniform Commercial Code as well as all other rights and remedies available at law or in equity. Borrower hereby agrees to execute and deliver on demand and irrevocably constitutes and appoints Lender the attorney-in-fact of Borrower to, at Borrower's expense, execute, deliver and, if appropriate, to file with the appropriate filing officer or office such instruments as Lender may request or require in order to impose, perfect or continue the perfection of the lien or security interest created hereby. Upon the occurrence of any Event of Default, Lender shall have (i) the right to cause any of the Collateral which is personal property to be sold at any one or more public or private sales as permitted by applicable law and to apply the proceeds thereof to the Indebtedness or the satisfaction of any Obligation, and (ii) the right to apply to the Indebtedness or the satisfaction of any Obligation any Collateral which is cash, negotiable documents or chattel paper. Any such disposition may be conducted by an employee or agent of Lender or Trustee. Any Person, including both of Borrower and Lender, shall be eligible to purchase any part or all of such Personality at any such disposition.

7.3 **Expenses.** Expenses of retaking, holding, preparing for sale, selling or the like pertaining to the Collateral shall be borne by Borrower and shall include Lender's and Trustee's reasonable attorney fees and legal expenses. Borrower, upon demand of Lender shall assemble the Collateral and make it available to Lender at the Property, a place which is hereby deemed to be reasonably convenient to Lender and Borrower. Lender shall give Borrower at least ten (10) days prior written notice of the time and place of any public sale or other disposition of the Collateral or of the time after which any private sale or any other intended disposition is to be made. Any such notice sent to Borrower in the manner provided for the mailing of notices herein is hereby deemed to be reasonable notice to Borrower.

7.4 **Fixture Filing.** This Trust Deed covers certain goods which are or are to become fixtures related to the Land and constitutes a fixture filing with respect such goods executed by Borrower as debtor in favor of Lender as secured party.

ARTICLE 8
ASSIGNMENT OF RENTS AND PROCEEDS, LEASES AND AGREEMENTS

8.1 **Assignment of Rents and Proceeds and Leases.** As security for the Obligations, Borrower assigns and transfers to Lender and grants Lender a security interest in (i) the Leases and (ii) the Rents and Proceeds whether now due, past due or to become due, and

gives to and confers upon Lender any and all rights and claims of any kind that Borrower may have against lessees under the Leases and the right, power and authority to collect such Rents and Proceeds, and apply the same to the Indebtedness or the satisfaction of any obligation. Borrower irrevocably appoints Lender its agent to, at any time, demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, either in the name of Borrower or in the name of Lender, for all such Rents and Proceeds. Neither the foregoing assignment of Leases and Rents and Proceeds to Lender or the exercise by Lender of any of its rights or remedies under this Trust Deed shall be deemed to make Lender a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Property or the use, occupancy, enjoyment or operation of all or any part thereof, unless and until Lender, in person or by its own agent, assumes actual possession thereof, nor shall appointment of a Receiver for the Property by any court at the request of Lender or by agreement with Borrower or the entering into possession of the Property by such Receiver be deemed to make Lender a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the property or the use, occupancy, enjoyment or operation thereof.

8.2 Assignment of Agreements. As security for the Obligations, Borrower hereby sells, assigns, transfers, sets over and delivers to Lender and grants Lender a security interest in all of Borrower's right, title and interest in and to any and all agreements, contracts, supply contracts, reports, surveys, maintenance agreements, water-sharing agreements, water agreements, purchase contracts, and governmental approvals whatsoever pertaining to the operation of the Property, as the same may be amended or otherwise modified from time to time (collectively, the "*Agreements*"). The foregoing assignment encompasses the right of Borrower to (i) terminate any of the Agreements, (ii) perform or compel performance and otherwise exercise all remedies under the Agreements, and (iii) collect and receive all sums which may become due Borrower or which Borrower may now or shall hereafter become entitled to demand or claim, under the Agreements.

8.3 Revocable License. Notwithstanding anything to the contrary contained herein or in the Note, so long as no Event of Default shall have occurred, Borrower shall have a license to collect all Rents and Proceeds and all other sums which may become payable to Borrower under the Agreements, and to first apply the same to the payment or performance of the obligations as and when due. Upon the occurrence of an Event of Default, Lender shall have the right, on written notice to Borrower, to terminate and revoke the license ~~herein granted~~ to Borrower and shall have the right and authority then or thereafter to exercise and enforce any and all of its rights and remedies provided in this Article 8 or by law or at equity.

8.4 Non-Responsibility. The acceptance by Lender of the assignments with all the rights, powers, privileges and authority so granted shall not obligate Lender to assume any obligations in respect of the Rents and Proceeds or under the Agreements or take any action thereunder or to expend any money or incur any expense or perform or discharge any obligation, duty or liability in respect of the Rents and Proceeds or under the Agreements or to assume any obligation or responsibility for the nonperformance of the provisions thereof by Borrower.

8.5 Affirmative Covenants re Leases and Agreements. Borrower shall (i) observe, perform and discharge, all the obligations, terms, covenants, conditions and warranties of the Leases and Agreements, on the part of Borrower to be kept, and shall promptly notify Lender of any default thereunder, (ii) upon written request of Lender, direct the obligors under the Agreements and the Lessees to deliver all Rents and Proceeds and other payments due thereunder to Lender, (iii) enforce or secure in the name of Lender the performance of each and every obligation, term, covenant, condition and agreement of the Leases and Agreements to be performed by Lessees and obligors thereunder, (iv) appear in and defend any action or proceeding arising under, occurring out of, or in any manner connected with the Leases or the Agreements or the obligations, duties, or liabilities of Borrower, Lessees and obligors thereunder and, upon request by Lender, to do so in the name and on behalf of Lender but at the expense of Borrower, and to pay all costs and expenses of Lender, including, attorney fees.

8.6 Negative Covenants re Leases and Agreements. Borrower shall not, without the prior written consent of Lender: (i) lease any part of the Property or renew or extend any Leases; (ii) terminate, amend, modify or alter in any manner any Leases, or waive, excuse, condone, discount, set-off, compromise, or in any manner release or discharge Lessees from any obligations, covenants, conditions and agreements by such Lessees to be kept, or accept or consent to any surrender of the Leases; (iii) receive or collect any Rents and Proceeds for a period of more than one month in advance (whether in cash or by promissory note); (iv) further assign the Leases or pledge, transfer, mortgage or otherwise encumber or assign future payments of Rents and Proceeds; (v) commence an action of ejectment or summary proceedings for dispossession of the Lessees under any Leases; or (vi) consent to any modification of the express purposes for which the Property has been leased, or consent to any subletting of the Property or any part thereof, or to assignment of the Leases by Lessees thereunder or to any assignment or further subletting by any sublessees.

ARTICLE 9 MISCELLANEOUS

9.1 Successor Trustee. Lender may remove Trustee or any successor trustee at any time or times and appoint a successor trustee by recording a written substitution in the county where the Property is located, or in any other manner permitted by law.

9.2 No Waiver. No failure by Lender to insist upon strict, full and complete (i) payment when due of any portion of the Indebtedness or (ii) performance of any obligation, nor failure to exercise any right or remedy hereunder, shall constitute a waiver of any such failure to pay or breach of any such obligation, or of the later exercise of such right or remedy.

9.3 Notices. All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged, (ii) one business day after having been deposited for overnight delivery with Federal Express or another comparable overnight courier service, or (iii) three business days after having been deposited in any post office or mail

depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, addressed to the addresses set forth on page 1 hereof or addressed as such party may from time to time hereafter designate by written notice to the other parties.

9.4 Severability. If any provision hereof should be held unenforceable or void, that provision shall be deemed severable from the remaining provisions and in no way affect the validity of this Trust Deed except that if such provision relates to the payment of any monetary sum, then Lender may, at its option, declare the Indebtedness immediately due and payable.

9.5 Joinder of Foreclosure. Should Lender hold any other or additional security for the performance of the Obligations, its sale or foreclosure, upon any default in such performance, in the sole discretion of Lender, may be prior to, subsequent to, or joined or otherwise contemporaneous with any sale or foreclosure hereunder.

9.6 Governing Law. This Trust Deed shall be governed by and construed in accordance with the laws of the state in which the Land is located.

9.7 Subordination. At the option of Lender, this Trust Deed shall become subject and subordinate in whole or in part (but not with respect to priority of entitlement to any insurance proceeds, damages, awards, or compensation resulting from damage to the Property or condemnation or exercise of power of eminent domain), to any and all contracts of sale and/or any and all Leases upon the execution by Lender and recording thereof in the Official Records of the county where the Land is located of a unilateral declaration to that effect.

9.8 Waiver of Statute of Limitations and Rights to Trial by Jury. Borrower hereby waives, to the full extent allowed by law, the right to plead any statute of limitations as a defense to any obligation secured by this Trust Deed and the right to a jury trial in any action under or relating to the Loan Documents.

9.9 Entire Agreement. The Loan Documents set forth the entire understanding between Borrower and Lender relative to the Loan and the same shall not be amended except by a written instrument duly executed by each of Borrower and Lender.

9.10 Charges for Statements. Borrower agrees to pay Lender's charge, up to the maximum amount permitted by law, for any statement regarding the Obligations requested by Borrower or in its behalf.

9.11 Usury. In the event that Lender determines that any charge, fee or interest paid or agreed to be paid in connection with the Loan may, under the applicable usury laws, cause the interest rate on the Loan to exceed the maximum permitted by law, then such charges, fees or interest shall be reduced and any amounts actually paid in excess of the maximum interest permitted by such laws shall be applied by Lender to reduce the outstanding principal balance of the Loan. The parties intend that Borrower shall not be required to pay, and Lender shall not be entitled to collect, interest in excess of the maximum legal rate permitted under the applicable usury laws.

9.12 Information Reporting Under IRS Section 6045(e). Any information returns or certifications that must be filed with the Internal Revenue Service and/or provided to other parties pursuant to Internal Revenue Code Section 6045(e) shall be prepared, filed by and sent to the appropriate parties by Borrower. To the extent permitted by law, Lender shall have no responsibility to perform such services; provided however, that upon demand Borrower shall pay such fee to Lender as Lender may reasonably and lawfully request. Lender shall, where requested by Borrower, promptly supply Borrower with all information pertaining to Lender reasonably required by Borrower to prepare and file any such return or certification.

9.13 ERISA.

A. Lender represents and warrants to Borrower that, as of the date of this Trust Deed and throughout the term of the Loan, the source of funds from which Lender extends the Loan is its General Account, which is subject to the claims of its general creditors under state law. For so long as The Prudential Insurance Company of America is the holder of the Note and Lender hereunder, it shall not allocate all or any portion of the Loan to any account other than its General Account.

B. Borrower represents and warrants to Lender that, as of the date of this Trust Deed and covenants that, throughout the term of the Loan, (i) Borrower is not and will not become an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), which is subject to Title I of ERISA, and (ii) the assets of Borrower do not and will not constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101.

C. Borrower represents and warrants to Lender that, as of the date of this Trust Deed (i) Borrower is not a "governmental plan" within the meaning of Section 3(32) of ERISA and (ii) transactions by or with Borrower are not subject to state statutes regulating investment of and fiduciary obligations with respect to governmental plans.

D. Borrower covenants and agrees to deliver to Lender such certifications or other evidence from time to time throughout the term of the Loan, as requested by Lender in its sole discretion, that (i) Borrower is not an "employee benefit plan" or a "governmental plan," and (ii) Borrower is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans, and (iii) one or more of the following circumstances is true: (a) equity interests in Borrower are publicly offered securities, within the meaning of 29 C.F.R. Section 2510.3-101(b)(2); (b) less than twenty-five percent (25%) of all equity interests in Borrower are held by "benefit plan investors" within the meaning of 29 C.F.R. Section 2510.3-101(f)(2); (c) Borrower qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R. Section 2510.3-101(c) or (e); or (d) no equity interest in Borrower is held directly or indirectly by an employee benefit plan subject to ERISA.

E. Any of the following shall constitute an Event of Default entitling Lender to exercise any and all remedies to which it may be entitled under the Loan Documents: (i) the failure of any representation or warranty made by Borrower under this Section 9.13 to

be true and correct in all respects; (ii) the failure of Borrower to provide Lender with the written certifications and evidence referred to above; or (iii) the consummation by Borrower of a transaction which would cause the Trust Deed or any exercise of Lender's rights under the Loan Documents to constitute a non-exempt prohibited transaction under ERISA or a violation of a state statute regulating governmental plans, subjecting Lender to liability for violation of ERISA or such state statute.

F. Borrower shall indemnify, protect and defend and hold Lender harmless from and against all loss, fee, cost, damage and expense (including attorneys' fees and costs incurred in the investigation, defense and settlement of claims and losses incurred in correcting any prohibited transaction or in the sale of a prohibited loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Lender's sole discretion) that Lender may incur, directly or indirectly, as a result of a default under Section 9.13.E. This indemnity shall survive any termination, satisfaction or foreclosure of the Trust Deed.

G. Notwithstanding anything to the contrary contained in this Trust Deed, no Transfer otherwise permitted hereunder shall be permitted if such Transfer would negate the representations contained in this Section 9.13 or cause this Trust Deed (or the exercise by Lender of any of its rights and/or remedies under any Loan Document) to constitute a violation of any provision of ERISA or of any applicable state statute regulating a governmental plan, as determined by Lender in its sole and absolute discretion.

H. Notwithstanding anything to the contrary contained in this Trust Deed, not less than fifteen (15) days prior to any Transfer permitted hereunder pursuant to the terms and provisions hereof, Borrower shall obtain from the proposed transferee or lienholder, (i) a representation, in form and substance satisfactory to Lender, that all provisions of this Section 9.13 shall be true and correct after giving effect to any such Transfer, and (ii) such transferee's agreement in writing, which agreement must be in form and substance satisfactory to Lender in its sole and absolute discretion, that any transfer of such transferee's interest shall be governed by the terms and provisions of this Section 9.13.

9.14 Indemnification and Defense.

A. Borrower will indemnify, defend, and hold Lender and its agents harmless from and against all liability, loss, claims, damage, fee, cost or expense (including reasonable attorney fees) that Lender might incur in connection with the making or administering of the Loan, the enforcement of any of Lender's rights or remedies under the Loan Documents, by reason of any failure of any representation or warranty made by Borrower or the failure of Borrower to perform any obligation or by reason or in defense of any and all claims and demands whatsoever that may be asserted against Lender arising out of or in connection with the Property or the Loan.

B. Borrower shall appear in and defend (with counsel acceptable to Lender) any action or proceeding purporting to affect the security of the Trust Deed, or of any additional or other security for the obligations, the interest of Lender or the rights, powers and duties of Trustee hereunder.

C. Whenever, under any Loan Document, Borrower is obligated to indemnify and/or defend Lender, or Borrower is obligated to defend or prosecute any action or proceeding, then Lender shall have the right to participate in such prosecution or defense using counsel of Lender's choice, and all costs and expenses incurred by Lender in connection with such participation (including reasonable attorneys' fees) shall be reimbursed by Borrower to Lender. In addition, Lender shall have the right to approve any counsel retained by Borrower in connection with the prosecution or defense of any such action or proceeding by Borrower. Borrower shall give notice to Lender of the initiation of all proceedings prosecuted or required to be defended by Borrower, or which are subject to Borrower's indemnity obligations, under this Trust Deed, promptly after the receipt by Borrower of notice of the existence of any such proceeding, but in no event later than five (5) days thereafter.

D. Should Lender incur any liability, loss, claim, damage, cost or expense required to be reimbursed by Borrower to Lender hereunder, the amount thereof with interest thereon at the Secondary Interest Rate shall constitute part of the Indebtedness, shall be payable by Borrower upon demand and shall be secured by this Trust Deed.

9.15 Destruction of Note. Borrower shall, if the Note is mutilated or destroyed by any cause whatsoever, or otherwise lost or stolen and regardless of whether due to the act or neglect of Lender or Trustee, execute and deliver to Lender in substitution therefor a duplicate promissory note containing the same terms and conditions as the Note, within ten (10) days after Lender notifies Borrower of any such mutilation, destruction, loss or theft of the Note.

9.16 Heirs and Assigns. This Trust Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns.

9.17 Interpretation. When the identity of the parties or other circumstances make it appropriate, the masculine gender shall include the feminine and/or neuter, and the singular number shall include the plural. Specific enumeration of rights, powers and remedies of Trustee and Lender and of acts which they may do and of acts Borrower must do or not do shall not exclude or limit the general. The headings of each Article and Section are for convenience and do not limit or construe the contents of any provision hereof. The provisions of the Loan Documents shall be construed as a whole according to their common meaning, not strictly for or against any party and consistent with the provisions herein contained, in order to achieve the objectives and purposes of such documents. Each party and its counsel has reviewed and revised the Loan Documents and agree that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of such document. The use in the Loan Documents of the words "including", "such as", or words of similar import when following any general term, statement or matter shall not be construed to limit such statement, term or matter to the specific items or matters, whether or not language of non-limitation such as "without limitation" or "but not limited to", or words of similar import are used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such statement,

term or matter. The term "Borrower" shall be deemed to refer to each and every Borrower, both individually and collectively, when more than one Borrower exists, and to the original Borrower, and its or their successors and assigns (whether or not such assign assumed the Obligations hereunder); the term "Lender" includes Lender named herein or any future owner or holder, including pledgee and participants, of the Note, or any other instrument secured hereby, or any participation therein; and the term "Trustee" includes the original Trustee and its successors and assigns. The references to the "Property" shall be deemed to refer to all or any portion of the Property and any interest therein. References to "foreclosure" and related phrases shall be deemed references to the appropriate procedure in connection with Trustee's private power of sale as well as any judicial foreclosure proceeding or a conveyance in lieu of foreclosure.

9.18 Assignment of Trust Deed; Information to Third Persons. Lender shall have the right, in its sole discretion, at any time during the term of this Trust Deed to sell, assign, syndicate or otherwise transfer and/or dispose of all or any portion of its interest in the Note and this Trust Deed and Borrower hereby permits and consents to Lender's submission to its assignees of all financial data and all other information furnished by Borrower to Lender. Borrower shall furnish in a timely manner any and all financial information concerning the Property and Leases, and concerning Borrower's financial condition, requested by Lender or such person in connection with any such sale or transfer.

9.19 Commingling of Funds. Any and all sums collected or retained by Lender hereunder (including insurance and condemnation proceeds and any amounts paid by Borrower to Lender under Section 3.4 hereof), shall not be deemed to be held in trust, and Lender may commingle such funds or proceeds with its general assets and shall not be liable for the payment of any interest or other return thereon, except to the extent otherwise required by law.

9.20 Costs and Fees of Borrower. All costs, fees and expenses (including those of Lender's legal counsel and consultants) (collectively, "*Costs*") incurred by Lender in making, administering or collecting the Loan including, without limitation, Costs incurred by Lender in connection with any inspections, reports, tests, inquiries and reviews, condemnation proceedings, endorsements to the title policy, actions or proceedings in which Lender may appear or be made a party (including foreclosure or other proceedings commenced by those claiming a right to any part of the Property or any action to partition all or part of the Property, whether or not pursuant to final judgment and exercise of the power of sale contained herein, whether or not the sale is actually consummated) and all sums expended by Lender in the exercise of any of its rights or remedies under this Trust Deed shall be immediately due and payable by Borrower to Lender upon demand, shall accrue interest at the Secondary Interest Rate from the date of expenditure until paid, and shall be added to the Indebtedness secured by the Loan Documents prior to any right, title or interest in or claim upon the Property attaching or accruing subsequent to the lien of this Trust Deed.

9.21 ORS Chapter 93 Warning. THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR

ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

9.22 Certain Obligations Unsecured. Notwithstanding anything to the contrary set forth herein or any of the Loan Documents, this Trust Deed shall not secure the following obligations (the “**Unsecured Obligations**”): (i) any obligations evidenced by or arising under the Hazardous Substances Agreement; and (ii) any Other obligations in this Trust Deed or in any of the other Loan Documents to the extent that such other obligations relate specifically to the presence on the Property of Hazardous Materials (as defined in the Hazardous Substances Agreement) and are the same or have the same effect as any of the obligations evidenced by or arising under the Hazardous Substances Agreement. Nothing in this section shall, in itself, impair or limit Lender’s right to obtain a judgment in accordance with applicable law after foreclosure for any deficiency in recovery of all obligations that are secured by this Trust Deed following foreclosure.

The rest of this page is left blank intentionally. Signatures are on the following page.

UNDER OREGON LAW, AGREEMENTS, PROMISES AND COMMITMENTS MADE BY BENEFICIARY 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 THE BENEFICIARY TO BE ENFORCEABLE.

IN WITNESS WHEREOF, Borrower has caused this Trust Deed to be executed as of the day and year first above written.

Michael LaGrande
MICHAEL LaGRANDE

Kristine LaGrande
KRISTINE LaGRANDE

STATE OF CALIFORNIA

)
)
ss.
)

COUNTY OF Colusa

On February 11th, 2005, before me, Deborah Jimenez, Notary Public, personally appeared MICHAEL LaGRANDE and KRISTINE LaGRANDE, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

Deborah Jimenez
Notary Public

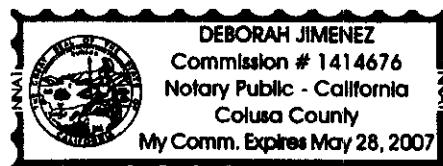


EXHIBIT A
(PROPERTY DESCRIPTION)

The Land is located in Klamath County, Oregon, and is legally described as follows:

Unofficial
Copy

14652

PARCEL 1:

E 1/2 of the NE 1/4 of the SW 1/4 and NE 1/4 of the SE 1/4 of the SW 1/4 of Section 1, Township 33 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 2:

SE 1/4 of the NW 1/4 and the E 1/2 of the NW 1/4 of the NW 1/4 Section 7, Township 33 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 3:

The S 1/2 of the SE 1/4 of the SW 1/4, Section 1, Township 33 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 4:

That portion of Government Lot 4 lying South of HOG CREEK as it is presently situated, Section 1, Township 33 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 5:

The N 1/2 of the SW 1/4 of the NW 1/4, Section 1, Township 33 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 6:

Government Lot 8, Section 6, Township 33 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

(continued)

14653

(Legal description continued)

PARCEL 7:

The S1/2 of the SE1/4; the NE1/4 of the SE1/4 and the S1/2 of the SW1/4 in Section 36, Township 32 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 8:

Section 1: Lots 1, 2, 3 and 5, S1/2 of the NE1/4, and the SE1/4, and the SE1/4 of the NW1/4, and that portion of Lot 4 lying North of Hog Creek, East of the Willamette Meridian, Klamath County, Oregon.

Section 12: NE1/4. All in Township 33 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon

PARCEL 9:

The E1/2 of the SE1/4 of Section 31 and the W1/2 of the SW1/4 of Section 32, Township 32 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 10:

Government Lots 3 and 4, S1/2 of the NE1/4 of the SW1/4, N1/2 of the SE1/4 of the SW1/4 and NW1/4 of the SE1/4 Section 31, Township 32 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.